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Minutes for May 24, 1963

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

W

Gov. Mills

[Signature]

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. King

[Signature]

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Friday, May 24, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King 1/
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Koch, Associate Director, Division of Research and Statistics
Mr. Holland, Adviser, Division of Research and Statistics
Mr. Furth, Adviser, Division of International Finance
Mr. Hersey, Adviser, Division of International Finance
Mr. Mattras, General Assistant, Office of the Secretary
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Yager, Chief, Government Finance Section, Division of Research and Statistics
Mr. Axilrod, Senior Economist, Division of Research and Statistics
Miss Dingle, Senior Economist, Division of Research and Statistics
Mr. Keir, Senior Economist, Division of Research and Statistics
Mr. Bernard, Economist, Division of Research and Statistics
Mr. Goldstein, Economist, Division of International Finance

1/ Entered meeting at point indicated in minutes.

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Money market review. Mr. Keir reported on recent developments in the Government securities market and commented on steps taken by the Treasury to keep the national debt within the ceiling prescribed by law. Miss Dingle then discussed changes in bank credit and the money supply, after which Mr. Goldstein reported on recent developments in the foreign exchange market.

All members of the staff then withdrew except Messrs. Sherman, Noyes, Solomon, and Mattras and the following then entered the room:

Mr. Hackley, General Counsel
Mr. Shay, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Hricko, Senior Attorney, Legal Division
Mr. Potter, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on May 23, 1963, 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.

Governor King joined the meeting at this point.

Report on competitive factors (York-Hanover, Pennsylvania).

There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of First National Bank and Trust Company, Hanover, Pennsylvania, with The York Bank and Trust Company, York, Pennsylvania.

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After discussion, the report was approved unanimously for transmission to the Corporation. The conclusion read as follows:

The proposed merger of the First National Bank and Trust Company, Hanover, Pennsylvania, with The York Bank and Trust Company, York, Pennsylvania, would not only eliminate the small amount of competition existing between the participants, but also would alter significantly the banking structure in Hanover and provide a potential threat to the ability of other local banks to continue to offer effective competition and remain independent units.

At present, York Bank holds a larger proportion of York County's banking resources than any other bank, and the instant proposal would add substantially to the applicant's holdings of such resources.

Report on competitive factors (Boise-St. Maries, Idaho). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of First Bank of St. Maries, St. Maries, Idaho, into First Security Bank of Idaho, National Association, Boise, Idaho.

After discussion, the report was approved unanimously for transmission to the Comptroller, with the understanding that the wording of the conclusion would be revised to read as follows:

The proposed merger of First Bank of St. Maries, St. Maries, Idaho, into First Security Bank of Idaho, N. A., Boise, Idaho, a subsidiary of First Security Corporation, Salt Lake City, Utah, a registered bank holding company, would apparently have little effect on other banks nor would it eliminate any significant degree of competition between the two named above, since there is little or no competition between these two banks whose nearest offices are about 50 miles apart.

There exists a heavy degree of concentration of banking resources in Idaho where the two largest banks operate over half of all commercial bank offices and hold almost two-thirds of all commercial bank deposits.

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Any increase in concentration of banking resources in these two banks must be considered as seriously adverse to the preservation of banking competition.

Mr. Potter then withdrew from the meeting.

Application of Bank of Virginia (Items 1, 2, and 3). Pursuant to the decision reached at the meeting on May 20, 1963, there had been distributed a proposed order and statement reflecting the Board's approval of the application of The Bank of Virginia, Richmond, Virginia, to merge with The Farmers Bank of Dinwiddie, Dinwiddie, Virginia.

The issuance of the order and statement was authorized, subject to the understanding that the wording of the statement would be revised slightly. Copies of the order and statement, as issued, are attached to these minutes as Items 1 and 2. A copy of the letter transmitting the order and statement to The Bank of Virginia is attached as Item No. 3.

The meeting then adjourned.

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

Salary increase

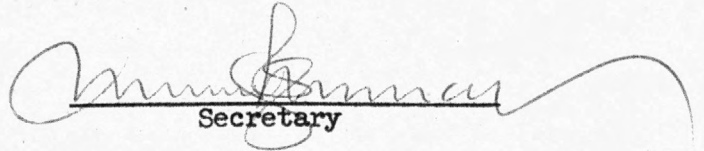
Wilhelmina K. Steele, Operator, Tabulating Equipment, Division of Data Processing, from \$4,580 to \$4,950 per annum, effective May 26, 1963.

Outside activities

Irving L. Gedanken, Statistician, Division of Research and Statistics, to teach an evening course in Statistics at American University.

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Allen E. Simmons, Messenger, Division of Administrative Services,
to work as a messenger for Western Union on weekends.


Secretary

Item No. 1
5/24/63

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
THE BANK OF VIRGINIA
for approval of merger with
The Farmers Bank of Dinwiddie

ORDER APPROVING MERGER OF BANKS

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

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice on the competitive factors involved in the proposed merger,

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IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated (a) within seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 24th day of May, 1963.

By order of the Board of Governors.

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

Absent and not voting: Governor King.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY THE BANK OF VIRGINIA
FOR PRIOR APPROVAL OF MERGER WITH
THE FARMERS BANK OF DINWIDDIE

STATEMENT

The Bank of Virginia, Richmond, Virginia ("Virginia Bank"), with deposits of \$159 million as of December 31, 1962, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and The Farmers Bank of Dinwiddie, Dinwiddie, Virginia ("Dinwiddie Bank"), with deposits of \$3 million as of the same date, under the charter and title of Virginia Bank. The proposal contemplates that the sole office of Dinwiddie Bank would be operated as a branch of the resulting bank, increasing the number of offices operated by Virginia Bank to 22.

