

FR 609  
Rev. 9/61

Minutes for June 17, 1963


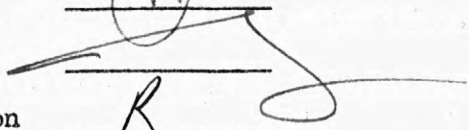

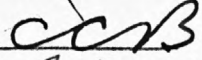



To: Members of the Board

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	
Gov. Mills	
Gov. Robertson	
Gov. Balderston	
Gov. Shepardson	
Gov. King	
Gov. Mitchell	

Minutes of a meeting of the available members of the Board of Governors of the Federal Reserve System on Monday, June 17, 1963. The meeting was held in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Shepardson

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Fauver, Assistant to the Board  
Mr. Mattras, General Assistant, Office of  
the Secretary

Messrs. Noyes, Koch, Williams, Dembitz,  
Eckert, Freedman, Gehman, Partee,  
Weiner, Wernick, and Yager of the  
Division of Research and Statistics

Messrs. Furth, Hersey, Katz, Emery, Maroni,  
Mills, Nettles, and Swerling, Mrs. Junz,  
and Miss Logue of the Division of Inter-  
national Finance

Mr. Portsmore, Adviser, Bank of England

Economic review. The staff of the Division of International Finance commented on international financial conditions, with special reference to the U. S. balance of payments, after which the staff of the Division of Research and Statistics presented information relating to the domestic economy.

Mr. Portsmore and all members of the Board's staff then withdrew except Messrs. Sherman, Kenyon, Fauver, Noyes, Dembitz, and Mattras and the following entered the room:

Mr. Cardon, Legislative Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel

6/17/63

-2-

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

The following actions were taken subject to ratification at the next meeting of the Board at which a quorum was present:

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, and Dallas on June 13, 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.

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

	<u>Item No.</u>
Letter to Irving International Financing Corporation, New York, New York, amending the Board's consent of February 26, 1963, with respect to the purchase of shares of Pakistan Industrial Credit and Investment Corporation, Karachi, Pakistan.	1
Letter to Genesee Merchants Bank & Trust Company, Flint, Michigan, approving the establishment of a branch in Grand Blanc Township.	2
Letter to Citizens State Bank, Puyallup, Washington, approving the establishment of a branch in Pierce County.	3

6/17/63

-3-

	<u>Item No.</u>
Letter to The Grant County State Bank, Bayard, New Mexico, approving the establishment of a branch in Silver City.	4
Letter to Gulf Interstate Company, Houston, Texas, granting a determination exempting it from all holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act.	5
Memorandum from Mr. Noyes dated June 12, 1963, with respect to the proposed publication by the Securities and Exchange Commission of data from a recent System survey of banks' methods and standards in making security loans.	6

The foregoing Item No. 6 was approved with the understanding that the material to be prepared for the Securities and Exchange Commission with a view to publication by that agency would be of a factual character and so arranged as not to refer to the practices of any particular bank.

Report on competitive factors (San Francisco-Los Angeles, California). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Citizens National Bank, Los Angeles, California, into Crocker-Anglo National Bank, San Francisco, California.

In discussion, Governor Mills called attention to the final paragraph of the proposed conclusion, which read as follows: "There is a heavy concentration of banking resources in California in a small number of very large banks. The proposed merger would further this concentration significantly, and in this respect the proposal is viewed



6/17/63

-4-

as having an adverse effect on competition." Governor Mills raised the question whether the second half of the last sentence should not be omitted. He pointed out that in the State of California extensive State-wide branch banking was an accomplished fact. This being so, perhaps merger applications of the kind under consideration should be viewed somewhat differently, insofar as the competitive aspects were concerned, from merger proposals in States where branch banking was in an incipient stage and there might be more occasion to limit the degree of concentration.

Mr. Leavitt suggested that a matter of judgment was involved. There were a number of alternative sources of banking services, with keen competition throughout the State. At the same time, the proposed merger would further increase the heavy concentration of banking resources that already existed. Personally, he did not feel that the proposed merger would have serious adverse effects on competition, and he noted that the only adverse comment in the proposed report related to the furtherance of the already heavy concentration of banking resources. If the second half of the last sentence in the conclusion were stricken, attention still would have been called to the concentration of banking resources, although without expressing the view that in this respect the proposal would have an adverse effect on competition.

