

Minutes of the Board of Governors of the Federal Reserve System on Friday, August 16, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
 Mr. Young, Adviser to the Board and Director,
 Division of International Finance
 Mr. Fauver, Assistant to the Board
 Mr. Noyes, Director, Division of Research
 and Statistics
 Mr. Brill, Adviser, Division of Research and
 Statistics
 Mr. Solomon, Associate Adviser, Division of
 Research and Statistics
 Mr. Sammons, Adviser, Division of International
 Finance
 Mr. Spencer, General Assistant, Office of the
 Secretary
 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. Gemmill, Economist, Division of International
 Finance

Money market review. There was distributed a table summarizing monetary developments during the four-week period ending August 14, 1963.

Mr. Bernard reviewed recent developments in the Government securities market, Mr. Axilrod presented a report on bank credit, the money supply, and related matters, and Mr. Gemmill reported on foreign exchange market developments.

8/16/63

-2-

All members of the staff except Messrs. Kenyon, Fauver, and Spencer then withdrew and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 Mr. O'Connell, Assistant General Counsel
 Mr. Shay, Assistant General Counsel
 Mr. Hooff, Assistant General Counsel
 Mr. Kiley, Assistant Director, Division of Bank Operations
 Mr. Goodman, Assistant Director, Division of Examinations
 Mr. Benner, Assistant Director, Division of Examinations
 Mr. Smith, Assistant Director, Division of Examinations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Thompson, Assistant Director, Division of Examinations
 Miss Hart, Senior Attorney, Legal Division
 Mr. Hricko, Senior Attorney, Legal Division
 Mr. Poundstone, Review Examiner, Division of Examinations
 Mr. Sanford, Review Examiner, Division of Examinations
 Mr. Smith, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on August 15, 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>
Letters to Bank of America, New York, New York; Bankers International Financing Company, Inc., New York, New York; and Morgan Guaranty International Finance Corporation, New York, New York, granting permission to invest in shares of Malayan Industrial Development Finance Limited, Kuala Lumpur, Malaya.	1-3

8/16/63

-3-

Item No.

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| Letter to First Chicago International Banking Corporation, New York, New York, approving an amendment to the corporation's Articles of Association. | 4 |
| Letter to First Chicago International Finance Corporation, Chicago, Illinois, approving an amendment to the corporation's Articles of Association. | 5 |
| Letter to Bank of Smithfield, Smithfield, Virginia, approving an investment in bank premises. | 6 |
| Letter to the Federal Deposit Insurance Corporation regarding the application of Merchants Trust & Savings Bank, Kenner, Louisiana, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System. | 7 |
| Letter to Northshore National Bank, Houston, Texas, granting its request for permission to maintain reduced reserves. | 8 |
| Letter to Community National Bank of Oak Cliff, Dallas, Texas, granting its request for permission to maintain reduced reserves. | 9 |
| Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch in Salinas. | 10 |
| Letter to Depositors Trust Company, Augusta, Maine, approving the establishment of a branch in Norridgewock. | 11 |
| Letter to Fair Lawn-Radburn Trust Company, Fair Lawn, New Jersey, approving the establishment of a branch at 21-17 Saddle River Road. | 12 |
| Letter to Boonton Trust Company, Boonton, New Jersey, approving the establishment of a branch on Powerville Road, Boonton Township, branch operations now conducted at Hawkins Place, Town of Boonton, to be discontinued simultaneously with the establishment of the new branch. | 13 |
| Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch at 3665 East Independence Boulevard, Charlotte. | 14 |

8/16/63

-4-

Item No.

Letter to Trust Company of Georgia, Atlanta, Georgia, approving the establishment of a branch at Chattahoochee Avenue and Ellsworth Industrial Drive, N. W.

15

Order granting a motion by the applicant for an extension of time within which to file a reply brief in the matter of the application of Denver U. S. Bancorporation, Inc., Denver, Colorado, to become a bank holding company.

16

Report on competitive factors (McKeesport-Hazelwood, Pennsylvania). There had been distributed a draft of report to the Comptroller of the Currency regarding the competitive factors involved in the proposed consolidation of Western Pennsylvania National Bank, McKeesport, McKeesport, Pennsylvania, and The Hazelwood Bank, Pittsburgh, Pennsylvania.

Governor Mills commented that since Allegheny County was the area of primary concern in this report on competitive factors, rather than the total area served by Western Pennsylvania National Bank, he felt some emphasis in the first paragraph of the conclusion should be given to that fact. There was general agreement with a change in language suggested by Governor Mills.

Governor Mills went on to express concern about the practice of citing percentage figures in the conclusion of competitive factor reports. Although he was not too disturbed in this particular instance, it was his feeling that their liberal use should be avoided in future reports, since figures like the percentage of total deposits held by a bank were subject to change over a period of time. Further, the use of such figures might

8/16/63

-5-

be read to mean that the holding of a certain percentage of total area deposits by a certain number of banks was regarded as evil. He did not believe that this point had been reached; there were too many differences from community to community.

In further discussion, question was raised whether in this case it was the view that the over-all effect of the proposed transaction on competition would not be adverse. Several members of the Board indicated that they felt such an expression would be warranted. In this connection, Governor Mitchell commented that he would like to make the Board's position clear and unambiguous in each report on competitive factors, even though it might require additional time to reach a decision and negative votes might sometimes have to be included in the minutes. In this particular case, he felt that the over-all effect on competition would not be adverse, and he would be prepared so to state in the conclusion of the report.

There followed suggestions as to how the second paragraph of the conclusion might be worded, with the foregoing discussion in mind, and the report was then approved unanimously for transmittal to the Comptroller with the conclusion reading as follows:

The Hazelwood Bank, a single-unit institution operating in Allegheny County, has primarily served its suburban community and the immediate surrounding area, and it is not believed that a significant amount of competition exists between it and Western Pennsylvania National Bank, McKeesport.

Consummation of this proposal will result in Western Pennsylvania National Bank, McKeesport, holding slightly over 8 per cent of the total county bank deposits in Allegheny County where two

8/16/63

-6-

large Pittsburgh banks now hold about 74 per cent of the total IPC county bank deposits. Since it is not believed any banks in Allegheny County will feel significant adverse competitive effects from the proposed consolidation, the over-all effect on competition would not be adverse.

It was understood that the point raised by Governor Mitchell would be discussed further at the meeting on August 19, 1963, in connection with a request from the House Banking and Currency Committee for an analysis of competitive factor reports submitted by the Board to the Comptroller of the Currency.

Application of Asbury Park and Ocean Grove Bank (Items 17 and 18).

There had been distributed a proposed order and statement reflecting the Board's approval on August 8, 1963, of the application of Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, to merge with New Jersey Trust Company of Long Branch, Long Branch, New Jersey, under the charter of the applicant bank and with the title New Jersey Trust Company.

There being agreement with certain editorial changes suggested by Governors Mills and Shepardson, the issuance of the order and statement was authorized. Copies of the order and statement, as issued, are attached hereto as Items 17 and 18.

Messrs. Shay and Hricko then withdrew from the meeting.

Applications of Virginia Commonwealth Corporation (Items 19-25).

At the meeting on July 26, 1963, applications of Virginia Commonwealth Corporation, Richmond, Virginia, to acquire shares of Washington Trust and Savings Bank, Bristol, Virginia, and The Peoples National Bank of

8/16/63

-7-

Pulaski, Pulaski, Virginia, were approved, Governor Robertson dissenting on the application involving Washington Trust and Savings Bank, Bristol. Governor Robertson had indicated, however, that he wished to reserve the right to withdraw his dissent, depending in part on his view with regard to the terms of an admonition by the Board that was to be given to Virginia Commonwealth Corporation on a capital adequacy problem involving its principal subsidiary, The Bank of Virginia, Richmond, Virginia.