Under the Act, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on

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

Banking factors. - The financial history and asset condition of Virginia Bank are regarded as satisfactory, and this should hold true also for the resulting bank. The capital structure of the resulting bank will continue to reflect a need for some strengthening. The financial history and condition of Dinwiddie Bank are satisfactory and the net current earnings are average. Although Virginia Bank's net current earnings are below average, improved earnings are expected to result from increased automation and other economies.

Present management of Dinwiddie Bank is satisfactory but a management succession problem exists as the two senior officers are past the normal retirement age and in rather poor health. The management succession problem would be solved by the merger, Virginia Bank being adequately staffed with competent personnel at both junior and senior levels. Prospects for solution by other means are not favorable.

The resulting bank would have a satisfactory asset condition and favorable earnings prospects.

There is no indication of any inconsistency with the provisions of 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - Virginia Bank operates its main office and 13 branches in the Richmond metropolitan area, 3 branches in the city of Norfolk, and 1 branch each in the cities

of Newport News, Petersburg, Portsmouth, and Roanoke. The proposed merger would have little effect upon the convenience and needs of the communities now being served by that bank.

The sole office of Dinwiddie Bank is located in Dinwiddie (population 400), the seat of Dinwiddie County (population 22,183). The bank is located on U. S. Highway No. 1, about 35 miles south of Richmond and 18 miles southwest of Petersburg. The community serves as the trade area for an estimated 10,000 persons within a 10-mile radius. Bright leaf tobacco is the principal crop in this predominantly agricultural area. In addition, the raising of hogs and beef and dairy cattle, and the production of pulpwood, contribute to the economy. A number of residents are employed in industrial plants located in Petersburg and Hopewell, Virginia. The economic outlook for the area appears generally favorable.

Upon consummation of the proposed merger the loan limit applicable at Dinwiddie Bank would be substantially increased. Customers of Dinwiddie Bank would have available a more complete range of banking services than those previously available at that banking office, such as trust services, vacation savings, FHA Title I loans, dealer financing, personal money orders, and a broader and more diversified program of loans to individuals and small business. The availability of full-scale banking should have a favorable influence upon the local economy.

Competition. - As of December 21, 1962, Virginia Bank became a subsidiary of the Virginia Commonwealth Corporation, a bank holding company with four other banking affiliates. The affiliated banks have total deposits of about \$191 million.

Virginia Bank is the fifth largest bank in the State and holds four per cent of total bank deposits in Virginia. It conducts a fairly widespread correspondent business and is also in fifth place among the banks of Virginia in this respect. It is not the dominant bank in any area in which it operates. In four cities--Richmond, Newport News, Norfolk, and Roanoke--it ranks fourth in resources, and in the two other cities--Petersburg and Portsmouth--it ranks third. The resources to be gained by the proposed merger would be too small to alter significantly its competitive position in the State as a whole or in the areas served by it.

Virginia Bank's closest office to Dinwiddie Bank is its Petersburg branch, which is about 18 miles northeast of Dinwiddie. There is competition between the banks, chiefly in the Petersburg area where Virginia Bank has a branch; however, it is negligible in volume. Dinwiddie Bank has concentrated its efforts primarily in Dinwiddie and the nearby area and has not been a particularly effective competitive factor outside this fairly small area.

In Dinwiddie County there are two other banks. One is The Bank of McKenney Incorporated, located in McKenney about 10 miles southwest of Dinwiddie, having total deposits of \$1.2 million as of June 30, 1962. It confines its services primarily to its own community. The other bank in the county is the main office of the Bank of Southside Virginia in Carson, about 13 miles east of Dinwiddie. This bank also operates three offices in other counties and had total deposits of \$8.5 million as of

December 31, 1962. Two of its offices currently compete to some extent with Virginia Bank as they are within 15 miles of Petersburg.

The only other banks in close proximity to Dinwiddie are those in Petersburg, about 18 miles to the northeast. In addition to Virginia Bank's office, there are eight banking facilities in Petersburg, three being offices of First & Merchants National Bank of Richmond, the largest bank in Virginia.

In addition to that of other banks, in certain fields competition is provided in Virginia Bank's service area by a number of nonbanking financial institutions.

Summary and conclusion. - Consummation of the proposed merger would eliminate only a negligible amount of competition and will not have adverse competitive effects on smaller area banks. It will solve a management succession problem confronting Dinwiddie Bank and provide a broader range of banking services in the Dinwiddie area.

Accordingly, the Board finds the proposed transaction to be in the public interest.

May 24, 1963.

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Item No. 3
5/24/63

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 24, 1963.

REGISTERED - RETURN
RECEIPT REQUESTED

The Bank of Virginia,
Eighth and Main Streets,
Richmond, Virginia.

Gentlemen:

The Board of Governors has approved the application, under the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior consent to the merger of The Farmers Bank of Dinwiddie, Dinwiddie, Virginia, into The Bank of Virginia, Richmond, Virginia.

Enclosed are the Board's Order of this date, the accompanying Statement, and the press release on this action.

The need for additional capital for The Bank of Virginia has been previously brought to your attention. Approval of this merger application does not imply approval of the present capital structure, and the Board wishes to emphasize the need for strengthening of your bank's capital position. The proposed addition of \$1,500,000 to capital structure is a constructive step; however, the Board does not believe that it is sufficient to bring your capital to a desirable level.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures