

Minutes for April 12, 1965

To: Members of the Board

From: Office of the Secretary

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

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

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

Chm. Martin

W

Gov. Robertson

R

Gov. Balderston

CCB

Gov. Shepardson

SM

Gov. Mitchell

LM

Gov. Daane

DA

Minutes of the Board of Governors of the Federal Reserve System on Monday, April 12, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Noyes, Adviser to the Board
 Mr. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Spencer, General Assistant, Office of the Secretary

Messrs. Brill, Holland, Koch, Garfield, Solomon, Dembitz, Axilrod, Bernard, Eckert, Ettin, Gehman, Keir, Osborne, Peret, Sigel, and Wernick, and Miss Stockwell of the Division of Research and Statistics

Messrs. Sammons, Irvine, Reynolds, Dahl, Gekker, Hayes, and Maroni, and Mrs. Junz of the Division of International Finance

Mr. Melnicoff, Vice President, Federal Reserve Bank of Philadelphia

Economic review. A review of significant domestic and international business and financial developments was presented by the Divisions of International Finance and Research and Statistics. Following the review, which included a money market report and comments on the progress of the voluntary foreign credit restraint program, there was a general discussion based on the staff presentation.

Mr. Melnicoff and all members of the Board's staff who had been present except Messrs. Sherman, Kenyon, Noyes, Molony, Fauver, Sammons,

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and Spencer then withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 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. Plotkin, Senior Attorney, Legal Division
 Mr. Shuter, Attorney, Legal Division
 Mr. Egertson, Supervisory Review Examiner, Division of Examinations
 Messrs. Lyon and Rumbarger, Review Examiners, Division of Examinations

Bank of America branch application (Item No. 1). Unanimous approval was given to a letter to Bank of America National Trust and Savings Association, San Francisco, California, granting permission to establish a branch in Lima, Peru. A copy is attached as Item No. 1.

Report on competitive factors (Buffalo-Dunkirk, New York). Agreement having been expressed with a minor change in the conclusion, a report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Dunkirk Trust Company, Dunkirk, New York, into Liberty National Bank and Trust Company, Buffalo, New York, was approved unanimously for transmittal to the Comptroller. The conclusion, in the form approved for transmittal, read as follows:

While the proposed merger would eliminate the small amount of existing competition between Liberty National Bank and Trust Company, Buffalo, and Dunkirk Trust Company, Dunkirk, and all potential competition, the overall effect of the proposal on competition would not be adverse.

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Report on competitive factors (Brooklyn-Mineola, New York). A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of County National Bank of Long Island, Mineola, New York, into Kings County Trust Company, Brooklyn, New York, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

The proposed merger of County National Bank of Long Island, Mineola, into Kings County Trust Company, Brooklyn, would have no adverse effect on banking competition.

Applications of First Virginia Corporation (Items 2, 3, and 4).

Pursuant to the decisions reached at the meeting on March 15, 1965, there had been distributed drafts of orders and a statement reflecting the Board's approval of the applications of The First Virginia Corporation, Arlington, Virginia, to acquire shares of Peoples Bank of Radford, Radford, Virginia, and Bank of Chesapeake, Chesapeake, Virginia.

Following a discussion during which a minor change in the statement was agreed upon, the issuance of the orders and statement was authorized. Copies of the orders and statement, as issued, are attached as Items 2, 3, and 4.

Messrs. Shay, Sammons, Goodman, Thompson, Egertson, Lyon, and Rumbarger then withdrew from the meeting.

Extension of time to file registration statement (Items 5 and 6).

A distributed memorandum from the Legal Division dated April 7, 1965, submitted drafts of letters to Montgomery County Bank and Trust Company,

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Norristown, Pennsylvania, and Summit and Elizabeth Trust Company, Summit, New Jersey, that would in each case grant an extension of time until June 30, 1965, to file a registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934 and Regulation F, Securities of Member State Banks.

The memorandum noted the requirement for each State member bank with a class of equity security held of record by 750 or more persons on December 31, 1964, to file with the Board a registration statement with respect to such security by April 30, 1965. However, the Board was authorized by statute to extend the time for registration, with respect to classes of banks or individual banks. The Legal Division recommended that the Board grant the requests.

The requests of Montgomery County Bank and Trust Company and Summit and Elizabeth Trust Company were approved unanimously. Copies of the letters sent to these two banking institutions are attached as Items 5 and 6.

(In the case of Summit and Elizabeth Trust Company the Legal Division had suggested that the Board might want to consider limiting the extension of time to 30 days. However, the Board decided that an extension of 60 days would be appropriate.)

Exemption from stock registration requirements (Item No. 7).

There had been distributed a memorandum from the Legal Division dated April 8, 1965, discussing a request by The Annapolis Banking and Trust

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Company, Annapolis, Maryland, for exemption from the stock registration requirements of the Securities Exchange Act of 1934 and Regulation F, Securities of Member State Banks. The memorandum indicated that a recommendation with respect to the merits of the application would be made at a later date.