Pursuant to the decision at the meeting on July 26, there had been distributed under date of August 15, 1963, drafts of proposed orders and statements reflecting approval of the two applications of Virginia Commonwealth Corporation. Also submitted was a draft of a proposed letter to the corporation commenting upon the need for strengthening the capital position of Bank of Virginia and indicating that the Board would be inclined, except under unusual circumstances, to disapprove applications of Virginia Commonwealth to acquire additional banks unless the capital and net earnings positions of Bank of Virginia showed substantial improvement.

In discussion, Governor Robertson stated that he did not wish to withdraw his dissent with respect to the application involving Washington Trust and Savings Bank, and that a dissenting statement would be prepared for release concurrently with the Board's order and statement in this matter. He also indicated that he would issue a concurring statement on the Pulaski case.

8/16/63

-8-

There being no suggestions for changes in the language of the orders and statements as drafted, consideration was given to the proposed letter concerning the capital and net earnings problems of Bank of Virginia.

Discussion of the letter centered around the question of the extent to which the Board should go in the direction of indicating that future applications for expansion of Virginia Commonwealth Corporation might not be approved unless there was a substantial improvement in the capital situation of Bank of Virginia.

Governor Mills and Shepardson expressed satisfaction with the letter as drafted. The former commented that he thought the draft carried out the understanding at the meeting when the two holding company applications were considered; namely, that there was to be a positive declaration. As to the sentence in the draft that stated that "this advice should in no way be construed as indicating a pre-judgment on the part of the Board," he interpreted that as indicating that the Board's position should not be regarded as arbitrary and capricious.

Mr. O'Connell said the Legal Division viewed the language as being no more of a commitment as to future Board action than when, in connection with a given application, the Board might set forth the circumstances and say that under such circumstances it could not approve the application. Later, the Board might find other circumstances present in connection with a subsequent application such as to cause it to vary its judgment. The disclaimer of a pre-judgment in the letter to Virginia

8/16/63

-9-

Commonwealth was considered appropriate because in considering another application of the corporation unusual circumstances might be found that would cause the Board to conclude that approval was justified. Nevertheless, Virginia Commonwealth would be put on notice that unless the capital and net earnings of Bank of Virginia showed improvement, there was considerable doubt that the Board would approve further applications involving expansion of the holding company system.

Governor Mitchell pointed out that he had not been present when the two Virginia Commonwealth applications were decided. He went on to indicate, however, that he would be hesitant to go further in the letter than to advise the corporation that in considering any subsequent applications the Board would give considerable weight to the capital position and net earnings of Bank of Virginia.

Governor Robertson expressed doubt that the Board, having approved the Bristol application, was in a good position to say that it would not approve a further application involving expansion of the holding company. Under the statute the Board, in approving the Bristol application, must necessarily have concluded that the financial condition of the applicant was sufficiently adequate to warrant the acquisition. However, he thought that the Board should be forthright in telling Virginia Commonwealth that it expected the principal subsidiary bank of the holding company system to be adequately capitalized, and that this should be accomplished before further expansion of the holding company system was undertaken. Governor

8/16/63

-10-

Robertson then suggested a reformulation of the language of the letter to Virginia Commonwealth that he felt would be appropriate, and Governors Mills, Shepardson, and Balderston indicated that such language would be agreeable to them. Governor Mitchell said that such language would not meet his objection, but that he was not disposed to pursue the matter further.

In further discussion, Mr. Benner stated that President Wayne of the Federal Reserve Bank of Richmond had discussed the capital problem of Bank of Virginia with the president of the bank, who reportedly agreed with the System's analysis of the situation, concurred in the view that the injection of \$2 million of additional capital would not be sufficient, and indicated that the bank would take into consideration not only its present but its future needs. It was Mr. Benner's opinion that within a reasonable period of time the management of the bank was likely to prepare a plan for substantial capital improvement and submit it to the Reserve Bank.

The issuance of the proposed orders and statements in the Bristol and Pulaski cases was then authorized; copies of the documents in the form issued are attached as Items 19, 20, 22, and 23. A copy of Governor Robertson's dissenting statement on the Bristol application is attached as Item No. 21, and a copy of his concurring statement on the Pulaski application is attached as Item No. 24.

8/16/63

-11-

The letter to Virginia Commonwealth Corporation that had been under discussion was approved in the form attached as Item No. 25, Governor Mitchell's reservations having been noted.

Messrs. Benner and Thompson, Miss Hart, and Messrs. Sanford and Smith (Review Examiner) then withdrew from the meeting.

Deposits of trustees in bankruptcy (Item No. 26). In a telegram dated June 5, 1963, the Federal Reserve Bank of San Francisco raised the question whether deposits of a trustee in bankruptcy could be regarded as falling within the definition of a "savings deposit" set forth in Regulation Q, Payment of Interest on Deposits. A memorandum of June 14, 1963, from the Legal Division discussed this question, and after reviewing several alternatives, recommended that the Board take a position based on the fact that savings deposits are limited by Regulation Q to individuals and specific types of organizations, or deposits in which the "entire beneficial interest" is held by individuals or such organizations. Since a trustee in bankruptcy holds funds for the benefit of the bankrupt's creditors, a deposit made by such a trustee could not be classed as a savings deposit except in those instances in which all of the bankrupt's creditors were individuals or organizations of the limited types specified in Regulation Q.

At the meeting on June 20, 1963, the question presented by the San Francisco Reserve Bank and the recommendation of the Legal Division were considered. It was understood that the Legal Division would draft

8/16/63

-12-

a possible amendment to Regulation Q that would expressly permit deposits of a trustee in bankruptcy to be classified as savings deposits, and that the Legal Division would obtain the views of the Federal Deposit Insurance Corporation.

There had now been distributed memoranda from Mr. Hackley dated August 12 and 14, 1963. The memorandum of August 12 stated that the General Counsel of the Federal Deposit Insurance Corporation had indicated that in his opinion the savings deposit regulations should not be amended to cover deposits of trustees in bankruptcy, because any such expansion of the definition of savings deposits would inevitably invite suggestions for further expansion. He also expressed the view that the problem might be substantially ameliorated by the fact that member and nonmember insured banks were now permitted to pay interest up to a maximum rate of 4 per cent on time deposits with a maturity of 90 days or more. (The memorandum of August 14, to which was attached a copy of a letter from Counsel for the Federal Deposit Insurance Corporation, noted that this letter confirmed the views of the legal staff of the Corporation as reported in the memorandum of August 12.)

The memorandum of August 12 went on to describe the type of amendment that might be made to Regulation Q to cover deposits of trustees in bankruptcy if the Board should decide to amend the savings deposit definition. It was pointed out, however, that the Board's Legal Division believed that any such amendment would not only be inconsistent with the

8/16/63

-13-

underlying rationale of the definition of savings deposits but would be likely to open the door for further expansion of the definition.

It was therefore recommended that the inquiry from the Federal Reserve Bank of San Francisco be answered in the manner reflected in a draft of letter attached to the Legal Division's memorandum. The proposed letter stated that there was nothing in the legislative history of the amendment (Public Law 88-16 of May 8, 1963) to the Bankruptcy Act to indicate that its purpose was more than to eliminate the need for creditors' consent for deposits in interest-bearing savings or time deposits. In the absence of any evidence of intent to modify section 19 of the Federal Reserve Act and the Board's authority thereunder, it was the opinion of the Board that the definition of savings deposits in Regulation Q had not been affected by the amendment to the Bankruptcy Act. The succeeding portion of the draft letter expressed the opinion that a deposit by a trustee in bankruptcy might not be classified as a savings deposit under Regulation Q except in those rare instances in which all of the bankrupt's creditors were individuals or organizations of the types described in the regulatory definition of a savings deposit.

