

Minutes for July 14, 1964

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, 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

WM

Gov. Mills

[Signature]

Gov. Robertson

CRB

Gov. Balderston

[Signature]

Gov. Shepardson

Gov. Mitchell

[Signature]

Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System  
on Tuesday, July 14, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Kiley, Assistant Director, Division of  
Bank Operations  
Mr. Leavitt, Assistant Director, Division of  
Examinations

Reserve deficiencies (Item No. 1). Unanimous approval was given to a letter to the Federal Reserve Bank of Boston authorizing it to waive the assessment of certain penalties incurred by Connecticut Bank and Trust Company, Hartford, Connecticut, because of deficiencies in its required reserves. A copy of the letter is attached as Item No. 1.

Changes in cash and noncash collection circulars and proposed amendments to Regulations G and J (Items 2-4). There had been distributed a memorandum from Mr. Hackley dated July 9, 1964, relating that at its meeting on June 15, 1964, the Conference of Presidents of the Federal Reserve Banks had approved recommendations made by the Subcommittee on Collections and the Subcommittee of Counsel on Collections for certain changes in the cash and noncash collection circulars of the Federal Reserve Banks and certain amendments to the Board's Regulation G, Collection of Noncash Items, and Regulation J, Check Clearing and Collection.

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The noncash collection circulars would be amended to include a uniform paragraph providing for the passing of credit (subject to final payment) for certificates of deposit, as well as bankers' acceptances, on the maturity date for items payable in Reserve Bank or branch cities and one day after maturity for items payable elsewhere, provided the items were received sufficiently in advance of maturity to permit forwarding in time to reach the place of payment at least one day before maturity.

The cash collection circulars would be amended to include a uniform paragraph designed to protect the Reserve Banks from liability for any delay resulting from (1) their forwarding a cash item to its destination on the basis of either the magnetically inscribed or the printed routing symbol and ABA transit number of the payor bank, or, in the absence of such symbol and number, on the basis of the name of the payor bank appearing on the item, or (2) their inscribing on the item the routing symbol and transit number of the payor bank and forwarding the item accordingly.

The uniform paragraphs of the cash collection circulars would be amended to permit a Reserve Bank to recover or revoke credit for any "late-return" item unless the Reserve Bank was instructed not to do so by the sending bank.

As to Regulations G and J, if a raised item was presented to a drawee bank by a Reserve Bank located in a State in which the Uniform

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Commercial Code was in effect, the Reserve Bank would ordinarily be held liable in any suit by the drawee bank against the Reserve Bank for the amount by which the item had been raised, since a collecting bank under the Commercial Code is deemed to warrant items presented by it against material alteration. However, at present a Reserve Bank would ordinarily not be able to recover from its sending bank for the amount of its loss if the sending bank was located in a State in which the Commercial Code was not in effect. It was proposed that Regulations G and J be amended so as to provide that a Reserve Bank located in a Commercial Code State would receive the same warranties and agreements from sending banks in States in which the Commercial Code was not in effect as the Reserve Bank was required by the Code to give to banks to which it forwarded items for payment.

Also Regulations G and J set forth the terms and conditions on which member and nonmember clearing banks send cash and noncash items, respectively, to the Reserve Banks. It was presumably intended that a Reserve Bank that sent items to another Reserve Bank would send them on the same terms and conditions, but this intent was not entirely clear. Proposed amendments to the Regulations would clarify this point.

It was recommended in Mr. Hackley's memorandum (1) that the Board publish in the Federal Register proposed amendments to Regulations G and J (in form attached to the memorandum) with an invitation for comment by the public and (2) that a letter in the form of a draft attached to the



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memorandum be sent to the Reserve Banks advising them of the Board's concurrence in the action of the Conference of Presidents with respect to the proposed changes in the cash and noncash collection circulars of the Reserve Banks. The letter would enclose copies of the proposed amendments to Regulations G and J as prepared for publication in the Federal Register.

After comments by Mr. Hackley in supplementation of his memorandum and discussion by the Board in light thereof, the recommendations in the memorandum were approved unanimously. A copy of the letter sent to the Federal Reserve Banks pursuant to this action is attached as Item No. 2. Copies of the notices sent to the Federal Register for publication regarding the proposed amendments to Regulations G and J are attached as Items 3 and 4, respectively.

