

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, August 8, 1962. 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. King

Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Chase, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel

Mr. Bolling Powell, Jr., Special Counsel to the Board

Continental Bank and Trust Company. Governor Robertson stated that while he would remain in the room during this discussion of a matter regarding The Continental Bank and Trust Company of Salt Lake City, Utah, he would, in keeping with the position he had taken consistently in this case, not participate in the discussion or consideration of any matters relating to it.

Chairman Martin commented that the record also should show that Messrs. Hackley, Solomon, and Shay did not participate in this discussion.

Chairman Martin then turned to Board Counsel in the matter of Continental Bank and Trust Company (Messrs. Powell, O'Connell, and Chase) and stated that the reason for this meeting was to bring Board

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Counsel up to date in certain respects and to ask their advice. The Chairman went on to say that on July 2, 1962, Mr. Kenneth J. Sullivan, President of Continental Bank, appeared before the Board at Mr. Sullivan's request. While Mr. Sullivan made no specific suggestions of any concrete sort, he indicated a willingness to try to see if some settlement of this case could be worked out. Mr. Sullivan made it clear that he was acting on his own and that he had come directly to the Board rather than through Counsel for Continental.

Chairman Martin went on to say that the Board had had pending before it, and was now prepared to issue orders with respect to, certain motions and demands that had been filed by Counsel for Continental. It would not be appropriate for the Board to discuss the orders with Board Counsel; if it did, the Board would have to discuss them with Counsel for the bank also. However, the Board would like the advice of its Counsel on whether the Board's legal position in the Continental proceeding would in any way be prejudiced if, when the Board issued the orders, it indicated informally to Mr. Sullivan that the orders were to be considered as separate and apart from any proposals for settlement that Mr. Sullivan might wish to make. That, in essence, was the question on which the Board wanted the advice of Board Counsel.

Chairman Martin further commented that it seemed clear in the Administrative Procedure Act that the Board ought to be open to such offers of settlement as a party to a proceeding might wish to submit.

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In other words, it seemed clear that the Board should not foreclose the possibility of settlement. In the circumstances, the Board wished to discuss with its Counsel what problem it might be getting into if Mr. Sullivan were advised informally along the lines that had been indicated.

Governor Mills commented that the orders to be issued would be in response to the motions filed by Continental Bank and Trust Company and the replies to those motions that had been made by Board Counsel. He went on to say that when Mr. Sullivan appeared and broached the subject of settlement, Mr. Sullivan expressed the opinion that a settlement, if one were decided upon, would not be on a basis whereby Continental would recede from its position that the Board was without legal authority to make a capital demand.

Chairman Martin commented that he doubted whether one ought to go quite that far in interpreting Mr. Sullivan's position. Each Board member who attended the meeting with Mr. Sullivan might place a somewhat different interpretation on what Mr. Sullivan actually meant.

Governor Mills responded that that could be true. However, he felt that his remarks would be borne out by reading the record of the meeting.

Chairman Martin then expressed the view that in any event the nature of a settlement ought not enter into the discussion today with Board Counsel. What the Board was concerned with today was the possibility

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of prejudice to its case if an informal indication should be given to Mr. Sullivan that the Board's orders were to be considered as separate and apart from any proposals for a settlement of the matter that Mr. Sullivan might wish to submit.

Mr. Powell commented that unless there was some peculiar wording in the orders that would indicate foreclosure of any possible negotiations, there would be no reason for anyone to interpret the orders as closing the door to such negotiations. As he saw it, there would certainly be no prejudice, from the standpoint of the over-all aspects of the case or ultimate judicial review, if someone acting on behalf of the Board were to indicate informally to Mr. Sullivan, when the orders were handed down, that their issuance was not intended to foreclose negotiations if Mr. Sullivan wanted to come forward with a proposition. Mr. Sullivan might interpret that gesture as extreme willingness on the part of the Board and therefore an admission of weakness. However, this certainly would not prejudice the Board in its position on the record of the case. He was assuming, Mr. Powell said, that the advice to Mr. Sullivan would be strictly informal; that the advice would not be reduced to writing in a letter transmitting the orders. Instead, he assumed it would be oral advice person to person, or by phone.

