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Minutes for January 14, 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

W

Gov. Mills

[Signature]

Gov. Robertson

CRB

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Monday, January 14, 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. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Solomon, Director, Division of Examinations
 Mr. Shay, Assistant General Counsel
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Goodman, Assistant Director, Division of Examinations
 Mr. Smith, Assistant Director, Division of Examinations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Mattras, General Assistant, Office of the Secretary
 Mr. Hill, Attorney, Legal Division

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

Letter to Morgan Guaranty International Finance Corporation, New York, New York, granting permission to purchase shares of Banco Espanol del Desarrollo, Madrid, Spain.

Item No.

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	<u>Item No.</u>
Letters to Bank of America, New York, New York, granting permission to purchase additional shares of Industrial Finance Corporation of Thailand, Bangkok, Thailand, and Pakistan Industrial Credit and Investment Corporation, Karachi, Pakistan.	2-3
Letter to American Bank of Sarasota, Sarasota, Florida, interposing no objection to a change in location of the bank to 3800 South Tamiami Trail from 6700 South Tamiami Trail.	4
Letter to the Federal Deposit Insurance Corporation regarding the application of The First State Bank of Tonganoxie, Tonganoxie, Kansas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	5
Letter to the Chairman of each Federal Reserve Bank regarding the biennial Conference of General Auditors to be held May 1-3, 1963, at the Board's offices.	6
Letter to Chemical Bank New York Trust Company, New York, New York, approving the establishment of a branch in West Hempstead, Nassau County.	7
Letter to Washington State Bank, Washington, Iowa, approving the establishment of a branch at South Avenue B and West Washington Street.	8
Letter to the Federal Reserve Bank of San Francisco regarding a question raised by Union Bank, Los Angeles, California, as to whether certain services would constitute "bank services" within the definition of that term in the Bank Service Corporation Act.	9

In discussion of Item No. 1, Governor Mills raised a question with respect to the desirability of including in the proposed letter a condition that Banco Espanol del Desarrollo would not engage in the business of receiving or paying out deposits or accepting drafts or

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bills of exchange. Mr. Goodman commented to the effect that the basic reason was found in the provisions of Regulation K, which defined "banking" to mean the business of receiving or paying out deposits, or accepting drafts or bills of exchange. Since the matter before the Board involved a request for consent to a proposed investment by an Edge Act financing corporation, it was thought consistent to include the condition to which Governor Mills had referred. It was not believed that the condition would present a problem from the standpoint of the operations of Banco Espanol del Desarrollo; if there should be a problem, Mr. Goodman felt confident that the Board would hear from Morgan Guaranty.

With reference to Items 2 and 3, Governor Mills raised a question with regard to the nature of the prospective operations of Bank of America, New York, New York, now that the Board had granted permission for the conversion of its overseas branches to branches of the parent bank, Bank of America National Trust and Savings Association, San Francisco, California. In reply, Mr. Goodman indicated that Bank of America presumably would continue to function as an Edge Act banking corporation domiciled in New York City and conducting an international banking business. He noted that the parent organization had recently received permission to organize an Edge Act financing corporation; also that Bank of America owned stock of an Italian bank and a number of industrial development banks. The latter were not deposit banking institutions, but there was nothing in the law to prevent investments of such type by Edge Act banking corporations. Mr. Goodman pointed out, in addition, that in connection

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With the proposed revision of Regulation K, consideration was being given to the question of the desirability of retaining the separation of Edge Act corporations into banking and financing corporations.

Application of Bank of Jamestown (Items 10 and 11). Pursuant to the decision reached at the meeting on January 10, 1963, there had been distributed a proposed order and statement reflecting the Board's approval of the application of Bank of Jamestown, Jamestown, New York, to merge with Clymer State Bank, Clymer, New York.

The issuance of the order and statement, copies of which are attached to these minutes as Items 10 and 11, was authorized.

Expenses of Issue and Redemption Division (Item No. 12). There had been circulated a draft of letter to the Comptroller of the Currency asking for further information with regard to a request of the Comptroller for payment of the estimated expenses of the Federal Reserve Issue and Redemption Division for the period January through June 1963. The letter had been drafted because the estimated expenses included for the first time an item for "management and administrative services," in the amount of \$16,495.

