

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, December 4, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Kelleher, Director, Division of Administrative Services
Mr. Harris, Coordinator of Defense Planning
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Mr. Mattras, General Assistant, Office of the Secretary
Mr. Bakke, Senior Attorney, Legal Division
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
Mr. Noory, Assistant Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on December 2, 1963, of the rates on discounts

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and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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

	<u>Item No.</u>
Letter to National Bank of Detroit, Detroit, Michigan, (1) granting permission to organize a corporation under section 25(a) of the Federal Reserve Act to be known as International Bank of Detroit, Detroit, Michigan, for the purpose of engaging in international or foreign banking and international or foreign financial operations, and (2) transmitting a preliminary permit.	1
Letters to the Federal Reserve Banks of Boston, Philadelphia, Richmond, Atlanta, Chicago, and Minneapolis approving the payment of salaries to certain officers at specified rates.	2-7

Report on competitive factors (Albany-Worcester, New York).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Bank of Worcester, Worcester, New York, into National Commercial Bank and Trust Company, Albany, New York.

After discussion, the report was approved for transmission to the Comptroller with the understanding that the conclusion would be revised to eliminate a statement that the proposal would subject small banks in the area to greater competition, to temper the statement concerning the

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increase in concentration of deposits held by the two largest banks in the District, and to eliminate a statement that the effect on competition would be adverse. The conclusion, as transmitted, read as follows:

The proposed merger of National Commercial Bank and Trust Company, Albany, New York, and Bank of Worcester, Worcester, New York, would eliminate little competition, as only a nominal amount now exists between them; however, the proposal would, to some extent, increase the concentration of deposits held by the two largest banks in the Fourth Banking District.

Report on competitive factors (Piqua-Tipp City-Troy, Ohio).

A report to the Comptroller of the Currency on the competitive factors involved in the proposed mergers of The Troy Citizens Bank, Troy, Ohio, and The Tipp-Citizens National Bank, Tipp City, Ohio, into The Citizens National Bank & Trust Company, Piqua, Ohio, was approved unanimously for transmission to the Comptroller. The conclusion read as follows:

The competition existing among the three banks involved in this proposal is believed to be only minor.

The proposed mergers of The Troy Citizens Bank, Troy, Ohio, and The Tipp-Citizens National Bank, Tipp City, Ohio, into The Citizens National Bank & Trust Company, Piqua, Ohio, would increase the latter's deposit size fairly substantially which might result in intensified competition between it and the now largest bank serving Miami County. It does not appear that smaller banks would suffer significant adverse effects.

Report on competitive factors (New York-Bangkok-Singapore-Hong Kong). A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed acquisition of assets and assumption of liabilities of the Bangkok, Hong Kong, and Singapore branches of

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National Handelsbank, N.V., Amsterdam, The Netherlands, by The Chase Manhattan Bank, New York, New York, was approved unanimously for transmission to the Corporation. The conclusion read as follows:

The acquisition of the assets and the assumption of the liabilities of the Bangkok, Hong Kong, and Singapore branches of National Handelsbank, N.V. by The Chase Manhattan Bank, New York, should provide increased competition in the international field and to some extent with respect to indigenous business, particularly in relation to the operations of other large United States banks with overseas branches.

Messrs. Goodman and Poundstone then withdrew from the meeting.

Application of Bank of Virginia (Items 8, 9, and 10). Pursuant to the decision reached at the meeting on November 27, 1963, there had been distributed a proposed order and statement reflecting the Board's approval of the application of The Bank of Virginia, Richmond, Virginia, to merge with The Hallwood National Bank, Hallwood, Virginia. There had also been distributed a draft of dissenting statement of Governors Mills and Robertson.

The issuance of the order, statement, and dissenting statement was authorized, with the understanding that the majority statement would be revised to reflect certain suggestions by Governor Mitchell. Copies of the order, statement, and dissenting statement, as issued, are attached to these minutes as Items 8, 9, and 10.

Mr. Hricko then withdrew from the meeting.