A member State bank with 750 or more "holders of record" of any class of equity security on December 31, 1964, must register that security by April 30, 1965. Unless exempted, Annapolis Banking and Trust Company would have to register. However, under section 12(h) of the Securities Exchange Act, the Board was empowered to grant exemptions. This section provided, in part, that the Board could, by rules and regulations, or upon application of an interested person, by order, after notice and opportunity for hearing, exempt in whole or in part any issuer or class of issuers. This provision indicated that prior to granting an application for exemption the Board should publish a notice of the application for exemption and afford an opportunity to request a hearing. Accordingly, there was attached to the Legal Division's memorandum a draft of notice for publication in the Federal Register with respect to the request by Annapolis Banking and Trust Company.

Following introductory comments by Mr. Plotkin based on the April 8 memorandum, inquiry was made as to the procedure that was contemplated if a hearing should be requested. Mr. Plotkin and Mr. O'Connell replied that it was within the Board's discretion to decide whether or

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not to grant a request for a hearing. If a request for hearing was granted, testimony could be taken by a member of the staff designated by the Board.

Mr. Plotkin then commented that Board staff members had met with staff of the Federal Deposit Insurance Corporation and the Securities and Exchange Commission on the matter of exemptions with a view to trying to develop some criteria. However, there had been only one or two requests for exemption. Accordingly, it was decided to meet again later in order to pursue the matter of developing criteria.

Mr. Plotkin also said that the statute was clear in indicating that notice of a request for exemption should be published, with an opportunity extended to request a hearing. The Federal Deposit Insurance Corporation had questioned the need for offering an opportunity to request a hearing, possibly because the Corporation did not have an established hearing procedure. However, the Board did have such a procedure established; there should be no problem as far as the Board was concerned if a hearing was involved.

Governor Mitchell recalled that when Regulation F was under consideration there had been discussion of the possibility of devising a short form of registration statement or a short procedure for use in the case of smaller banks, but this was not done. The hearing procedure could be expensive and time-consuming for such banks, and it seemed rather unnecessary unless some substantive issue was involved. On the basis

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of the limited facts available, it appeared that there might be no point in not granting the requested exemption in the case currently before the Board.

Mr. Hackley replied that the Legal Division was simply proposing at this point that notice be published and an opportunity to request a hearing be provided. If any such request should be received, the Board would not necessarily have to grant it; the Board could consider at that stage whether a hearing should be ordered. He assumed that as requests for exemptions began to be received the Board could agree on general criteria for granting exemptions. This was the basis on which the Legal Division had opposed the idea of a general exemption for smaller banks from the usual requirements. It had been felt that a better procedure would be to act on specific requests against a background of general criteria.

Mr. Plotkin said the staff had not made a sufficient study of this particular case to come up with any criteria or recommendations. However, within the next few weeks the staff would have to develop criteria and recommendations for the Board's consideration. At meetings on the subject, the staff of the Securities and Exchange Commission had taken the position that where there was a large number of stockholders they were entitled to a certain amount of protection. But Annapolis Banking and Trust Company apparently had a relatively large number of stockholders because many persons received small numbers of shares in lieu of deposits when the bank reopened following the bank holiday in 1933.

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Mr. Hackley commented that the statute permitted exemptions either by regulation or on the basis of specific applications after opportunity for hearing. In the light of experience with specific applications, he assumed that later the Board might want to consider adopting regulations for granting exemptions in general terms.

In reply to a question, Mr. Plotkin said that over the years the Securities and Exchange Commission had had a minimum number of requests for hearings.

Question was raised whether applications by State member banks for exemption from the registration requirements should be included in the Board's weekly H.2 release. It was agreed to include notice of the receipt of such applications, together with announcement of the disposition of such matters.

Unanimous approval then was given to the publication in the Federal Register of notice of receipt of the application for exemption by Annapolis Banking and Trust Company. A copy of the notice, as transmitted to the Federal Register, is attached as Item No. 7.

On the basis of a further recommendation in the Legal Division's memorandum, the Board authorized publication in the Federal Register of other applications for exemption from the registration requirements that might be received from State member banks, without specific Board approval in each individual instance.

Messrs. Plotkin and Shuter then withdrew from the meeting.

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Whitney Holding Corporation (Items 8, 9, and 10). There had been distributed a memorandum dated April 6, 1965, from the Legal Division relating to the Whitney Holding Corporation proposal to form a bank holding company in New Orleans, Louisiana. The application, which was approved by the Board's order of May 3, 1962, had been remanded to the Board by the Fifth Circuit Court of Appeals for further consideration following a decision of the Supreme Court of the United States in a related case.

The memorandum pointed out, among other things, that following the Court's remand, the Board had received letters from (1) Counsel for Bank of New Orleans and Trust Company and Guaranty Bank and Trust Company, Lafayette, Louisiana; (2) an attorney identifying himself as an Assistant Attorney General for Louisiana and Special Attorney for the State Bank Commissioner of Louisiana; and (3) Counsel for Whitney Holding Corporation. Each party had requested that no decision be made upon reconsideration of the matter without giving an opportunity to file briefs and to present oral arguments before the Board.

Following a discussion of certain questions raised by the aforementioned requests, the memorandum indicated that if the Board was inclined to believe that Counsels' views would assist the Board in its deliberations, a letter could be addressed to each offering an opportunity for submission of views on the issues presented for Board decision and setting a time within which such views must be received. However, the

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Legal Division believed that any letter sent to Counsel for Bank of New Orleans and Guaranty Bank or to the Special Attorney for the State Bank Commissioner should state that an opportunity for the submission of briefs was not intended, and should not be construed, to indicate any change in the Board's earlier position as to (1) the lack of standing on the part of the two banks either to have sought, as they had, Board reconsideration of its approval of Whitney's proposal, or to take an appeal from the Board's order, and (2) the lack of standing on the part of the Commissioner to intervene before the Court of Appeals on review of the Board's order.

