

The attached set of minutes of the meeting of the Board of Governors of the Federal Reserve System on November 13, 1958, has been amended at the request of Governor Mills to edit his statement beginning on page 12 and continuing through the first paragraph on page 14.

If you approve these minutes as amended, please initial below.

Chairman Martin

Governor Szymczak



Minutes for November 13, 1958

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, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	<input checked="" type="checkbox"/> <u>M</u>	_____
Gov. Szymczak	<input checked="" type="checkbox"/> _____	_____
Gov. Vardaman	<input checked="" type="checkbox"/> _____	_____
Gov. Mills	<input checked="" type="checkbox"/> _____	_____
Gov. Robertson	<input checked="" type="checkbox"/> <u>R</u>	_____
Gov. Balderston	<input checked="" type="checkbox"/> _____	<input checked="" type="checkbox"/> <u>ccrB</u>
Gov. Shepardson	<input checked="" type="checkbox"/> <u>Shep</u>	_____

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, November 13, 1958. The Board met in the Board Room at 10:00
a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman 1/
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Fauver, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Shay, Legislative Counsel
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Davis, Assistant Counsel

Discount rates. Unanimous approval was given to a telegram to
the Federal Reserve Bank of San Francisco approving the establishment
without change by that Bank on November 12, 1958, of the rates on
discounts and advances in its existing schedule.

Acquisition of stock by First Virginia Corporation. Prior to
the meeting there had been distributed memoranda dated October 29, 1958,
prepared by the Division of Examinations relating to an application for
prior approval of the acquisition of from 51 per cent to 92 per cent of
the voting shares of Old Dominion Bank, Arlington, Virginia, by First
Virginia Corporation, also of Arlington. A memorandum dated November 10,
1958, expressing the views of the Legal Division on the same matter had
also been distributed.

1/ Entered meeting at point indicated in minutes.

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This proposal represented a financial reorganization of a holding company system comprising three banks, Old Dominion Bank, which held all shares of First Virginia Corporation, which in turn owned a majority of the stock of Bank of Annandale and The National Bank of Manassas. The proposal was for First Virginia Corporation to become the only holding company in the group holding a majority of the stock of all three banks. Old Dominion Bank would cease to be a bank holding company.

The views of the Division of Examinations, which favored granting the application, were presented by Mr. Hostrup, who pointed out that this was not a case involving expansion or contraction of a holding company system, but merely a reorganization of the constituent parts. The management of the group had been satisfactory and no change was to be made in this respect. The change in structure would have no effect on the needs, convenience, and welfare of the community or on the adequacy of banking and the competitive situation. It was possible, he said, that there might be some addition to the soundness of the banking structure because it was believed that the public would be more receptive to new financing by the group and funds raised could be more easily distributed as deemed necessary among the three banking units. He pointed out that the Commissioner of Banking for the State of Virginia had interposed no objection to the pending application.

The Legal Division was of the opinion that the record furnished adequate basis for approval of the proposed acquisition of stock by

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First Virginia, but it was less certain that the record would support denial of the application.

Governor Mills said that while he joined in the recommendation of the Examinations Division, he had a reservation about possible effects of the proposed financing which would involve raising from \$1 million to \$1.5 million through the issuance of debentures convertible into common stock. He pointed out that a default on the servicing of these debentures could result in a transfer of ownership and management of a subsidiary bank.

Governor Vardaman entered the room while Governor Mills was speaking.

Thereupon the Board reached a tentative decision approving the application of First Virginia Corporation for the acquisition of the voting shares of Old Dominion Bank with the understanding that a Notice of Tentative Decision, Tentative Statement, and press statement would be prepared for the Board's consideration at a later meeting.

Messrs. Hostrup and Davis withdrew at this point.