At the Board's request, Mr. Hackley reviewed the matter in some detail, his remarks being based substantially on the information presented in the memoranda that had been distributed.

In the ensuing discussion, Governor Mills said that he had reread the Legal Division's memorandum of June 14 on this question. He believed

8/16/63

-14-

that the construction reached by the Legal Division was correct and that the proposed letter to the San Francisco Reserve Bank should be dispatched.

Governor Robertson concurred, but Governor Mitchell said he could not agree. The conclusion of the Legal Division was perhaps a logical nicety but in his opinion was not realistic. Such a posture placed banks at a disadvantage in competing for a type of business for which they ought to be able to compete with savings and loan associations. He could not agree to restricting banks from being competitive by taking such a position.

Governor Shepardson indicated that he would favor sending the letter. He noted that the Board had requested the staff to make a complete review of Regulation Q, and it seemed to him that it would be better for the Board to hold its present position for the moment pending review of the whole Regulation.

In further discussion, Governor Mitchell amplified his earlier remarks by saying that he thought it would be reasonable to allow deposits of trustees in bankruptcy to be classified as savings deposits. The man in the street would see no objection, it was something that the banks would like to be able to do, and he did not see why it should not be done. While he agreed that Regulation Q should be reviewed in entirety, that would take considerable time.

Mr. Hackley commented that a principal problem in reviewing Regulation Q was in determining what policy the Board wished to follow.

8/16/63

-15-

By way of illustration, the Regulation could easily be simplified and made workable administratively by limiting savings deposits to individuals. However, that would place banks at a competitive disadvantage with savings and loans associations, so the Board might not favor such an approach.

The letter to the Federal Reserve Bank of San Francisco was then approved in the form attached as Item No. 26, Governor Mitchell dissenting. It was understood that a copy of the letter to the San Francisco Reserve Bank would be sent to each Federal Reserve Bank and that an interpretation based on the letter would be published in the Federal Reserve Bulletin and the Federal Register.

Virgin Islands banking survey. A letter dated May 14, 1963, from the Secretary of the Banking Board of the Virgin Islands stated that the Banking Board had under consideration an application from a Canadian bank, The Bank of Nova Scotia, for a license to establish a branch in St. Thomas. In this connection, the Banking Board requested the Board of Governors to undertake a survey of the adequacy of banking facilities in the Islands. Subsequently, at a meeting on June 4, the Board of Governors approved this request, and the survey was subsequently conducted by a team of four persons composed of two members of the Board's staff, one representative of the Federal Reserve Bank of New York, and one representative of the Federal Reserve Bank of Philadelphia.

There now had been distributed a memorandum dated August 9, 1963, from the Division of Examinations to which there was attached a report of the findings of the survey team.

8/16/63

-16-

Following comments by Mr. Leavitt, who had acted as chairman of the survey team, Governor Robertson observed that the Banking Board of the Virgin Islands had requested the survey to aid it in considering an application for the establishment of a branch by a Canadian bank. In reading the report, he had experienced difficulty in seeing what conclusion the Virgin Islands authorities would reach from the standpoint of the branch application.

Mr. Leavitt stated that the survey team had made it clear to the Virgin Islands authorities that it did not propose to make any recommendation on whether or not the Canadian application should be approved. It appeared, however, that the Canadian bank would engage primarily in the financing of export and import business and, according to information reaching the survey team, probably would not be too interested in the mortgage loan business, which was the type of financing that would be most helpful in St. Thomas, to the extent that any additional banking facilities were needed. Against this background, the Virgin Islands authorities could arrive at whatever conclusion they wished on the Canadian application.

Governor Robertson commented that he had no fault to find with the comments in the survey report. However, in any situation of this kind where a bank of another country had an application pending, care should be exercised not to make a report that could be construed as attempting to protect American institutions from foreign competition.

8/16/63

-17-

Mr. Leavitt replied that the tenor of the report was to advise the Virgin Islands authorities that if banks wanted to make additional mortgage lending facilities available in St. Thomas, that would probably be beneficial to the economy of the area. On the other hand, the survey team had refused to examine the files relating to the branch application. The survey report would have contained the same conclusions whether or not the application had been pending.

After further discussion, the transmission of the survey report to the Governor of the Virgin Islands, the Government Secretary, and the Banking Board was authorized.

The meeting then adjourned.

Secretary's Notes: On August 14, 1963,
Governor Shepardson approved on behalf
of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 27) approving the designation of Mrs. E. Y. Roberts and Mrs. Marguerite Kantor as special assistant examiners.

Letter to the Federal Reserve Bank of Chicago (attached Item No. 28) approving the designation of Harold E. Madsen as special assistant examiner.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on August 15, 1963, the following actions relating to the Board's staff:

Salary increases, effective August 18, 1963

Marjorie J. Hollingshead, Secretary, Division of Research and Statistics, from \$4,725 to \$4,885 per annum.

Reed J. Irvine, Chief, Asia, Africa, and Latin America Section, Division of International Finance, from \$15,525 to \$16,005 per annum.

8/16/63

-18-

Salary increases, effective August 18, 1963 (continued)

June A. Stetter, Administrative Assistant, Division of Personnel Administration, from \$10,735 to \$11,050 per annum.

Lee W. Joyner, Messenger, Division of Administrative Services, from \$3,350 to \$3,455 per annum.

J. Frank Bell, Supervisor, Motor Transport Unit, Division of Administrative Services, from \$6,225 to \$6,650 per annum.

Donald B. Fitzhugh, Data Processing Planner, Division of Data Processing, from \$8,840 to \$9,475 per annum.

Advance of sick leave

Kathleen J. O'Connor, Disbursing Clerk, Office of the Controller, for a period of 26 days beginning August 12 (5-1/2 hours) and extending through September 18, 1963 (2-1/2 hours).

Acceptance of resignation

Rose C. Cassidy, Research Assistant (Data Processing), Division of Research and Statistics, effective at the close of business August 21, 1963.

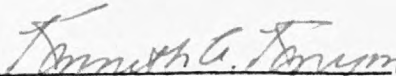
Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Salary increase

Doris V. Bubb, from \$5,885 to \$6,280 per annum, with a change in title from Statistical Assistant to Analyst, Division of Bank Operations, effective August 18, 1963.

Change in employment status

Helen M. Lasko, Cafeteria Helper, Division of Administrative Services, from a when-actually-employed basis (\$1.77 an hour) to a full-time basis, with basic annual salary at the rate of \$3,245, effective August 18, 1963.


Assistant Secretary

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

Item No. 1
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963



Bank of America,
41 Broad Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of July 25, 1963, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants its consent for your Corporation to purchase and hold 1,600 additional shares, par value Malayan \$100 each, of Malayan Industrial Development Finance Limited ("MIDFL"), Kuala Lumpur, Malaya, at a cost of approximately US\$52,800, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that your Corporation shall dispose of its holdings of stock of MIDFL, as promptly as practicable, in the event that MIDFL should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by your Corporation to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

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
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963



Bankers International Financing
Company, Inc.,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of July 30, 1963, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants its consent for your Corporation to purchase and hold shares, par value Malayan \$100 each, of Malayan Industrial Development Finance Limited ("MIDFL"), Kuala Lumpur, Malaya, at a cost of approximately US\$100,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that your Corporation shall dispose of its holdings of stock of MIDFL, as promptly as practicable, in the event that MIDFL should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by your Corporation to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

2744

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

Item No. 3
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963



Morgan Guaranty International
Finance Corporation,
23 Wall Street,
New York 8, New York.