Mr. Powell also said he would think Mr. Sullivan, if he received such advice, would ask what to do next; that is, he would be likely to ask how negotiations might be started. Mr. Powell expressed the view, in that

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connection, that a member of the Board who was going to participate in the adjudication of the case, if the case were not settled by negotiation, should take no part in any negotiations. It is impossible, Mr. Powell said, to negotiate without expressing opinions and taking certain positions which, in the light of all the evidence that might be introduced in the record, might not be the position that a person would ultimately want to take. If there were negotiations, they should be performed by someone on behalf of the Board. Normally, that would be prosecuting counsel. But it could be someone else--someone who would not participate in the final judging of the case.

Mr. O'Connell expressed concurrence with the view of Mr. Powell that the Board would not prejudice its position in the administrative proceeding if informal advice of the kind mentioned was given to Mr. Sullivan. He would urge that the Board's emissary in no sense suggest a figure or method of procedure to Mr. Sullivan, but simply make it clear to Mr. Sullivan that the road was open and that the Board would be receptive to any further statement, offer, or undertaking that Mr. Sullivan might wish to initiate. Although he agreed that one would not normally get the wrong impression from the issuance of orders such as the Board was preparing to issue, Mr. Sullivan might want assurance that the issuance thereof was not to be interpreted as a final answer to his earlier discussion with the Board.

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Mr. Powell said he would hope that any negotiations, if they came about, would not be used by Continental Bank--or that Continental Bank would not be allowed to use them--for the purpose of further delay of the show cause hearing, now scheduled for September 10, 1962. Information on which such hearings are based grows stale, Mr. Powell noted. The basic information in regard to Continental Bank's current condition and requirements was found in the report of examination as of January 8, 1962. If the hearing was delayed too much longer, it might be necessary to make another examination of the bank.

Governor Mills, referring to the comments by Mr. O'Connell, said he would think the Board's mind would be open to consideration of any proposal that Mr. Sullivan might make, but not necessarily "receptive."

Mr. O'Connell replied that he had assumed receptiveness was indicated by the fact that the Board had received Mr. Sullivan at the July 2 meeting. The word was used in that sense, not as indicating receptiveness, necessarily, to any offer that Mr. Sullivan might make.

Governor King inquired how, if the Board representative contacting Mr. Sullivan was as restricted in his approach as had been suggested, a meeting of the minds could be reached.

Mr. Powell replied that this was a pertinent question. He had in mind that in the initial conversation with Mr. Sullivan it would merely be stated that if Mr. Sullivan wished to go forward with negotiations for a possible settlement he should, either himself or through his representatives,

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contact some party such as, for example, Board Counsel or even Governor Robertson, who was not participating in the adjudication of the case. The person contacting Mr. Sullivan should not do anything more than that. He should not, for example, suggest the amount of additional stock to be issued.

Governor King said he assumed that subsequently it would be appropriate for someone to go further, and Mr. Powell replied in the affirmative. At a later stage, he said, there could be bargaining negotiations between representatives of the Board and representatives of Continental. There would be a report to the Board on the negotiating sessions, what the bank was willing to do, and whether the Board's negotiators felt that that would be adequate.

Mr. O'Connell commented that Board Counsel's participation would extend only to making recommendations on any offer made. Any consideration of whether to accept such an offer would, of course, be up to the Board.

Messrs. Powell and Chase then withdrew from the meeting and the following members of the staff entered the room:

- Mr. Fauver, Assistant to the Board
- Mr. Goodman, Assistant Director, Division of Examinations
- Mr. Thompson, Assistant Director, Division of Examinations
- Mr. Spencer, General Assistant, Office of the Secretary
- Mr. Young, Senior Attorney, Legal Division

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Mr. Potter, Senior Attorney,
 Legal Division
 Mr. McClintock, Supervisory Review
 Examiner, Division of Examinations
 Mr. Hunter, Supervisory Review
 Examiner, Division of Examinations
 Mr. Thompson, Review Examiner, Divi-
 sion of Examinations
 Mr. White, Review Examiner, Divi-
 sion of Examinations
 Mr. Smith, Assistant Review Examiner,
 Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on August 3, 1962, and by the Federal Reserve Bank of Boston on August 6, 1962, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Circulated or distributed items. The following items, which had been circulated or distributed to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved, the action being unanimous except with respect to Item No. 3:

Item No.

