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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. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System
On Wednesday, May 18, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman

Mr. Szymczak

Mr. Robertson

Mr. Shepardson

Mr. King

Mr. Sherman, Secretary

Mr. Thomas, Adviser to the Board

Mr. Young, Adviser to the Board

Mr. Hackley, General Counsel

Mr. Farrell, Director, Division of Bank Operations

Mr. Solomon, Director, Division of Examinations

Mr. Hexter, Assistant General Counsel

Mr. Rudy, Special Assistant, Legal Division

Mr. Conkling, Assistant Director, Division of Bank Operations

Mr. Nelson, Assistant Director, Division of Examinations

Mr. Landry, Assistant to the Secretary

Mr. Veenstra, Technical Assistant, Division of Bank Operations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on May 16, 1960, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Items circulated to the Board. The following items, which had been circulated to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

1

Letter to the Federal Reserve Bank of New York concurring in the opinion that it is unnecessary for the Board to approve the temporary utilization of a trailer to carry on part of the banking services of the New Company of branch office of the Marine Midland Trust its fire-damaged quarters are being repaired.

Item No.

Letter to the Wells Fargo Bank American Trust Company, San Francisco, California, approving the establishment of a branch in Merced.

2

Application to organize a national bank at Miami, Florida
(Item No. 3). Mr. Solomon reported that pursuant to the understanding
reached at the meeting on May 16, 1960, he had telephoned the Atlanta
Reserve Bank to inform it that the Board was disposed to recommend
approval of an application to organize a national bank at Miami, Florida,
with respect to which the Reserve Bank had recommended unfavorably and
that he had requested the Bank to furnish the Board with any further
details it thought relevant to this application. Subsequently, a telegram had been received from the Reserve Bank indicating that it still
believed there was no pressing need for the proposed bank to be established
about four miles southwest of the center of Miami, and that the Bank
had no further information concerning this application. Mr. Solomon
remarked that he was sure that the Reserve Bank was not adamant on this
issue, since Vice President Demark had frequently expressed himself in
this way on similar applications in the past.

Following a comment from Chairman Martin that this was simply a recommendation to the Comptroller's Office and that the final decision would be made by the Comptroller, unanimous approval was given to a letter to the Comptroller recommending favorably on the application. A copy of this letter is attached to these minutes as Item No. 3.

At this point, Mr. Noyes, Director, Division of Research and Statistics, joined the meeting.

Letter to the Federal Reserve Bank of Kansas City regarding a real estate survey in Denver (Item No. 4). There had been circulated a draft letter to the Kansas City Reserve Bank interposing no objection to the expenditure of not more than \$8,000 for a real estate survey to assist in determining the future location of the Denver Branch building. There had also been circulated as an attachment to the letter a telegram dated May 12, 1960, that had been received from the Reserve Bank correcting the cost figure to read \$8,500.

Governor Shepardson said that the boards of directors of both the Kansas City Reserve Bank and the Denver Branch had approved this request and that the rapid growth of the Denver business area was resulting in the pre-emption of potential sites for the new Denver Branch building, so that it was important that the proposed real estate survey be initiated promptly.

The letter to the Kansas City Reserve Bank, a copy of which is attached to these minutes as Item No. 4, was then unanimously approved.

Form of Notice to be published by State member banks under the bank merger bill (S. 1062). There had been distributed a memorandum dated May 16, 1960, from Messrs. Hackley and Solomon attaching a draft of form of Notice to be published by State member banks planning to merge under the provisions of the bank merger bill signed by the President on May 13, 1960.