Proposed merger of Wachovia Bank and Trust Company with Wilmington Savings & Trust Company. Mr. Masters reported a conversation that he and Governor Balderston had with President Leach and First Vice President Wayne of the Richmond Reserve Bank following yesterday's Board meeting in which Messrs. Leach and Wayne were informed that the Board was inclined to disapprove the application of Wachovia Bank and Trust Company, Winston-Salem, North Carolina, to take over by merger The Wilmington Savings &

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Trust Company, Wilmington, North Carolina, and were asked whether, in the light of the Richmond Bank's favorable recommendation, the Bank had any further views that it wished the Board to consider. The views presented by Messrs. Leach and Wayne were substantially as follows:

According to information available to the Reserve Bank, the present expansionary plans of Wachovia were about at an end. With the acquisition of the Wilmington Savings & Trust there would remain only one other area, Hickory, North Carolina, where Wachovia hoped to place an outlet. In most instances Wachovia had not been seeking banks with which to merge and had only dealt with those that had come to it with proposals, as in the case of Wilmington. It had not accepted all offers made and had attempted to be selective in its expansion. Mr. Wayne had questioned whether the Board had authority to consider the question of tendency to monopoly under Section 18(c) of the Federal Deposit Insurance Act, since Wachovia had stated that there would be no diminution of capital or surplus as of the day of the merger. Mr. Masters had replied that even if the merger question were eliminated, the Board had before it the request for approval of the establishment of two branches as a part of the merger. Mr. Wayne had put considerable emphasis, Mr. Masters said, on the position in Wilmington of Security National Bank of Greensboro which had a branch there. That branch, he felt, could provide more aggressive competition than had been the case recently,

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and he believed that the proposed merger would actually stimulate competition from this source. Mr. Wayne felt that the important question had to do with the potential competition with which Wachovia would be faced, not with the percentage of assets and deposits and offices that would be controlled by Wachovia, on which the Division of Examinations had placed emphasis. He also had stated that Wachovia planned as soon as feasible to consolidate the present head office of Wilmington with the main Wachovia branch so that there would remain only two downtown offices of the merged banks. Mr. Masters concluded his summary of the conversation by pointing out that Mr. Wayne was in the Board's building and was prepared to present the views of the Richmond Reserve Bank.

Governor Vardaman stated that he was personally familiar with the situation in Wilmington. He was skeptical that Wachovia was reaching the limits of its expansion. He said he had no criticism of that bank which was sound and well managed, but that on the basis of his present information he would not wish to approve the merger at this stage.

At this point the Chairman invited Mr. Wayne into the meeting and pointed out to him that the Board was considering turning down the Wachovia application but before taking any action it would like to hear the views of the Richmond Reserve Bank.

Mr. Wayne began by tracing the banking and community history of Wilmington over the past 50 years, stating that the city had not grown in proportion to the rest of North Carolina, although it had experienced a short-lived boom as a result of shipbuilding activity during World War II. In the banking field, Wilmington presented an unusual situation

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in which although there were several banks it was considered ungentlemanly to compete vigorously. As a result, commercial banking had not maintained its competitive position relative to savings and loan and other financial institutions -- as a matter of fact, total assets of savings and loan associations in the community were now about \$46 million compared with \$40 million for commercial banks. Wilmington Savings & Trust had been an individualist type of bank that had drawn a substantial portion of its loans from outside the area. A few years ago when Wachovia wished to establish an outlet in Wilmington it approached Wilmington Savings, but at that time the latter's management was not interested and Wachovia then took over Peoples Savings Bank & Trust Company in that city in 1955. In September of this year a substantial change in the management of Wilmington Savings resulted with the death of President Thornton, and that bank's owners had taken the initiative in the present proposed merger.

Mr. Wayne stated that so far as the competitive situation was concerned, he thought the primary responsibility of supervisory authorities, and of the System in particular, was to maintain for the public free access to alternative credit sources capable of meeting the needs of the community. Such alternatives would still be available through the Wilmington branch of Security National Bank of Greensboro, the largest national bank in North Carolina. In addition, the Bank of Wilmington, a locally owned bank with about \$7 million in assets, had been enlarging its capital funds and in recent months had

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taken steps to obtain more large business accounts and otherwise increase its activities. The conclusion of the Richmond Reserve Bank was that, while the merger would give Wachovia the majority percentage of bank deposits in the city, these other factors would preserve the competitive aspects of the situation. Mr. Wayne felt that to go beyond the point of maintaining alternative sources of credit would tend to put the System in the position of protecting ineffective and incompetent management from competition.

