Minutes for July 11, 1966

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 proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 2 Amendment to Regulation R, Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933.

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.

Chairman Martin _____

Governor Robertson _____

Governor Shepardson _____

Governor Mitchell _____

Governor Daane _____

Governor Maisel _____

Governor Brimmer _____

Minutes of the Board of Governors of the Federal Reserve System on Monday, July 11, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Robertson, Vice Chairman
Mr. Shepardson
Mr. Maisel
Mr. Brimmer

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Bakke, Assistant Secretary
Mr. Young, Senior Adviser to the Board and Director, Division of International Finance
Mr. Solomon, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Sammons, Associate Director, Division of International Finance
Mr. Thompson, Assistant Director, Division of Examinations
Miss Eaton, General Assistant, Office of the Secretary
Miss Hart and Mr. Smith of the Legal Division
Messrs. Lyon, McClintock, and Rumbarger of the Division of Examinations

Ratification of actions. Actions taken by the available members of the Board at meetings on Wednesday, July 6, 1966, and Thursday, July 7, 1966, as recorded in the minutes of those meetings, were ratified by unanimous vote.

Discount rates. The establishment without change by the Federal Reserve Banks of New York and Philadelphia on July 7, 1966, of the rates

on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Action on the establishment by the Federal Reserve Bank of Philadelphia on July 7, 1966, of a rate of 5-1/2 per cent on discounts under section 13, paragraph 3, of the Federal Reserve Act was deferred, with the understanding that the Bank would be advised that the Board would be prepared to approve the establishment of such rate if circumstances developed that would necessitate its use.

Approved items. The following items, copies of which are attached to these minutes under the respective numbers indicated, were approved unanimously after consideration of background information that had been made available to the Board:

	Item No.
Letter to Wells Fargo Bank, San Francisco, California, granting an extension of time to establish a branch in Concord.	1
Letter to Kane County Bank & Trust Co., Elburn, Illinois, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	2

Amendment to Regulation R (Item No. 3). There had been distributed a memorandum from the Legal Division dated July 7, 1966, recommending amendment of the Board's Regulation R (Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933) to reflect

the fact that Public Law 89-369, dated March 16, 1966, authorizing participation of the United States in the Asian Development Bank, permitted member banks to underwrite securities issued by that organization. The effect of the Regulation R amendment would be to allow interlocking relationships between member banks and securities firms dealing in, or underwriting, the securities in question.

After explanatory comments by Mr. Shay, the proposed amendment was approved unanimously, effective immediately. A copy of the amendment as submitted for publication in the Federal Register is attached to these minutes as Item No. 3.

Reports on competitive factors. Reports to the Federal Deposit Insurance Corporation on the competitive factors involved in the following proposed mergers were approved unanimously for transmittal to the Corporation, the conclusions being stated as follows:

Merger of The Posen State Bank, Posen, Michigan, into The Peoples State Bank of Alpena, Alpena, Michigan

The proposed merger of The Posen State Bank into The Peoples State Bank of Alpena would have no adverse effect on competition.

Merger of The First National Bank of Moscow, Moscow, Pennsylvania, into South Side Bank and Trust Company, Scranton, Pennsylvania

The proposed merger of The First National Bank of Moscow, Moscow, Pennsylvania, into South Side Bank and Trust Company, Scranton, Pennsylvania, would eliminate minor competition that presently exists between them. The overall effect upon competition would not be significantly adverse.

Application of First Virginia Corporation (Items 4-6). There had been distributed drafts of an order and statement reflecting the Board's approval on June 3, 1966, of the application of The First Virginia Corporation, Arlington, Virginia, for permission to acquire 80 per cent or more of the voting shares of First Valley National Bank, Rich Creek, Virginia.

Issuance of the order and statement was authorized. Copies of the documents, as issued, are attached to these minutes as Items 4 and 5. A copy of the letter sent to the applicant is attached as Item No. 6.

Float incident to airline strike. Mr. Farrell reported that telephone checks with the Federal Reserve Banks of New York and Chicago, to determine the likelihood of an immediate upsurge of float attributable to the airline strike that began over the past week end, indicated that check volume in this morning's clearings was about normal.

Messrs. Bakke, O'Connell, Shay, Thompson, Lyon, McClintock, Rumbarger, and Smith, and Miss Hart then withdrew from the meeting.

Designation of Governor Shepardson. The Board vested in Governor Shepardson for the year beginning August 1, 1966, the direction at Board level of its internal administrative affairs, including matters pertaining to Board personnel, budget, and housekeeping. It was understood that the Board as a whole would continue to keep in touch with the operating problems of the staff and would determine questions of policy.