There followed further discussion about the banking situation in the State of California during which Governor Mills expressed the thought that it would appear from the alignment of the leading banks in the State that perhaps the present proposal, if consummated, would

6/17/63

-5-

be the last involving mergers between such banks. Governors Shepardson and Balderston expressed agreement with the suggestion of Governor Mills regarding the conclusion of the report, Governor Balderston commenting that he looked on the situation in California as probably having passed the point of no return so far as the banking structure was concerned. In the existing circumstances, he felt that it would be desirable to have as many large banking organizations as possible that could compete vigorously against each other and the largest bank.

The report was then approved unanimously for transmission to the Comptroller with the conclusion revised to read as follows:

Some competition exists between Crocker-Anglo National Bank, San Francisco, and Citizens National Bank, Los Angeles, primarily for business of regional or national concerns as well as for correspondent bank business.

The proposed transaction would unite the fifth and eighth largest banks in the State of California, and the resulting institution would have total deposits of approximately the same volume as that of the third largest bank in the State. In addition, the resulting bank would have offices in the northern, central and southern sections of the State. The continuing bank would probably be a stronger competitor for the other large California banks than is Crocker or Citizens, individually, while it is not believed the proposal would have serious adverse competitive effects on any banks operating in the State.

There is a heavy concentration of banking resources in California in a small number of very large banks. The proposed merger would further this concentration significantly.

Report on competitive factors (Chambersburg, Pennsylvania).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger

6/17/63

-6-

of The Valley National Bank of Chambersburg, Chambersburg, Pennsylvania, into The National Bank of Chambersburg, Chambersburg, Pennsylvania.

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

The proposed merger of The Valley National Bank of Chambersburg, Chambersburg, Pennsylvania, and The National Bank of Chambersburg, Chambersburg, Pennsylvania, would eliminate the very substantial amount of competition existing between these two banks. It would also enable the resulting institution to obtain a competitive advantage in Chambersburg where it would hold about 57 per cent of the deposits of individuals, partnerships and corporations; in Chambersburg and environs it would operate six offices as compared to four offices operated by its two Chambersburg competitors. This significant alteration of the banking structure in Chambersburg would threaten the ability of other local banks to continue to offer effective competition and might also have adverse effects on small banks in the area.

Report on competitive factors (Troy-Cohoes, New York).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The National Bank of Cohoes, Cohoes, New York, into The Manufacturers National Bank of Troy, Troy, New York.

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

The proposed merger would convert a relatively small unaggressive bank to a branch of a larger and more vigorously aggressive bank, and would result in more intensified banking competition in the city of Cohoes without adverse effect on other area banks. The transaction would add minimally to the banking resources controlled by the Marine Midland Corporation, of which the resultant bank would be a subsidiary.

6/17/63

-7-

Application of Bank of Virginia (Items 7, 8, and 9). Pursuant to the decision reached at the meeting on June 11, 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 Bank of Henrico, Sandston, Virginia.

The issuance of the order and statement was authorized; copies of the documents, as issued, are attached to these minutes as Items 7 and 8. Also attached, as Item No. 9, is a copy of the transmittal letter to Bank of Virginia.

Report on S. 1642. There had been distributed a draft of letter to Chairman Robertson of the Senate Committee on Banking and Currency reporting on S. 1642, a bill to amend the Securities Act of 1933 and the Securities Exchange Act of 1934.

In preliminary discussion it was noted that Chairman Martin had been requested to testify before the Committee with respect to this proposed legislation on June 24, 1963.

Governor Balderston commented on the desirability of consistency between the letter report and the testimony. This suggested to him the possibility of abbreviating the letter so as simply to express agreement with the extension of reporting requirements, proxy rules, and "insider trading" provisions of the Securities Exchange Act of 1934 to certain companies, including banks, whose securities are traded over the counter and to indicate that the Board considered it inadvisable for these provisions to be administered--in the case of banks--by an agency other



6/17/63

-8-

than the Securities and Exchange Commission. This would leave for the Chairman's testimony a more detailed exposition of position on the provisions of the bill that, in the case of banks, would place administration with the Comptroller of the Currency in respect to national banks, the Board with respect to State member banks, and the Federal Deposit Insurance Corporation with respect to nonmember insured banks, upon the request of any of those agencies. Since it was understood by Mr. Cardon that it would be satisfactory to the Committee if the Board's letter report were sent on Wednesday, June 19, Governor Balderston suggested that a revised draft of letter along the lines he had mentioned be prepared for consideration at the Board meeting on Wednesday.