Mr. Wayne reported that the president of Wilmington Savings & Trust had called the Richmond Bank yesterday expressing concern that the application for merger had not been approved. This, he felt, was further indication that the initiative and pressure for the consolidation of the two banks came from the Wilmington bank's side.

As to Wachovia's future plans for expansion in North Carolina, Mr. Wayne told of conferences approximately two years ago with the management of that bank. The Richmond Bank had been advised at that time that Wachovia's plans included establishing a branch at Hickory, North Carolina, and also at a point "down east." At the suggestion that it was also considering a branch at Greenville, North Carolina, the Richmond Bank told Wachovia it hoped the bank would not move forward in this direction. Wachovia agreed and subsequently turned down an opportunity to merge with a bank in that part of the State.

When the current proposal for merger developed, the Richmond officers again talked with Wachovia's management on its future expansion

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plans. They were then told that the "down east" location had already been accomplished by the merger with a bank in Goldsboro which had been closely tied with Wachovia through family connections. Wachovia also said it had turned down at least four opportunities for expansion in Wilson, Shelby, Statesville, and Lenoir, North Carolina. As recently as November 12, Wachovia assured the Reserve Bank that it had no other plans except the Hickory location. In that same conversation, the Wachovia management explained that the diminution of capital through the present merger proposal, which brought the matter under section 18(c), was purely an oversight and that the bank planned to meet this problem by a transfer from undivided profits so that on the date of the merger there would actually be no diminution of capital.

As to the plans for operations in Wilmington, Mr. Wayne said it was the intention of Wachovia to close the present main office of Wilmington Savings as soon as it was physically possible to expand the present quarters of the Wachovia branch there. His impression was that they would be disinclined to let the Third Street office serve as an impediment to the merger, although its closing would result in inconvenience to the community and create serious operating difficulties. Mr. Wayne said that the Board's failure to approve the merger would result in considerable embarrassment to the parties involved inasmuch as Wilmington Savings & Trust had already given notice to the world that the merger would be taking place on November 17.

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At Governor Robertson's request, Mr. Wayne elaborated on his earlier comments on the banking history of Wilmington and on the financial facilities now available to the city and surrounding area.

Governor Vardaman stated that the information Mr. Wayne had presented about the future prospects of the city of Wilmington was contrary to his recollection of the story Wachovia had given when seeking permission to establish a branch in that city in 1955. He also had the impression that Wachovia had not aggressively sought new business since entering Wilmington. While he was strongly in favor of branch banking, in this instance he believed Wachovia had failed to bring aggressive banking competition to the tidewater region of North Carolina and he saw no assurance that the situation would change. He thought approval of the merger at this time might throttle a revival of competition recently under way as the result of a change in the management of the local branch of the Security National Bank. On occasion in the past the Board had tried to protect an ineffective local competitor for a brief period until it had time to develop, he said, and perhaps this was an instance where the same procedure should be followed. It might well be that six months from now, after the branch of Security National had been given a chance, the merger might be a good move, but he thought the present timing extremely unfortunate.

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Chairman Martin said he questioned whether the Board should make judgments based on the effectiveness or capabilities of individual bank management. The Board's problems, he thought, revolved around questions of size and competitive potential, around the possible effects on the future of the banking community, and around the provisions of the Clayton Act and other related statutes -- in short on the public interest point of view. Mr. Masters and others had raised points concerning the possible effects resulting from this proposed merger that he did not believe Mr. Wayne had refuted. He recognized that there were practical difficulties in this case, but these factors could not be permitted to outweigh the elements of size and the potential role of a steadily expanding organization such as Wachovia.

In response to the Chairman's invitation for other comments, Mr. Wayne said the view of the Richmond Bank would differ from that of Governor Vardaman as to the efforts of Wachovia to aid in the development of the Wilmington community. It was Richmond's view that it was the responsibility of a supervisory agency to preserve the possibility of competition but not to go so far as to protect ineffective and inefficient competition. It was its view that if the merger were approved no one would be denied access to credit choices. It was entirely possible, he said, that the only effect of an unfavorable action by the Board on the application by Wachovia would be a decision to close the Third Street office since the merger could be completed without securing the Board's consent under the provisions of section 18(c).