This designation continued Governor Shepardson's authorization to approve requests for domestic travel and requests for foreign travel falling within categories specified by the Board, in accordance with the provisions of the official travel regulations of the Board.

The action also continued Governor Shepardson's authorization to approve on behalf of the Board (1) all proposed personnel actions relating to Board employees other than members of the official staff; (2) the proposed appointment of examiners, assistant examiners, and special or special assistant examiners of the Federal Reserve Banks; and (3) the proposed appointment of Assistant and Alternate Assistant Federal Reserve Agents and Federal Reserve Agents' Representatives. It continued to be the understanding that all approvals by Governor Shepardson under the authorization of this paragraph would be entered in the minutes as of the date of his approval.

Savings and loan situation. Governor Robertson referred to a distributed memorandum from Mr. Broida dated July 11, 1966, concerning advice from the San Francisco Reserve Bank that an uninsured savings and loan association in Provo, Utah, was invoking a provision of State law allowing the institution to require 30-day notice of withdrawals. The major stockholder of this association was also the major stockholder of an Idaho savings and loan association that had closed last week.

Governor Robertson pointed out that the Board, in its contingency planning for emergency credit facilities to depository-type financial

institutions during the forthcoming period, had not provided that such facilities would be limited to insured institutions. He noted that the Board might be criticized if it failed to make emergency credit facilities available to distressed institutions or, on the other hand, if it bailed out institutions that were badly managed. In any event, however, the Board should be watching developments closely to make sure that whatever decisions it reached could be justified. He suggested that the staff, including particularly Mr. Partee of the Research Division, be asked to follow the situation carefully and be sure that the Board was alerted to any distress situations so that the Board could determine whether the System should or should not take action.

Governor Maisel observed that in the Idaho situation it had been indicated that the problem involved soundness of operations rather than simply a lack of liquidity. He suggested as a guideline that if a commercial bank was willing to act as a conduit bank it take responsibility for the soundness of the institution involved; that the Federal Reserve take responsibility only for lack of liquidity. The Reserve Banks should not be obliged to judge the soundness of nonbank institutions; however, if a commercial bank indicated that it could not help in such a situation because of a lack of funds, the Federal Reserve ought to think about extending credit.

It was understood that Mr. Partee and other members of the staff would follow developments carefully and be alert to the point of view expressed by Governor Maisel.

Possible statement re airline strike. Governor Robertson referred to a draft of possible Board statement that would point out that the movement of checks between cities and between Federal Reserve Districts had been slowed by the airline strike, that the Reserve Banks were making every effort to minimize delay of inter-city and inter-District check clearance by the use of air carriers still operating and by the use of ground transportation, but that some effects of the temporary slowdown in check clearings could nevertheless be expected to be felt in financial markets and to be reflected in various data, including the weekly Federal Reserve statistics relating to factors affecting member bank reserves. The statement would note that an increase in the amount of reserves available to the banking system might be occasioned by the delay in check clearings. While the Federal Reserve should be able to absorb at least part of any reserve increase so occasioned, it might be that some easing in money market conditions would ensue and that figures on net borrowed reserves of member banks would be smaller than otherwise might be the case. Such occurrences should be temporary and should not be interpreted as reflecting any change in monetary and credit policy.

Governor Robertson expressed the view that little would be gained by the issuance of such a press statement at this time. However, the contents of the draft statement might be useful in conversations with reporters, bankers, or others.

There followed further discussion of the question of issuing such a statement and of possible alternative methods for dealing with an increase in float attributable to the airline strike, including particularly a proposal of the System Open Market Account Manager that was to be discussed at a telephone conference meeting of the Open Market Committee at 10:30 this morning.

The telephone meeting of the Open Market Committee then was held, after which the Board meeting reconvened and there was additional discussion of the issuance of the proposed draft statement. The consensus was that it might be well to consider the matter further in conjunction with the release of the weekly Federal Reserve statement relating to factors affecting member bank reserves. Mr. Molony observed that in the meantime there would appear to be no reason not to express orally, on any pertinent occasion, the gist of the comments included in the draft statement.

Governor Robertson noted that during the Open Market Committee meeting there had been certain suggestions about the possibility of cutting down float during the period of the airline strike by adjustment of check deferment schedules. He suggested that members of the staff be considering the possibility of action along such lines, with a view to further discussion of the subject at another meeting of the Board.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Atlanta (attached Item No. 7) approving the appointment of Marcel F. Dastugue as Federal Reserve Agent's Representative at the New Orleans Branch.