After discussion it was agreed to follow the procedure suggested by Governor Balderston. During the discussion, however, Governor Mills commented that he saw no reason to change his position, as expressed previously in connection with discussion of this proposed legislation, that the Securities and Exchange Commission, as the administering agency, should have the permissive right to delegate its authority to the bank supervisory agencies under whatever formula for the collection of information the Commission might prescribe. Governor Mills also made the comment that the sending of the proposed letter, as drafted, would have the effect of indicating that the Securities and Exchange Commission was in error in its legislative approach and would make it difficult for the bank supervisory agencies to sit down and agree on a general formula



6/17/63

-9-

for the collection of information that would be mutually acceptable. He felt that the letter would arouse antagonism on the part of the other bank supervisory agencies, and possibly also on the part of the Securities and Exchange Commission.

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 June 13, 1963, the following actions relating to the Board's staff:

#### Appointments

George R. Hall as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$12,845, effective the date of entrance upon duty.

Patricia Ernestine Gardosik as Clerk-Stenographer, Division of Personnel Administration, with basic annual salary at the rate of \$4,030, effective the date of entrance upon duty.

Park O. Showalter as Electrician-Operating Engineer, Division of Administrative Services, with basic annual salary at the rate of \$6,386, effective the date of entrance upon duty.

#### Salary increase

Douglas L. Orre, Assistant Federal Reserve Examiner, Division of Examinations, from \$6,650 to \$7,125 per annum, effective June 23, 1963.

#### Acceptance of resignation

Barbara A. Kraft, Clerk-Stenographer, Division of Personnel Administration, effective at the close of business June 28, 1963.

On June 14, 1963, Governor Shepardson approved on behalf of the Board the following items:

6/17/63

-10-

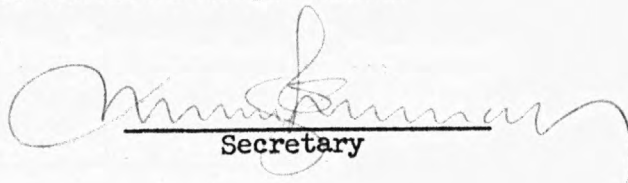
Letter to the Federal Reserve Bank of Cleveland (attached Item No. 10) approving the appointment of Jerry Robert Pfeifer as assistant examiner.

Memorandum from the Division of Administrative Services recommending the appointment of Peter P. Devaney as General Mechanic-Operating Engineer in that Division, on a temporary basis for a period of about three months, with basic annual salary at the rate of \$5,845, effective the date of entrance upon duty.

Memorandum from the Division of Administrative Services recommending the appointment of John H. McDonald as Guard in that Division, with basic annual salary at the rate of \$3,560, effective the date of entrance upon duty.

On June 14, 1963, Governor Shepardson noted on behalf of the Board a memorandum advising that application for retirement had been filed by Elsie N. Carrick, Assistant Supervisor, Stenographic Section, Office of the Secretary, effective July 1, 1963.

Governor Shepardson today approved on behalf of the Board the request contained in a memorandum dated June 11, 1963, from Mr. Harris, Coordinator, Office of Defense Planning, for approval of an overexpenditure of \$10,500 in the Contractual Professional Services Account of that Office's 1963 budget to cover the cost of an unanticipated volume of security clearances for Federal Reserve Bank personnel.

  
Secretary

1937

Item No. 1  
6/17/63

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 17, 1963

Irving International Financing Corporation,  
One Wall Street,  
New York 15, New York.

Gentlemen:

This will acknowledge your letter of May 8, 1963, referring to the Board's letter of February 26, 1963, granting consent to Irving International Financing Corporation to purchase and hold 104,000 ordinary shares, par value Rupees 10 each, of Pakistan Industrial Credit and Investment Corporation, Karachi, Pakistan, at a cost not to exceed US\$214,000 (equivalent).