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On the latter point, Governor Vardaman said that he recognized that closing the branch was a possible way out for Wachovia. Also, he said, once the merger was accomplished the bank might later come in for permission to establish a branch in that area. He asked whether the Richmond Bank under these circumstances would react favorably toward the reestablishment of the branch. Mr. Wayne responded that it probably would.

Mr. Hexter inquired whether there was any possibility that Security National would take over Wilmington Savings if the latter did not merge with Wachovia.

Mr. Wayne responded by stating that Security National was not expansion minded and that he doubted it would become so as long as it was controlled by Jefferson Standard Life Insurance Company which was interested in a very conservative type of operation.

Mr. Wayne then withdrew from the room.

Governor Vardaman then said he questioned the propriety of his voting on this matter inasmuch as he came before the Board almost as a protagonist in this situation, but Chairman Martin said he saw no reason for him not to take part in the voting.

Mr. Masters stated he had a good deal of sympathy for the position expressed by Mr. Wayne and that it was always helpful in matters of this kind to obtain firsthand the impressions of the Reserve Bank and in that way a better appreciation of local conditions.

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Nevertheless, the information did not change the fact that the merger would result in the creation of a bank almost four times the size of its nearest bank competitor. He recognized that this would not destroy competition but it would lessen it to a substantial degree. It would eliminate one independent bank and create a dominant institution in terms of the size of its loans and deposits and of the aggressiveness of the institution.

Governor Mills said he had gotten nothing from Mr. Wayne that would change the opinion that he expressed yesterday, which joined with the judgment of the Division of Examinations against approving the merger. The Chairman in his comments earlier had reached the crux of the problem where he indicated that the Board had a statutory responsibility that compelled it to look at the size of the banking institutions that come under its regulatory powers and, in so doing, to be certain that a size was not created that would produce a dominance and a market power that would be inimical to the competitive viability of banks in a State or in a locality, and thus be contrary to the spirit of the responsibilities that the Board is called upon to fulfill. The market power that would arise from the proposal in his judgment was such that it would place Wachovia Bank in a position through the marshalling of the deposits and resources that would come under its control at a point that would very clearly reduce unduly competition in the area. The situation was much like the problem in the Grand Rapids case on which the Board had taken a position that an expansion would place the surviving

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bank in a position of dominance that would be contrary to the best interests of that community in the competitive banking field. Substantially the same factors were involved in this proposal, and to decide other than to deny the application would pro tanto compel the Board in its conscience at least to say its earlier decision was in error and that it should approve the Old Kent case and allow the litigation to lapse, which would be a very unhappy thing to attempt.

The Wachovia Bank's position in the North Carolina firmament could not solely be looked at Statewide but must be viewed locality by locality, Governor Mills said. Statewide expansion of the institution had been rapid and aggressive but in his opinion had not reached a point to justify the Board's denying expansion in some future cases. But the Wilmington request would produce a marshalling of resources and a competitive situation and would be contrary to the philosophy of the Clayton Act and the Bank Holding Company Act, and to the philosophy for administering the array of other statutes coming under the Board's authority that bear on mergers and consolidations. As he had mentioned yesterday, the U. S. Court of Appeals in the Transamerica case very clearly reached a conclusion that a global trend to monopoly was difficult to prove, and where the Board was taking a position against expansion, the extension of that philosophy to the Wilmington case would seem to indicate that the competitive position of Wachovia, if it were permitted to merge with Wilmington, would be contrary to the directive of the U. S. Court of Appeals in the Transamerica case. It was most unfortunate that

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the Board in cases of this sort had to intervene in the transfer of instruments representing property, but unless the statutes were changed that was an inescapable difficulty that it was obliged to face.

Governor Robertson said he also was sorry that the matter came up after a public announcement had been made, and he had a soft spot in his heart for the position of management in such instances. It was his view that the circumstances in this case were quite different from those involving Old Kent. The present case was stronger than that one, he felt, for here a large Statewide organization was merging with a local institution, the result of which would partially eliminate competition in the community. He would concur in the recommendation of the Division of Examinations and deny the application.