1

Letter to Chemical International Finance, Ltd.,
 New York, New York, granting permission to
 purchase capital stock of a proposed French
 corporation organized to hold a lease for
 quarters to be occupied by the Paris repre-
 sentative of Chemical Bank New York Trust
 Company.

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| | <u>Item No.</u> |
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| Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch at 447 Sutter Street. | 2 |
| Letter to Chairman Robertson of the Senate Banking and Currency Committee reporting on H. R. 7796, a bill to amend section 24 of the Federal Reserve Act to liberalize lending limitations on real estate and construction loans by national banks. | 3 |
| Letter to Martin P. Snyder, Counselor at Law, Philadelphia, Pennsylvania, regarding the plan of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, to request reconsideration of the denial of its application to merge with The First National Bank of Mount Holly Springs. | 4 |

Item No. 1 was approved in a form that did not contain certain language contained in the distributed draft of reply. The language in question would have stated that the Board's consent was being given with the understanding that Chemical Bank New York Trust Company would make payments to Chemical International Finance in amounts sufficient to cover all expenses in connection with the lease, including amortization of the proposed investment by Chemical International Finance over the life of the lease; and that should the management of the parent bank determine that it would be preferable for the investment to be made by Chemical International Banking Corporation, the Board's consent should be regarded as authorizing such investment by either Chemical International Finance or Chemical International Banking Corporation.

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With respect to Item No. 3, Governor Mills asked to be recorded as dissenting from a favorable report for reasons he had expressed at the meeting on July 13, 1961 (and reflected in the minutes of that date) when the same proposed legislation was discussed in connection with a request by the House Banking and Currency Committee for the Board's views.

Reports on competitive factors (Elizabeth-Rahway-Hillside, New Jersey). There had been distributed to the Board drafts of reports to the Comptroller of the Currency on the competitive factors involved in (1) the proposed merger of The National State Bank, Elizabeth, New Jersey, and The Rahway National Bank, Rahway, New Jersey, and (2) the proposed consolidation of The National State Bank, Elizabeth, New Jersey, and The Hillside National Bank, Hillside, New Jersey. A covering memorandum dated August 3, 1962, from the Division of Examinations commented further on the two proposed transactions.

During discussion of the Rahway report, it was suggested that a sentence in the body of the report (relating to the prospective rates of interest to be paid by the resulting bank on savings deposits) be deleted and that a change be made in the phrasing of the conclusion. There being agreement with these suggestions, the report was approved for transmittal to the Comptroller in a form containing the following conclusion:

The proposal would not have an adverse effect on existing competition.

In connection with the report's conclusion, Governor Robertson indicated that he would have preferred that it go on to state that the

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merger would eliminate potential competition, in view of the size of The National State Bank and the distance of only four and a half miles between the two merging banks.

With respect to the draft of report on the competitive factors involved in the proposed consolidation of The National State Bank and The Hillside National Bank, unanimous approval was given to its transmittal to the Comptroller, the conclusion reading as follows:

The consolidation would result in a fairly substantial diminution of competition and the elimination of an important alternative source of banking services and credit.

Report on H. R. 12501. Mr. Shay reported that the Bureau of the Budget had indicated by telephone that the House Banking and Currency Committee would hold hearings tomorrow on H. R. 12501, a bill "To amend section 23A of the Federal Reserve Act." It had been subsequently ascertained, however, that the information was not accurate.

Mr. Shay then distributed copies of a draft of possible report to the Banking and Currency Committee, following which he discussed the reasons for, and the nature of, the proposed legislation.

After some discussion, it was agreed to defer action on the matter in order that more time might be provided to the members of the Board to review the proposed legislation.

Application of Trans-Nebraska Co. (Item No. 5). There had been distributed a memorandum dated August 3, 1962, from the Legal Division regarding the question of procedural alternatives that might be followed

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by the Board in the matter of the application by Trans-Nebraska Co., Lincoln, Nebraska, for prior approval of the formation of a bank holding company through the acquisition of voting shares of The Martell State Bank, Martell, Nebraska; The Sioux National Bank of Harrison, Harrison, Nebraska; and Crawford State Bank, Crawford, Nebraska.