Bill relating to data processing equipment. Mr. Cardon reported that an invitation had been received from Chairman McClellan of the Senate Government Operations Committee for comment by the Board on a proposed amendment to a bill, H. R. 5171, that would authorize the Administrator of General Services to coordinate the acquisition and utilization of automatic data processing equipment by Federal departments and agencies. Chairman McClellan also asked to be advised if the Board desired to have a representative testify at any hearings that might be held by the Committee.

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The proposed amendment, understood to be sponsored by the Budget Bureau, was in the nature of a substitute for H. R. 5171, in an effort to meet objections of the Federal agencies to the provisions of the original bill, which had been passed by the House. The Senate Committee had previously invited the Board's comments on a companion Senate bill, S. 1577, but Mr. Cardon, after checking with the Committee's staff, had recommended that the request be filed without reply, and consequently no reply was made.

After explaining differences between the bill that had passed the House and the amendment currently under consideration by the Senate Committee, Mr. Cardon noted that the answer to the question of the applicability of the proposed legislation to the Board's computer operations was not entirely clear. While a specific exemption might be requested, it was his recommendation, for reasons which he outlined, that such an exemption not be sought and that no letter be submitted to, or appearance requested before, the Senate Government Operations Committee regarding the proposed amendment to H. R. 5171.

After discussion, there was unanimous agreement with Mr. Cardon's recommendation.

Use of Board records (Item No. 5). Mr. Sherman noted that last year the Board had appointed Professor Elmus R. Wicker of Indiana University as a consultant to help review some of the earlier records of the Board. Subsequently, Professor Wicker furnished a memorandum

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presenting his evaluation of such records from the standpoint of their historical interest. In the course of this review, Professor Wicker saw certain passages in the Board's minutes and other records that were of interest to him in connection with a manuscript that he had been preparing under a grant from the Ford Foundation. He made notes of this material with the understanding, however, that he would make no use in his manuscript of material obtained exclusively from the Board's files or minutes without clearance from the Board. More recently Professor Wicker had submitted to the Board's Secretary a copy of his manuscript, which was entitled "Administration of U. S. Monetary Policy from World War I to the Banking Holiday." In this copy he had identified at a number of places references that were based on his access to the Board's records. He now presented the question whether the Board would permit him to retain these references in the manuscript. Mr. Sherman said he and Mr. Molony had both reviewed the manuscript. It was their reaction that it represented a scholarly, workmanlike job relating to monetary policy administration during the early years of the Federal Reserve System.

In further discussion, Mr. Sherman advised that pursuant to the action taken by the Federal Open Market Committee on May 5, 1964, the minutes of the Committee for the years 1936-1960 had been made ready for transmittal to National Archives. It was expected that they would be sent to the Archives within the next few days with a transmittal

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letter signed by Chairman Martin. The Open Market Committee authorization extended also to other records relating to open market operations since the formation of the Federal Reserve System, and such material was presently being reviewed in light of the authorization. As yet, however, no action had been taken by the Board with respect to transmitting to Archives or otherwise making available to the public minutes or other records of the Board outside the open market area.

Asked by Governor Robertson whether it would not seem appropriate for the Board to take such an action, Mr. Sherman commented that this came down partly to a question of mechanics. In contrast to the Open Market Committee minutes, which focused on open market operations and policy, the Board's minutes covered a wide range of subject matter including, for example, discussions of internal administrative matters of the Board and the Federal Reserve Banks and supervisory problems affecting individual member banks. Accordingly, there might be some question as to the appropriateness of transferring the Board's minutes for a period of years to National Archives in entirety. An alternative procedure would be for the Board to authorize some staff member with knowledge of the content of the minutes and other Board records to permit access, at the Federal Reserve Building, to pertinent parts of such minutes and records to parties who expressed an interest in particular subjects.