Applications of Atlantic National Bank and Atlantic Trust Company. There had been distributed a memorandum from the Division of Examinations

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dated November 22, 1963, along with other pertinent papers, relating to the applications of The Atlantic National Bank of Jacksonville and Atlantic Trust Company, both of Jacksonville, Florida, for approval, pursuant to section 3(a)(2) of the Bank Holding Company Act, to acquire shares of common stock of Daytona Atlantic Bank, Daytona Beach, Florida, a proposed new bank.

Mr. Thompson summarized the applications, basing his remarks essentially on the information contained in the Division memorandum, and stated reasons why the Division recommended approval.

Governor Robertson said that he would approve the applications, although he regarded the case as weak from the standpoint of public need. In this connection, he referred to the size of the community to be served and the number of banks already in existence. He noted, however, that other holding company interests were represented in this area and that the Florida Commissioner of Banking, who was familiar with the locality, had recommended approval.

The other members of the Board also indicated that they would approve the applications.

Thereupon, the applications of The Atlantic National Bank of Jacksonville and Atlantic Trust Company were approved unanimously, with the understanding that an order and statement reflecting this decision would be prepared for the Board's consideration.

Messrs. O'Connell, Shay, Leavitt, Thompson, Mattras, Sanford, Smith, and Noory then withdrew from the meeting, as did Miss Hart.

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Vice President in charge of Denver Branch (Item No. 11). At the meeting on November 20, 1963, the Board had given preliminary consideration to the proposal of the Board of Directors of the Federal Reserve Bank of Kansas City, as stated in Deputy Chairman Simons' letter of November 14, 1963, to promote John W. Snider, Cashier at the head office, to the position of Vice President assigned in charge of the Denver Branch, with salary at the rate of \$17,000 per annum, effective January 1, 1964. Action on the matter was deferred by the Board of Governors pending discussion with representatives of the Reserve Bank.

At this meeting Governor Mitchell reported on a conversation with President Clay that clarified certain questions previously raised.

Thereupon, unanimous approval was given to a letter to the Federal Reserve Bank of Kansas City approving the payment of salary to Mr. Snider as Vice President at the rate of \$17,000 for the period January 1 through December 31, 1964. A copy of the letter is attached as Item No. 11.

Mr. Johnson then withdrew from the meeting.

S. 1663. Mr. Bakke referred to the report that had been sent to Chairman Eastland of the Senate Judiciary Committee, pursuant to Board action on November 1, 1963, concerning S. 1663, a bill to amend the Administrative Procedure Act. He stated that apparently few other agencies had submitted their reports as yet, that the Budget Bureau was seeking to have such reports submitted by the end of the year, and that some agencies, having been apprised of the existence of the Board's

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report, had inquired whether they might have copies for their use in analyzing the bill.

After discussion, the sending of copies of the report to such agencies as requested access to the report was authorized.

Mr. Bakke then withdrew from the meeting.

Emergency relocation arrangements (Item No. 12). There had been distributed a memorandum from Messrs. Harris, Farrell, and Kelleher dated November 4, 1963, attaching a report of a concurrent study by representatives of the Board and the Federal Reserve Bank of Richmond concerning relocation arrangements. The report recommended, for reasons stated, that the Board establish a relocation facility for the joint use of itself and the Richmond Bank at a specified location; that the Board and the Bank develop plans for such facility with a view to its construction by the Richmond Bank; that in the development of such plans consideration be given to including an emergency currency vault for servicing Reserve Banks in the eastern part of the country; and that the functions of the Board and the Richmond Bank be reviewed for the purpose of determining which functions, if any, in addition to those directly related to the operation of the relocation facility, might be usefully transferred to the relocation site so as to establish a pre-located staff for use in an emergency. Rough estimates indicated that the construction of a facility of the type envisaged by the report might cost around \$467,000 and that the emergency currency vault might cost an additional \$300,000 to \$400,000.

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At the Board's request Mr. Harris commented, in supplementation of the memorandum, concerning the present relocation arrangements, the difficulties involved in them from the standpoint of vulnerability and the needs of the Richmond Reserve Bank for space, the nature of Government policy in regard to relocation provisions, the possible alternatives that had been studied by the staff group, and the reasons underlying the recommendations.