In commenting on this memorandum, Mr. Solomon said that in View of the immediate effectiveness of the law, the pendency of some mergers and the possibility that failure to publish proper notice might be held to invalidate a merger, it was desirable that a suitable form of Notice be approved promptly. Furthermore, since the circumstances and the legislative history of the law indicated the desirability of as much uniformity as practicable in the decisions and procedures relating thereto, this would seem to apply also to the form of Notice. He noted that the attached draft of a form of Notice closely paralleled One on which the staff of the Federal Deposit Insurance Corporation is now working. On the other hand, the Comptroller's Office, which has several applications for mergers under consideration, was planning temporarily to use two forms of Notice, one for mergers and consolidations and one for banks absorbing other banks, with the thought that ultimately a single form would be used for both purposes. It was his View that it would be desirable for the Board to put the proposed form of Notice for use of State member banks into the hands of the Reserve Banks promptly but that publication of the form in the Federal Register Ehould be deferred until such time as the forms of the three agencies could be coordinated. He went on to say that two questions of policy deserved consideration in connection with this or any other such form of Notice: (1) The attached form did not provide for public inspection of either the application or the merger agreement, although it did

invite comments from interested parties, unlike either of the Comptroller's forms; (2) Related to this question was the further question whether the form of Notice should set forth the various factors to be taken into account by the relevant supervisory authority in passing on the proposed mergers. It was the opinion of the Division of Examinations that at this stage at least it would be preferable to omit both such provisions from the form. Mr. Solomon noted that the Federal Deposit Insurance Corporation also seemed inclined to this view. Should the Board agree with this position, he would deem it appropriate to authorize the staff to iron out details of the form with the Federal Deposit Insurance Corporation and, if feasible, also with the Comptroller and to forward the form to the Reserve Banks as promptly as possible.

Following discussion, these suggestions were approved unanimously, with the understanding that when the details of the form had been agreed upon by all three supervisory agencies, the form of Notice be forwarded to the Reserve Banks.

Messrs. Shay, Legislative Counsel; Fauver, Assistant to the Board; and Furth, Associate Adviser, Division of International Finance, entered the meeting at this point.

Order and Statement regarding application by First Virginia

Corporation, Arlington, Virginia (Items 5 and 6). There had been distributed a memorandum dated May 17, 1960, from the Legal Division

Submitting a draft of Order approving the application by The First Virginia Corporation pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956, and section 4(a)(2) of the Board's Regulation Y, Bank Holding Companies, for approval of acquisition of 3,107 or more of the 4,000 voting shares of the Purcellville National Bank, Purcellville, Virginia. A draft of press release was also attached to the memorandum.

Mr. Hackley stated that a Notice of Tentative Decision was published in the Federal Register on April 29, 1960, approving this application. Since no comments or observations had been received during the 15-day period provided in the Notice for the filing of comments or observations to the proposed action, the Legal Division had prepared and was submitting for the Board's consideration drafts of an Order approving the application under the Bank Holding Company Act of 1956, a Statement, and a press release.

Following discussion, unanimous approval was given to the Order and the Statement, copies of which are attached as Items 5 and 6, With the understanding that a release to the press would be made at 4 p.m., E.D.T.. today.

Mr. Rudy then withdrew and Mr. Goodman, Assistant Director, Division of Examinations, entered the meeting.

Letters to the Federal Deposit Insurance Corporation and the Comptroller of the Currency regarding supplemental schedule on the June 1960 call report (Item No. 7). There had been circulated a

memorandum from Messrs. Farrell and Noyes dated April 28, 1960, recommending approval of an attached draft of supplemental schedule to obtain dollar amount and rate information on savings and time deposits at the time of the forthcoming mid-year call for reports of condition of State member banks. Identical transmittal letters to the Federal Deposit Insurance Corporation and the Comptroller's Office were also attached to the memorandum for the Board's consideration.

Mr. Farrell commented that the supplemental schedule had been prepared in consultation with the Federal Deposit Insurance Corporation and the Comptroller's Office in conformance with the understanding reached at the meeting on March 25, 1960.

Mr. Noyes said, in response to a question from Governor Shepardson, that the type and amount of information requested had been limited to facilitate the completion of the supplemental schedule by reporting banks and that it provided the type of breakdown the Board had indicated it would like to have.

