

Minutes for January 11, 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

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Friday, January 11, 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. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Noyes, Director, Division of Research  
and Statistics  
Mr. Koch, Associate Director, Division of  
Research and Statistics  
Mr. Brill, Adviser, Division of Research  
and Statistics  
Mr. Holland, Adviser, Division of Research  
and Statistics  
Mr. Solomon, Associate Adviser, Division of  
Research and Statistics  
Mr. Hersey, Adviser, Division of International  
Finance  
Mr. Katz, Associate Adviser, Division of  
International Finance  
Mr. Landry, Assistant to the Secretary  
Mr. Eckert, Chief, Banking Section, Division  
of Research and Statistics  
Mr. Yager, Chief, Government Finance Section,  
Division of Research and Statistics  
Miss Dingle, Senior Economist, Division of  
Research and Statistics  
Mr. Keir, Senior Economist, Division of  
Research and Statistics  
Mr. Reynolds, Chief, Special Studies and  
Operations Section, Division of Inter-  
national Finance  
Mr. Goldstein, Economist, Division of  
International Finance

1/11/63

-2-

Money market review. Mr. Yager reported on money market conditions and recent and prospective Treasury financing operations, referring in the course of his comments to a set of tables that had been distributed just prior to the meeting. Mr. Koch then commented on the situation with respect to bank reserves, the money supply, and related matters, following which Mr. Goldstein presented a report on the foreign exchange market.

During discussion of the foregoing reports, question was raised as to the reason for the substantial upward revision in the average free reserve figure for the statement week ended January 2. The staff replies indicated that the principal reason was an underestimating of vault cash holdings of country banks; it was noted that difficulties of estimating were always greater than usual at this time of year. So far as the size of estimating errors was concerned, it was believed that the trend had been downward, and several efforts were now under way with a view to making further progress. The errors, which were sometimes on the high and sometimes on the low side, were believed to be restricted usually to a daily average of around \$25 million. It was understood that the staff would provide the members of the Board with copies of an historical compilation showing the range of errors.

Inquiry was made during the discussion as to whether consideration should be given to the possibility of not publishing a preliminary estimate of free reserves immediately following the close of each

1/11/63

-3-

statement week and instead providing a time lag of a week before such figures were released to the press. Certain considerations were cited that might argue against such an approach, and the inquiry was not pressed further. It was understood, however, that the problems involved in compiling the preliminary estimates would continue to receive the consideration of the staff, with a view toward the further development of procedures that might reduce the range of estimating error.

Governor Balderston referred to one of the tables that had been distributed at the beginning of the meeting, showing seasonally adjusted annual rates of increase of selected monetary indicators for the month of December, the fourth quarter of 1962, and the full year. It was his impression that such compilations might be helpful to members of the Open Market Committee, and after some discussion it was understood that the staff would give consideration to including tabulations of this kind, at least periodically, in the documentation furnished to the Committee.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Young, Fauver, and Landry, and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Hooff, Assistant General Counsel  
Mr. Thompson, Assistant Director, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, and Dallas on January 10, 1963, of the rates

1/11/63

-4-

on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Circulated or distributed items. The following items, copies of which are attached under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Presidents of all Federal Reserve Banks and Vice Presidents in charge of Branches regarding revised forms FR 527 and 527a, for reporting borrowings of individual member banks from Federal Reserve Banks.	1
Letter to The Buckeye Corporation, New York, New York, and Massachusetts Mohair Plush Company, Inc., New York, New York granting determinations exempting them from all holding company affiliate requirements except for the purposes of section 23A of the Federal Reserve Act.	2
Letter to the Presidents of all Federal Reserve Banks advising of the Board's consent to the opening and maintenance by the New York Reserve Bank of an account with the Bank of Sweden payable in foreign currency.	3

Mr. Young then withdrew from the meeting.

Retirement System of the Federal Reserve Banks. The

Secretary reported that in accordance with the understanding at yesterday's meeting, he had talked with Professor Dan M. McGill of the Wharton School of Finance, University of Pennsylvania, who had submitted to the Board under date of December 5, 1962, a report on the mortality and interest assumptions for the Retirement System of the Federal

1/11/63

-5-

Reserve Banks in accordance with instructions given him in September 1962. Professor McGill had indicated willingness to meet with the Board on Thursday, January 24, on which date it appeared that all of the members of the Board would be present.

After discussion, it was decided to schedule the meeting with Professor McGill at 9:30 a.m. on January 24.

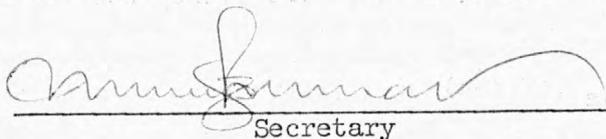
The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Administrative Services recommending an increase in the basic annual salary of Lorraine Hirz from \$4,390 to \$4,725, with a change in title from Clerk-Stenographer to Secretary in that Division, effective upon assuming her new duties.

Letter to the Federal Reserve Bank of Boston (attached Item No.4) approving the appointment of Robert V. Clapp and William S. Wallace as examiners.

Letter to the Federal Reserve Bank of Chicago regarding arrangements for the assignment to the Board's Division of Examinations of Robert J. Hochstatter, Examiner for that Bank, for a period of four or five weeks beginning February 4, 1963, with the understanding that during his assignment in Washington, Mr. Hochstatter would be designated as Federal Reserve Examiner and that the Reserve Bank would absorb his salary and travel expenses.