Gentlemen:

In accordance with the request contained in your letter of July 31, 1963, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants its consent for your Corporation to purchase and hold 1,600 additional shares, par value Malayan \$100 each, of Malayan Industrial Development Finance Limited ("MIDFL"), Kuala Lumpur, Malaya, at a cost of approximately US\$52,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that your Corporation shall dispose of its holdings of stock of MIDFL, as promptly as practicable, in the event that MIDFL should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by your Corporation to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

2745

Item No. 4
8/16/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963

Mr. C. W. Wilson, Secretary,
First Chicago International Banking Corporation,
48 Wall Street,
New York 5, New York.

Dear Mr. Wilson:

This refers to your letter of July 11, 1963, to Mr. J. P. Ringen, Manager, Bank Examinations Department, Federal Reserve Bank of New York, enclosing a certificate signed under date of July 11, 1963, on behalf of The First National Bank of Chicago, sole stockholder of your Corporation, consenting to the amendment of the Articles of Association of your Corporation to change the location of the Home Office from 48 Wall Street, New York, New York, to 1290 Avenue of the Americas, New York, New York, and to provide that the Board of Directors shall consist of not less than 5 nor more than 15 members.

In accordance with your request, and pursuant to the provisions of Section 211.3(d) of Regulation K, the Board of Governors approves the amendment to your Articles of Association.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the change in location is effected.

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. 5
8/16/63

2746

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963

Mr. C. W. Wilson, Secretary,
First Chicago International Finance Corporation,
38 South Dearborn Street,
Chicago 90, Illinois.

Dear Mr. Wilson:

This refers to your letter of July 12, 1963, to Mr. Leland Ross, Vice President, Federal Reserve Bank of Chicago, enclosing a certificate signed under date of July 11, 1963, on behalf of The First National Bank of Chicago, sole stockholder of your Corporation, consenting to the amendment of the Articles of Association of your Corporation to provide that the Board of Directors shall consist of not less than 5 nor more than 15 members.

In accordance with your request, and pursuant to the provisions of Section 211.3(d) of Regulation K, the Board of Governors approves the amendment to your Articles of Association.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



2747

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

Item No. 6
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963



Board of Directors,
Bank of Smithfield,
Smithfield, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$15,818,33 in bank premises by Bank of Smithfield, Smithfield, Virginia, for the purpose of constructing drive-in facilities.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

2748
Item No. 7
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963

Federal Deposit Insurance Corporation,
Washington 25, D. C.

Gentlemen:

Reference is made to Mr. Cocke's letter of July 24, 1963, concerning the application of Merchants Trust & Savings Bank, Kenner, Louisiana, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

Subject bank was accorded a problem rating following the examination as of the close of business January 24, 1958, and the problem rating has been continued at each successive examination since that time. The problem rating has been assigned for reasons of apparent capital needs of the bank, unsatisfactory asset condition and difficulties in retaining sound management. The earnings of the bank are also considered small for the volume of business and net loan losses have been excessive.

The most recent examination by the Federal Reserve Bank of Atlanta was conducted as of the close of business February 18, 1963. As a result of this examination, the Reserve Bank urged the sale of additional capital stock to provide a minimum of \$400,000 in new capital funds. The examination report of the Reserve Bank stated that in view of the unsatisfactory condition of the bank, there existed a possibility that the bank's membership in the Federal Reserve System might be forfeited for failure to comply with the conditions of membership.

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. 2749
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963

Board of Directors,
Northshore National Bank,
Houston, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Northshore National Bank to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

2750

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

Item No. 9
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963



Board of Directors,
Community National Bank of Oak Cliff,
Dallas, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Community National Bank of Oak Cliff to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

2751

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

Item No. 10
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963

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

Gentlemen:

The Board of Governors of the Federal Reserve System extends to February 17, 1964, the time within which Wells Fargo Bank may establish a branch in the vicinity of East Laurel Drive and Alvin Drive, Salinas, California.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

2752

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

Item No. 11
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963



Board of Directors,
Depositors Trust Company,
Augusta, Maine.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Depositors Trust Company, Augusta, Maine, of a branch on Main Street near the junction of Routes 2, 8, and 139, Norridgewock, Maine, 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.)



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

2753
Item No. 12
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963

Board of Directors,
Fair Lawn-Radburn Trust Company,
Fair Lawn, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 21-17 Saddle River Road, Fair Lawn, New Jersey, by Fair Lawn-Radburn Trust Company, 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.)

2754

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

Item No. 13
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963



Board of Directors,
Boonton Trust Company,
Boonton, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch on Powerville Road, immediately adjacent to the rear of the present banking office, Boonton Township, New Jersey, by Boonton Trust Company, provided the branch is established within one year from the date of this letter.

It is understood that operation of the branch at Hawkins Place, Town of Boonton, will be discontinued simultaneously with the establishment of the branch on Powerville Road, Boonton Township.

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.)

2755

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 14
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963



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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wachovia Bank and Trust Company at 3665 East Independence Boulevard, Charlotte, North Carolina, 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.)

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

Item No. 15
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963

Board of Directors,
Trust Company of Georgia,
Atlanta, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Trust Company of Georgia, Atlanta, Georgia, of a branch at the corner of Chattahoochee Avenue and Ellsworth Industrial Drive, N.W., Atlanta, Georgia, 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.)

UNITED STATES OF AMERICA

Item No. 16

8/16/63

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

DENVER U. S. BANCORPORATION, INC.,
 DENVER, COLORADO,

BHC-68

pursuant to section 3 of the Bank
 Holding Company Act of 1956

ORDER GRANTING MOTION FOR EXTENSION OF TIME
 WITHIN WHICH TO FILE REPLY BRIEF

In connection with the above application, there has been filed on behalf of Applicant a motion for the grant of an additional 15 days beyond August 12, 1963, within which Applicant may file a brief in opposition to the brief of Protesting Banks filed in support of their exceptions to the Hearing Examiner's Report and Recommended Decision.

On the basis of the reasons set forth in Applicant's motion, and upon Applicant's representation of no objection on the part of counsel for Protesting Banks to the granting of the extension of time requested,

IT IS ORDERED that Applicant's motion for extension of time is granted and that Applicant shall have until the close of business August 27, 1963, within which to file its brief in opposition.

IT IS FURTHER ORDERED that the extension of time herein granted shall be applicable to any statement that Applicant may wish to file in respect to the Request for Oral Argument filed by Protesting Banks on August 12, 1963, a copy of which, according to Protesting Banks' transmittal letter to the Board, was served on Protesting Banks' counsel for Applicant at the time of service of Protesting Banks' brief in support of their exceptions to the Hearing Examiner's Report and Recommended Decision.

Dated at Washington, D. C., this 16th day of August, 1963.

By order of the Board of Governors.

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

Absent and not voting: Chairman Martin and Governor King.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

(SEAL)

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

----- T
 In the Matter of the Application of :
 ASBURY PARK AND OCEAN GROVE BANK :
 for approval of merger with :
 New Jersey Trust Company of :
 Long Branch :
 ----- L

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 Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and New Jersey Trust Company of Long Branch, Long Branch, New Jersey, under the charter of the former and with the title of New Jersey Trust Company. As an incident to the merger, the three offices of New Jersey Trust Company of Long Branch would become branches of Asbury Park and Ocean Grove Bank. 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,

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 16th day of August, 1963.

By order of the Board of Governors.

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

Absent and not voting: Governors Robertson and King.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

(SEAL)

Item No. 18
8/16/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMAPPLICATION BY ASBURY PARK AND OCEAN GROVE BANK
FOR PRIOR APPROVAL OF MERGER WITH
NEW JERSEY TRUST COMPANY OF LONG BRANCHSTATEMENT

Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey ("Asbury Bank"), with deposits of \$36 million*, 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 New Jersey Trust Company of Long Branch, Long Branch, New Jersey ("Jersey Trust"), with deposits of \$16.6 million*, under the charter of the applicant bank and with the title New Jersey Trust Company. The proposal contemplates that the three existing offices of Jersey Trust would become branches of the resulting bank, increasing the number of its offices from four to seven.