The documentation received from the Comptroller of the Currency stated that the new account classification had been established to provide the Comptroller with the means of recovering the cost of various services rendered to the Issue and Redemption Division. It was indicated that the assessment was applied "against the cost of time and material in the general supervision of this division as provided by the Comptroller and his

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immediate staff and various other services furnished this division in connection with the disbursement of funds, the internal audit control of such funds and the various records maintained, the acquisition of supplies and materials, and the management and direction of personnel."

A memorandum from the Division of Bank Operations dated January 7, 1963, which had been circulated with the draft of letter to the Comptroller, pointed out that no advance notice had been given of the new charge, which would apparently add over \$30,000, or about 12-1/2 per cent, to the annual expenses of the Issue and Redemption Division. It was noted, also, that the vouchers from the Comptroller requesting advances to cover estimated expenses of the Issue and Redemption Division for succeeding semiannual periods had customarily been accompanied by a detailed list of expenses. Further, it had been the usual practice of the Chief of the Division to confer with the Division of Bank Operations before making an unusual expenditure.

In commenting on the matter, Mr. Farrell referred to the functions of the Issue and Redemption Division, which he described as a relatively self-contained unit, and reviewed the history of the procedure under which it had been agreed a number of years ago that the personnel of the Issue and Redemption Division would be considered employees of the Treasury but the expenses of the Division would be reimbursed by the Federal Reserve. He noted that the Comptroller had announced his intent of seeking legislation which would transfer the issue and redemption

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function to the Federal Reserve, but that such legislation had not yet received Congressional consideration.

After a general discussion of the Comptroller's current request for payment of the estimated expenses of the Issue and Redemption Division, particularly in respect to "management and administrative services," it was agreed that it would be desirable to seek further information. Accordingly, the proposed letter to the Comptroller was approved unanimously. A copy is attached as Item No. 12.

Cincinnati Branch premises. Chairman Martin reported that on Friday, January 11, he received a telephone call from Mr. Charles P. Taft of Cincinnati, Ohio, who expressed some concern about an article that had appeared in the January 10 issue of the Cincinnati Enquirer. In substance, the article indicated that the Federal Reserve Bank was considering the construction of a new building for its Cincinnati Branch and had in mind a location within the area comprehended by the Cincinnati urban redevelopment program. The article suggested that this might present certain problems because the Federal Reserve probably would not want to conform in all respects to the groundrules that had been established for projects undertaken within the redevelopment area.

The Chairman stated that upon receipt of the telephone call from Mr. Taft he had asked Mr. Farrell to look into the matter. He then called upon Mr. Farrell, who reported that he had had telephone conversations with President Fulton and with Vice President Kiel of the Cincinnati

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Branch, and that an explanatory letter from Mr. Kiel had been received by Chairman Martin this morning. According to the telephone conversations and the letter, Mr. Kiel had suggested exploration of the possibility of a new building for the Cincinnati Branch at the meeting of the head office directors on October 11, 1962. With the concurrence of Chairman Hall and President Fulton, he had subsequently entered into a preliminary discussion with the Cincinnati City Manager, such discussion having been authorized by the Branch directors on November 8, 1962. At the suggestion of the City Manager, he had also met with a representative of the firm that had been chosen as sole developer of the core redevelopment area. The discussions had not gone beyond the exploratory phase, and the newspaper article was said to have contained several inaccuracies.

There followed a general discussion of the matter, including the adequacy of the Cincinnati Branch premises, and it was understood that Mr. Farrell would keep the Board informed of any further developments.

The meeting then adjourned.

Secretary's Notes: On October 17, 1962, the Board approved a proposed Agreement of Federal Reserve Banks Covering Fire and Other Risks. Duly executed counterpart originals of such Agreement having been received from the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, Kansas City, Dallas, and San Francisco, the Secretary of the Board today notified those Banks by telegram that the Agreement would become effective January 14, 1963.

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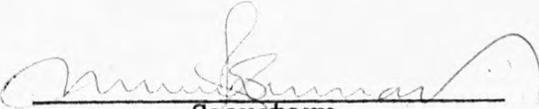
Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Appointment

Charles R. Scullin as Guard, Division of Administrative Services, with basic annual salary at the rate of \$3,560, effective the date of entrance upon duty.

Salary increases, effective January 20, 1963

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
Gertrude E. Booth, Secretary		\$ 5,205	\$ 5,375
	<u>Research and Statistics</u>		
Bernice T. Mann, Secretary		6,055	6,225
	<u>Examinations</u>		
W. D. Dougal, Senior Federal Reserve Examiner		14,565	15,045
Alexander J. Harris, Jr., Assistant Review Examiner		7,125	7,350
Travis J. Johnson, Senior Federal Reserve Examiner		11,150	11,515
John T. McClintock, Supervisory Review Examiner		12,845	13,270
John Albert Treimann, Assistant Federal Reserve Examiner		8,575	8,840
	<u>Administrative Services</u>		
Quincy W. Barnes, Operator (Mimeograph)		3,952	4,160
Frank A. Dean, Sr., Messenger		3,350	3,455
Florence A. Norman, Relief Cook		4,295	4,400
Lloyd F. White, Chauffeur		4,295	4,400


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1
1/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963



Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 8, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of December 11, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent for Morgan Guaranty International Finance Corporation to purchase and hold 18,000 shares, par value Pesetas 1,000 each, of the capital stock of Banco Espanol del Desarrollo ("BED"), Madrid, Spain, at a cost of approximately US\$300,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that MGIFC shall dispose of its holding of stock of BED as promptly as practicable in the event that BED should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by MGIFC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

It has been noted that under Spanish law BED will have the power to take deposits, but that the nature of its business is such that it does not propose to take deposits from the public, although it may from time to time hold funds which are incidental to its investment business. Accordingly, the Board's consent is given subject to the additional condition that BED will not engage in the business of receiving or paying out deposits or accepting drafts or bills of exchange.

Very truly yours,

(signed) Elibabeth L. Carmichael,

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
1/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963



Bank of America,
41 Broad Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of November 29, 1962, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for Bank of America to purchase and hold 300 additional ordinary shares, par value Baht 1,000 each, of the capital stock of Industrial Finance Corporation of Thailand ("IFCT"), Bangkok, Thailand, at a cost of approximately US\$14,528, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted subject to the same conditions prescribed in the Board's letter of April 15, 1960 granting consent to the purchase of 300 ordinary shares of IFCT.

Very truly yours,

(Signed) Elizabeth L. Carmichael,

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 3
1/14/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963

Bank of America,
41 Broad Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of December 7, 1962, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for Bank of America to purchase and hold 14,385 additional ordinary shares, par value Rupees 10 each, of Pakistan Industrial Credit and Investment Corporation ("PICIC"), Karachi, Pakistan, at a cost of approximately \$30,208.50, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted subject to the same conditions prescribed in the Board's letter of April 20, 1961 granting consent to the purchase of additional shares of PICIC.

Very truly yours,

(Signed) Elizabeth L. Carmichael,

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 4
1/14/63

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963

Organization Committee,
American Bank of Sarasota,
Sarasota, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has been informed that the American Bank of Sarasota is to be located at 3800 South Tamiami Trail instead of 6700 South Tamiami Trail as originally indicated. The Board has no objection to the proposed change in location of the bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 5
1/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963

The Honorable Erle Cocke, Sr., Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of December 26, 1962, concerning the application of The First State Bank of Tonganoxie, Tonganoxie, Kansas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs that the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

Item No. 6
1/14/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963.

Dear Sir:

Please be advised that the regular biennial Conference of General Auditors will be held in the Board's offices in Washington on May 1, 2, and 3, 1963.

The Standing Committee of General Auditors, in consultation with the Board's Division of Examinations, ascertained that these dates would be convenient and desirable, and the holding of the Conference in Washington at such time has been cleared with the Chairman of the Chairmen's Conference.

Very truly yours,

Merritt Sherman,
Secretary.

TO THE CHAIRMAN OF EACH FEDERAL RESERVE BANK
COPIES TO THE PRESIDENT OF EACH FEDERAL RESERVE BANK
AND TO EACH GENERAL AUDITOR.