  
Secretary



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

Item No.1  
1/11/63

92

S-1855

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 11, 1963.

Dear Sir:

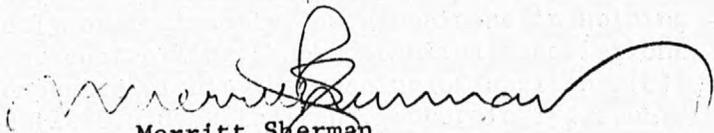
Enclosed are sample copies of revised forms FR 527 and 527a for reporting borrowings of individual member banks from the Federal Reserve Banks. A supply is being shipped to each Reserve Bank and Branch. The forms have been revised because of the discontinuance, effective July 28, 1962, of the central reserve city classification.

Separate reports of borrowings by reserve city banks and by country banks should be mailed to the Board's Division of Bank Operations promptly after the close of each weekly and biweekly reserve computation period. A form FR 527 should be submitted even though there are no borrowings to report for the period. In such a circumstance, it would not be necessary to include the form FR 527a.

The fundamental purpose of obtaining these reports on individual bank borrowing is to facilitate study of the impact and effectiveness of current credit and discount policies, and thus to aid in the discharge of System responsibilities in the monetary and credit field. The reports identify borrowing banks by name, but they do not provide the Board with an adequate basis for qualitative analysis of individual Federal Reserve Bank actions on applications for discount accommodation, and no such qualitative analyses are contemplated.

This letter supersedes that of January 25, 1960 (S-1723, F.R.L.S. #3949.4).

Very truly yours,

  
Merritt Sherman,  
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS AND  
VICE PRESIDENTS IN CHARGE OF BRANCHES

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

Item No.2  
1/11/63



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 11, 1963

Mr. George A. Horvath, President,  
The Buckeye Corporation,  
16 East 34th Street,  
New York 16, New York.

Mr. George A. Horvath, Treasurer,  
Massachusetts Mohair Plush Company, Inc.,  
16 East 34th Street,  
New York 16, New York.

Dear Mr. Horvath:

This refers to your letters of January 3 and January 4, 1963, to the Federal Reserve Bank of New York, requesting determinations by the Board of Governors of the Federal Reserve System as to the future status of Massachusetts Mohair Plush Company, Inc. and of The Buckeye Corporation as holding company affiliates.

From the information submitted the Board understands that Massachusetts Mohair Plush Company, Inc., a personal holding company, and its subsidiary companies are engaged in various enterprises, including real estate, industrial, television, and motion picture activities; that The Buckeye Corporation will become a holding company affiliate if and when it acquires a majority of the outstanding shares of stock of Miami National Bank, Miami, Florida; that Massachusetts Mohair Plush Company, Inc. will also become a holding company affiliate by reason of the fact that it owns or controls over 60 per cent of the outstanding shares of The Buckeye Corporation; and that these Companies will not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Massachusetts Mohair Plush Company, Inc. and The Buckeye Corporation will not be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, such Companies will not be deemed to be holding company affiliates except

Mr. George A. Horvath

-2-

for the purposes of section 23A of the Federal Reserve Act and will not need voting permits from the Board of Governors in order to vote the bank stock which they propose to acquire.

If, however, the facts should at any time indicate that Massachusetts Mohair Plush Company, Inc. and The Buckeye Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind these determinations and make further determinations of this matter at any time on the basis of the then existing facts. Particularly, should future acquisitions by or activities of such Companies result in their attaining a position whereby the Board may deem desirable determinations that such Companies are engaged as businesses in the holding of bank stock, or the managing or controlling of banks, the determinations herein granted may be rescinded.

Very truly yours,

(signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 11, 1963.

Dear Sir:

Pursuant to section 214.5(a) of Regulation N, the Board has consented, as of this date, to the opening and maintenance by the Federal Reserve Bank of New York of an account payable in foreign currency with the Bank of Sweden.

As a result of this action and previous actions of the Board, the Federal Reserve Bank of New York is now authorized to maintain accounts payable in foreign currency with the foreign banks designated below:

Austrian National Bank  
Bank for International Settlements  
Bank of Canada  
Bank of England  
Bank of France  
Bank of Italy  
Bank of Sweden  
German Federal Bank  
National Bank of Belgium  
Netherlands Bank  
Societe Nationale de Credit a l'Industrie  
Swiss National Bank

All such accounts are subject to the provisions of section 5 of Regulation N, as amended effective February 13, 1962.

This letter supersedes the Board's letter of October 3, 1962.

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read "Merritt Sherman".

Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

January 14, 1963

AIR MAIL

CONFIDENTIAL - FR

Mr. Luther M. Hoyle, Jr., Vice President,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Hoyle:

In accordance with the requests contained in your letters of January 4, 1963, the Board approves the appointment of Robert V. Clapp and William S. Wallace, at present assistant examiners, as examiners for the Federal Reserve Bank of Boston. Please advise the salary rates and the effective dates of the appointments.

It is noted that Messrs. Clapp and Wallace are indebted to local, non-member, co-operative banks. Accordingly, the Board's approval of their appointments is given with the understanding that neither Mr. Clapp nor Mr. Wallace will participate in any examination of the bank to which he now is indebted until such indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.