Governor Balderston indicated that, for the moment at least, he would have some reservations about transferring the Board's minutes to



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National Archives in entirety. He was not sure, for one thing, that there would be the same degree of public interest as in the Open Market Committee minutes, which dealt largely with policy matters. There was a great deal in the Board's minutes to which access would not appear to add much to the sum of scholarly knowledge.

Mr. Sherman commented that a question of timing also was involved. The Board might want to say, for example, that its minutes and other unpublished records for the past fifteen years would not be made generally available, but that the Secretary was authorized to permit responsible persons to use such records for earlier years.

Governor Robertson said that at the moment he did not see that there would be too much on the administrative side that would be of such nature as to warrant prohibiting access to Board minutes, particularly for earlier dates. In view of the action that had been taken by the Open Market Committee with respect to the Open Market minutes, it was his feeling that the Board would be remiss if it did not take an action to make Board records generally available, at least for the period up to the most recent fifteen years. In general, the Board's position should be one of making its records available to people who wanted to study the System. It might be desirable to segregate certain material for particular reasons, but in general he felt that the Board's posture should be one of making its records available. He would favor taking an action of that kind promptly, recognizing that it might take some



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little time for the staff to complete its review of the Board's minutes and records.

Mr. Sherman referred to a paper that had been prepared by Mr. Bakke of the Secretary's Office on the open market function in the early days of the Federal Reserve System, and he also stated that Mr. Furth of the Division of International Finance had been reviewing some of the earlier Board minutes for evaluation of historical content. It was rather vital, he thought, to have competent persons review the older records to appraise how useful they would be to scholars and students.

Mr. Sherman went on to say, however, that he would have no hesitancy in recommending that the Board authorize making available to interested persons its minutes covering a period up to, say, fifteen years prior to current date, within the judgment of the Secretary. For minutes and records covering the more recent period, the Board might want to know specifically what uses of such material were contemplated. It might want a report on persons who were requesting access to them, or it might want to have an understanding that materials of certain types would not be used without some kind of clearance.

Asked by Governor Balderston whether he was recommending, in essence, that Board minutes and records for a certain period be opened up to scholars for use within the Federal Reserve Building, Mr. Sherman said he would recommend doing that immediately. In addition, consideration might be given to making excerpts from the minutes on certain

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subjects and placing those excerpts in the National Archives. Representatives of the Archives had indicated that they would be pleased to have such excerpts transferred by the Board, particularly as they related to monetary policy decisions and similar matters. It would take some time, of course, to review the minutes and make excerpts. Referring further to Governor Balderston's question, Mr. Sherman repeated he would recommend that the Board authorize giving responsible scholars access to Board records if they came into the Federal Reserve Building and wanted to use them.

After further discussion, Chairman Martin commented that the immediate question before the Board was whether to permit Professor Wicker to use in his manuscript, as published, the references that he had obtained by virtue of having had access to the Board's minutes and records. He suggested that such permission be granted, and there was unanimous agreement.

Chairman Martin then suggested that the Secretary be authorized, in his discretion, to make pertinent Board minutes and records available at the Federal Reserve Building to responsible persons desiring to study various aspects of the Federal Reserve System and its history, and there was unanimous agreement with this suggestion.

Secretary's Note: Attached as Item No. 5 is a copy of a letter dated July 17, 1964, from Chairman Martin to the Archivist of the United States transmitting the minutes of the Federal Open Market Committee for the years 1936-1960 and commenting on other materials being studied with a view to their transmittal to National Archives.

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Paper on open market operations. Mr. Sherman recalled that some time ago the Board had authorized him to make available to Mr. Robert Schremp, a member of the staff of Congressman Patman, Chairman of the House Banking and Currency Committee, and to Mr. Schremp's associate, Mr. Harvey Geist, Board records relating to open market operations of the Federal Reserve Banks during the period of the 1920's and earlier. He said that yesterday afternoon Mr. Schremp advised that there had been prepared, on the basis of this study, a document that would not be a Committee report but rather a kind of staff memorandum. Mr. Schremp wanted to talk with members of the Board's staff about the paper, stating that he wanted to be accurate and give a correct impression. The Board's staff would, of course, be careful to avoid taking any steps that might suggest approval of the paper by the Board.