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

* Deposit figures as of March 31, 1963.

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. - Both banks have satisfactory financial histories dating back from the difficult financial period of the 1930's. Each bank has an adequate capital structure, and this would be true also for the resulting bank.

Asbury Bank has a good earnings record and its future earnings prospects are favorable. Jersey Trust's earnings are somewhat below the average of banks of comparable size in the Second Federal Reserve District. Future earnings prospects of the resulting bank would appear to be enhanced by an increased lending capacity and economies of operations that would be expected to result from the merger.

Asbury Bank's management is capable and it has a progressive policy of training junior officers for executive positions. Management of Jersey Trust is regarded as competent. Joining of these two staffs would add a measure of depth in experienced executives not now enjoyed by the banks individually.

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

Convenience and needs of the communities. - Monmouth County, New Jersey, where both institutions are located, lies in the east-central part of the State. Its 1960 population of 334,401 reflects an increase of 48 per cent since 1950. In the past, its economy has been largely dependent upon summer resort activity in the coastal area and diversified farming in the interior. While these two activities, particularly the former, continue to be important, a substantial change has occurred in the county's economy due to the influx of permanent residents, commerce, and industry. Industries now include the manufacture of rugs, textiles, clothing, clay products, and chemical and electronic equipment, with an estimated working force of 120,000.

Contributing to the recent growth and development of Monmouth County has been the general population movement to the suburbs and the area's reasonable accessibility to the metropolitan areas of Newark, New Jersey, and New York City.

Asbury Park is about 55 miles south of downtown New York City and is the leading shore resort on the northern New Jersey coast. Its population of 17,366 reflects only nominal growth due to lack of space for expansion within the city limits. However, its numerous hotels, motels, and boarding houses cater to a summer population of approximately 100,000. The town is also the local mercantile center for the area, having a number of branches of nationally-known stores.

A branch of Asbury Bank is maintained at Ocean Grove which is located south of Asbury Park. Ocean Grove, in Neptune Township, is also

primarily a resort community showing wide fluctuation in population during the summer months. Two other branches of Asbury Bank are located in nearby Neptune and Ocean Townships, both primarily residential areas.

The seaside city of Long Branch, the site of Jersey Trust's main office, is located about 5-1/2 miles north of Asbury Park; it had a 1960 population of 26,228. Jersey Trust also maintains branches in the adjoining boroughs of West Long Branch and Deal. The region served by Jersey Trust also caters to the summer resort business; however, the area includes those sections of Monmouth County experiencing increasing industrial growth.

The proposed merger would place the resulting bank in a better position to serve the credit needs generated by this industrial expansion. The lending limit of the resulting bank would be increased from \$253,000 to \$400,000. During the past year both banks participated with other banks in 23 loans totaling approximately \$4.5 million; most of these loans necessitated participation due to the banks' lending limits. The proposed merger would make available an expanded consumer credit department to serve more completely the needs of individuals and commercial enterprises in the area; provide greater mortgage loan accommodations to building contractors; and allow the establishment of a separate trust department under the guidance of specialists in the field.

Competition. - The main offices of the two banks are 5-1/2 miles apart, with offices of three competing banks between them, including

offices of the second and third largest banks in the county. The nearest branches of the two banks are two miles apart and competition between them is limited, since they act primarily as paying and receiving stations. The banks have no common borrowers, and common depositors are limited to one of the local utilities and large supermarkets which operate units near each bank.

Asbury Bank currently ranks fourth in size with respect to IPC deposits, and Jersey Trust ranks seventh. The resulting institution would still rank fourth and would remain substantially smaller than the third ranking bank. It does not appear that there would be any adverse competitive effects on smaller banks in the area.

In addition to competition between commercial banks in the county, the three largest commercial banks in the State, all of Newark, New Jersey, actively solicit banking and mortgage business, not only in the service area of Asbury Bank, but throughout the county.

Competition is also provided by a number of nonbanking institutions including five savings and loan associations which operate seven offices within or near the service areas of the two banks.

Summary and conclusion. - The merger will permit the resulting bank with its substantially higher lending limit, expanded services and management facilities to employ its funds more fully and profitably in the local market.

It will place the resulting bank in a better position to contribute to the developing economy of this rapidly expanding area.

In both Asbury Park and Long Branch, strong and effective local competition will remain, while in the county a variety of banking and other financial institutions provide a wide and highly competitive range of services.

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

August 16, 1963.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
 VIRGINIA COMMONWEALTH CORPORATION
 for approval of the acquisition of
 voting shares of Washington Trust
 and Savings Bank, Bristol, Virginia

ORDER APPROVING APPLICATION
UNDER BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 222.4(a)(2) of the Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), an application by Virginia Commonwealth Corporation, Richmond, Virginia, for the Board's prior approval of the acquisition of more than 80 per cent of the outstanding voting shares of Washington Trust and Savings Bank, Bristol, Virginia.

As required by section 3(b) of the Act, notice of the application was given to the Commissioner of Banking of the State of Virginia, who expressed no objection to approval thereof. In addition, notice of receipt of the application was published in the Federal Register on April 11, 1963 (28 F. R. 3562), providing an opportunity for submission of comments and views regarding the proposed acquisition. The time for filing such

comments and views has expired and no such comments and views have been received.

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 the acquisition so approved 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 19th day of August, 1963.

By order of the Board of Governors.

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

Voting against this action: Governor Robertson.

Absent and not voting: Governors King and Mitchell.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY VIRGINIA COMMONWEALTH CORPORATION, RICHMOND,
VIRGINIA, FOR APPROVAL OF ACQUISITION OF SHARES OF
WASHINGTON TRUST AND SAVINGS BANK, BRISTOL, VIRGINIA

STATEMENT

Virginia Commonwealth Corporation ("Commonwealth", or "Applicant"), Richmond, Virginia, a registered bank holding company, has filed an application pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's approval of the acquisition of more than 80 per cent of the outstanding voting shares of Washington Trust and Savings Bank, Bristol, Virginia ("Bank").

Section 3(c) of the Act requires the Board to take into consideration the following five factors with respect to the proposed acquisition: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether the effect of the acquisition would be to expand the size or extent of Applicant's system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

General background. - Four bank holding companies control 24.3 per cent of all deposits of banks in the State of Virginia.^{1/} Of these, Commonwealth ranked second with \$193.9 million, or 5.1 per cent. Two banks in the State each had more deposits than Commonwealth, which ranked fourth among banking organizations.

Offices of Commonwealth's subsidiary banks are widely distributed in the State. The Bank of Virginia, the leading subsidiary, with \$159.6 million of deposits, has 24 offices. These offices are located in the east-central portion of the State in the Richmond Metropolitan area, in Petersburg, and in Dinwiddie some 35 miles to the southwest of Petersburg; in Norfolk, Portsmouth, and Newport News in the southeast; and in Roanoke in the west-central section. Additional subsidiary banks are located in Occoquan in the northeast, in Salem (near Roanoke), and in Newport News. Approval of the application now before the Board, and of a concurrent application involving The Peoples National Bank of Pulaski, Pulaski, Virginia, will give Applicant representation in the southwestern section of the State. None of Applicant's subsidiaries is the dominant bank in the area which it serves.