Draft letters to Counsel for each of the parties concerned along the lines discussed in the memorandum were attached. The draft letters also contained a statement to the effect that the Board's decision on the requests for oral argument would be deferred until after receipt of briefs.

Mr. O'Connell summarized the information presented in the memorandum of April 6, after which the letters were approved unanimously for transmittal in the form attached as Items 8, 9, and 10. Pursuant to an indication on the part of the Board, the letters specified that written views were to be submitted on or before April 26, 1965, rather than the April 19 date suggested in the distributed draft letters.

Request for information. Mr. O'Connell reported a telephone call of April 9, 1965, from William O. Bittman, Special Attorney assigned

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to the Criminal Division of the Department of Justice. Mr. Bittman advised that he was in charge of a special grand jury convened for the purpose of investigating Robert G. Baker, formerly secretary for the majority party of the United States Senate. Mr. Bittman stated that the grand jury had been in continuous session since January of this year and had received considerable evidence relating to Mr. Baker's several business interests, some of which evidence touched upon the possibility that Mr. Baker had been in contact with one or more Federal bank supervisory agencies. Mr. Bittman indicated that the scope of the grand jury investigation included the chartering, opening for business, and operations of the Redwood National Bank, San Rafael, California.

Mr. Bittman advised that he desired to review for possible use before the grand jury: (1) any and all records, including letters, memoranda, reports, and other communications addressed to, received from, relating to, or bearing on the Redwood National Bank, and (2) materials of similar scope reflecting any contact by or with Mr. Baker by or with any member of the Board of Governors or the Board's staff. Mr. Bittman made it clear that he could issue a subpoena calling for production of all of the foregoing materials or, in the alternative, he could and would rely upon Mr. O'Connell to take whatever steps were necessary to ascertain the existence of any of the aforementioned materials with subsequent full disclosure to Mr. Bittman together with identification of the method and the scope of the search made.

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Mr. O'Connell reported that immediately after the phone call from Mr. Bittman, and following conversation with Messrs. Sherman and Kenyon, two Records Section employees were designated to make a search of the Board's files for any of the aforementioned materials. It was understood that the Records Section would use every available index source that might identify materials touching upon or relating to (1) Redwood National Bank, (2) the District of Columbia National Bank, Washington, D. C., in which it was reported that Mr. Baker had shareholdings, and (3) Mr. Baker. In addition, the Division of Personnel Administration was requested to make a search of the Division's logbook in which it was understood recordings were made of all incoming requests regarding personnel, recommendations thereon, and any other form of communication dealing with personnel matters. The Division was requested to conduct a search oriented to Mr. Baker's name.

Mr. O'Connell stated that another source of information or material of the nature sought by Mr. Bittman would be the personal files of the Board members. Accordingly, he believed there was a need for a response from the members of the Board regarding evidence of any such materials or any contact by or with Mr. Baker or by or with persons stating representation of Mr. Baker.

Mr. O'Connell then proceeded to summarize the results of the searches initiated on the afternoon of April 9. In general, it was found that the Board's records contained no materials relating to, mentioning,

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or touching upon the Redwood National Bank. The Board's records did contain one letter involving Robert Baker. This was a letter dated August 31, 1964, addressed to Mr. Baker at Suite 605, 2000 P Street, N. W., Washington, D. C., and signed by Mr. Cardon, the Board's Legislative Counsel. The letter responded to a request from Mr. Baker for information on and material concerning Edge Act corporations. Inquiry of Mr. Cardon revealed that the August 31 letter had been written following a telephone conversation initiated by Mr. Baker at the suggestion of Matthew Hale, staff member of the Senate Banking and Currency Committee. Mr. Cardon confirmed that the letter was the only communication that he had had with Mr. Baker and that no identification had been made by Mr. Baker of his interest in making the phone call.

Mr. O'Connell went on to state that the Division of Personnel Administration had reported that the Division's logbook did not indicate receipt of any communication from, or communication to, Mr. Baker.

Concluding his comments with respect to the search of the Board's records, Mr. O'Connell requested authorization to meet with Mr. Bittman and to make full disclosure of the nature and scope of the search that had been made of the Board's records and the results thereof, including, if necessary or appropriate, a showing to Mr. Bittman of the August 31 letter from the Board's Legislative Counsel and any other material that had been searched that Mr. Bittman might request. Mr. O'Connell also requested an indication of the kind of response that he should make to

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Mr. Bittman regarding Board members' communications, if any, with Mr. Baker.

The Board thereupon authorized the meeting with Mr. Bittman and disclosure along the lines suggested by Mr. O'Connell. Each Board member present stated that he had had no contact whatsoever with Mr. Baker or persons stating representation of him and that his files contained no written materials from, to, or in connection with Mr. Baker. It was understood that Mr. O'Connell would convey this information to Mr. Bittman.