There being no objection, unanimous <u>approval</u> was then given to the schedule and to identical transmittal letters to the Federal Deposit Insurance Corporation and the Comptroller of the Currency. A copy of the letter to the Federal Deposit Insurance Corporation is attached as Item No.7.

Mr. Molony, Assistant to the Board, entered the meeting at this point and Mr. Nelson withdrew.

Request for information regarding foreign banking offices.

Copies of a memorandum dated May 16, 1960, from Mr. Solomon had

been distributed attaching information requested by Mr. John Reddan,

Chief Counsel, Subcommittee on Foreign Operations and Monetary Affairs

of the House Committee on Government Operations (the Hardy Subcommittee),

pertaining to the names, locations, and size of all foreign branches

of national banks, State member banks, and foreign banking and financing

corporations. The memorandum noted that total asset figures had been

developed from call reports as of December 31, 1959. It noted further

that since the information was confidential the Board would probably

have to authorize release of the figures relating to State member banks

and foreign banking and financing corporations and that in the case of

the national bank figures, the Comptroller of the Currency would have to

Mr. Shay observed that the question at issue was how the Board Wished to handle that portion of Mr. Reddan's request relating to State member banks and foreign banking and financing corporations. He said that this would have to be decided before the Comptroller's Office Was approached regarding release of the national bank figures involved.

Chairman Martin inquired whether Mr. Reddan had requested any comparative figures or simply the figures as of December 31, 1959, and Mr. Solomon replied that the instant request related solely to the

latest available figures, although there was the possibility Mr. Reddan was also interested in comparative figures. He added that comparative data could be readily gathered but that, as Mr. Shay had pointed out, the real question before the Board was whether to release information that heretofore had been considered confidential.

Mr. Goodman noted that most of the statistical listings attached to the memorandum of May 16 related to foreign locations in which a single foreign branch of an American bank was situated. Since publication of these listings would reveal to competitors of these banks the assets of the branches concerned, he asked whether the Board considered this to be objectionable, in view of the fact that branch information was not published, unlike the call report.

Mr. Solomon observed that the instant request touched on a segment of the larger question of making public information on domestic branches of American banks that so far had never been published.

Mr. Farrell referred to the question currently under consideration by the Board's staff of a suitable form in which to publish data on aggregate deposits and assets of branch banks on a county basis. He said that in cases where a particular bank had only one branch in a county publication of the branch figures would reveal the individual branch data. Mr. Thomas added that the issue of publishing individual domestic branch condition reports did not seem important because the meaningfulness of some of the figures was questionable.

Governor Shepardson observed that he could see no difference between disclosing the business at a branch bank and publication of call reports of condition for individual banks without branches.

Governor Robertson and Mr. Solomon concurred.

In the discussion that followed, Mr. Furth remarked that although most countries require domestic banks to publish reports of condition, in those countries where this is not the case a requirement that American banks publish their foreign-branch figures could place them at a disadvantage.

Following further discussion, it was <u>decided</u> to supply to Mr. Reddan the names, locations, and the size of all foreign branches of State member banks and foreign banking and financing corporations as of December 31, 1959, with the understanding that Mr. Shay would provide Mr. Reddan for the Subcommittee's use the information requested following clearance with the Comptroller's Office regarding the national bank figures involved in the request.

Secretary so Note: It was later reported to the Secretary that immediately following the meeting Mr. Solomon had ascertained that the Comptroller's Office had no objection to the Board's supplying to the Hardy Subcommittee information as to the assets of overseas branches of national banks. Accordingly, pursuant to the Board's action at the meeting, the data requested by Mr. Reddan were sent to the Subcommittee later in the day.

Messrs. Conkling and Veenstra then withdrew from the meeting.

Request by International Banking Corporation regarding lending powers of foreign banking subsidiaries of foreign banking corporations. A memorandum from the Division of Examinations dated April 28, 1960, had been distributed pertaining to a request by International Banking Corporation in a letter dated December 7, 1959, that the Board resolve by ruling that, notwithstanding stock ownership of Bank of Monrovia, Monrovia, Liberia, and of The First National City Bank of New York (South Africa) Ltd., by International Banking Corporation, these foreign corporations "are to be governed in the conduct of their lending operations abroad, by the applicable foreign laws and customs." It was recommended in the memorandum that before this request was considered by the Board for formal action, Vice President Wriston of International Banking Corporation be informed that the Board would be pleased to have International Banking Corporation present any further views desired on this question at a mutually convenient date at the Board's offices in Washington. A draft of proposed letter to this effect was attached to the memorandum as was a memorandum dated April 29, 1960, from Mr. Furth On the same subject. Mr. Furth's memorandum pointed out that the contention of International Banking Corporation that the Board should relinquish its power to impose conditions on the affiliation of foreign

subsidiaries with domestic banks relating to the foreign operations of these subsidiaries was unfounded in principle. It was noted, however, that in appropriate instances the Board could waive regulations applicable to domestic banks, should the regulation seem unnecessary to assure sound banking and be dangerous to the competitive position of the foreign subsidiary. So far as the concrete instance of the loans of the Bank of Monrovia that violated the 10 per cent rule of section 10(a) of Regulation K, Corporations doing Foreign Banking or other Foreign Financing under the Federal Reserve Act, was concerned, the Furth memorandum stated there was no reason for such a waiver.

Following discussion, it was understood that Mr. Goodman would inform Mr. Wriston that the Board had no objection to a meeting at the Board's offices between representatives from International Banking Corporation and representatives of the Board for a discussion of this question.

Secretary's Note: Pursuant to this understanding, a meeting at the Board's offices between representatives of the Board and of International Banking Corporation was tentatively arranged for Wednesday, June 1, 1960, at 2:00 p.m., E.D.T.

Letter to the State Department regarding revision of Regulation K (Item No. 8). There had been distributed a memorandum dated April 29, 1960, from Messrs. Furth, Goodman, and Hexter concerning revision of Regulation K, Corporations doing Foreign Banking or other Foreign Financing

under the Federal Reserve Act, and attaching a draft letter to the State Department. The memorandum noted that the total revision of Regulation K went into effect more than three years ago. Since that time, the Regulation had been amended only once (in November 1958) by deleting the provision (section 10(c)(2)) preventing Edge financing corporations from having a name similar to that of the parent bank. The memorandum also referred to the fact that when the Board approved the revised Regulation K on December 4, 1956, it agreed with a suggestion by Governor Szymczak "that consideration of recommendations for legislation be made to the Congress as soon as feasible or possible, but in any event not later than two years from the effective date of the amended regulation."

Regulation K was needed before an adequate basis for making recommendations to Congress would be provided. Consequently, it was proposed in the memorandum that the date limit previously set for considering changes in Regulation K be extended for about two more years in order to permit the accumulation of experience with the revised Regulation.

In the discussion that ensued, Mr. Goodman suggested certain changes in the draft letter to the State Department attached to the memorandum of April 29. This letter would reply to the Department's letter of May 1, 1959, requesting the Board "to review . . . the adequacy and effectiveness of the regulations regarding Edge Act

Corporations, with particular reference to the requirement that the Board's consent be obtained in advance of purchases by such Corporations of stock in other corporations."

Unanimous approval was then given to the letter to the State

Department in the form of attached Item No. 8. There was also agreement

With Governor Szymczak's suggestion that further consideration be given

in about two years to the question of whether changes were needed in

the provisions of Regulation K.

At this point Mr. Furth withdrew from the meeting.

Meeting with representatives of Firstamerica Corporation and

Department of Justice. There had been distributed a confidential memorandum dated May 17, 1960, from Mr. Hackley attaching a copy of a memorandum regarding a meeting on May 12, 1960, in the Board's building between

representatives of the Department of Justice and Firstamerica Corporation and members of the Board's staff. The purpose of the meeting was to have

some Preliminary discussion regarding the proposed plan, to which Justice and Firstamerica had tentatively agreed, under which there would be established out of the present First Western Bank and Trust Company, a new bank that would ultimately cease to be controlled by Firstamerica.

