

Minutes for January 10, 1963

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	<u>M</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>R</u>
Gov. Balderston	<u>CB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, January 10, 1963. The Board met in the Board Room at
10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Shay, Assistant General Counsel
Mr. Katz, Associate Adviser, Division of
International Finance
Mr. Leavitt, Assistant Director, Division of
Examinations
Miss Hart, Senior Attorney, Legal Division
Mr. Doyle, Attorney, Legal Division
Mr. Hill, Attorney, Legal Division
Mr. Harris, Assistant Review Examiner, Division
of Examinations

Examiners' Conference. The Board approved the recommendation contained in a memorandum dated January 7, 1963, from Mr. Benner, Assistant Director, Division of Examinations, that the annual conference of representatives of the Bank Examination Departments of the Federal Reserve Banks be held in Washington on March 11 and 12, 1963, and that a dinner be given at a local hotel for the Reserve Bank representatives and designated Board personnel, the list of prospective invitees to be submitted later for approval.

European Coal and Steel Community. On December 20, 1962, the Board considered the question whether the European Coal and Steel Community and the European Investment Bank fell within the categories of institutions whose time deposits were exempted from interest rate limitations pursuant

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to Public Law 87-827. The Board concluded that time deposits of the European Investment Bank were not exempted. However, a final determination with respect to the European Coal and Steel Community was deferred since a New York City law firm representing the organization had asked for an opportunity to present further views if there was an inclination on the part of the Board to make an adverse determination.

There had now been distributed a memorandum from Mr. Hackley dated January 9, 1963, reporting that arrangements had been made for representatives of the law firm and the European Coal and Steel Community to meet with members of the Board's staff on January 24, 1963. There had also been an indication that the visitors might like to present their views to the Board, and Mr. Hackley's memorandum raised the question whether available members of the Board would be agreeable to meeting with the representatives of the Coal and Steel Community on January 25 if such a meeting should be requested by them at the time of the discussion with the staff.

During consideration of the matter, Governor Mills inquired whether it might not be helpful to discuss the subject with Mr. Roosa, Under Secretary of the Treasury for Monetary Affairs, in advance of the visit of the representatives of the European Coal and Steel Community. It was his understanding that Mr. Roosa initially had expressed himself adversely on the exemption from interest rate limitations of time deposits of the European Coal and Steel Community and the European Investment Bank, principally on the basis that a favorable determination would not be in

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accord with his testimony before the Congress, when Public Law 87-827 was under consideration, concerning the scope of exemptions intended to be provided by the legislation. However, Governor Mills noted, the organizations in question were what might be referred to as supranational organizations; they had status within the framework of the European Common Market. If it should be found that there had been any change in Mr. Roosa's attitude, that would be of interest to the Board in considering the matter.

After Governor Balderston had spoken along somewhat the same lines as Governor Mills concerning the status of organizations of this kind, Governor Robertson noted that what might be needed for the exemption of time deposits of such organizations was new legislation. By making liberal interpretations of the present law, the Board might open itself to the charge of legislating by interpretation. Chairman Martin likewise expressed doubt whether the present law should be extended further by interpretation.

After additional discussion, it was understood that there would be no objection on the part of members of the Board to meeting with the representatives of the European Coal and Steel Community if such a meeting should be requested by them. Chairman Martin indicated that in the meantime he would endeavor to discuss the subject with Under Secretary Roosa.

Messrs. Katz and Doyle then withdrew from the meeting.

Application of Lock Haven Trust Company. There had been distributed

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a memorandum from the Division of Examinations dated December 21, 1962, and supporting papers with respect to the application of Lock Haven Trust Company, Lock Haven, Pennsylvania, for permission to merge with The Mill Hall State Bank, Mill Hall, Pennsylvania. The Division's recommendation was favorable.

At the Board's request, Mr. Leavitt reviewed the facts of the case, the competitive factor reports received from the other Federal bank supervisory agencies and the Department of Justice, and the reasons underlying the favorable recommendation of the Division of Examinations, his comments being based on the material that had been distributed.

A vote was then taken, and the application was approved unanimously, with the understanding that an order and statement reflecting this decision would be prepared for the Board's consideration.

Application of Bank of Jamestown. There had been distributed a memorandum from the Division of Examinations dated January 4, 1963, and supporting papers regarding the application of Bank of Jamestown, Jamestown, New York, for permission to merge with Clymer State Bank, Clymer, New York. The recommendation of the Division was favorable.

At the Board's request, Mr. Leavitt reviewed the facts of the case, the competitive factor reports received from the other Federal bank supervisory agencies and the Department of Justice, and the reasons underlying the favorable recommendation of the Division, his comments being based on the material that had been distributed.

After discussion, the members of the Board expressed their views

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and Governor Mills stated that he would concur in the favorable recommendation. It appeared to him that from the competitive standpoint the important area to be considered in this case was the Jamestown area. As he saw it, the principal need of the small satellite communities was for bank service facilities. In Jamestown there were three actively competing banks of substantial size, thus providing a choice of banking services.

Governor Robertson stated that he also would approve the application, though on a somewhat different basis. The Clymer State Bank was a small institution beset by management difficulties, there would be adequate banking service available in the area following the consummation of the merger, and the diminution of competition incident to the merger would not be sufficient to offset the advantages that would flow from the transaction. To put it another way, the favorable aspects of the application offset and outweighed the diminution of competition.

Governor Balderston stated that he would approve on the basis of favorable considerations that he found in the so-called banking factors.

The application was then approved unanimously, with the understanding that an order and statement reflecting this decision would be prepared for the Board's consideration.

Study of Retirement System. Governor Mills referred to the report rendered by Professor Dan M. McGill of the Wharton School of Finance, University of Pennsylvania, under date of December 5, 1962, entitled

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"Mortality and Interest Assumptions for the Retirement System of the Federal Reserve Banks." (Copies of the report had been distributed to the members of the Board with a memorandum from the Secretary dated December 11, 1962.)

It was Governor Mills' suggestion that arrangements be made for Professor McGill to meet with the Board on a mutually convenient date in the relatively near future so that the Board could have the benefit of such comments as Mr. McGill might care to make in supplementation of his memorandum and have an opportunity to ask questions of Mr. McGill.

After discussion, it was the consensus that it would be desirable to meet with Professor McGill, and the Secretary was requested to make arrangements for such a meeting on a date when it was anticipated that all members of the Board would be present.

Question was raised by Governor Robertson whether the meeting might not be more productive in eliciting information if Mr. Buck, Actuary for the Retirement System, also was present. However, after some discussion of this point, it was understood that the Board would meet first with Professor McGill and then give consideration to a meeting with Mr. Buck.

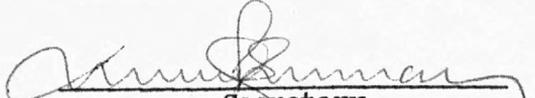
Question also was raised whether an analysis of the McGill report was being prepared by the Board's staff, and Mr. Sherman advised that the report was being studied by the Division of Personnel Administration. It was his understanding that the Division had in mind submitting a memorandum to the Board, and he indicated that he would check into this

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point.

The meeting then adjourned.


Secretary