Dinners for System personnel. At the instance of Governor Robertson, there was a brief discussion of the practice of Federal Reserve Banks in arranging dinners for representatives of other Reserve Banks on such occasions as the holding of meetings of System committees and subcommittees. The discussion went to the question of the benefits of such a practice, particularly when considered in light of the fact that Reserve Bank officers and employees traveling on official business could claim reimbursement for their own expenses. The possibility was suggested of writing a letter to the Federal Reserve Banks setting forth guidelines in this regard, but the view was expressed it might be difficult

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to handle the subject effectively in a formal communication. The alternative suggestion was made that the subject be discussed by the Board with the Presidents of the Federal Reserve Banks at some time when the Presidents were in Washington, and there was general agreement that such a procedure would be preferable.

The meeting then adjourned.

Secretary's Notes: A letter was sent today to Bank of America National Trust and Savings Association, San Francisco, California, acknowledging receipt of notice of its intent to establish a branch in Calcutta, India.

Attached as Item No. 6 is a copy of a letter sent today over the signature of Chairman Martin to Senator Bible concerning a suggestion that the use of coin as collateral for bank loans be prohibited.

Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 7) approving the appointment of Edward A. Nicolaus, III, as assistant examiner.

Memoranda recommending the following actions relating to the Board's staff:

Appointment

Linda C. Smith as Editorial Clerk, Division of Research and Statistics, with basic annual salary at the rate of \$4,690, effective the date of entrance upon duty.

Re-employment following maternity leave

Nancy H. Teeters, Economist, Division of Research and Statistics, on a half-time basis, with basic annual salary at the rate of \$4,765, effective July 20, 1964.

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Salary increases, effective July 19, 1964

Eva Louise Jarvis, Minutes Clerk, Office of the Secretary, from \$3,880 to \$3,985 per annum.

W. Sutton Potter, Senior Attorney, Legal Division, from \$10,310 to \$10,640 per annum.

James A. McIntosh, Technical Assistant, Division of Bank Operations, from \$9,980 to \$10,310 per annum.

Anna S. Courtney, Supervisor, Recording and Stenographic Section, Division of Examinations, from \$7,160 to \$7,355 per annum.

Jerry B. Riley, Senior Federal Reserve Examiner, Division of Examinations, from \$11,725 to \$12,110 per annum.

Louis William Zidek, Senior Federal Reserve Examiner, Division of Examinations, from \$11,725 to \$12,110 per annum.

Garland R. Gaines, Mail Clerk, Division of Administrative Services, from \$4,145 to \$4,405 per annum.

Wilbert J. Hart, Supply Clerk, Division of Administrative Services, from \$3,305 to \$3,620 per annum.

Janet E. Innocenti, Statistical Clerk, Division of Data Processing, from \$4,355 to \$4,495 per annum.

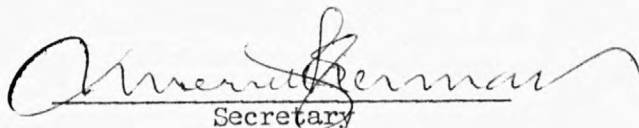
Darrell Pepper, Chart Machine Operator, Division of Data Processing, from \$4,215 to \$4,355 per annum.

Permission to engage in outside activity

Frederic Solomon, Director, Division of Examinations, to lecture on bank capital at the School of Banking, University of Wisconsin, Madison, Wisconsin, for one day in August 1964, while on annual leave.

Acceptance of resignation

Andrew R. Hricko, Senior Attorney, Legal Division, effective July 21, 1964.

  
Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

Item No. 1  
7/14/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 14, 1964.

Mr. E. O. Latham,  
First Vice President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts. 02106

Dear Mr. Latham:

This refers to your letters of June 25 and July 2 regarding the penalties totaling \$2,183.10 incurred by the Connecticut Bank and Trust Company, Hartford, Connecticut, on deficiencies in its required reserves for the computation periods ended February 19, March 4, April 1, April 15, and May 13, 1964.