The plan would be the basis for a court decree dismissing the presently pending anti-trust proceedings against Firstamerica. It was indicated at the meeting that Justice would shortly write the Board requesting its view as to whether the proposed plan would seem to be generally sound from a bank supervisory viewpoint. Furthermore, it was made clear that

the Board would not be expected to commit itself at this time to approve any particular transaction involved in the plan, which under the law would require Board approval. Reference was made in the memorandum to the disclaimer made at this meeting by members of the Board's staff that nothing that they said at the meeting should be regarded as expressing the position of the Board.

Mr. Hackley said that unless the Board saw some objection, he would like to send copies of the memorandum to Mr. Gesell, representing Firstamerica Corporation, and to Mr. Raycraft of the Justice Department in order to guard against any possible misunderstandings.

There being no objection, unanimous approval was given to this suggestion.

Mr. Hexter then withdrew from the meeting.

Possibility of including further vault cash in member bank reserves. Chairman Martin asked Mr. Thomas whether current conditions seemed appropriate for a further inclusion of a portion of vault cash in member bank reserves similar to the inclusion early last December of about \$270 million under the authority of legislation enacted by the Congress in July 1959. Mr. Thomas replied that further action along this line would be possible at any time. However, it might be desirable to raise reserve requirements of country banks simultaneously in order to narrow the margin of reserve requirement percentages between reserve city and country banks, since such action with respect to vault cash benefited the latter in particular.

RASER

Complete work on standards for reclassifying cities and banks for reserve purposes currently in progress before undertaking to release any additional reserves through inclusion of a larger percentage of Vault cash holdings in legal reserves.

Mr. Thomas said, in response to a question from Governor Shepardson, that it was expected the staff report on standards of classification might be ready for Board consideration in about two weeks.

Telephone call from the Comptroller's Office. Governor Robertson reported that the Comptroller's Office had called to say that a request had been received from a nonmember bank in Washington, D. C., with deposits of about \$39 million for a reduction in its reserve requirements from reserve city status to country bank status as a result of its learning that the McLachlen Banking Corporation and Security Bank in the District had recently been granted the Board's permission to carry the reserves required of country banks rather than those required of reserve city banks. During the discussion, the Comptroller's Office indicated it probably would defer acting on this request until standards for reclassification of member banks for reserve purposes had been determined by the Board.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on the dates indicated the following items affecting the Board's staff:

On May 17, 1960:

Appointment

Hurley Wayne Gray as Assistant Federal Reserve Examiner, Division of Examinations, with basic annual salary at the rate of \$4,490, effective the date he assumes his duties.

Salary increases, effective May 29, 1960

Helen M. Bennett, Secretary, Division of Bank Operations, from \$5,090 to \$5,240 per annum.

Harold H. Holland, Analyst, Division of Bank Operations, from \$5,430 to \$5,580 per annum.

from \$3,755 to \$3,850 per annum.

Of Examinations, from \$5,580 to \$5,730 per annum.

from \$4,230 to \$4,325 per annum.

On May 18, 1960:

Salary increase, effective May 29, 1960

in title from Statistical Clerk to Research Assistant, Division of Research Statistics.

Acceptance of resignation

Services, effective May 16, 1960.

Governor Shepardson also approved today on behalf of the Board a telegram to the Federal Reserve Bank of San Francisco (attached Item No. 9) approving the appointment of James M. Felker as assistant examiner.

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BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

Item No. 1 5/18/60

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE SDARD

May 18, 1960

Mr. Fred W. Piderit, Jr., Assistant Vice President, Federal Reserve Bank of New York, New York 45, New York.