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

Item No. 7
1/14/63

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963

Board of Directors,
Chemical Bank New York Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch on the north side of Fulton Avenue, Unincorporated Area of West Hempstead, Town of Hempstead, Nassau County, New York, by Chemical Bank New York Trust Company, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 8
1/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963



Board of Directors,
Washington State Bank,
Washington, Iowa.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of an in-town branch (Parking Lot Office) by Washington State Bank at the southwest corner of the intersection of South Avenue B and West Washington Street, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 9
1/14/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963

Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Galvin:

Your letter of November 14, 1962, presented questions of the Union Bank, Los Angeles, California, concerning the Bank Service Corporation Act. The bank has asked whether certain services would constitute "bank services" within the definition of that term in section 1(b) of the Bank Service Corporation Act so that it would be necessary to supply the assurances regarding regulation and examination required by section 5 of the Act.

From the bank's letter to you of November 7, a copy of which was among the enclosures with your letter, it appears that Union Bank contemplates obtaining from an outside service bureau services which would consist of "tabulating services . . . for printing lists of shareholders, cash dividends, stock dividends, etc., for our Stock Transfer Department. The actual tabulating cards will be stored in our own quarters but would be transported from time to time to the service bureau in order to have the servicing program processed."

Whether work of this kind--which apparently involves responsibilities undertaken by the bank in its trust or agency capacities for corporate customers of the bank--would constitute "bank services" is a question that should not be answered without detailed information from the bank as to how the work will be carried out. In view of the fact that section 5 of the Act prohibits a bank from causing bank services to be performed unless appropriate assurances are furnished, the bank and the service bureau, of course, could avoid any question of possible violation of the law by furnishing such assurances.

The other matter of interest to Union Bank concerns its plans to offer certain services to its correspondent banks. With respect to this matter the bank's letter to you of November 7 states that "we have in mind offering the use of our computer and other tabulating equipment, which will be housed at our service building at Olympic and Hope to our

Mr. E. H. Galvin

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correspondent banks. This service might go as far as to involve the receipt of banking-by-mail deposits from a lock box, the processing of such checks, and crediting the proceeds to accounts maintained for these correspondent banks at our service building."

On the basis of the foregoing, it would appear that the services just described would come within the definition of "bank services" in section 1(b) of the Bank Service Corporation Act. Accordingly, assurances complying with the requirements of section 5 would have to be supplied by both the correspondent banks for whom such services are to be performed and by Union Bank. Such assurances should be furnished as required by the Comptroller of the Currency and the Federal Deposit Insurance Corporation as to correspondent national banks and correspondent nonmember insured banks, as the case may be. For such correspondents as may be State member banks, the Board's Statement of October 23, 1962, concerning the Bank Service Corporation Act states that, until further or more definite procedures are prescribed, it will be satisfactory if such assurances are supplied by a letter from the State member bank to the Federal Reserve Bank.

Finally, the receipt of banking-by-mail deposits for correspondent banks at Union Bank's new service building might be such as to cause the service building to be a branch of the correspondent banks. As you will recall, this question was raised in the Board's letter of October 30, 1962, to President Swan involving the use by Union Bank of the service building for its own bank-by-mail deposits. Of course, if the receipt of banking-by-mail deposits at the service building for correspondent banks should constitute the service building a branch of the correspondents, approval of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the Board would be necessary depending on whether the particular correspondent bank was a national, State nonmember insured, or State member bank, respectively. Until the actual facts concerning the receipt of banking-by-mail deposits can be clearly ascertained, it would seem inadvisable to take a definite position on the question whether the operation of a branch or branches would be involved, as indicated in the letter of October 30, 1962, referred to above.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of
BANK OF JAMESTOWN
for approval of merger with
Clymer State Bank

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Bank of Jamestown, Jamestown, New York, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and the Clymer State Bank, Clymer, New York, under the charter and title of the former. As an incident to the merger, the sole office of Clymer State Bank would be operated as a branch of the Bank of Jamestown. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance

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Corporation, and the Department of Justice on the competitive factors involved in the proposed merger,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated

- (a) within seven calendar days after the date of this Order or
- (b) later than three months after said date.

Dated at Washington, D. C., this 14th day of January, 1963.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and
Governors Balderston, Mills, Robertson, and Shepardson.