It is noted that (1) these deficiencies resulted from an incorrect treatment of certificates of deposit in the computation of net demand deposits which caused understatement of the latter; (2) although the bank began to purchase certificates of deposit in January 1964 and the incorrect treatment occurred in nine reserve periods, deficiencies resulted in only the five periods listed above; (3) the bank has previously had an excellent record in maintaining its required reserves; and (4) penalties totaling \$1,408 can be waived by your Bank--\$149.84 (for the period ended February 19) under the provision of Paragraph E, and \$1,258.16 (comprised of part of the penalties incurred for the periods ended March 4, April 15, and May 13) under the provision of Paragraph C of the Board's instructions (S-1123; FRLS #6120).

In the circumstances the Board authorizes your Bank to waive the assessment of the remaining penalties totaling \$775.10 for the periods ended March 4, April 1, April 15, and May 13, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

2477  
Item No. 2  
7/14/64  
S-1919

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 14, 1964.

Dear Sir:

The Board of Governors concurs in the actions taken by the Conference of Presidents at its meeting on June 15, 1964, approving recommendations contained in the Joint Report of the Subcommittee on Collections and the Subcommittee of Counsel on Collections, dated May 22, 1964, with respect to changes in the operating circulars or letters of the Federal Reserve Banks relating to the collection of cash and noncash items and proposed amendments to the Board's Regulations G and J.

Accordingly, it is understood that the following changes will be made in the noncash and cash operating circulars or letters of the Reserve Banks:

1. Operating circulars or letters relating to the collection of noncash items will include the following uniform paragraph:

"Credit for bankers' acceptances and certificates of deposit will be given, subject to payment in actually and finally collected funds, in accordance with the following schedule, if received by us sufficiently in advance to permit forwarding in time to reach the place of payment at least one day before maturity:

Place Payable

Federal Reserve Bank or Branch cities  
Elsewhere

Credit Available

On maturity date  
1 day after maturity."

In this connection, it is suggested that those Reserve Banks whose operating circulars or letters now contain specific provisions regarding the giving of credit for bankers' acceptances may wish to consider whether the new uniform paragraph will require other changes in such circulars or letters. For example, paragraph 24 of the New York Reserve Bank's

Operating Circular No. 8, which now refers to the giving of credit for the proceeds of bankers' acceptances and due and past due coupons, may need to be expanded to refer also to the giving of credit for the proceeds of certificates of deposit.

2. Operating letters and circulars relating to the collection of cash items will include a uniform paragraph reading as follows:

"The depositor of each cash item which is sent to this Bank for handling hereunder and every prior collecting bank agree with respect to such item that:

"(1) this Bank may handle and forward such item hereunder to any bank whose name or designation appears on the item as the bank by, at, or through which the item is payable, whether such name or designation is written or made by means of any magnetically-inscribed routing symbol and ABA transit number, or by means of any routing symbol and ABA transit number not magnetically inscribed, or by any other means;

"(2) if the item does not bear any routing symbol and ABA transit number, this Bank may inscribe on the item in magnetic ink, or otherwise write thereon, the routing symbol, the ABA transit number, or both, of the bank by, at or through which the item is payable, and handle and forward the item accordingly.

"The depositor of such item and each such collecting bank hereby are given notice and recognize that the efficient operation of the Federal Reserve collection system makes impracticable the assumption by the Federal Reserve Banks of any responsibility for delay resulting from action taken by this Bank, as stated in (1) and (2) above; and they hereby assume any and all risk of loss arising from any such delay and agree that the handling of such item in accordance herewith shall constitute the exercise of ordinary care by this Bank."

It is understood that this paragraph will be included under the heading "Check Standardization, Sorting, Routing, and Mechanized Processing," an expansion of the present heading "Check Standardization."

3. The uniform paragraphs in the operating circulars and letters of the Federal Reserve Banks relating to the collection of cash items which deal with the return of unpaid items will be revised to read as follows:

"Each bank returning cash items for credit or refund represents that such items are returned within the time allowed by paragraph (d) of Section 210.5 of Regulation J; \*

\*References here and on next page to paragraph (d) of Section 210.5 of Regulation J should have read paragraph (e).