Banking factors. - The history of Applicant is brief. Commonwealth became a bank holding company through an exchange of its

^{1/} This figure is adjusted to include deposits of The Farmers Bank of Dinwiddie, Dinwiddie, Virginia, which merged with The Bank of Virginia, a subsidiary of Applicant, pursuant to approval by the Board given on May 24, 1963. Unless otherwise indicated, deposit figures herein stated are as of December 28, 1962. United Virginia Bankshares, Incorporated, was formed January 10, 1963, and the deposits of its banks are included.

stock for stock in five subsidiary banks, which took place on December 21, 1962, pursuant to approval by the Board given in an Order of October 25, 1962. One of the five, The Bank of Henrico, Sandston, Virginia, has since been merged with The Bank of Virginia; pursuant to approval of the Board granted in an Order of June 17, 1963. Because of the short period of time which has elapsed since its formation, Commonwealth has not as yet been able to put into operation most of the advantages which it urged as favoring the holding company system of bank operation. However, a beginning has been made in supervising generally the securities portfolios of the other subsidiary banks and in extending to them facilities of the data processing center of The Bank of Virginia. Studies are also under way in connection with such matters as accounting practices, loan policies, and the establishment of retirement and fringe benefit programs on a uniform basis.

The financial condition of Applicant is, of course, largely affected by the condition of the subsidiary banks, particularly that of The Bank of Virginia, by far the largest in the group. That Bank's net earnings have been lower than those of the average member bank in its size group in the Fifth Federal Reserve District. Its capital position, even after the addition of \$2 million capital, now proposed, will continue to reflect a need for additional strengthening. In other respects, however, the condition of Applicant and its subsidiaries is satisfactory, and their prospects are favorable. Management of Applicant, which is to a considerable extent the same as that of The Bank of Virginia, is considered satisfactory.

-4-

Bank, which has two offices, both in Bristol, and \$8.4 million of deposits, was chartered in 1906 as a savings and thrift institution. In more recent years, it has engaged in a general banking business, but as of December 28, 1962, its percentage of consumer loans to total loans was still above, and of commercial loans below, that of all other banks competing in its area or in Virginia generally. Its capital position is strong, and its earnings have been good, and the Board concludes that its prospects would be satisfactory either as a member of Applicant's system, or as an independent bank. In addition, the services which Commonwealth should be able to provide as it further develops and strengthens its operating techniques could, in certain respects, improve the prospects of a small bank which has, evidently, lacked certain facilities appropriate to the numerous and diversified businesses operating in the Bristol area.

Bank's management is competent, but all four officers at the top executive level are over sixty years of age. Complicating the long-range problem of recruiting successors to these four men is the fact that control of Bank is held by the estate of the former president, a co-founder of the Bank, and trustees of the estate have indicated a preference for shifting its chief asset, stock of the Bank, into a security with a broader market. Until the question of future control is settled, it may be more than normally difficult to obtain personnel capable of rising to top executive rank. Accordingly, the Board concludes that the greater likelihood of Applicant's easing the problem

of management succession is a consideration that affords some although not substantial support for approval of the application.

Convenience and needs of communities. - Applicant's nearest subsidiary to Bank is located in Salem, some 148 miles northeast of Bristol. In view of Bank's size, and the distance between its office and the offices of Commonwealth's remaining subsidiaries, the Board concludes that the proposed acquisition would have no effect on communities other than Bristol and the surrounding area. The city of Bristol, with a population of 17,144 is located on the State line adjoining Bristol, Tennessee, which is roughly the same size, so that the two form virtually a single community. The community is a commercial and manufacturing center serving a considerable area in western Virginia and eastern Tennessee, with abundant electric power available from the Tennessee Valley Authority, and an ample labor supply. The largest industrial plant is the Sperry-Farragut guided missile plant, but others manufacture products including calculating and adding machines, mining cars, stainless steel tubing, structural steel, apparel, thread, and foods and confections. The surrounding area is a prosperous agricultural region with primary cash income derived from livestock and burley tobacco. Coal is mined and gas produced in adjacent counties. The two Bristols and the neighboring cities of Kingsport and Johnson City, Tennessee, form an industrial complex known as the "Tri-Cities" area, with a population of approximately 235,000. Prospects for continued growth in the area are considered good.

Five banks now function in Bank's primary service area.^{2/}

The First National Exchange Bank of Virginia, Roanoke, Virginia, with deposits of \$178.4 million^{3/} has three Bristol offices as does The First National Bank of Sullivan County, Kingsport, Tennessee, with deposits of \$60.7 million. Tri-City Bank and Trust Company, Blountville, Tennessee, with deposits of \$5.7 million has two, and Farmers Exchange Bank, Abingdon, Virginia, with deposits of \$11.1 million, has one office in Bristol. A proposed merger between Farmers Exchange Bank and Virginia National Bank, Norfolk, Virginia, if approved, will introduce into the area the resources of a bank with \$301.8 million of deposits.

Applicant argues that the various services and facilities afforded members of its system will enable Bank better to serve the convenience and needs of the Bristol area. While the range of services offered by Bank would be expanded under Applicant's control, two banks of substantial size already have offices in the community, and it does not appear to the Board that banking needs are going unmet, or that community convenience would be significantly improved by introducing some additional services into two more banking offices there.

^{2/} The area from which are drawn roughly 86 per cent of the Bank's deposits, and which includes the two Bristols and the surrounding area within approximately five miles.

^{3/} Including December 28, 1962 deposits of banks which have since merged.

In connection with benefits to the area which Applicant states will follow upon the proposed acquisition, Applicant appears to make a two-pronged assertion (1) that, when credit needs of large customers in an area which is experiencing growth, such as that including the two Bristols, cannot be met by an independent local bank, these customers suffer inconvenience in having to go elsewhere, and this inconvenience can be reduced through greater ease in arranging participations if the bank is permitted to enter a holding company system; and (2) that, similarly, credit needs of a number of large businesses in Virginia are greater than any Virginia bank or banking system can accommodate, and economic growth of the State would be facilitated by emergence of larger banking complexes. The facts in the application before the Board, however, demonstrate that no substantial volume of large credits is being handled as yet by the smaller banks in Applicant's group as a result of affiliation with the group. Accordingly, whether on the local or the State level, it would be purely conjectural to suppose that entrance into the system will substantially expand the extent to which Bank actually will serve larger credit requirements through intra-system participations. On the State-wide level, moreover, Commonwealth remains smaller than the three largest banking organizations in Virginia. In view of Bank's size the proposed acquisition will not significantly increase Applicant's ability to serve the larger credit needs of Virginia businesses.

For these reasons, the Board concludes that the fourth factor supplies little support for approval of the application.

-8-

Competitive effect. - Here again, the proposed transaction need be considered only in the context of the Bristol area. No significant competition exists between Bank and any offices of present subsidiaries of Applicant, nor will the addition of Bank's resources to those of Applicant significantly strengthen its system in relation to other leading Virginia banking organizations. While it can be assumed that most of Bank's correspondent banking business would flow to its sister subsidiaries in Applicant's system, The Bank of Virginia, to which the lion's share would probably fall, holds only 5.7 per cent of interbank deposits held by all Virginia banks and cannot be considered a dominant, or even a very strong, factor in the correspondent banking picture in the State. For this reason, even the addition of all Bank's business of this kind would not adversely affect competition for correspondent banking.

Turning to the local area, at June 30, 1962, Bank held a fifth of the offices, but only 15.9 per cent of deposits of offices located in its primary service area. While its growth has been satisfactory, it has not vigorously taken advantage of the opportunities open to it in a developing region. The stimulus of some of the facilities offered by Applicant's system, together with an infusion of adequately trained younger management personnel, should somewhat increase competition with the larger and more energetic banks with branches already located there. There is no basis to conclude that entry of Applicant would adversely affect the ability of the remaining

small bank in the area, Tri-City Bank and Trust Company, to maintain its present competitive position. Control of Bank will not give Applicant a commanding position in the area, nor will it significantly advance Applicant toward a similar position in the State.