The memorandum discussed various aspects of the application and pointed out alternatives which were available to the Board; namely, (1) consideration on the basis of staff analysis and recommendation; (2) an oral presentation of views before the Board; or (3) a public formal hearing conducted by a hearing examiner.

The conclusion reached in the Legal Division's memorandum was that from the point of view of the Board's having available an adequate basis for reaching a sound and reasoned judgment on this application, neither an oral presentation nor a formal public hearing would appear necessary. However, the number of letters received from Nebraska bankers requesting that a public hearing be held might be considered sufficient justification to conduct some form of public proceeding. If the Board should favor such a public proceeding, it was believed that a formal hearing before a hearing examiner in the locale of the proposed holding company and subsidiary banks, rather than an oral presentation before the Board in Washington, might be desirable.

Governor Robertson indicated that the Director of Banking for the State of Nebraska had, during a personal visit, expressed concern about

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the Trans-Nebraska application and requested that his letter of June 11, 1962, which recommended approval, be withdrawn. Since sending his letter to the Board, he had learned of several other holding company proposals in Nebraska that were pending; in addition, he had received a number of letters urging that a public hearing be held on this application. Governor Robertson stated that he had advised the Director of Banking that it would not be possible to withdraw the letter filed on June 11 pursuant to the provisions of the Bank Holding Company Act. Those provisions stipulate a 30-day time limit for receipt by the Board of the appropriate State supervisory authority's views and recommendations. If the State authority disapproves in writing within 30 days, then the Board is required to give written notice to the applicant. In this particular case, however, the time limitation would have expired. The Director of Banking subsequently wrote the Board on July 30, 1962, explaining his position with respect to the application and asking that a formal hearing be held.

Governor Robertson went on to say that from a public relations point of view he felt it desirable for the Board to order a formal hearing, held in Nebraska so that anyone wishing to do so might conveniently express his views.

Governor Mills pointed out that the holding of a public hearing in a case of this kind afforded an opportunity for opponents of the holding company application to express themselves vocally, principally on the ground that the holding company device was a vehicle for circumvention

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of State branch banking laws. However, as indicated in a recent memorandum from the Legal Division, the Board was bound by the provisions of the Bank Holding Company Act. If a public hearing was held and the Board then reached a decision contrary to the voiced objections of local bankers, there was the question whether, from the standpoint of public relations, the Board was not in a worse position than if no such hearing had been held. He did not pretend to have the answer to this disturbing problem.

Mr. O'Connell commented that in the recent Oklahoma case, in which he served as Board Counsel, he had asked many of the bankers who testified at the public hearing whether they were aware of the provisions of the Bank Holding Company Act. In the majority of cases, the answers were in the negative. This provided an opportunity to put in the record statements concerning the Board's responsibilities under the statute. In his judgment, many of the witnesses were satisfied as the result of such an exchange, and he felt that a purpose may well have been served.

After further discussion, it was agreed to order a formal public hearing with respect to the application by Trans-Nebraska Co. It was understood that the hearing would be held at as early a date as feasible, and that the Legal Division would go forward with the necessary arrangements, including arrangements for a hearing examiner.

Secretary's Note: Pursuant to this action, the order of which a copy is attached as Item No. 5 was issued on August 13, 1962.

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Mr. Goodman then withdrew from the meeting.

Application of Connecticut Bank and Trust Company. There had been distributed a memorandum from the Division of Examinations dated July 31, 1962, analyzing and recommending favorably on an application by the The Connecticut Bank and Trust Company, Hartford, Connecticut, for consent to merge with The Wallingford Bank and Trust Company, Wallingford, Connecticut, and incident thereto to operate a branch at the location of the latter bank.

At the Board's request, Mr. McClintock reviewed in some detail the circumstances of the case and the reasons underlying the recommendation of the Division of Examinations, his comments being based substantially on the information presented in the July 31 memorandum.

Following Mr. McClintock's remarks, Governor Robertson commented that he would have been happier if an application had been received from a smaller bank desiring to merge with Wallingford, thereby opening the community--just as this merger would--to the establishment of branches by other banks and also providing for the needs of the community. However, such a proposal was not before the Board, and he would vote for approval of the current application.