Dear Mr. Piderit:

This will acknowledge your letter of May 10, 1960, regarding the fire which damaged the New Hartford branch office of the Marine Midland Trust Company of the Mohawk Valley, Utica, New York, and the temporary utilization of a trailer immediately adjacent to the branch location to carry on part of the banking services. It is noted that it may take at least two months and possibly more to rehabilitate the damaged quarters.

for the Board to grant specific approval for this temporary arrangement for the branch quarters.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon, Assistant Secretary.



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 2 5/18/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE SOARD

May 18, 1960

Board of Directors, Wells Fargo Bank American Trust Company, San Francisco, California.

Gentlemen:

Pursuant to your request submitted through the Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of 17th and M Streets, Merced, California, by Wells Fargo Bank American Trust Company, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon, Assistant Secretary.



OF THE

FEDERAL RESERVE SYSTEM

Item No. 3 5/18/60

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE

May 18, 1960

Comptroller of the Currency, Treasury Department, Washington 25, D. C.

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 6, 1959, enclosing copies of an application to organize a national bank at Miami, Florida, and asking for a recommendation as to whether or not the application should be approved.

A report of investigation of the application conducted by an examiner for the Federal Reserve Bank of Atlanta indicates generally favorable findings with respect to the proposed capital structure of the bank and to the general character of management, although the chief executive officer has not been selected. While there was some question concerning the future earnings prospects of the bank and the need for additional banking facilities in this area, the investigation did indicate that profitable operations could be attained within a reasonable period and that a new bank would provide added convenience to the general public. Accordingly, application provided arrangements for executive management are made satisfactory to your office.

The Board's Division of Examinations will be glad to if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon, Assistant Secretary.



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 4 5/18/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE SOARD

May 18, 1960

Mr. H. G. Leedy, President, Federal Reserve Bank of Kansas City, Kansas City 6, Missouri.

Dear Mr. Leedy:

This refers to your letter of May 6, 1960 concerning the proposed real estate survey at Denver for the purpose of assisting the Kansas City and Denver Branch Directors in determining the future location of the Denver Branch building.

The Board will interpose no objection to the expenditure of not to exceed \$8,500 for the cost of such survey.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.

Item No. 5 5/18/60

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON. D. C.

In the Matter of the Application of

THE FIRST VIRGINIA CORPORATION

for prior approval of acquisition of voting shares of The Purcellville National Bank, Purcellville, Virginia

ORDER APPROVING APPLICATION UNDER BANK HOLDING COMPANY ACT

There having come before the Board of Governors pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1843) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application on behalf of The First Virginia Corporation, Arlington, Virginia, for the Board's prior approval of the acquisition of 3,107 or more of the 4,000 voting shares of The Purcellville National Bank, Purcellville, Virginia; a Notice of Tentative Decision referring to a Tentative Statement on said application having been published in the Federal Register on April 29, 1960 (25 Federal Register 3772); the said Notice having provided interested persons an opportunity, before issuance of the Board's final order, to file objections or comments upon the facts stated and the reasons indicated in the Tentative

Statement; and the time for filing such objections and comments having expired and no such objections or comments having been filed;

Board's Statement of this date, that the said application be and hereby is granted, and the acquisition by The First Virginia Corporation of 3,107 or more of the 4,000 voting shares of The Purcellville National Bank, Purcellville, Virginia, is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington, D. C., this 18th day of May 1960. By order of the Board of Governors.

Voting for this action: Chairman Martin and Governors Szymczak, Robertson, Shepardson, and King.

Absent and not voting: Governors Balderston and Mills.

(signed) Merritt Sherman

(SEAL)

Merritt Sherman, Secretary.

Item No. 6 5/18/60

OF THE

FEDERAL RESERVE SYSTEM

APPLICATION BY THE FIRST VIRGINIA CORPORATION, ARLINGTON, VIRGINIA, FOR PRIOR APPROVAL OF ACQUISITION OF WOTING SHARES OF THE PURCELLVILLE NATIONAL BANK, PURCELLVILLE, VIRGINIA

STATEMENT

The First Virginia Corporation, Arlington, Virginia ("First"), a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the acquisition of 3,107 or more of the 4,000 voting shares of The Purcellville National Bank, Purcellville, Virginia ("Purcellville").