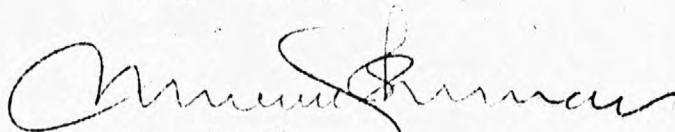
and this Bank may recover or revoke any refund, deduction or credit made, allowed or given by it for any item returned after the time allowed by Regulation J unless we are instructed not to do so by our sending bank, but any such recovery or revocation shall be without prejudice to the rights and obligations of the returning and sending banks, as between themselves, in respect of the item or any settlement or credit therefor. A bank may, however, return to us without entry a cash item which it has failed to return in time, with a request that we ask our sending bank to make refund therefor, in which event we shall make refund to the returning bank and charge our sending bank only if the latter specifically authorizes us to do so.

\* \* \* \* \*

"The attention of sending banks is called to our 'Instructions to collecting and remitting banks' to the effect that (a) each bank returning cash items for credit or refund represents that such items are returned within the time allowed by paragraph (d) of Section 210.5 of Regulation J, and (b) that this Bank may recover or revoke any refund, deduction or credit made, allowed or given by it for any item returned after the time allowed by Regulation J unless we are instructed not to do so by our sending bank, but any such recovery or revocation shall be without prejudice to the rights and obligations of the returning and sending banks, as between themselves, in respect of the item or any settlement or credit therefor. We do not undertake to examine all returned cash items to confirm that such items are returned within the time permitted under the provisions of paragraph (d) of Section 210.5 of Regulation J."

The Board is publishing in the Federal Register notices of proposed amendments to Regulation G and Regulation J in the form recommended by the Subcommittee on Collections and the Subcommittee of Counsel on Collections and approved by the Conference of Presidents, with certain nonsubstantive changes in style. Copies of such notices as prepared for publication in the Federal Register are enclosed. It will be noted that any comments with respect to the proposed amendments must be submitted to the Federal Reserve Banks in time to be received not later than August 17, 1964.

Very truly yours,



Merritt Sherman,  
Secretary.

Enclosures

cc: Mr. Timlen, Secretary, Conference of Presidents, c/o FRBank of New York

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



Item No. 3  
7/14/64

NOTICE  
FEDERAL RESERVE SYSTEM  
[12 CFR Part 207]  
[Reg. G]  
COLLECTION OF NONCASH ITEMS  
Terms of Collection

The Board of Governors of the Federal Reserve System is considering certain amendments to paragraphs (a) and (b) of § 207.3, regarding the terms under which Federal Reserve Banks will collect noncash items.

The purposes of these amendments are (1) to provide that Federal Reserve Banks, as collecting banks, shall receive the same warranties from sending banks located in jurisdictions in which the Uniform Commercial Code is not in effect as Federal Reserve Banks located in jurisdictions in which the Code is in effect give to banks to which they forward noncash items, and (2) to make it clear that a Federal Reserve Bank which sends items to another Federal Reserve Bank makes the same warranties and agreements as are made by a member or nonmember bank which sends such items to a Federal Reserve Bank.

The proposed amendments would revise paragraphs (a) and (b) of § 207.3 to read as follows:  
§ 207.3 - Terms of collection.

(a) Agreement of sending bank. Each member and nonmember clearing bank and each Federal Reserve bank which sends noncash items



to a Federal Reserve bank for collection shall by such action be deemed: (1) to authorize the Federal Reserve banks to handle such items subject to the terms and conditions of this part; (2) to warrant its own authority to give the Federal Reserve banks such authority; (3) to agree to indemnify any Federal Reserve bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from the failure of such sending bank to have such authority, or resulting from such Federal Reserve bank's guaranty of prior endorsements, resulting from any action taken by the Federal Reserve bank within the scope of its authority for the purpose of collecting such noncash items, or resulting from any and all warranties given by the Federal Reserve bank, in respect of such items, under the law of any State applicable to the Federal Reserve bank as a collecting bank; (4) to guarantee all prior endorsements on such items whether or not a specific guaranty is incorporated in an endorsement of the sending bank; and (5) to warrant to the Federal Reserve bank, in respect of such items, all such matters and things as the Federal Reserve bank shall warrant in respect thereof under the law of any State applicable to the Federal Reserve bank as a collecting bank; provided, that nothing herein contained shall, or shall be deemed to, constitute a limitation upon the effect of any warranty by such sending bank arising under the law of any State applicable to such sending bank as a collecting bank.