Secretary's Note: Mr. Bittman and an associate, Mr. Mittler, met with Mr. O'Connell at 2:30 p.m. on April 13, 1965, and were given in detail the information authorized to be transmitted to them. They were shown the August 31, 1964, letter from Mr. Cardon to Mr. Baker and were extended the opportunity to examine any and all files. Mr. Bittman replied that he was satisfied with, and appreciative of, the search that had been made of the Board's files and that such search left nothing to be desired from the point of view of the Justice Department. At this time there would be no subpoena; the Department's representatives would not themselves search the Board's files, and they would contact Mr. O'Connell informally if any further information was necessary.

At Mr. Bittman's request, Mr. O'Connell asked the Records Section to search the Board's records for any reference to, or material relating to, First National Bank of Marin, National Bank of Marin, or Marin National Bank. The organizers of the Redwood National Bank had originally requested any one of the three names for the bank; the Comptroller of the Currency had denied the request. The Records Section advised that there was nothing in the Board's records relating to any of the three titles. This information was conveyed by telephone to Mr. Mittler, who thanked Mr. O'Connell and expressed the Department's appreciation for the Board's response to the Department's request.

The substance of the foregoing was reported to the Board by Mr. O'Connell at the meeting on April 14.

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All members of the staff except Mr. Sherman then withdrew from the meeting.

Appointment of President at Minneapolis Bank. Chairman Martin reported having been advised that the Board of Directors of the Federal Reserve Bank of Minneapolis, at a meeting on Thursday of this week, probably would appoint, subject to the approval of the Board of Governors, Hugh D. Galusha, Jr., a lawyer and certified public accountant of Helena, Montana, who was currently serving as a Class B director of the Bank, as President of the Bank for the unexpired portion of the five-year term ending February 28, 1966.

After discussion, during which the salary reportedly under consideration for Mr. Galusha was compared with salaries currently being paid to the Presidents of certain other Federal Reserve Banks, it was agreed that if advice should be received that the directors of the Minneapolis Bank had appointed Mr. Galusha as President, with salary at a rate not higher than \$40,000 per annum, the Board would approve the appointment and payment of the proposed salary.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Research and Statistics recommending the appointment of Christian A. Newman as Economist in that Division, with basic annual salary at the rate of \$9,535, effective the date of entrance upon duty.



Secretary



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

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Item No. 1
4/12/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 12, 1965.

Bank of America National Trust
and Savings Association,
300 Montgomery Street,
San Francisco, California. 94120.

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to Bank of America National Trust and Savings Association, San Francisco, California, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in the City of Lima, Peru, and to operate and maintain such branch subject to the provisions of such Section and of Regulation M.

Unless the branch is actually established and opened for business on or before April 1, 1966, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

With regard to the President's program for the voluntary curtailment of foreign credit by banks, your letter of February 23, 1965, indicated that the branch will be required to have a capital of \$1,000,000. With respect to the establishment of foreign branches, funds provided by home office (whether in the form of allocated capital, advances, or otherwise) should be regarded as foreign assets for purposes of the voluntary foreign credit restraint effort.

Please inform the Board of Governors, through the Federal Reserve Bank of San Francisco, when the branch is opened for business, furnishing information as to the exact location of the branch. The Board should also be promptly informed of any future change in location of the branch within the City of Lima.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

UNITED STATES OF AMERICA

Item No. 2

4/12/65

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

THE FIRST VIRGINIA CORPORATION,
Arlington, Virginia,

for approval of the acquisition of voting
shares of Peoples Bank of Radford,
Radford, 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(a)(2)) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), an application by The First Virginia Corporation, Arlington, Virginia, a registered bank holding company, for the Board's prior approval of the acquisition of 80 per cent or more of the voting shares of Peoples Bank of Radford, Radford, Virginia.

As required by section 3(b) of the Act, the Board notified the Commissioner of Banking of the Commonwealth of Virginia of receipt of the application and requested his views and recommendation. The Commissioner expressed no objection to its approval.

Notice was published in the Federal Register of December 18, 1964 (29 F. R. 18025) providing an opportunity for interested persons to submit comments and views with respect to the proposed acquisition. The time for filing such comments and views has expired, and all those received have been considered by 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 12th day of April, 1965.

By order of the Board of Governors.

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

Absent and not voting: Governor Balderston.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 3
4/12/65

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 FIRST VIRGINIA CORPORATION,
 Arlington, Virginia,
 for approval of the acquisition of voting
 shares of Bank of Chesapeake, Chesapeake,
 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(a)(2)) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), an application by The First Virginia Corporation, Arlington, Virginia, a registered bank holding company, for the Board's prior approval of the acquisition of 80 per cent or more of the voting shares of Bank of Chesapeake, Chesapeake, Virginia.

As required by section 3(b) of the Act, the Board notified the Commissioner of Banking of the Commonwealth of Virginia of receipt of the application and requested his views and recommendation. The Commissioner expressed no objection to its approval.

Notice was published in the Federal Register of January 7, 1965 (30 F. R. 180) providing an opportunity for interested persons to submit comments and views with respect to the proposed acquisition. The time for filing such comments and views has expired, and all those received have been considered by 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 12th day of April, 1965.

By order of the Board of Governors.

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

Present but not voting: Governor Robertson.