Absent and not voting: Governors King and Mitchell.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 11
1/14/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY BANK OF JAMESTOWN
FOR APPROVAL OF MERGER WITH
CLYMER STATE BANK

STATEMENT

Bank of Jamestown, Jamestown, New York ("Jamestown Bank"), with deposits of \$44.8 million as of June 29, 1962, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and Clymer State Bank, Clymer, New York ("Clymer Bank"), with deposits of \$2.4 million as of the same date. The banks would merge under the charter and title of Jamestown Bank, which is a member State bank of the Federal Reserve System; and, as an incident to the merger, the sole office of Clymer Bank would become a branch of the resulting bank, increasing the number of its offices from 5 to 6.

Under the Act, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the

community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

Banking factors. - Jamestown Bank has a satisfactory financial history. The bank also has a satisfactory financial condition, an adequate capital structure, and its earnings prospects are favorable. This would be equally true of the resulting bank which would be under the competent management of Jamestown Bank.

Clymer Bank has had a reasonably satisfactory financial history and capital structure, and its earnings have been above average for banks of comparable size. Recently, however, the bank's financial condition has deteriorated, partially because of the strain on its resources that has resulted from attempts to meet requests for loans.

Consummation of the proposal would provide strengthened management to what has been the operation of Clymer Bank and also would solve the serious management succession problem that has followed the bank's quite recent loss of its two active officers through resignation and illness. No inconsistency with the purposes of 12 U.S.C., Ch. 16, is indicated.

Convenience and needs of the communities. - Jamestown (1960 city population 42,000 and trade area population 150,000) is situated in Chautauqua County in southwestern New York about 75 miles from Buffalo. The economy of the area, dependent principally on diversified manufacturing and

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agriculture, is stable. Four offices of Jamestown Bank are in Jamestown and the bank's remaining office is in the village of Sherman, about 22 miles west of Jamestown and 12 miles north of Clymer. The service area of Jamestown Bank is limited mainly to the communities of Jamestown and Sherman.

The unincorporated village of Clymer (population 1,400) is situated in the extreme southwestern corner of New York about 25 miles southwest of Jamestown. Clymer Bank is the only banking office in the village, and the area served by the bank has a population of about 2,000. This area, as well as that surrounding Sherman, is chiefly agricultural and has experienced little population growth over the past decade.

Consummation of the proposed merger would affect principally the convenience and needs of the Clymer area. The resulting bank plans to make available to the area through its Clymer branch a broader range of services, such as FHA and VA loans, and trust and other specialized services. Moreover, the resulting bank would be able to make more and larger loans for which there appears to be a demand in the Clymer area.

Competition. - Little, if any, competition exists between Clymer Bank and the four offices of Jamestown Bank in Jamestown because of the intervening distance of 25 miles. There is moderate competition for business from the countryside between Clymer Bank and the branch of Jamestown Bank in Sherman, 12 miles north of Clymer. Although this competition would be eliminated if the proposal were

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effected, services of banks other than Jamestown Bank would remain reasonably accessible to persons in the communities of Clymer and Sherman. There are two banks in Corry, Pennsylvania, about 8 miles south of Clymer, and one of the two other banks with main offices in Jamestown has a branch in Mayville, 9 miles northeast of Sherman. Consummation of the proposal would have no significant impact on banking competition in Jamestown.

Summary and conclusion. - Effectuation of the proposal would replace Clymer Bank with a branch of Jamestown Bank and eliminate a moderate amount of competition between the former and the latter's branch at Sherman. Other sources of banking services, however, would remain reasonably accessible to persons in these two communities. This, together with the management strength and succession, and increased banking services and resources that the transaction would be expected to bring to the Clymer community, outweigh the adverse considerations relating to the competitive factor.

Accordingly, the Board finds this merger to be in the public interest.

January 14, 1963

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 12

1/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1963



Mr. James J. Saxon,
Comptroller of the Currency,
Department of the Treasury,
Washington 25, D. C.

Dear Mr. Saxon:

This refers to the voucher from your office requesting payment for the estimated expenses of the Federal Reserve Issue and Redemption Division for the six-month period January - June 1963.

The list of estimated expenses accompanying the voucher shows for the first time an item for "Management and Administrative Services." This additional expense would seemingly add over \$30,000 annually, or about 12-1/2 per cent, to the expenses of the Federal Reserve Issue and Redemption Division for which reimbursement is requested of the Board of Governors. The Board would, therefore, appreciate having an explanation of the computation of the charge, showing the particular items of expense reflected and the method of proration.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.