Conclusions. - The financial history and condition of Applicant and of Bank are consistent with approval of the application now before the Board. Prospects for Bank's growth are, possibly, somewhat better as a member of Applicant's system, although they would remain satisfactory outside it. As discussed, some weight is lent for approval by the prospective remedial effect Applicant's assistance will have in regard to the management succession problem at Bank. The convenience, needs, and welfare of the community principally concerned will not be significantly affected by the acquisition. Under the fifth factor, the extent of Applicant's system will be somewhat increased, although its size only minimally so, but the Board does not find that either size or extent will be inconsistent with adequate and sound banking or the public interest, and concludes that some improvement in banking competition in the Bristol area may result from consummation of the proposed acquisition.

On the basis of all the relevant facts as contained in the record before the Board, then, and in the light of the factors set forth in section 3(c) of the Act and the underlying purposes of the Act, it is the Board's judgment that the proposed acquisition would be consistent with the public interest and that the application should therefore be approved.

August 19, 1963.

Bank holding companies should not be authorized by this Board to acquire additional banks unless, upon review of each of the factors specified by Congress, the Board has determined that approval is warranted in the public interest. Although there are cases in which one adverse factor may be outweighed by favorable factors, the instant proposal would not seem to present such a case.

Section 3 of the Bank Holding Company Act requires the Board, when considering an application for approval of bank holding company expansion, to take into consideration the financial condition of the holding company and its constituent banks. In this case the principal bank in the Virginia Commonwealth holding system has a capital structure that, as noted in the majority opinion, is inadequate in view of the nature of its assets, deposit liabilities, and other responsibilities. In my opinion, it is substantially inadequate and should be corrected before the present company is permitted to expand, save for exceptionally compelling circumstances. For some time to come, all the resources of the holding company should be utilized to raise the capital structure of that bank to a more satisfactory level. If this is done, the holding company will not be in a position to come to the aid of its smaller banks should the occasion arise.

In support of its instant application, the holding company has urged that, as a result of the improved management and services that would result from holding company control, the Bristol Bank should grow at a more rapid rate. If this be true, then it is likely that its

deposit liabilities and other responsibilities will expand more rapidly than its capitalization can be increased through retained earnings. In such case, an increase of its capital would be effected by the sale of additional stock to existing stockholders of the bank. The stockholders will be (to a very large extent) the Virginia Commonwealth Corporation. In view of the pressing need of its largest unit for additional capital, it seems hardly likely that the holding company will have funds available for expansion of the capital cushion of the Bristol Bank or of any of its other smaller banks. In fact, the reverse may be more likely; there may exist a temptation to siphon off from the smaller banks' excessive amounts of their earnings in order to provide funds for capital needs of the larger bank. Accordingly, acquisition of the Bristol Bank by the Virginia Commonwealth Corporation before the financial condition of its present units has been satisfactorily provided for does not seem warranted, especially in the absence of anything to indicate that the public will benefit from the change of ownership, or that exceptional problems exist for which there appears to be no other suitable remedy. I would deny the application.

August 19, 1963.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

VIRGINIA COMMONWEALTH CORPORATION

for approval of the acquisition of

voting shares of The Peoples National

Bank of Pulaski, Pulaski, Virginia

ORDER APPROVING APPLICATION
UNDER BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 222.4(a)(2) of the Federal Reserve Regulation Y (12 CFR 222.4(a)(2)) an application by Virginia Commonwealth Corporation, Richmond, Virginia, for the Board's prior approval of the acquisition of 80 per cent or more of the outstanding voting shares of The Peoples National Bank of Pulaski, Pulaski, Virginia.

As required by section 3(b) of the Act, notice of the application was given to the Comptroller of the Currency, who advised the Board his office does not oppose the proposed acquisition. In addition, notice of receipt of the application was published in the Federal Register on May 11, 1963 (28 F. R. 4777), providing an opportunity for submission of comments and views regarding the

-2-

proposed acquisition. The time for filing such comments and views has expired and no such comments and views have been filed with the Board.

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 the acquisition so approved 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 19th day of August, 1963.

By order of the Board of Governors.

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

Absent and not voting: Governors King and Mitchell.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

(SEAL)

BOARD OF GOVERNORS

Item No. 23

OF THE

8/16/63

FEDERAL RESERVE SYSTEM

APPLICATION BY VIRGINIA COMMONWEALTH CORPORATION, RICHMOND
VIRGINIA, FOR APPROVAL OF ACQUISITION OF SHARES OF
THE PEOPLES NATIONAL BANK OF PULASKI, PULASKI, VIRGINIA

STATEMENT

Virginia Commonwealth Corporation ("Commonwealth", or "Applicant"), Richmond, Virginia, a registered bank holding company, has filed an application pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's approval of the acquisition of 80 per cent or more of the outstanding voting shares of The Peoples National Bank of Pulaski, Pulaski, Virginia ("Bank").

Section 3(c) of the Act requires the Board to take into consideration the following five factors with respect to the proposed acquisition: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether the effect of the acquisition would be to expand the size or extent of Applicant's system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

-2-

The general background with regard to the banking structure in the State of Virginia and Applicant's place in that structure, as well as the first three, or "banking" factors in respect to Applicant, are discussed in the Board's Statement in the matter of the application of Virginia Commonwealth Corporation for approval of the acquisition of voting shares of Washington Trust and Savings Bank, Bristol, Virginia, issued as of today's date, and that discussion is hereby incorporated by reference as part of the present Statement. In sum, the Board found those factors satisfactory in respect to Commonwealth, which is the fourth banking organization in Virginia in respect to size, although the capital position of its leading bank, The Bank of Virginia, continues to reflect a need for further strengthening.

Banking factors as related to Bank. - Bank, an institution with \$5.0 million of deposits,^{1/} was chartered in 1902. Its single office is located in the county seat of Pulaski County. It offers most general banking services, including a limited trust department operation, and its growth, while slow, has been steady. It has a strong capital position, and its earnings have been satisfactory. Were it not for the management problem discussed below, its prospects would be favorable, whether alone or as part of Applicant's system. In view of this problem, however, the Board concludes that while Bank's prospects could continue favorable as a member of the Commonwealth family, its prospects as an independent institution are more doubtful.

^{1/} Unless otherwise indicated, deposit figures herein stated are as of March 18, 1963.

After the sudden death of the former president of Bank, in 1960, the Board of Directors made unsuccessful attempts to find a successor. The next senior officer, then over sixty, has been in poor health and remains unable to assume the duties of chief executive. As a result, the chairman of the Board, who is actively engaged in what should be full-time employment in another business, has been acting as president, although he can spend no more than two or three hours daily in the bank. A junior officer who showed promise of developing into successor management material resigned in March of this year to accept a post with another bank. The acting president will be unable to continue in this role indefinitely, and the immediate situation has only been tentatively resolved by the loan of a junior officer from one of Applicant's banks, with the expectation that if the application is approved, he will remain for training as candidate for the top executive post. If the application were denied, he retains the right to return to his former position. The Board concludes that, in view of Bank's relatively small size and need for strengthening management, this factor supports approval of the application.

Convenience and needs of communities. - As in the case of the application with respect to the Washington Trust and Savings Bank, referred to above, the distance between the location of Bank and Applicant's nearest subsidiary, located in Salem, Virginia, about 52 miles northeast of Pulaski, together with Bank's relatively small size, is such that the proposed acquisition will not, in the opinion of the Board, have any effect on communities other than Pulaski and the surrounding area.

The town of Pulaski, with a population of about 10,500, and most of the county population of some 27,250, is located in a fertile valley that lies between mountainous areas to the northwest and southeast. Diversified manufacturing, centered chiefly in the county seat, includes hosiery, chemicals, furniture, millwork, plastic fabrics, iron castings, and clothing. Livestock and dairying lead the list of agricultural products. A part of the Radford Arsenal is located in the county, and there are prospects for continued industrial growth.