Governor Shepardson said he was disturbed by the possibility that the action of turning down the application would be futile. If the institution could correct the capital deficiency and for the time being close the branch office, thus taking the matter out of the Board's hands, then he wondered whether the Board's action in turning down the application would be an empty gesture. However, he recognized merit in Governor Mills' point about consistency of position, especially with another case pending, and in the circumstances he thought the Board had no choice but to rule against an action that would permit such dominance to one organization.

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Governor Szymczak said he was in favor of disapproving the application.

Chairman Martin said that he likewise would vote to disapprove the merger. He thought Governor Shepardson had put his finger on a point with which the Board was frequently dealing, however, where the theory of its actions was not carried out in practice. It might be in some cases that the Board's action would actually worsen the situation.

Governor Mills said that this would be a problem for the Congress, to which the Chairman replied that that might be true but that in the meantime the Board's actions could cause hardship and suffering.

At this point Mr. Hackley reminded the Board that it was being asked to approve two things: first, consent to the merger of the two institutions under the requirements of section 18(c) of the Federal Deposit Insurance Act, and, second, approval of the establishment of branches as a result of the merger. He held some doubt as to the legal authority of the Board to disapprove the merger as such. With regard to the Board's authority for disapproving the establishment of the branches, he felt the Board was in the same position as it was in the Old Kent case except, of course, that the facts were different. He suggested that the letter advising Wachovia Bank and Trust Company of the Board's action in disapproving their applications should be drafted with these points in mind.

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Thereupon the Board unanimously disapproved the request of the Wachovia Bank and Trust Company for consent to the merger of that bank with The Wilmington Savings & Trust Company, Wilmington, North Carolina, disapproved the establishment of branches in Wilmington at the present locations of that bank, and authorized the sending of the letter attached to these minutes as Item No. 1 advising the Wachovia Bank of its action (for transmittal through the Federal Reserve Bank of Richmond).

All members of the staff except Messrs. Sherman, Hackley, Solomon, and Shay then withdrew from the room.

Letter from Senator John L. McClellan requesting access to certain Board records. Chairman Martin read a letter that had been delivered to him this morning by Mr. Robert E. Dunne, Assistant Counsel for the Senate Permanent Subcommittee on Investigations, such letter having been dated November 12, 1958, and sent over the signature of Senator McClellan, Chairman of both the Committee on Government Operations and the Senate Permanent Subcommittee on Investigations. The letter was as follows:

On November 5, 1958, Donald F. O'Donnell, Acting Chief Counsel of this Subcommittee, conferred with Vice Chairman Balderston and members of your staff concerning our current inquiry into alleged premature leaks of certain decisions of the Board.

In order to properly and expeditiously determine the validity of these allegations, it is requested that certain records of the Board be made available to staff members of this Subcommittee. It is anticipated that a preliminary determination as to whether the matter will be pursued further by us can be made upon examination of those records detailed on the enclosed list. It is not the intention of

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the Subcommittee to make inquiry on the wisdom of any particular decision by the Board, as we are not concerned with matters of a substantive nature. Our inquiry is limited merely to those procedural matters concerning the possible advance leakage of decisions.

It is requested that you arrange through Mr. O'Donnell for the inspection of the necessary records at an early date.

RECORDS REQUESTED BY THE SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS OF THE COMMITTEE ON GOVERNMENT OPERATIONS OF THE UNITED STATES SENATE

- (1) Excerpts from the minutes of the Board of Governors of the Federal Reserve System for all meetings held on the dates listed below, including:
 - (a) All entries reflecting on the attendance of any person present.
 - (b) All entries reflecting the time of any preliminary or final vote on those subjects involving reserve requirements, margin account requirements, or discount rate changes.
 - (c) All other entries which might be of evidential value in determining the possibility of leakage of the Board's decision prior to said decision being made public information.
- (2) Proposed and actual agendas and subsequent approval sheets for all meetings of the Board held on the dates listed below:
 - (a) August 8, 1957
 - (b) November 14, 1957
 - (c) January 15, 1958
 - (d) January 21, 1958
 - (e) February 19, 1958
 - (f) March 6, 1958
 - (g) March 18, 1958
 - (h) April 17, 1958
 - (i) August 4, 1958
 - (j) August 14, 1958
 - (k) October 15, 1958
 - (l) October 23, 1958
- (3) All records of long distance telephone calls maintained by the Board of Directors on the Federal Reserve System.