The application was then approved unanimously, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Mr. White then withdrew.

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Application of Lawrence Savings and Trust Company. A memorandum from the Division of Examinations dated August 1, 1962, had been distributed recommending favorably on an application by Lawrence Savings and Trust Company, New Castle, Pennsylvania, for consent to acquire the assets of and assume the liability to pay deposits made in First National Bank in Wampum, Wampum, Pennsylvania, and incident thereto to operate a branch at the location of the one office of the latter.

Following comments by Mr. McClintock based substantially on the memorandum that had been distributed, the application was approved unanimously, with the understanding that the Legal Division would draft an order and statement for the Board's consideration.

In connection with this application, Governor Balderston referred to a portion of the report made by the Department of Justice on the competitive factors involved. It was pointed out by the Department that the purchase of stock in the selling bank by the president and two other directors of the applicant bank, and the placing of two of its directors on the board of the selling bank, placed the applicant "in a favorable position" to bring about the merger of the two banks. The report went on to state that the practice of commercial banks in acquiring stock interests in competitors, through officers and directors and by other means, and in having interlocking directorates with competitors, appeared to warrant considerable concern by both the Department of Justice and the bank regulatory authorities.

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Mr. Solomon noted that in this particular case the acquisition of shares of the Wampum bank occurred two years or more prior to the enactment of the Bank Merger Act of 1960. However, the practices referred to in the Justice Department's report constituted a matter of concern, one that had been discussed by the Board and staff from time to time. The problem deserved continuing attention.

Messrs. Shay, Young, Hunter, and McClintock then withdrew.

Applications of First Virginia Corporation. At its meeting on August 3, 1962, the Board denied, Governor Mills dissenting, the applications of First Virginia Corporation, Arlington, Virginia, to acquire 80 per cent or more of the voting shares of Farmers and Merchants National Bank, Winchester; Southern Bank of Norfolk, Norfolk; Peoples' Bank, Mount Jackson; and Shenandoah Bank and Trust Company, Woodstock.

Mr. O'Connell, having asked to address the Board with respect to this matter, said the Legal Division considered that its primary function in advising the Board on any matter requiring a decision was one of formulating for the Board the soundest possible legal basis for the proposed action. It was in this context that the legal Division again brought before the Board the matter of the applications filed by First Virginia Corporation. In its present posture, this matter had been referred to the Legal Division with the direction that a single order and statement be prepared to reflect the Board's denial of First Virginia's applications.

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Mr. O'Connell went on to say that the discussion by the Board on August 3, 1962, indicated that one factor was a principal basis for denial of the four applications; namely, the Board's conclusion that the proposal by First Virginia to issue Class A limited voting stock in exchange for the common stock of the respective banks was contrary to the public interest, and that it reflected adversely on the character of management.

With respect to one of the applications, it appeared from the discussion that the Board would have denied that application in any event on the basis that considerations relating to the statutory factors weighed against approval.

In connection with First Virginia's three other applications, however, it was not so clear to the Legal Division that a majority of the Board would have denied those applications solely on the basis of considerations related to the statutory factors. It was clear, however, that the Board's dissatisfaction in the matter of the classified stock cut across other considerations and was a factor in the determination of each of the four applications.

Inasmuch as announcement of the denial of the four applications would establish a policy with respect to how a bank holding company's stock structure should be arranged, particularly as such stock structure was found by the Board to constitute in itself a sufficient basis for denial of an application, it was the belief of the Legal Division, and

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thus its recommendation, that the Board's legal position would be strongest if the Board issued a single order and statement on the application concerning Farmers and Merchants National Bank, Winchester. Denial in that case would be premised upon (1) the Board's disapproval for reasons related to First Virginia's stock structure, and (2) specific adverse findings related to the statutory factors.