Absent and not voting: Governor Balderston.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4
4/12/65

APPLICATIONS BY THE FIRST VIRGINIA CORPORATION, ARLINGTON, VIRGINIA,
FOR APPROVAL OF ACQUISITION OF SHARES OF
PEOPLES BANK OF RADFORD AND BANK OF CHESAPEAKE

STATEMENT

The First Virginia Corporation ("Applicant"), Arlington, Virginia, a registered bank holding company, has filed applications, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), with respect to the Peoples Bank of Radford, Radford, Virginia, and the Bank of Chesapeake, Chesapeake, Virginia, requesting the Board's approval of the acquisition of 80 per cent or more of the voting shares of each bank.

Views and recommendations of supervisory authority. - As required by section 3(b) of the Act, notices of receipt of the applications were sent to the Commissioner of Banking of the Commonwealth of Virginia requesting his views and recommendations. The Commissioner expressed no objection to approval of either application.

Statutory factors. - With respect to each application, section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and the banks 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 proposed acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Although the applications have been acted upon separately, the Board has determined that unnecessary repetition of facts and conclusions resulting from application of the foregoing statutory factors to the holding company may be avoided through this combined Statement. Accordingly, while separate Orders effecting the Board's determinations accompany this Statement, the Board's findings, conclusions, and reasoning in respect to each application are combined in this Statement.

Financial history and condition, prospects, and management of Applicant and the Banks. - Applicant's system is composed of 9 banks located in Virginia, operating 44 banking offices with combined deposits of approximately \$197 million as of June 30, 1964.^{1/} It also controls two insurance agencies, two bank premises companies, and a bank servicing corporation. Applicant's financial history is satisfactory. The applications reflect that Applicant's proposed debt position involves a bank loan that is of relatively short maturity and rather heavy in relation to net worth. Although this tends to offset other relatively favorable aspects relating to the financial condition and earnings records of Applicant's

^{1/} Unless otherwise indicated, banking data used herein are as of this date.

subsidiary banks, the Board concludes that Applicant's financial condition and prospects are reasonably satisfactory. Applicant's management is experienced and well qualified.

Peoples Bank of Radford. - Bank, located in the independent City of Radford, about 40 miles west of Roanoke, was chartered and opened for business in 1922. It operates one in-town branch in addition to its main office. With deposits of \$2.8 million, it is one-quarter the size of the other bank in Radford, First and Merchants National Bank of Radford.

Bank's financial history is satisfactory and its financial condition considered fair. While Bank's earnings record and deposits growth in the past several years have been good, its prospects for the future would be bettered under Applicant's control, particularly in respect to Applicant's ability and stated intention to place or develop more experienced and qualified management in Bank than Bank, independently, can reasonably be expected to attract or develop. The likelihood of this result is a circumstance weighing in favor of approval of the application.

Bank of Chesapeake. - Bank, originally chartered in 1955 as the Bank of Cradock, assumed its present name in 1964. It operates its main and two branch offices in the independent City of Chesapeake, and an additional office in adjacent Portsmouth City. Both cities are part of the Norfolk-Portsmouth Standard Metropolitan Area. Measured by deposits (\$10.5 million), Bank ranks eighth in size of the nine banks operating in this area.

Bank's financial history and condition are satisfactory. While, on the basis of its past earnings record and its location in a fast-growing area, Bank's prospects appear reasonably favorable, its prospects

would be bettered, it is believed, by the introduction of a more aggressive management policy. Bank's present management is sound but conservative. This conservative operating policy is evidenced by Bank's lower than average ratio of loans to deposits. Applicant's proposal to foster in Bank a more aggressive management attitude, particularly as related to its lending policy, constitutes a consideration favoring approval of the application.

Convenience, needs, and welfare of the communities and areas concerned

Peoples Bank of Radford. - Bank's primary service area ^{2/} is the City of Radford, and contains an estimated population of 10,500. Considerable support to the area's economy is derived from Radford College, a State-supported college for women. Diversified manufacturing activities, notably the operation of the Radford arsenal, have also contributed significantly to the sustained economic growth of the area.

Bank of Chesapeake. - As earlier stated, Bank's offices are located in Chesapeake and Portsmouth. The primary service areas of these offices contain, in the aggregate, an estimated population of approximately 75,000, and generally encompass the most densely populated sections of the City of Chesapeake and a portion of Portsmouth City.

Chesapeake, a port city, is located just inside the mouth of the Chesapeake Bay, and has some nine miles of industrial waterfront. Among the nearly 70 manufacturing concerns located in Chesapeake are major oil terminals, chemical plants, including the world's largest

^{2/} The area from which Applicant estimates 80 per cent of Bank's deposits of individuals, partnerships, and corporations originate.

agricultural chemical plant, and commercial docking and stevedoring facilities. Chesapeake is also the site for the major repair facilities of the Norfolk and Western Railroad.

The benefits and advantages that Applicant asserts are inherent in each of the acquisitions proposed are substantially the same. In the main, these relate to increased lending limits through capital contributions by Applicant, greater facility in respect to loan participations, and greater diversification in loan portfolios; a more readily available source of additional capital for whatever reason required; and improved and expanded investment counseling and auditing services. A review of the records in these cases satisfies the Board that while Applicant's control of the Banks would produce in them certain operations, advantages, and improvements over existing conditions, in neither application has there been established the existence of an unserved demand or need for major banking services.