Governor Robertson endorsed the staff recommendations and said that the Richmond Reserve Bank was ready to move forward with construction of the proposed relocation facility as soon as the proposal was cleared with the Board, thus clearing the way also for the Bank to resolve space problems that had arisen at the Bank's head office. He noted that the proposed site for relocation activities was desirable, in that the facilities were reasonably convenient both to Washington and to Richmond, permitting relatively easy utilization. He urged that favorable consideration be given to including the emergency currency vault in the construction plans, pointing out that costs would be held to a minimum if the vault were built in conjunction with the development of the site. In reply to a question, Governor Robertson said he understood President Wayne had discussed the relocation proposal with the Richmond Bank's Board of Directors and that approval by the directors was being deferred only in the absence of Board concurrence with the plan.

Attention was called to the planning that would be necessary in considering what Board functions and what Reserve Bank functions, in

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addition to the Federal Reserve leased wire switching center, might be moved to the relocation facility, and Governor Mitchell stressed the importance of arranging for regular functions to be carried on continuously at the relocation site so as to afford the wherewithal for continued operations in the event of an emergency. He inquired whether such arrangements should not in fact be considered as a first step, since the results might have a bearing on the layout of the structure to be erected, but Governor Robertson indicated that he thought the two steps might proceed simultaneously, with decisions as to location of personnel at the site being formulated during the period when the facilities were under construction. The initial question, he suggested, was whether to go ahead with the construction of the facilities, following which arrangements could be made to have the site activated. If the Board was prepared to go forward with the proposal, the selection of functions that would be moved to the relocation site deserved full study both by the Board and the Federal Reserve Bank of Richmond.

There followed comments on the conformity of the proposal to Government emergency planning policy and discussion of the cost of the project, with Governor Robertson suggesting that for practical purposes it would seem well to think in terms of a total expenditure in the area of \$1 million.

Governor Shepardson expressed agreement with the view that the quarters should be activated on a continuing basis for the plan to be

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effective. The separation of certain functions and staff for this purpose would of course pose personnel problems and involve some handicap from the point of view of Board operations. Competent people would be needed at the relocation site permanently if operations were to be carried on effectively in the event of emergency. In some cases, it might be necessary to employ personnel subject to the understanding that they would be assigned to the relocation site. Thus, there would be distinct problems involved that the Board must be prepared to face if it decided to go forward with the plan for construction of the new facility. Notwithstanding these difficulties, since the Board had decided, as a matter of policy, to follow an emergency planning program compatible with the general Government program, he did not see how the Board could do otherwise than to move ahead. However, a detailed study should be initiated promptly to determine what functions could feasibly be transferred to the relocation site, and planning for the transfer of those functions should then begin.

Governor Balderston described the present relocation arrangements as unrealistic, and Chairman Martin also indicated that he had concluded that it would probably be desirable to move ahead with the current proposal. Governor Shepardson agreed, and Governor Mitchell said his only reservation was that he would want to be sure that the relocation site was set up as a center of active operations on a continuing basis.

On the last point, Governor Robertson said he would like to formulate suggestions for the Board's consideration, and it was understood that he would proceed to develop such suggestions.

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It was then agreed that the Federal Reserve Bank of Richmond should be advised of the Board's concurrence in the relocation proposal so that the Bank would be in a position to move ahead with the development of plans for construction of the facilities. A copy of the letter sent to the Richmond Reserve Bank in accordance with this action is attached as Item No. 12.

Messrs. Hackley, Farrell, Kelleher, and Harris then withdrew from the meeting.

Director appointments. Against the background of informational material that had been distributed, including memoranda from Mr. Fauver dated December 3, 1963, consideration was given to situations where action by the Board would be required to replace Federal Reserve Bank and branch directors whose terms were to expire at the end of this year. (Certain reappointments had already been approved by the Board.)

On the basis of today's discussion, it was understood that the respective members of the Board would assume responsibility for making inquiry as to appointment possibilities at designated Reserve Banks, including consultation with the Chairmen of such Banks to the extent deemed appropriate, and that the appointments to be made would then be considered further by the Board.