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(b) Federal Reserve bank as agent. A Federal Reserve bank will act only as agent of the bank from which it receives such noncash items and will assume no liability except for its own negligence, its guaranty of prior endorsements and its warranties under the law of any State applicable to it as a collecting bank.

This notice is published pursuant to section 4 of the Administrative Procedure Act and § 262.1 of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR Part 262). The proposed amendments are authorized under the authority cited at 12 CFR Part 207.

To aid in consideration of this matter, the Board will be glad to receive from interested persons any relevant data, views, or arguments. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the appropriate district, which will forward it to the Board for consideration. All such material should be submitted in writing to be received not later than August 17, 1964.

Dated at Washington, D. C., this 14th day of July, 1964.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

(SEAL)

## NOTICE

Item No. 4  
7/14/64

## FEDERAL RESERVE SYSTEM

[12 CFR Part 210]

[Reg. J]

## CHECK CLEARING AND COLLECTION

## Terms of Collection

The Board of Governors of the Federal Reserve System is considering certain amendments to § 210.5, regarding the terms under which checks and other cash items are collected by the Federal Reserve Banks.

The purposes of these amendments are (1) to provide that Federal Reserve Banks, as collecting banks, shall receive the same warranties from sending banks located in jurisdictions in which the Uniform Commercial Code is not in effect as Federal Reserve Banks located in jurisdictions in which the Code is in effect give to banks to which they forward checks, and (2) to make it clear that a Federal Reserve Bank which sends checks to another Federal Reserve Bank makes the same warranties and agreements as are made by a member or nonmember bank which sends checks to a Federal Reserve Bank.

The proposed amendments would designate the presently undesignated first paragraph of § 210.5 as paragraph (a), redesignate the present paragraphs (a) through (i) of that section as paragraphs (b) through (j), respectively, and revise the presently undesignated first paragraph and paragraph (a) of such section to read as follows:

§ 210.5 - Terms of collection.

(a) The Board of Governors of the Federal Reserve System hereby authorizes the Federal Reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember clearing bank and each Federal Reserve bank which sends checks to a Federal Reserve bank for deposit or collection shall by such action be deemed: (1) to authorize the Federal Reserve banks to handle such checks subject to the following terms and conditions; (2) to warrant its own authority to give the Federal Reserve banks such authority; (3) to agree to indemnify any Federal Reserve bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from the failure of such sending bank to have such authority, or resulting from such Federal Reserve bank's guaranty of prior endorsements, resulting from any action taken by the Federal Reserve bank within the scope of its authority for the purpose of collecting such checks, or resulting from any and all warranties by the Federal Reserve bank, in respect of such checks, under the law of any State applicable to the Federal Reserve bank as a collecting bank; (4) to guarantee all prior endorsements on such checks whether or not a specific guaranty is incorporated in an endorsement of the sending bank; and (5) to warrant to the Federal Reserve bank, in respect of such checks, all such matters and things as the Federal Reserve bank shall warrant in respect thereof under the law of any State applicable to the Federal Reserve bank as a collecting



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bank; provided, that nothing herein contained shall, or shall be deemed to, constitute a limitation upon the effect of any warranty by such sending bank arising under the law of any State applicable to such sending bank as a collecting bank.

(b) A Federal Reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence, its guaranty of prior endorsements and its warranties under the law of any State applicable to it as a collecting bank.

This notice is published pursuant to section 4 of the Administrative Procedure Act and § 262.1 of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR Part 262). The proposed amendments are authorized under the authority cited at 12 CFR Part 210.

To aid in consideration of this matter, the Board will be glad to receive from interested persons any relevant data, views, or arguments. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the appropriate district, which will forward it to the Board for consideration. All such material should be submitted in writing to be received not later than August 17, 1964.