In respect to those services that Applicant states would enable the Banks to serve better their trade areas, on the basis of the evidence presented, the Board concludes that these services can be obtained from other banking outlets reasonably available to the areas involved. As to those services that would relate more directly to the Banks' operational procedures, their nature is such that they are, or could be, available to the Banks from sources other than Applicant. The fact, however, that Applicant could provide the services mentioned more conveniently, more assuredly, and perhaps more economically than could others constitutes a consideration consistent with approval of the applications.

Effect of proposed acquisitions on adequate and sound banking, public interest, and banking competition. - The banking offices and deposits controlled by Applicant represent, respectively, 6.2 and 4.7 per cent of the banking offices and deposits in the State. There are operating in the State three other bank holding companies (two registered and one nonregistered) and three independent banks, each of which, measured by total deposits controlled, is larger than Applicant. Approval of both of Applicant's proposed acquisitions would not change its relative size position and would increase by only .4 its percentage of the deposits of all banks in the State. Approval would result in the four bank holding companies' controlling, in the aggregate, 22 per cent of the banking offices and 26 per cent of the deposits of all banks in the State. An additional 24 per cent of such deposits are held by the aforementioned three independent banks.

Applicant's ownership of Peoples Bank of Radford would give Applicant control of one of the city's two banks, two of the four banking offices, and 20 per cent of the deposits held by the two banks. Applicant's subsidiary bank nearest Radford is located in Mount Jackson, some 175 miles distant. The nearest office of a holding company bank, a subsidiary of Virginia Commonwealth Corporation, is located about 16 miles southwest of Radford in adjoining Pulaski County, and holds deposits of about \$6 million. Considering the size of this bank and its distance from the City of Radford, it is reasonably concluded that it does not hold a significant portion of deposits originating in Radford.

If Applicant were to acquire Bank of Chesapeake, it would control the only bank headquartered in that city. Its control of Bank's three offices in Chesapeake would represent 54 per cent of the deposits of all banking offices in the city. The one office of Virginia National Bank, Norfolk, the city's only other banking office, holds deposits of \$6 million, or 46 per cent of the total deposits of the city's four banking offices. In the City of Portsmouth, adjoining Chesapeake, Bank operates one office with deposits of \$4 million, representing about 6 per cent of the deposits of the 12 banking outlets in that city. In the combined Chesapeake-Portsmouth area, Applicant would control 4 of 16 banking offices (25%) and \$10.5 million of the \$30 million of deposits (13%) held by these offices. Within the Norfolk-Portsmouth Standard Metropolitan Area, in which Chesapeake and Portsmouth are located, Applicant's acquisition of Bank of Chesapeake would increase its control of banking offices from 9 to 13 (23% of the area's 56 banking offices), and its control of deposits from \$30 million to \$40 million (9.2% of the deposits held by all banking offices). In the Metropolitan Area, holding company subsidiaries presently control 14 per cent of the total deposits. Consummation of Applicant's acquisition of Bank would increase this percentage to 16. Considering the foregoing data, together with related evidence of record, the Board concludes that approval of Applicant's two proposals would not result in an undue concentration of banking resources, either in the State as a whole or in the areas directly involved in these applications. In this connection it is noted that in each of the areas involved in these applications,

one or more independent banks several times larger than Applicant's proposed subsidiary bank have one or more offices.

None of Applicant's subsidiary banks presently competes with Peoples Bank of Radford. Accordingly, Applicant's acquisition of Bank will not eliminate any existing competition, nor will there result any reduction in the number of alternative banking sources in the City of Radford. As to the effect on Bank's present competitors, the two banks that appear to compete to any significant extent in Bank's primary service area are both four times the size of Bank and each has as many or more offices than Bank. The Board finds no reasonable probability of adverse competitive effect from consummation of the proposed acquisition.

Regarding the competitive effects of Applicant's acquisition of the Bank of Chesapeake, no meaningful competition now exists between Bank and Applicant's nearest subsidiary, Southern Bank of Norfolk. The closest offices of the two banks are five miles apart and are separated by the Elizabeth River. For these reasons, even absent the affiliation proposed, an increase in competition between these banks would appear unlikely.

Within Bank's primary service area, Bank's principal competitors are six well-established banks ranging in deposit size from nearly \$10 million to \$373 million. In view of the considerable size advantage held by five of these banks, and the fact that the sixth and smallest of these is comparable in size to the Bank of Chesapeake and has for some time been in competition with the five larger banks, there is no reason to believe that Applicant's ownership and operation of Bank will result in Bank's gaining any undue competitive advantage.

Finally, in respect to both applications, the Board is satisfied that within the communities and areas involved there will remain adequate alternative sources of banking services following consummation of Applicant's proposals to assure that, as in the other respects heretofore considered, the public interest will not be adversely affected.

Summary and conclusion. - As herein found, considerations relating to the financial history of Applicant and of the Banks are consistent with approval of the applications. The more convenient and more assured nature of banking service likely to result from Applicant's control of the Banks weighs toward approval of the applications. At the same time, the Board concludes that consummation of these proposals will not result in an expansion in the size or extent of Applicant's system that will be inconsistent with adequate and sound banking, the public interest, or the preservation of banking competition.

Accordingly, on the basis of all the relevant facts as contained in the records before the Board, and in the light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed acquisitions would be consistent with the public interest and that the applications should therefore be approved.

April 12, 1965.

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Item No. 5
4/12/65

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 12, 1965.

Montgomery County Bank
and Trust Company,
Norristown, Pennsylvania.