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At Chairman Martin's request, the Secretary reviewed discussions with Mr. Dunne on November 3 and, when Mr. Dunne called on Governor Balderston, on November 5, 1958.

Mr. Shay reported that subsequent to the meeting on November 3, Mr. Yingling, Clerk of the Senate Banking and Currency Committee, called him on the telephone to tell him that he had seen a draft of the letter from Senator McClellan, that Mr. Yingling seemed to have the impression that the staff members of the Senate Permanent Subcommittee on Investigations were inclined to think they had nothing which would justify a major investigation, and that they might complete their work on it within approximately three days. On the other hand, Mr. Shay noted that you could never be sure how a thing of this sort would develop. He also noted that in 1935 the Board has set a precedent by making available certain files and minutes dealing with private and public financing of loans to the Allies from 1915 to 1918, inclusive, to an investigator of Senator Nye's Special Committee Investigating the Munitions Industry. Entirely aside from that precedent, Mr. Shay doubted that there was an alternative to making available the information requested by Senator McClellan.

Chairman Martin said that Mr. Dunne wished to come to the Board's building this afternoon. It seemed to him that if anything in the way of a leak could be determined from the Board's records, they should be made available to the Subcommittee's staff. He suggested that Mr. Sherman with the assistance of Mr. Hackley be authorized to make available to authorized

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representatives of Senator McClellan's Subcommittee the data requested in the letter.

Mr. Hackley stated that the Subcommittee had broad powers, that the Acting Chief Counsel, Mr. O'Donnell, had indicated when he called to see Governor Balderston on November 5 that they assumed the Board was in the Executive Branch of the Government, and that, while an argument could be made that this was not the case and that the Board, therefore, might not fall within the purview of the Subcommittee, he doubted that it would be desirable to attempt to make such a case.

Chairman Martin said that charges or rumors of leaks from the Board's organization were not limited to the Subcommittee on Investigations, that while he had seen Senator Fulbright, Chairman of the Senate Banking and Currency Committee, on his recent trip to the Fund and Bank meetings, Senator Fulbright had mentioned a number of letters that he personally had received asserting that leaks of information had occurred in the Board's organization.

In response to a question from Governor Vardaman, the Chairman stated that thus far no similar inquiry had been received from the House Committee on Government Operations.

Mr. Shay stated that Mr. Yingling had reported to him that Acting Chief Counsel O'Donnell of Senator McClellan's Subcommittee had promised to keep the Banking and Currency Committee informed of developments and that if the preliminary investigation indicated that it should be carried further they would get in touch with Senator Fulbright before doing so.

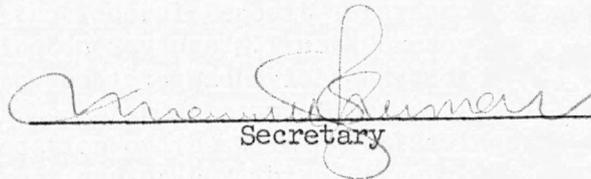
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Governor Robertson suggested that, in addition to designating the Secretary and General Counsel to work with staff members of Senator McClellan's Subcommittee, it would seem desirable to designate a member of the Board who would be available to them. Chairman Martin responded that he would be glad to make himself available to Mr. Dunne in connection with the inquiry.

The suggestions of Chairman Martin and Governor Robertson were approved unanimously.

Thereupon the meeting adjourned.


Secretary

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

Item No. 1
11/13/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 13, 1958



Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

Reference is made to your request submitted through the Federal Reserve Bank of Richmond for consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of The Wilmington Savings & Trust Company, Wilmington, North Carolina, with and into Wachovia Bank and Trust Company, and approval of the establishment of branches in Wilmington at the present location of The Wilmington Savings & Trust Company on Princess Street and at 402 Third Street.

After considering all of the information submitted with respect to the proposals, the Board of Governors does not feel justified in giving its consent to the merger or approving the establishment of the branches in view of the adverse effect which the proposed transactions would seem likely to have on competition in the area and which would not be outweighed by any other factors involved.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.