Views and recommendations of the Comptroller of the Currency. - As required by section 3(b) of the Act, the Board forwarded notice of the application to the office of the Comptroller of the Currency. The Comptroller responded by recommending approval of the transaction.

Statutory factors. - Section 3(c) of the Act requires
the Board to take into consideration the following five factors:
(1) the financial history and condition of the holding company
and bank concerned; (2) their prospects; (3) the character of
their management; (4) the convenience, needs, and welfare of the
communities and area concerned; and (5) whether or not the

effect of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - First presently operates three banks and, with the acquisition of Purcellville, it would have subsidiary banks in four Virginia counties (Loudoun, Arlington, Fairfax and Prince William counties). The three banks have four branches With a total of seven banking offices and total deposits of individuals, partnerships, and corporations (IPC deposits) amounting to \$48,353,000 which accounted for 15.6 per cent of the 45 banking offices and 21.6 per cent of the \$223,385,000 total IPC deposits as of October 6, 1959, of all banks operating in Loudoun, Arlington, Fairfax, and Prince William counties and the independent city of Falls Church. If First acquires Purcellville it would control eight banking offices holding total IPC deposits of \$52,193,000 or 17.8 per cent and 23.4 per cent, respectively, of the offices and IPC deposits of all banks in the four counties and one city. (Although First controls no banks in Falls Church, that city is included in arriving at the percentages because it lies between Arlington and Fairfax counties.)

The town of Purcellville has a population of approximately 1,200 and is located in the center of an attractive and prosperous agricultural area with highly stable

Airport, which is located about 30 miles from the town, should have a favorable impact upon the area. There are no other banks in the town of Purcellville. However, in the primary service area of the Purcellville Bank, there are four additional banks, none of the stock of which is owned or controlled by First.

The financial history and condition, prospects, and management of both First and Purcellville are satisfactory.

First would help solve a management succession problem and provide the community with broader banking services and improved facilities. It appears, however, that acquisition by First is not the only solution of the management succession problem and that Purcellville has been serving the convenience and needs of its community and area adequately. Viewed in the light of all of the facts in this case, these considerations lend little support for, but would not be inconsistent with, approval of this application.

An additional judgment required of the Board by section 3(c) of the Act is whether the effects of the proposed acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest and the preservation of banking competition. First's subsidiary banks account for 1.3 per cent of the banking offices and 1.8 per cent

of the total deposits of all banks in the State of Virginia as of June 10, 1959. If First acquires Purcellville it would control 1.5 per cent of banking offices and 1.9 per cent of deposits of all banks in Virginia. Within Purcellville's designated primary service area. First would be acquiring one of five banking offices (20 per cent) and \$3.8 million of the \$23.4 million (16.4 per cent) IPC deposits of all banks in that area. First states that the records of its subsidiary banks indicate that they do not solicit business in Loudoun County; and it appears that the Loudoun County banks do not solicit business in any area where First's subsidiary banks are located. Furthermore, First's banking offices are located from 36 to 43.9 miles from Purcellville and there are intervening locations which offer alternative sources of banking Services. This acquisition would represent First's entrance into Loudoun County. A consideration of the facts in this case does not indicate that the proposed acquisition would expand the size or extent of banking resources under First's control beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Conclusion. - The above views were incorporated in the Tentative Statement issued in connection with the Notice of Tentative Decision published in the Federal Register on April 29, 1960 (25 Federal Register 3772), affording interested persons an opportunity to submit comments on, or objections to, the Board's proposed action. No comments or objections were received.

Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would be consistent with the statutory objectives and the public interest and that the application should be approved.

May 18, 1960.





Item No. 7 5/18/60

WASHINGTON 25, D. C.

ADDREBS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 18, 1960

The Honorable Jesse P. Wolcott, Chairman, Federal Deposit Insurance Corporation, Washington 25, D. C.