Dated at Washington, D. C., this 14th day of July, 1964.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(SEAL)

(Signed)

Merritt Sherman

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Merritt Sherman,  
Secretary.





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 5  
7/14/64

OFFICE OF THE CHAIRMAN

July 17, 1964.

Dr. Wayne C. Grover,  
Archivist of the United States,  
National Archives Building,  
Washington, D. C. 20408

Dear Dr. Grover:

The Board of Governors of the Federal Reserve System and the Federal Open Market Committee have authorized the transfer from the Board to the custody of the Archivist of the United States of the minutes of meetings of the Federal Open Market Committee from the date of its organization in March 1936 to the end of the year 1960. Certain other records relating to operations in the open market that were carried on by the Federal Reserve from its formation in 1914 until establishment of the Federal Open Market Committee in 1936 pursuant to the Banking Act of 1935 were included in the authorization. The records to be transferred under this authorization are to be available to interested persons without restriction other than the normal restrictions that the National Archives would place on such materials to assure their preservation and proper handling.

The body of records being transferred at this time consists of 28 volumes containing the original signed copies of the minutes of the meetings of (1) the Federal Open Market Committee from March 1936 to the end of 1960 and (2) its Executive Committee from March 1936 until June 1955 when it was abolished. The total number of typed pages of these minutes approximates 8700.

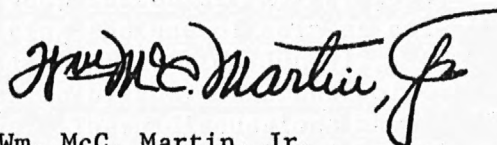
Additional materials relating to System operations in the open market, as well as to Board matters outside the open market area, are now being reviewed. It is expected that a considerable amount of such material having value for historical and scholarly research will be transferred from the Board to the Archivist of the United States within the next few months. A detailed description of those additional records will be furnished at the time the current review is completed.

Dr. Wayne C. Grover

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The Board believes that the official records pertaining to policy decisions and operations of this country's central banking system should be available over the course of time to interested persons for studies of monetary policy or of other aspects of Federal Reserve history on which they may throw light. Such materials should provide an important new source of information for persons wishing to study the Federal Reserve System, and it seems especially appropriate that those for the years referred to in this letter should be made available either through the National Archives or here at the Board for public use in this the year of the fiftieth anniversary of the Federal Reserve System.

Sincerely yours,

A handwritten signature in dark ink, reading "Wm. McC. Martin, Jr." with a stylized flourish at the end.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 6  
7/14/64

OFFICE OF THE CHAIRMAN

July 14, 1964.

The Honorable Alan Bible,  
United States Senate,  
Washington, D. C. 20510.

Dear Senator Bible:

This is in further reply to your letter of May 27, 1964, concerning the advisability of prohibiting the use of coin as collateral for bank loans. As indicated in my letter of June 12, this question was scheduled for discussion by the Conference of Presidents of the Federal Reserve Banks. These discussions have now taken place, and, after considering the views expressed by the presidents, I doubt that such a prohibition would be effective in dealing with the coin shortage.

We have no evidence that bank loans of this type are being made in any volume that is significant in terms of the overall coin shortage. Prohibiting such loans might result only in resort to alternative sources of financing or to bank loans in another form. Presumably, many persons with sufficient means to engage in dealings of this type on any significant scale could furnish other types of collateral or could borrow on the strength of their financial statements without collateral.

One alternative suggestion that has considerable merit, in the Board's judgment, is S. 2950, introduced by Senator Robertson, to authorize the Mint to keep the 1964 mintage date on all newly minted coins until adequate supplies of coin are available. The only real solution, of course, is to increase coin production as substantially and rapidly as possible.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7  
7/14/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 14, 1964

Mr. E. H. Galvin, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California. 94120

Dear Mr. Galvin:

In accordance with the request contained in Mr. Cavan's letter of July 6, 1964, the Board approves the appointment of Edward A. Nicolaus, III, as an assistant examiner for the Federal Reserve Bank of San Francisco, effective today. Please furnish a photograph of Mr. Nicolaus.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