Attention: Mr. Merrill A. Bean,
Senior Vice President.

Dear Sirs:

In accordance with your request of March 29, 1965, the Board grants an extension of time, until June 30, 1965, for your bank to file a registration statement pursuant to section 12(g) of the Securities Exchange Act of 1934.

If your bank is merged into another institution prior to the specified date, no registration statement will be required to be filed with respect to the stock of Montgomery County Bank and Trust Company.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
4/12/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 12, 1965.

Summit and Elizabeth Trust
Company,
Summit, New Jersey.

Attention: Mr. Robert B. Speer,
Vice President.

Dear Sirs:

In accordance with your request of March 31, 1965,
the Board of Governors grants an extension of time, until
June 30, 1965, for your bank to file a registration state-
ment pursuant to section 12(g) of the Securities Exchange
Act of 1934.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

FEDERAL RESERVE SYSTEM

Item No. 7
4/12/65

THE ANNAPOLIS BANKING AND TRUST COMPANY

Notice of Receipt of Application

Notice is hereby given that The Annapolis Banking and Trust Company, Annapolis, Maryland, a member State bank of the Federal Reserve System, has applied to the Board of Governors, pursuant to sections 12(h) and 12 (i) of the Securities Exchange Act of 1934 (15 U.S.C. 781), for exemption from the registration requirements of section 12(g) of said Act.

In determining whether to grant such exemption, the Board is required by section 12(h) to consider whether, by reason of the number of public investors, amount of trading interest in the securities, the nature and extent of the activities of the bank, income or assets of the bank, or otherwise, such action will be consistent with the public interest and the protection of investors.

Any interested person may, not later than 15 days after the publication of this notice in the Federal Register, (i) submit written comments and recommendations with respect to the application, (ii) request the holding of a hearing on the matter, stating the nature of his interest and the reason for such request, or (iii) request to be notified if the Board should order a hearing thereon. Such communication should be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551. At any time after the expiration of said 15 days, an order disposing of the application

may be issued by the Board upon the basis of the information stated therein and other available information, unless an order for a hearing thereon shall have been issued.

Dated at Washington, D. C., this 12th day of April, 1965.

By order of the Board of Governors.

(SEAL)

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 8
4/12/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 12, 1965.



Edward L. Merrigan, Esq.,
425 - 13th Street, N. W.,
Washington, D. C. 20004

Re: Bank of New Orleans and Trust Company et al. v.
Board of Governors of the Federal Reserve System
(CCA-5, No. 19,788)

Dear Mr. Merrigan:

On March 1, 1965, the U. S. Court of Appeals for the Fifth Circuit entered an order in the above-captioned case remanding this case to the Board "for reconsideration in the light of the opinion of the Supreme Court of the United States in the case of Whitney National Bank v. Bank of New Orleans Trust Company and Saxon v. Bank of New Orleans Trust Company, U. S. (1965) decided January 18, 1965".

By letter dated March 8, 1965, you requested, on behalf of the Bank of New Orleans and Trust Company and Guaranty Bank and Trust Company, petitioners in the above-captioned Fifth Circuit case, that, prior to the Board's decision upon reconsideration of this matter, an opportunity be afforded for you to file, on behalf of your clients, briefs in opposition to the application of Whitney Holding Corporation, and to present oral argument thereon before the Board.

The Board has concluded that in view of the Supreme Court's stated reasons in suggesting remand of this matter to the Board, the results apparently intended by the Court will be best achieved through receipt of briefs from your clients, the State Bank Commissioner of Louisiana, and Whitney Holding Corporation, the parties who were before the Fifth Circuit Court of Appeals at the time that Court remanded the Whitney Holding Corporation proposal to the Board for further consideration. For the same reasons, the Board will grant the request filed on behalf of the State of Louisiana, even though the State was not eo nomine, before the Court of Appeals. The Board's decision to receive briefs in this matter does not constitute a change in the Board's earlier expressed position regarding the effect that your clients' failure to take timely action had upon their right to seek reconsideration

of the Board's action reflected in its May 3, 1962 order. The Board's reasons for denying your clients' petition for reconsideration were set forth in its letter to you dated June 25, 1962. Likewise, the Board's decision to receive briefs does not constitute a change in the Board's position taken before the Fifth Circuit Court of Appeals regarding the right of your clients to seek judicial review of the Board's May 3, 1962 order.

Prior to the Board's issuance of an order for further proceedings, the Board will receive any written views that you may wish to submit as to the issue or issues that the Board should consider in the light of the Supreme Court's opinion of January 18, 1965, as well as any suggestion of an appropriate time schedule for the preparation and submission of briefs. Counsel for Whitney Holding Corporation and for the State of Louisiana and the State Bank Commissioner are, by letters of this date, being given similar opportunity for the submission of views. It is requested that any views be transmitted for receipt by the Board on or before April 26, 1965.

The Board's decision as to hearing oral argument will be deferred until after receipt of briefs in this matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

cc: Joseph H. Kavanaugh, Esq.
Malcolm L. Monroe, Esq.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 9

4/12/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 12, 1965.



Joseph H. Kavanaugh, Esq.,
Attorney at Law,
P. O. Box 480,
Baton Rouge 4, Louisiana.