Mr. O'Connell went on to say that if the application involving the Winchester bank were denied and that decision appealed, the court would have full opportunity to pass opinion on the Board's position on First Virginia's issuance of limited voting stock and could affirm the Board's judgment. On the other hand, if the court were to reject that position, it could still affirm denial of the application on the ground that other substantial evidence supporting denial existed in the record. If, however, a single statement and order were issued encompassing all four applications, First Virginia could contest what was believed to be the strongest case for appeal; namely, denial of the application with respect to Southern Bank of Norfolk. In that event, if the court rejected the Board's stated position with respect to First Virginia's classified stock, the court might find that there was no other basis for sustaining the Board's denial. Further, it was possible that the court could sustain in principle the Board's position on First Virginia's stock structure and still hold that that consideration alone was not sufficient basis for denial of the application, particularly not without having given

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First Virginia an opportunity to revamp its stock structure along clearly identified lines acceptable to the Board before denial of the application.

Mr. O'Connell continued by saying that if the Board's order and statement related to the one application involving the Winchester bank, it would contain a clear, strong statement indicating that, while the Board found reasons other than the stock classification issue for denying the application, nevertheless as to that application and all other applications wherein the same type of stock structure was involved, the Board would very likely disapprove on the basis that issuance of limited voting stock as a vehicle to perpetuate minority control of a bank holding company was adverse to the public interest. If such an order and statement were issued, and later the Board were to announce its denial of any or all of the three remaining applications, and should First Virginia appeal any or all of those three denials, it could be argued on the Board's behalf that First Virginia had by reason of the Winchester decision been put on notice as to the Board's position and had been given sufficient opportunity either to withdraw the three remaining applications or conform its stock structure to meet the Board's stated objections.

The procedural recommendation now being made by the Legal Division would preclude First Virginia's ability, either in the form of a motion for reconsideration or in argument of appeal, from alleging inequitable treatment by the Board. Such an allegation might be premised

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on the fact that the applications were submitted separately, several months apart, and, accordingly, had each application been denied separately and in the order filed, applicant would have been put on notice by the Winchester bank denial of the Board's position regarding First Virginia's stock structure. First Virginia could argue that if the foregoing had been done, it would have avoided those adverse circumstances before submitting any of the other three applications. Further, support for First Virginia's position in this connection might be lent by the circumstances surrounding the staff's meeting with First Virginia's representatives in July 1962. It was the staff's understanding that Messrs. Holland and Beeton were to be advised orally, as they were in writing by the Board's letter of July 17, 1962, that the Board had substantial question as to First Virginia's capital structure and its consistency with the public interest, and that First Virginia should present whatever arguments and justification it might have for its stock classification, and further, submit any offer it might wish respecting an adjustment of the respective voting rights of the two classes of stockholders.

Continuing his reference to the staff meeting with representatives of First Virginia, Mr. O'Connell said it was made clear that the staff could not indicate what adjustment, if any, would be acceptable to the Board, but only that any proposal made would be conveyed to the Board for its consideration. It seemed clear, therefore, that First Virginia had

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reasonable grounds to expect that it would receive some further indication with respect to the Board's position on the stock structure question, and that it might be forthcoming in a form other than a denial of all four applications premised upon the stock structure issue.

Mr. O'Connell said he wanted to make it clear that the proposal regarding an order and statement with respect to the Winchester bank alone was premised on the assumption that there was some Board sentiment at its meeting on August 3 favoring approval of one or more of First Virginia's applications if viewed strictly in light of the statutory factors and apart from the stock classification issue. More specifically, it was the Legal Division's impression that the application involving Southern Bank of Norfolk might have received favorable action were it not for the overriding consideration of the limited voting stock issue.

Concluding his remarks, Mr. O'Connell stated that if the Legal Division was incorrect in its assumption and was advised that the Board would have denied all four applications on the basis of findings related to the five statutory factors, then the recommendation now being made with respect to the Board's order and statement in this case would become moot and would be withdrawn. The Division would then proceed with the preparation of an order and statement reflecting denial, simultaneously, of all four applications.

In discussion that followed Mr. O'Connell's comments, Mr. Hackley pointed out that the proposal now being made was merely a procedural one.

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It did not suggest that the Board reopen the decision made at the meeting on August 3.

Governor Balderston expressed the view that Mr. O'Connell had presented a plausible case in favor of the Board's issuing an order and statement on the one application involving the Winchester bank. It was important, if and when the matter should come before a court, that the Board's decision not be overthrown on the basis of extraneous matters rather than the central issue.