Dear Mr. Wolcott:

The Board has approved the attached draft of Schedule FA, supplement to the report of condition of State member banks for use in obtaining additional information on time deposits of individuals, partnerships, and corporations, and on the maximum rates paid by commercial banks on time and savings deposits, at the forthcoming midvear call, provided that corresponding data are obtained from national banks and insured nonmember commercial banks.

The breakdown of time deposits of individuals, partnerships, corporations by type of deposit and of the holders of these deposits was obtained in a similar supplement at the June 1957 and 1958 has not been collected previously at a single date from all insured commercial banks.

Obtain information on the maximum rates paid by banks on savings and on time deposits for use in considering changes in the regulation governing maximum rates that may be paid on these deposits, and current information on the types of deposits included in the regular reported item and the holders of these deposits. Members of your staff bave been kept advised regarding the proposed schedule.

It will be appreciated if you will advise us whether you sent to the Office of the Comptroller of the Currency.

Very truly yours,

(Signed) Merritt Sherman

Enclosure.

Merritt Sherman, Secretary.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON

Item No. 8 5/18/60

OFFICE OF THE CHAIRMAN

May 20, 1960

The Honorable Douglas Dillon, Under Secretary of State, Department of State, Washington 25, D. C.

Dear Doug:

one of the recommendations in the report on "Expanding Private Investment for Free World Economic Growth", which was requested by the Act.

This recommendation suggests "that the Federal Reserve Board developing to review, in the light of needs and conditions in the regarding countries, the adequacy and effectiveness of the regulations quirement that the Board's consent be obtained in advance of purchases such Corporations of stock in other corporations".

As stated in Vice Chairman Balderston's letter of May 15, eration by proposal relates to a matter that received careful considervisions by the Board in connection with the adoption of comprehensive Board has again reviewed the particular provisions to which the report regulation reviewed the particular provisions to which the report regulation appear warranted in the light of needs and conditions in developing countries.

Section As may be noted from the enclosed copy of Regulation K, part as follows:

requirements of law and of this regulation and upon application setting forth the proposed program of the Financing Corporation, the Board of Governors may grant its general consent for a Financing Corporation to purchase and hold stock, up to such amounts and in such circumstances as the porations which are not engaged in banking and also are

The Honorable Douglas Dillon

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"neither incorporated, nor qualified to do business in the United States, under the laws of the United States or any State (or the District of Columbia), provided such stock is purchased from a foreign seller by negotiations in Which no United States office or establishment of the seller participates, . . . The Board of Governors ordinarily will not grant consent for a Financing Corporation to purchase and hold stock in a corporation engaged in banking."

the Board on the applications of three Financing Corporations, each to acquire stock. The Board has approved the applications with certain specified conditions.

These general consents have been granted for investment in investment, limited only in regard to the percentage of the capital and in individual enterprises, individual countries, and individual types of basis, they were limited to an initial period of approximately two years.

be in After the expiration of that period, the Board expects to adequate to remove the causes for the comment of the above-mentioned report (page 17) that the regulations affecting Edge Act Corporations Reserve Board prior to their investments in shares of other corporations. These general consents will not obviate the necessity of submitting, for individual approval by the Board, proposals which are not covered by ity in Section 25(a) of the Federal Reserve Act is sufficiently broad to porations organized under Section 25(a) to carry on all business activior necessary. Accordingly, the Board does not believe that any additime.

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The Honorable Douglas Dillon

Regulation K is under continuous review, and the Board is prepared at any time to consider suggestions by supervised institutions as to modifications and clarifications of the Regulation which they feel would enable them to carry out their functions more effectively.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

Enclosure

TELEGRAM

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM WASHINGTON

May 18, 1960

MANGELS - SAN FRANCISCO

Rewriet May 13, 1960. Board approves appointment James M. Felker as assistant examiner for Federal Reserve Bank of San Francisco. Advise date appointment made effective.

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(Signed) Kenneth A. Kenyon