In line with your request and on the basis of the information furnished, the Board's consent of February 26, 1963, is amended by changing the wording in the first paragraph from "a cost not to exceed US\$214,000 (equivalent)" to "a cost of \$244,998.43 plus approximately US\$3,700 to be paid as a transfer tax".

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

1938

Item No. 2  
6/17/63

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 17, 1963

Board of Directors,  
Genesee Merchants Bank & Trust Co.,  
Flint, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Genesee Merchants Bank & Trust Co., Flint, Michigan, of a branch at the southwest corner of the intersection of Dort Highway and Dort Highway Extension and South Saginaw Road extending through to East Hill Road, Grand Blanc Township, Genesee County, Michigan, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

1939

Item No. 3  
6/17/63

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 17, 1963

Board of Directors,  
Citizens State Bank,  
Puyallup, Washington.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Citizens State Bank, Puyallup, Washington, in the vicinity of Airport and Canyon Roads in an unincorporated area of Pierce County, Washington, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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



1940



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

Item No. 4  
6/17/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 17, 1963

Board of Directors,  
The Grant County State Bank,  
Bayard, New Mexico.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of 12th and Grant Streets, Silver City, New Mexico, by The Grant County State Bank, Bayard, New Mexico, provided the branch is established within one year from the date of this letter.

It is understood that prior to establishment of the branch capital funds will be increased by not less than \$200,000 through the sale of new stock and that common capital stock will be increased to at least \$150,000 to comply with Federal statutes.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

1944

Item No. 5  
6/17/63

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 18, 1963



Mr. Hy Byrd, President,  
Gulf Interstate Company,  
Houston, Texas.

Dear Mr. Byrd:

This refers to the request contained in your letter of April 29, 1963, submitted to the Federal Reserve Bank of Dallas, for a determination by the Board of Governors of the Federal Reserve System as to the status of Gulf Interstate Company as a holding company affiliate.

From the information presented, the Board understands that Gulf Interstate Company owns producing oil and gas properties in several States, and, through a wholly-owned subsidiary, is engaged in the design, engineering, and supervision of construction of pipe line systems and related facilities; that the Company is a holding company affiliate by reason of the fact that it owns 53,000 of the 105,000 outstanding shares of stock of Central National Bank of Houston, Houston, Texas; and that the Company does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that Gulf Interstate Company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, the Company is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time indicate that Gulf Interstate Company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts. Particularly,

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Hy Byrd

-2-

should future acquisitions by or activities of the Company result in its attaining a position whereby the Board may deem desirable a determination that the Company is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.





UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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In the Matter of the Application of

THE BANK OF VIRGINIA

for approval of merger with

The Bank of Henrico

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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 Bank of Henrico, Sandston, Virginia, under the charter and title of the former. As an incident to the merger, the three offices of The Bank of Henrico and an additional office, which has been approved but not yet opened for business, would become branches 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,



-2-

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 17th day of June, 1963.

By order of the Board of Governors.

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

Absent and not voting: Governor Robertson.

(Signed) Merritt Sherman

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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 BANK OF HENRICO

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 Bank of Henrico, Sandston, Virginia ("Henrico Bank"), with deposits of \$4.2 million as of the same date, under the charter and title of Virginia Bank. The proposal contemplates that the three existing offices of Henrico Bank and an additional office, which has been approved but not yet opened for business, would become branches of the resulting bank, increasing the number of offices of Virginia Bank from 22 to 26.

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 histories of Virginia Bank and Henrico Bank are satisfactory. Both banks also have satisfactory asset conditions, and this should be true of the resulting bank. The capital structure of the resulting bank will continue to reflect a need for some strengthening. The net current earnings of Henrico Bank are above average for banks of comparable size in the Fifth Federal Reserve District. Although Virginia Bank's net current earnings are below average, increased automation and other operating economies are expected to provide a basis for improved earnings.

Henrico Bank, which began operations on April 15, 1957, was organized with the understanding at the time that it would be merged with Virginia Bank after operating for at least five years, the period necessary under then existing State law. Under an amendment to the law, effective June 29, 1962, the prescribed waiting period was eliminated.