Secretary

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

Item No. 1
7/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 11, 1966

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

Gentlemen:

The Board of Governors of the Federal Reserve System extends to July 11, 1966, the time within which Wells Fargo Bank, San Francisco, California, may establish a branch in the vicinity of the intersection of Oak Grove Road and Treat Lane, Concord, California.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 2
7/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 11, 1966

Board of Directors,
Kane County Bank and Trust Co.,
Elburn, Illinois.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors President Crawford's letter dated June 21, 1966, together with the accompanying resolution dated June 16, 1966, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

TITLE 12 - BANKS AND BANKING

Item No. 3
7/11/66

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. R]

PART 218 - RELATIONSHIPS WITH DEALERS IN SECURITIES UNDER SECTION 32, BANKING ACT OF 1933

1. Effective July 11, 1966, § 218.2 is amended to read as set forth below. The footnotes to § 218.2 are unchanged.

§ 218.2 Exceptions.

Pursuant to the authority vested in it by section 32, the Board of Governors of the Federal Reserve System hereby grants permission[2/] for any officer, director, or employee of any member bank of the Federal Reserve System, unless otherwise prohibited,[3/] to be at the same time an officer, director, or employee of any corporation or unincorporated association, a partner or employee of any partnership, or an individual, engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of any stocks, bonds, or other similar securities, if so engaged only as to the following securities: bonds, notes, certificates of indebtedness, and Treasury bills of the United States; obligations fully guaranteed both as to principal and interest by the United States; general obligations of Territories, dependencies, and insular possessions of the United States; obligations of Federal Intermediate Credit banks, Federal Land banks, Central Bank for Cooperatives, Federal Home Loan banks, the Federal National

Mortgage Association, and the Tennessee Valley Authority; certificates of interest of the Commodity Credit Corporation; and, subject to specifications contained in paragraph Seventh of Section 5136, Revised Statutes (12 U.S.C. 24), obligations of the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, local public agencies, public housing agencies, and obligations insured by the Federal Housing Administrator.

2a. This section exempts relationships between member banks and firms dealing only in certain types of obligations. The purpose of this amendment is to add to such types of obligations those issued by the Asian Development Bank.

b. The requirements of section 4 of the Administrative Procedure Act with respect to notice, public participation, and deferred effective date were not followed in connection with this relaxing amendment because, in the circumstances, such procedures would serve no useful purpose.

(12 U.S.C. 78.)

Dated at Washington, D. C., this 11th day of July, 1966.

By order of the Board of Governors.

(Signed) Merritt Sherman

(SEAL)

Merritt Sherman,
Secretary.

UNITED STATES OF AMERICA

Item No. 4
7/11/66

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 First Valley National Bank, Rich Creek, Virginia.

ORDER APPROVING APPLICATION UNDER
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a), as amended, Public Law 89-485), and section 222.4(a) of Federal Reserve Regulation Y (12 CFR 222.4(a)), 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 First Valley National Bank, Rich Creek, Virginia.

As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency of receipt of the application and requested his views and recommendation. The Comptroller recommended approval of the application.

Notice of receipt of the application was published in the Federal Register on April 14, 1966 (31 Federal Register 5778), which provided an opportunity for submission of comments and views regarding the proposed transaction. Time for filing such views and comments has expired and all those filed with the Board have been considered by it.

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) before the thirtieth calendar day following the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 11th day of July, 1966.

By order of the Board of Governors.

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

Absent and not voting: Governor Robertson.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

Item No. 5
7/11/66

APPLICATION BY THE FIRST VIRGINIA CORPORATION, ARLINGTON, VIRGINIA, FOR APPROVAL OF ACQUISITION OF SHARES OF FIRST VALLEY NATIONAL BANK, RICH CREEK, VIRGINIA

STATEMENT

The First Virginia Corporation, Arlington, Virginia ("Applicant"), a registered bank holding company, has filed with the Board, pursuant to section 3(a) of the Bank Holding Company Act of 1956, as amended ("the Act"), an application for approval of the acquisition of 80 per cent or more of the voting shares of First Valley National Bank, Rich Creek, Virginia ("Bank").

At year-end 1965, Applicant's bank holding company system was comprised of ten banks, operating 60 offices in 24 localities and holding total deposits of about $260 million. In addition to its banking subsidiaries, Applicant owns two insurance agencies, a bank premises company, an advertising agency, and a bank servicing corporation. Bank, with deposits of about $4 million, is headquartered in Rich Creek, in the southwestern part of Virginia, and operates a branch office in Pearisburg, nine miles southeast of Rich Creek. Bank's primary service area,[1/] with an estimated population of approximately 8,750 persons,

1/ The area from which Applicant estimates approximately 87 per cent of Bank's deposits of individuals, partnerships, and corporations originate.

consists of the towns of Rich Creek and Pearisburg and their respective surrounding agricultural areas. Generally, Bank serves Giles County and the adjoining portions of three counties in West Virginia.