Chairman Martin remarked that he felt the Board should "put its best foot forward" in all such matters. If the suggested procedure would have that effect, he would favor the recommendation made by Mr. O'Connell.

Other members of the Board likewise indicated that they would favor the suggestion, one Board member noting particularly that the procedure would be eminently fair to the applicant corporation.

Accordingly, it was understood that the Legal Division would prepare, for the Board's consideration, an order and statement in draft form relating only to the Board's denial of the application by First Virginia Corporation to acquire 80 per cent or more of the voting shares of Farmers and Merchants National Bank, Winchester, Virginia. Governor Mills pointed out, in this connection, that he had dissented from the majority decision on August 3 and had voted to approve the applications of First Virginia Corporation.

The meeting then adjourned.

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Secretary's Notes: On August 7, 1962, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 6) approving the appointment of Louis M. Bellotti, Carl W. Bergel, Edmond P. Hannigan, and James E. McDonough as assistant examiners.

Memoranda from the Division of Administrative Services recommending the following actions relating to persons in that Division:

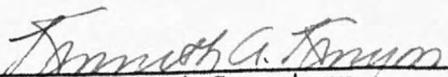
Reinstatement following military leave

Ray M. Reeder as Operator, Tabulating Equipment, with basic annual salary at the rate of \$3,865, effective the date of entrance upon duty.

Change in employment status

Charles M. Wrenn, Operator, Tabulating Equipment, from temporary to permanent status, with no change in basic annual salary at the rate of \$4,040, effective August 5, 1962. (Pursuant to the action taken by the Board on June 26, 1962.)

Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Richmond (attached Item No. 7) approving the appointment of Howard S. Boote, Jr., as assistant examiner.


Assistant Secretary

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

Item No. 1
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 8, 1962

Chemical International Finance, Ltd.,
20 Pine Street,
New York 8, New York.

Gentlemen:

In accordance with the request in your letter of July 16, 1962, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for Chemical International Finance, Ltd., to purchase and hold 100 per cent of the capital stock of a French corporation ("Vendome") organized for the sole purpose of holding a lease for certain quarters at 12 Place Vendome, Paris, France, to be occupied by the Paris Representative of Chemical Bank New York Trust Company, New York, New York, at a cost not to exceed approximately US\$100,000, provided such stock is acquired within one year from the date of this letter.

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. 2
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 8, 1962

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to December 28, 1962, the time within which Wells Fargo Bank may establish a branch at 447 Sutter Street, San Francisco, California.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.





BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
8/8/62

OFFICE OF THE CHAIRMAN

August 9, 1962

The Honorable A. Willis Robertson,
Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request for a report on the bill, H.R. 7796, which would amend section 24 of the Federal Reserve Act in order to liberalize lending limitations on real estate and construction loans by national banks.

Under the first paragraph of section 24 a national bank may now make real estate loans in an aggregate amount not in excess of the amount of the capital stock of the national bank paid in and unimpaired plus the amount of its unimpaired surplus funds, or not in excess of 60 per cent of the amount of its time and savings deposits, whichever is greater. H.R. 7796 would increase the second alternative to 70 per cent.

Under the third paragraph of section 24 loans by national banks to finance the construction of residential or farm buildings, maturing in not more than 9 months, are not subject to the limitations and requirements of that section applicable to "loans secured by real estate." H.R. 7796 would increase the permissible maximum maturity on such loans to 18 months.

This is to advise that the Board has no objection to favorable consideration of the bill.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 4
8/8/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

CABLE ADDRESS: "FEDRESERVE"

August 8, 1962

Martin P. Snyder, Esq.,
Morgan, Lewis & Bockius,
Counselors at Law,
2107 Fidelity-Philadelphia Trust Building,
Philadelphia 9, Pennsylvania.

Dear Mr. Snyder:

In your letter of August 1, 1962, to Mr. Solomon, Director of the Board's Division of Examinations, you advised that you had been retained by Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, to prepare and submit to the Board a request for its reconsideration of the denial of the application by that bank to merge with The First National Bank of Mount Holly Springs, Mount Holly Springs, Pennsylvania, under the Bank Merger Act of 1960. In this connection you referred to section 262.2(f)(6) of the Board's Rules of Organization and Procedure.