The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendation contained in a memorandum from the Division of Research and Statistics,

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Governor Shepardson approved on behalf of the Board on December 3, 1963, the appointment of Patricia Kay Cook as Statistical Clerk in that Division, with basic annual salary at the rate of \$3,820, effective the date of entrance upon duty.

Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Research and Statistics dated November 14, 1963, recommending that the rate of compensation for Mrs. Gertrude Weiss, Consultant to that Division, be increased from \$50 to \$65 for each day worked, effective January 1, 1964, subject to reappointment of Mrs. Weiss as a Consultant.

Memorandum from the Division of Personnel Administration dated December 2, 1963, recommending that the following practices be instituted effective January 1, 1964:

1. Payment for travel expenses in accordance with the Board's travel regulations to newly appointed stenographers, FR-3 and 4, and to typists, FR-2 and 3, from their homes to the metropolitan area of Washington, D. C., with the understanding that where such expense is paid to newly appointed stenographers and typists there will be no payment for interview expenses as is done at present. Careful consideration will, of course, be given before making any such appointments from areas which would involve distant travel to Washington, D. C.
2. Requirement that applicants have had one year of post-high-school training, such as in a business school, junior college, or college, or appropriate experience, to qualify for typist positions, FR-3, and stenographer positions, FR-4.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Appointment

Johnny S. Fox as Messenger, Division of Administrative Services, with basic annual salary at the rate of \$3,245, effective the date of entrance upon duty.

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Leave without pay

Mary C. Wing, Technical Editor, Economics, Division of Research and Statistics, from November 24, 1963, to January 15, 1964.


Secretary

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Item No. 1

12/4/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1963.



Mr. Henry T. Bodman, President,
National Bank of Detroit,
Detroit 32, Michigan.

Dear Mr. Bodman:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated October 21, 1963, of International Bank of Detroit, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization.

Except as provided in Section 211.3(a) of Regulation K, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. Before the Board will issue its final permit to commence business, the president, cashier, or secretary, together with at least three of the directors, must certify (1) that each director is a citizen of the United States; (2) that a majority of the shares of capital stock is held and owned by citizens of the United States, by corporations the controlling interest in which is owned by citizens of the United States, chartered under the laws of the United States or of a State of the United States, or by firms or companies the controlling interest in which is owned by citizens of the United States; and (3) that of the authorized capital stock specified in the Articles of Association at least 25 per cent has been paid in in cash and that each shareholder has individually paid in in cash at least 25 per cent of his stock subscription. Thereafter the cashier or secretary shall certify to the payment of the remaining instalments as and when each is paid in, in accordance with law.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

December 4, 1963.

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated October 21, 1963, of INTERNATIONAL BANK OF DETROIT duly filed with said Board of Governors, and that INTERNATIONAL BANK OF DETROIT is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

(SEAL)

By (Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 2
12/4/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1963.

CONFIDENTIAL (FR)

Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts 02106.

Dear Mr. Ellis:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Boston for the period January 1 through December 31, 1964, at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Laurence H. Stone	Secretary and Associate General Counsel	\$16,000
Jarvis M. Thayer	Cashier	16,500
Charles H. Brady	Assistant Vice President	14,000
John E. Lowe	Special Adviser	18,000
Parker B. Willis	Vice President and Economic Adviser	17,500

The salary rates approved are those fixed by your Board of Directors, as reported in your letter of October 16, 1963.

You have been advised previously of Board approval of the payment of salaries to two new officers. This letter advises of Board action concerning salaries of officers whose title is to change on January 1. You will be advised of Board action on the remaining salary proposals at a later date.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 3
12/4/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1963.

CONFIDENTIAL (FR)

Mr. Karl R. Bopp, President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania 19101.

Dear Mr. Bopp:

The Board of Governors approves the payment of salaries for the following officers of the Federal Reserve Bank of Philadelphia, for the period January 1 through December 31, 1964, at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Kenneth M. Snader	Assistant Vice President	\$14,000
Jack C. Rothwell	Economist	12,500
Bertram W. Zumeta	Economist	13,500

The rates approved are those fixed by your Board of Directors, as reported in your letter of November 8, 1963. You will be advised at a later date of Board action regarding salary proposals for the remaining officers of the Philadelphia Reserve Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4
12/4/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1963.