Only three banks function in Pulaski County. Bank's leading competitor, The Pulaski National Bank, is nearly twice its size. Bank of Dublin, with \$2.1 million of deposits, has its single office some eight miles from the town of Pulaski. Five banks located in neighboring counties, ranging in deposit size from \$2.5 million to \$10.6 million, appear to offer limited competition to the three Pulaski County banks. Bank's lending limit is \$37,500, and that of the largest bank with which it competes is \$75,000. Although Bank has not, apparently, handled loans beyond its lending limit to any great extent, access to intra-system participations with others of Applicant's subsidiary banks will make it possible for Bank to offer a slightly more convenient alternative source for larger amounts of credit for which there have been some instances of demand in the area. Some additional services and some improvement in existing services will apparently be offered the community as a result of affiliation of Bank with Applicant.

-5-

Competitive effect. - Reference is made to the discussion of reasons for the lack of State-wide competitive effects from the proposed acquisition in the Statement of the Board cited above. The same conclusion obtains in the situation discussed herein. In the local context, Bank's primary service area is Pulaski County, from which 87.9 per cent of the amount of its IPC^{2/} deposits come and where 70.8 per cent of the amount of its commercial and industrial, consumer, and farm loans are made. On March 18, 1963, Bank held about 29 per cent of both IPC deposits and total deposits of the three banks which are located in that area. In view of Bank's size, both relative and absolute, and the vigor of its chief competitors, both of which have been growing at a faster rate, the Board concludes that Applicant's entry into the area through the proposed acquisition will, if anything, stimulate competition in the area. Nor will addition of Bank to the Commonwealth system, any more than in the case of Washington Trust and Savings Bank, significantly advance Applicant toward a commanding position among banking organizations in the State.

Conclusions. - The financial history and condition of Applicant and of Bank are consistent with approval of the application now before the Board. While prospects for Bank's growth outside Applicant's system would be satisfactory were it not for the management problem which has plagued Bank since the death of its former president in 1960, the difficulty of solving the problem without

^{2/} Deposits of individuals, partnerships, and corporations.

outside assistance, lends support for approval of the application. Convenience, needs, and welfare of the local community--the only community affected to any degree--will be slightly improved by entrance of Bank into the Commonwealth family. While the extent of Applicant's system will be increased, the Board does not find that the resulting size or extent of that system will be inconsistent with adequate and sound banking or with the public interest, and concludes that the effect on competition in the town and the county of Pulaski will, if anything, be beneficial.

On the basis of all the relevant facts as contained in the record before the Board, and in the light of the factors set forth in section 3(c) of the Act and the underlying purposes of the Act, it is the Board's judgment that the proposed acquisition would be consistent with the public interest and that the application should therefore be approved.

August 19, 1963.

Item No. 24
8/16/63

CONCURRING STATEMENT OF GOVERNOR ROBERTSON

The management problem in this case places the application in an exceptional category where the remedy offered by holding company ownership is appropriate and outweighs factors which would otherwise require an adverse conclusion.

August 19, 1963.

2789

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

Item No. 25
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1963.



REGISTERED - RETURN
RECEIPT REQUESTED

Virginia Commonwealth Corporation,
800 East Main Street,
Richmond 14, Virginia.

Gentlemen:

The Board has approved your applications, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), for the Board's prior approval of the acquisition of 80 per cent or more of the outstanding voting shares of Washington Trust and Savings Bank, Bristol, Virginia, and of The People's National Bank of Pulaski, Pulaski, Virginia.

Enclosed are the Board's Orders of this date, the accompanying Statements, and the press release on this action. Also enclosed are copies of Governor Robertson's Dissenting Statement in the Bristol matter, and Concurring Statement in the Pulaski matter.

The Board wishes to emphasize that due to the continuing need for strengthening of the capital position of The Bank of Virginia, the leading Bank in your system, which need was discussed in the Board's letters to that Bank of May 24, 1963 and June 17, 1963, the decisions on these two applications were particularly difficult and close ones. While the proposed addition of \$2,000,000 to the capital structure of The Bank of Virginia is a constructive step, the Board does not believe this sufficient to bring the capital of that Bank to an adequate level. Further, in the Board's judgment there is a corresponding need for improvement in respect to the Bank's net earnings.

Virginia Commonwealth Corporation -2-

In view of the Board's responsibility under the Bank Holding Company Act, you can appreciate that the capital and net earnings positions of the principal bank in a holding company system are matters of considerable significance in weighing the merits of any proposed expansion. Accordingly, you are advised that the Board would be reluctant to permit further expansion of Virginia Commonwealth Corporation's system unless and until the capital and net earnings positions of The Bank of Virginia have shown substantial improvement.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosures

2791

Item No. 26
8/16/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 16, 1963.



AIR MAIL

Mr. Walter F. Scott, General Counsel,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Scott:

This refers to your telegram of June 5, 1963, requesting an opinion as to whether the Board's authority under section 19 of the Federal Reserve Act to define "savings deposits" and the definition of that term, as contained in Regulation Q, which limits savings deposits to individuals and certain types of organizations, are affected by Public Law 88-16 of May 8, 1963, which amended section 47 of the Bankruptcy Act (11 U.S.C. 75(a)(2)) so as to authorize trustees in bankruptcy to "deposit all money received by them in designated depositories initially in demand deposits; and subsequently, if authorized by the court, in interest-bearing savings deposits, time certificates of deposit, or time deposits-open account;".

Prior to this amendment to the Bankruptcy Act, trustees in bankruptcy were required by judicial decisions to obtain creditors' consent to make other than demand deposits. There is nothing in the legislative history of this amendment to indicate that its purpose was more than to eliminate the need for creditors' consent for deposits in interest-bearing savings or time deposits. In the absence of any evidence of intent to modify section 19 of the Federal Reserve Act and the Board's authority thereunder, it is the opinion of the Board that the definition of savings deposits in Regulation Q has not been affected by this amendment to the Bankruptcy Act.

Under section 217.1(e)(1)(i) of Regulation Q, a "savings deposit" must be (1) a deposit to the credit of one or more individuals or certain types of organizations or (2) a deposit as to which the "entire beneficial interest" is held by individuals or such organizations. A trustee in bankruptcy holds the assets of the bankrupt estate for the benefit of the bankrupt's creditors. Accordingly, it

Mr. Walter F. Scott

-2-

is the Board's opinion that a deposit by a trustee in bankruptcy may not be classified as a savings deposit under Regulation Q except in those rare instances in which all of the bankrupt's creditors are individuals or organizations of the types described in the regulatory definition of a "savings deposit".

It would be permissible, of course, for funds of a trustee in bankruptcy to be classified as time deposits under Regulation Q. In this connection, it may be noted that, as a result of the action taken by the Board of Governors and the Federal Deposit Insurance Corporation on July 17, 1963, member and nonmember insured banks could now pay interest at a rate up to 4 per cent on a time deposit of a trustee in bankruptcy having a maturity of not less than 90 days.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

2793

Item No. 27
8/16/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



August 15, 1963

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

Dear Mr. Stetzelberger:

In accordance with the request contained in Mr. Quast's letter of August 6, 1963, the Board approves the designation of Mrs. E. Y. Roberts as a special assistant examiner for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of State member banks.

The Board also approves the designation of Mrs. Marguerite Kantor as a special assistant examiner for your bank for the purpose of participating in examinations of State member banks except The Cleveland Trust Company, Cleveland, Ohio.

The authorizations heretofore given your bank to designate these employees as special assistant examiners are hereby canceled. Appropriate notations have been made on our records of the names to be deleted.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

2794

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

Item No. 28
8/16/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 15, 1963



Mr. Leland Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Ross:

In accordance with the request contained in your letter of August 9, 1963, the Board approves the designation of Harold E. Madsen as a special assistant examiner for the Federal Reserve Bank of Chicago.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.