Virginia Standard Corporation, then an affiliate of Virginia Bank, on February 2, 1961, acquired a two-thirds stock interest in Henrico Bank. When Virginia Commonwealth Corporation, a bank holding company, was established in 1962 (Federal Reserve Bulletin, 1962,



p. 1442), one of the subsidiary banks was Bank of Virginia. The holding company thereby acquired control of Virginia Standard Corporation. Thereafter, all of the stock of Henrico Bank, except for qualifying shares sold to bank directors under repurchase agreements, was acquired by Virginia Commonwealth Corporation.

Virginia Bank was primarily responsible for securing for Henrico Bank its chief executive officer. The other two full-time active officers of the bank were supplied from the staff of Virginia Bank. Present management of Henrico Bank is satisfactory, and this would hold true for the resulting bank, Virginia Bank being adequately staffed with competent personnel in both junior and senior positions.

No inconsistency with the purposes of 12 U.S.C., Ch. 16 is indicated.

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. On May 24, 1963, the Board announced its approval of the merger of Virginia Bank and The Farmers Bank of Dinwiddie, Dinwiddie, Virginia, which is to be operated as a branch of Virginia Bank. Consummation of the proposed merger would have little effect on the convenience and needs of Richmond or the other communities now being served by Virginia Bank.

The main office of Henrico Bank is located at Sandston, Virginia, approximately seven miles east of Richmond. Its two

operating branches and the approved additional branch are situated just outside the city of Richmond in the eastern section of Henrico County (population 117,339). The areas served by the bank are predominantly residential and agricultural, although commercialization in the Sandston vicinity is progressing. Future prospects are considered to be exceptionally good with the continued expansion of the city of Richmond, and the existing trend to locate business, as well as residential developments, outside the corporate limits of the city.

Customers of Henrico Bank would have directly available a more complete range of banking services than those previously available at its offices, such as trust services, vacation savings, FHA Title I loans, charge plan, and personal money orders. This would be a beneficial factor in an area increasing in commercial importance.

Competition. - Due to the close relationship between these two banks, and the administrative and operational assistance given Henrico Bank by Virginia Bank, little, if any, competition exists between them. No change in the control or ownership would result from the merger.

Virginia Bank is the fifth largest bank in the State and holds four per cent of total bank deposits in Virginia. It is not the dominant bank in any area in which it operates.

The merger would increase Virginia Bank's share of total deposits in the State by only one-tenth of one per cent and its rank would be unchanged. Thus, the resources to be gained would be too small to alter its competitive position in the State, as a whole, or in the



primary areas it now serves. Since both banks are owned by Virginia Commonwealth Corporation, as previously noted, the proposed merger would increase neither the size nor the area representation of the holding company.

All of Henrico Bank's offices are within 10 miles of downtown Richmond which contains the head offices of 6 banks, excluding Virginia Bank. A branch office of First & Merchants National Bank, the largest bank in Virginia, is located one and one-fourth miles west of Henrico Bank's Mechanicsville Pike office.

In addition to that of other banks, competition is provided by a number of nonbanking financial institutions.

Summary and conclusion. - The proposed merger would unite two banks which are subsidiaries of a bank holding company, otherwise closely related, and between which there is no significant competition. The merger would increase efficiency and provide additional services in the area served by Henrico Bank.

Accordingly, the Board finds that the proposed merger would be in the public interest.

June 17, 1963.



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

1951  
Item No. 9  
6/17/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 17, 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 Bank of Henrico, Sandston, 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.

As indicated in its letter of May 24, 1963, regarding the merger of your bank and The Farmers Bank of Dinwiddie, Dinwiddie, Virginia, 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

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

1952  
Item No. 10  
6/17/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 17, 1963

AIR MAIL

CONFIDENTIAL (FR)

Mr. Paul C. Stetzelberger, Vice President,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of June 7, 1963, the Board approves the appointment of Jerry Robert Pfeifer as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

It is noted that Mr. Pfeifer is indebted to The First National City Bank of Alliance, Alliance, Ohio. Accordingly, the Board's approval of the appointment of Mr. Pfeifer is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.