CONFIDENTIAL (FR)

Mr. Edwin Hyde, Chairman,
Federal Reserve Bank of Richmond,
Richmond, Virginia 23213.

Dear Mr. Hyde:

The Board of Governors approves the payment of salaries of the following officers of the Federal Reserve Bank of Richmond, for the period January 1 through December 31, 1964, at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Welford S. Farmer	Vice President and General Counsel	\$19,000
Chester D. Porter, Jr.	Examining Officer	12,000
Edward L. Bennett	Examining Officer	13,500

The rates approved are those fixed by your Board of Directors, as reported in your letter of November 14, 1963. You will be advised at a later date of Board action regarding salary proposals for the remaining officers of the Richmond Reserve Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 5
12/4/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1963.

CONFIDENTIAL (FR)

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia 30303.

Dear Mr. Bryan:

The Board of Governors approves the payment of salaries of the following officers of the Federal Reserve Bank of Atlanta, for the period January 1 through December 31, 1964, at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Duane Hoover	Assistant Cashier	\$12,000
W. M. Davis	Assistant Cashier	14,500
Arthur Kantner	Assistant Cashier	13,500

The rates approved are those fixed by your Board of Directors, as reported in Mr. Patterson's letter of November 11, 1963. You will be advised at a later date of Board action regarding salary proposals for the remaining officers of the Atlanta Reserve Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 6
12/4/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1963.

CONFIDENTIAL (FR)

Mr. Charles J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago, Illinois 60690.

Dear Mr. Scanlon:

The Board of Governors approves the payment of salaries of the following officers of the Federal Reserve Bank of Chicago, for the period January 1 through December 31, 1964, at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
D. M. Doyle	Assistant Vice President	\$14,500
K. A. Scheld	Assistant Vice President	15,000
R. M. Scheider	Assistant Cashier	12,000
A. J. Anschutz	Assistant Cashier	11,000

The rates approved are those fixed by your Board of Directors as reported in your letter of November 21, 1963. You will be advised at a later date of Board action regarding salary proposals for the remaining officers of the Chicago Reserve Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 7
12/4/63

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1963.



CONFIDENTIAL (FR)

Mr. Frederick L. Deming, President,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota 55440.

Dear Mr. Deming:

The Board of Governors approves the payment of salaries of the following officers of the Federal Reserve Bank of Minneapolis, for the period January 1 through December 31, 1964, at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
R. J. Dreitzler	General Auditor	\$15,000
J. A. MacDonald	Assistant Vice President	13,500
R. D. Graham	Assistant Counsel and Assistant Secretary	13,000

The rates approved are those fixed by your Board of Directors, as reported in your letter of November 14, 1963. You will be advised at a later date of Board action regarding salary proposals for the remaining officers of the Minneapolis Reserve Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

THE BANK OF VIRGINIA

for approval of merger with
The Hallwood National Bank

ORDER APPROVING MERGER OF BANKS

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

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

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 4th day of December, 1963.

By order of the Board of Governors.

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

Voting against this action: Governors Mills
and Robertson.

Absent and not voting: Governor Shepardson.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 9
12/4/63

APPLICATION BY THE BANK OF VIRGINIA
FOR PRIOR APPROVAL OF MERGER WITH
THE HALLWOOD NATIONAL BANK

STATEMENT

The Bank of Virginia, Richmond, Virginia ("Virginia Bank"), with deposits of \$170 million as of June 29, 1963, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and The Hallwood National Bank, Hallwood, Virginia ("Hallwood Bank"), with deposits of \$4.7 million as of the same date, under the charter and title of Virginia Bank. The proposal contemplates that the sole office of Hallwood Bank would be operated as a branch of the resulting bank, increasing the number of offices operated by Virginia Bank to 27.

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

not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

Banking factors. - The financial history and condition of both banks are satisfactory. The financial condition of the resulting bank would be satisfactory, also. Hallwood Bank's capital is reasonably adequate. Virginia Bank has benefited from recent substantial additions to capital and the bank contemplates further action in this area.