When received, the request for reconsideration will be presented to the Board for its consideration.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.

Item No. 5
8/8/62

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

In the Matter of the Application of

TRANS-NEBRASKA CO.,

Lincoln, Nebraska

Pursuant to Section 3 of the

Bank Holding Company Act of 1956

ORDER FOR HEARING

On May 18, 1962, there was published in the Federal Register (27 F.R. 4748) a notice of receipt by the Board of Governors of an application filed pursuant to section 3(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) by Trans-Nebraska Co., a corporation to be organized under the laws of the State of Nebraska, for the Board's prior approval of action whereby Trans-Nebraska Co. would become a bank holding company through acquisition of 50 per cent or more of each of the following banks located in Nebraska: The Martell State Bank, Martell; The Sioux National Bank of Harrison, Harrison; and Crawford State Bank, Crawford.

It appears to the Board of Governors that it is appropriate in the public interest that a hearing be held with respect to this application. Accordingly,

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IT IS HEREBY ORDERED, That, pursuant to section 222.7(a) of the Board's Regulation Y (12 C.F.R. Part 222.7(a)), promulgated under the Bank Holding Company Act of 1956, a public hearing with respect to this application be held, commencing October 2, 1962, at 10 a.m., in the Omaha Branch of the Federal Reserve Bank of Kansas City, Omaha, Nebraska, before a duly designated hearing examiner, such hearing to be conducted in accordance with the Board's Rules of Practice for Formal Hearings (12 C.F.R. Part 263). The right is reserved to the Board or the hearing examiner to designate any other place or date for such hearing or any part thereof which may be determined to be necessary or appropriate for the convenience of the parties.

IT IS FURTHER ORDERED, That the following matters will be the subject of consideration at said hearing, without prejudice to the designation of additional related matters and questions upon further examination:

- (1) the financial history and condition of the company and the banks concerned;
- (2) the prospects of said company and banks;
- (3) the character of their management;
- (4) the convenience, needs, and welfare of the communities and area concerned;

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(5) whether or not the effect of such acquisitions 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.

IT IS FURTHER ORDERED, That, any person desiring to give testimony, present evidence, or otherwise participate in these proceedings should file with the Secretary, Board of Governors of the Federal Reserve System, Washington 25, D. C. on or before September 17, 1962, a written request containing a statement of the nature of the petitioner's interest in the proceedings, the extent of the participation desired, a summary of the matters concerning which petitioner wishes to give testimony or submit evidence, and the names and identity of the witnesses who will be offered. Such requests will be presented to the designated hearing examiner for his determination, and persons submitting them will be notified of his decision.

Dated at Washington, D. C., this 13th day of August, 1962.

By order of the Board of Governors.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

(SEAL)

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

Item No. 6
8/8/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 7, 1962

CONFIDENTIAL (FR)

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of July 27, 1962, the Board approves the appointment of Louis M. Bellotti, Carl W. Bergel, Edmond P. Hannigan, and James E. McDonough, as assistant examiners for the Federal Reserve Bank of New York. Please advise the effective dates of the appointments.

It is noted that Messrs. Bellotti, Bergel, and Hannigan are indebted to banks as follows:

Louis M. Bellotti - Manufacturers Hanover Trust Company,
New York, New York.
Hamburg Savings Bank,
Brooklyn, New York.

Carl W. Bergel - Community Bank of Linden,
Linden, New Jersey.

Edmond P. Hannigan - First National City Bank,
New York, New York.

Accordingly, the Board's approval of each of these appointments is given with the understanding that the individual will not be permitted to participate in any examination of a bank to which he is indebted until such indebtedness has been liquidated.

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. 7
8/8/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 8, 1962

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of July 31, 1962, the Board approves the appointment of Howard S. Boote, Jr., as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

It is noted that Mr. Boote is indebted to The Central National Bank of Richmond, and to State-Planters Bank of Commerce and Trusts, both located in Richmond, Virginia. Accordingly, the Board's approval of Mr. Boote's appointment is given with the understanding that he will not participate in any examination of either bank so long as his indebtedness to that institution remains unliquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