Re: Bank of New Orleans and Trust Company et al. v.
Board of Governors of the Federal Reserve System
(CCA-5, No. 19,788)

Dear Mr. Kavanaugh:

On March 1, 1965, the U. S. Court of Appeals for the Fifth Circuit entered an order in the above-captioned case remanding this case to the Board "for reconsideration in the light of the opinion of the Supreme Court of the United States in the case of Whitney National Bank v. Bank of New Orleans Trust Company and Saxon v. Bank of New Orleans Trust Company, U. S. (1965) decided January 18, 1965".

By letter dated March 15, 1965, you, as attorney for the State of Louisiana and for the State Bank Commissioner of Louisiana, Intervenor in the above-captioned Fifth Circuit case, requested that, prior to the Board's decision upon reconsideration of this matter, an opportunity be afforded the State of Louisiana and the Bank Commissioner to file briefs in opposition to the application of Whitney Holding Corporation to become a bank holding company, and that opportunity be afforded your clients to present oral argument before the Board.

The Board has concluded that in view of the Supreme Court's stated reasons in suggesting remand of this matter to the Board, the results apparently intended by the Court will be best achieved through receipt of briefs from the Bank Commissioner, Bank of New Orleans and Trust Company and Guaranty Bank and Trust Company, and Whitney Holding Corporation, the parties who were before the Fifth Circuit Court of Appeals at the time that Court remanded the Whitney Holding Corporation proposal to the Board for further consideration. For the same reasons, the Board will grant the request filed on behalf of the State of Louisiana, even though the State was not, eo nomine, before the Court of Appeals. The Board's decision to receive briefs in this matter is not to be construed as conferring status on any party from whom briefs

Joseph H. Kavanaugh, Esq.

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are received, nor as constituting a change in the Board's position taken before the Fifth Circuit Court of Appeals regarding the right of the Bank Commissioner to seek judicial review of the Board's May 3, 1962 order approving the proposed formation of Whitney Holding Corporation.

Prior to the Board's issuance of an order for further proceedings, the Board will receive any written views that you may wish to submit as to the issue or issues that the Board should consider in the light of the Supreme Court's opinion of January 18, 1965, as well as any suggestion of an appropriate time schedule for the preparation and submission of briefs. Counsel for Whitney Holding Corporation and for the Bank of New Orleans and Trust Company and Guaranty Bank and Trust Company are, by letters of this date, being given similar opportunity for the submission of views. It is requested that any views be transmitted for receipt by the Board on or before April 26, 1965.

The Board's decision as to hearing oral argument will be deferred until after receipt of briefs in this matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

cc: Edward L. Merrigan, Esq.
Malcolm L. Monroe, Esq.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 10
4/12/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 12, 1965.



Malcolm L. Monroe, Esq.,
Monroe & Lemann,
Whitney Building,
New Orleans, Louisiana. 70130

Re: Bank of New Orleans and Trust Company et al. v.
Board of Governors of the Federal Reserve System
(CCA-5, No. 19,788)

Dear Mr. Monroe:

On March 1, 1965, the U. S. Court of Appeals for the Fifth Circuit entered an order in the above-captioned case remanding this case to the Board "for reconsideration in the light of the opinion of the Supreme Court of the United States in the case of Whitney National Bank v. Bank of New Orleans Trust Company and Saxon v. Bank of New Orleans Trust Company, U. S. (1965) decided January 18, 1965".

By letter dated March 19, 1965, you advised of your receipt of a letter of March 8, 1965, addressed to the Board by Mr. Edward L. Merrigan as counsel for petitioners in the above-captioned Fifth Circuit case, wherein Mr. Merrigan requests that, prior to the Board's decision upon reconsideration of this matter, an opportunity be afforded his clients to file briefs and to present oral argument thereon before the Board. On behalf of Whitney Holding Corporation, you advise that "without agreeing that Mr. Merrigan's clients are proper parties to these proceedings", should the Board grant the opportunity to file briefs, you join in the request that the matter be then set down for oral argument. Further, you set forth a proposal that you suggest the Board might wish to follow regarding the order in which briefs might be filed.

The Board has concluded that in view of the Supreme Court's stated reasons in suggesting remand of this matter to the Board, the results apparently intended by the Court will be best achieved through receipt of briefs from Whitney Holding Corporation, the State Bank Commissioner of Louisiana, and Mr. Merrigan's clients, the parties who were before the Fifth Circuit Court of Appeals at the time that Court

Malcolm L. Monroe, Esq.

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remanded the Whitney Holding Corporation proposal to the Board for further consideration. For the same reasons, the Board will grant the request filed on behalf of the State of Louisiana, even though the State was not, eo nomine, before the Court of Appeals.

Prior to the Board's issuance of an order for further proceedings, the Board will receive any written views that you may wish to submit as to the issue or issues that the Board should consider in the light of the Supreme Court's opinion of January 18, 1965, as well as any suggestion of an appropriate time schedule for the preparation and submission of briefs. Counsel for Bank of New Orleans and Trust Company and Guaranty Bank and Trust Company, and Counsel for the State of Louisiana and the State Bank Commissioner are, by letters of this date, being given similar opportunity for the submission of views. It is requested that any views be transmitted for receipt by the Board on or before April 26, 1965.

The Board's decision as to hearing oral argument will be deferred until after receipt of briefs in this matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

cc: Joseph H. Kavanaugh, Esq.
Edward L. Merrigan, Esq.