The earnings record of Hallwood Bank compares favorably with other banks of its size in the Fifth Federal Reserve District. Virginia Bank's earnings are somewhat less than the average for banks of comparable size in the District. However, the bank's earnings have improved recently, and prospects for further improvement are favorable.

Virginia Bank's senior management is regarded as progressive and capable as are its junior executives who have benefited from the bank's extensive training program. While the management of Hallwood Bank is adequate, it lacks depth. Approval of the proposed merger would insure continuity of management for the only banking office at Hallwood, since Virginia Bank has a pool of experienced executives from which management succession could be provided.

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

Convenience and needs of the communities. - Virginia Bank operates its main office and 17 branches in the Richmond metropolitan area, three branches in Norfolk, and one branch each in the cities of Newport News, Roanoke, Petersburg, Portsmouth, and one in the community of Dinwiddie. The proposed merger would have little effect upon the convenience and needs of the communities presently being served by that bank.

Hallwood (population 269), where the sole office of Hallwood Bank is located, is situated in the northern part of Accomack County (population 30,635). Accomack County is the northernmost of the two counties comprising the Virginia portion of the Eastern Shore peninsula, which lies between the Atlantic Ocean and Chesapeake Bay.

The county's economy is primarily based on agriculture and the seafood industry. A number of vegetable canneries and seafood packing houses utilize Accomack County's raw materials. Employment is also provided by lumber plants, shirt manufacturers, and producers of building products. The county is served by the busy Ocean Highway, U. S. 13, which brings numerous tourists and summer vacationists to the area. This and other parts of the county's economy are expected to show decided gains with the completion of the Chesapeake Bay bridge-tunnel, scheduled for 1964, which will join the Virginia portion of the peninsula to the Norfolk area.

Additional economic support is derived from the National Aeronautics and Space Administration installation at Wallop's Island,

ten miles northeast of Hallwood, which presently employs approximately 1,000 persons and has an annual payroll of about \$9 million.

The present stable and moderately diversified economy and anticipated growth portend a favorable economic outlook for the county. Consummation of the proposed merger would provide Hallwood and the county with improved banking services and make more conveniently available to the area's larger businesses the increased lending limit and credit advisory services of Virginia Bank. There also appears to be some need in the Hallwood area for a wider range of consumer installment financing. The proposal, if effectuated, would substantially augment consumer credit facilities in the area.

The availability of full-scale banking services at a banking office at Hallwood would have a favorable influence on the expected growth of the county and the Hallwood area.

Competition. - Virginia Bank, a subsidiary of Virginia Commonwealth Corporation, a registered bank holding company, is the fifth largest bank in the State. Consummation of the proposed merger would change the bank's standing to fourth. The total deposits held by the Virginia Commonwealth group of banks would be increased by only one-tenth of one per cent of the total deposits held by commercial banks in Virginia.

Virginia Bank's three branches in Norfolk are the offices of Virginia Commonwealth Corporation subsidiaries nearest to Hallwood.

These offices are about 80 miles from Hallwood and there is no evidence of direct competition between them and Hallwood Bank.

Hallwood Bank's principal competitor is Metompkin Bank and Trust Company, Parksley, about eight miles south of Hallwood, operating a branch about five miles south of Hallwood. The presence of a bank in Hallwood the size of Virginia Bank would provide greater competition for Metompkin Bank and Trust Company, but it is not felt that the disparity in size necessarily implies serious competitive disadvantages for the smaller bank.

In Pocomoke City, Maryland, also on the peninsula and about 19 miles north of Hallwood, two Maryland banks serve the larger business customers of the Virginia Eastern Shore area without significant competition from Virginia banks located in the area. These Maryland banks - Maryland National Bank and Citizens National Bank, an affiliate of Financial General Corporation, a bank holding company - would be provided with increased competition for this business by a branch of Virginia Bank in Hallwood.

It does not appear that other banks in Accomack County would be adversely affected by consummation of the proposal due to their distances from Hallwood and the fact that they tend to limit their activities to the local communities in which they are located.

Summary and conclusion. - Consummation of the proposed merger would provide successor management for Hallwood's only banking office, and make available to individuals and industry in Hallwood and the surrounding Accomack County area the broad range of services provided by large banks.

Competition for business and industrial accounts would be intensified for banks located in the Maryland portion of the peninsula. Favorable economic prospects for the entire peninsula area suggest a climate conducive to continued healthy expansion for smaller banks in the area. The competitive effects on smaller banks of establishment of Virginia Bank as a competitor in the area should not be significantly adverse.

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

December 4, 1963.

Effectuation of the proposal approved by the Board in this case will advance The Bank of Virginia to fourth place in size among the commercial banks in Virginia by the elimination of a growing independent bank with satisfactory prospects. It will also augment further, through the merger route (and by use of a healthy premium), the concentration of banking resources controlled by Virginia Commonwealth Corporation and add still another area of the State to those already penetrated by the growing aggregation of banking facilities of that bank holding company.

Furthermore, only a relatively short distance from Hallwood there are available any banking services not supplied by The Hallwood National Bank or the other banks in Accomack County. Maryland National Bank - with a branch at nearby Pocomoke City, Maryland, and total deposits of over \$575 million - can make its resources readily available for the use and convenience of the Pocomoke City Branch and the customers served by that Branch in Hallwood and Accomack County. Also in Pocomoke City is the Citizens National Bank, a subsidiary of Financial General Corporation, a bank holding company with total resources of approximately \$1 billion and more than a score of controlled banks in seven States and the District of Columbia. This pool of resources similarly is accessible for the convenience and use, through the Citizens National Bank, of bank customers in the Virginia portion of the Eastern Shore Peninsula. Clearly, these two sources of financial services can supply conveniently present banking needs that may not be adequately met by the banks in Hallwood and Accomack County, and

can be expected to continue as nearby means for meeting future needs for banking services that may not be satisfied through growth of the local banks in the Hallwood - Accomack area.

Hallwood Bank, although small compared to Bank of Virginia, is the largest of five independent banks in Accomack County. While the replacement of Hallwood Bank by a branch of Virginia Bank might be expected to increase competition for the larger banking organizations represented at Pocomoke City, there can be little doubt that the remaining smaller banks in Accomack County will be exposed to increasingly strong competitive forces.

There would seem clearly to be no pressing problem of management at Hallwood Bank. As a part of the merger transaction the chief executive officer of that bank apparently will become a vice president of The Bank of Virginia. This seems to refute the existence of any present management difficulty at Hallwood Bank, and there is no evidence that any lack of depth in management at that bank might not be corrected within a reasonable time by means other than a merger.

In a case such as this, it is our view that the application should not be approved unless there is a much stronger showing of benefits to the public than is revealed by anything in the record of this case.

Accordingly, we would disapprove the application.

December 4, 1963.

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Item No. 11

12/4/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1963.



CONFIDENTIAL (FR)

Mr. George H. Clay, President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri 64106.

Dear Mr. Clay:

The Board of Governors approves the payment of salary to Mr. John W. Snider as Vice President of the Federal Reserve Bank of Kansas City, assigned to the Denver Branch, at the rate of \$17,000 per annum, for the period January 1 through December 31, 1964.

The salary rate approved is that fixed by your Board of Directors, as reported in Mr. Simons' letter of November 14, 1963.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 12
12/4/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1963.

Mr. Edward A. Wayne, President,
Federal Reserve Bank of Richmond,
Richmond, Virginia 23213.

Dear Mr. Wayne:

On December 4, 1963, the Board approved the recommendations contained in the report on emergency relocation arrangements dated October 28, 1963, prepared jointly by the study committees of the Board and the Federal Reserve Bank of Richmond. It is understood that you have a copy of this report.

In approving the recommendations, the Board indicated that a currency vault should be included in plans for the new facility, and it emphasized the importance of identifying functions which might usefully be transferred to the facility.

Members of the Board's study committee expressed their appreciation for the cooperation and assistance of Messrs. Dickerson, Black, and Nowlan in the preparation of the report.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.