Views and recommendation of supervisory authority. - As required by section 3(b) of the Act, notice of receipt of the application was given to, and views and recommendation requested of, the Comptroller of the Currency. The Comptroller recommended approval of the application.

Statutory considerations. - Section 3(c) of the Act, as amended, provides that the Board shall not approve this acquisition if it will result in a monopoly, or if it is in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States. Nor shall the Board approve this acquisition if the effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or if the transaction in any other manner would be in restraint of trade, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. In each case the Board is required to take into consideration the financial and managerial resources and future prospects of the bank holding company and the banks concerned, and the convenience and needs of the community to be served.

Competitive effect of proposed acquisition. - Applicant is the third largest of four bank holding companies operating in Virginia measured by total deposits controlled by their Virginia subsidiary banks.

Combined, these bank holding companies control about 26 per cent of the offices and 27 per cent of the total deposits of all Virginia banks, and they rank first, fourth, sixth, and seventh among the seven largest banking organizations in the State. These seven banking organizations, which include three independent banks, control about 53 per cent of the deposits of all Virginia banks. Applicant controls about eight per cent of the banking offices and five per cent of the deposits of all banks in the State. These percentages would be increased by less than one per cent upon Applicant's acquisition of Bank.

Bank is the third largest of the four banks operating within its primary service area and controls about 22 per cent of the deposits[2/] held by those four banks. Bank is about twice the size of the area's smallest bank, which holds about ten per cent of the total area deposits of the four banks. Consummation of Applicant's proposal would represent the initial entry of a bank holding company into Giles County.

On the basis of the evidence of record, the Board finds that the acquisition proposed would neither result in a monopoly nor be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the State.

Applicant's present subsidiary situated nearest to Bank is the Bank of New River Valley, Radford, with deposits of about $6 million. Its offices are situated approximately 20 and 28 miles from Pearisburg and 28 and 36 miles from Rich Creek. The area separating Bank from

2/ Computed on the basis of approximate deposits held by two branches of an out-of-area bank operating in the primary service area.

the Radford subsidiary is mountainous and sparsely settled. There is no evidence of any measurable competition existing between the two banks. Further, inasmuch as Applicant's other subsidiary banks are all more than 175 miles from Rich Creek and Pearisburg, the Board concludes that there is no significant competition for any type of business between Bank and Applicant's present subsidiary banks which would be eliminated as a result of consummation of this proposed transaction. Bank is a small institution operating in a small rural area having relatively stable economic and growth prospects. This consideration, and that of the distances separating Bank from each of Applicant's present subsidiary banks, make it extremely unlikely that the Board's action in approving this application would have the effect of foreclosing any significant potential competition between Bank and any of Applicant's other subsidiary banks.

Situated and competing in Bank's primary service area are the two offices of a $7 million commercial bank, the sole office of a $2 million commercial bank, and two branches of one of the State's large commercial banks, an institution with $278 million of deposits. Two of these competing offices, both of which are branches, are situated in Pearisburg, while the others are situated at varying distances ranging from two to fifteen miles from Bank's two offices. The competing banks are sufficiently well-established that, in the Board's opinion, their competitive force or relative position in the area concerned would not be adversely affected as a result of Applicant's acquisition of Bank.

The number of alternative banking sources available in the area will not be reduced as a result of this proposal. In addition, since Applicant does not control any major correspondent bank in Virginia, it is reasonably concluded that the acquisition proposed would have no measurable competitive effect on correspondent banking.

On the basis of the foregoing considerations, it is the Board's judgment that Applicant's acquisition of Bank would not have the effect of substantially lessening competition, nor would it tend to create a monopoly or in any other manner be in restraint of trade.

Financial and managerial resources and future prospects. - The financial resources of Applicant and its subsidiaries are regarded as satisfactory. Although the record reflects that Applicant's debt position is rather substantial, the past earnings records of its subsidiaries are such as apparently to enable Applicant currently to service its debt without undue burden on its banks. In relation both to Applicant's financial condition and prospects, the Board has considered Applicant's projections of the capital needs of its subsidiary banks in the near future, and Applicant's proposal to issue convertible preferred stock or a mixture of common and preferred stock to meet any necessary debt and capital requirements of its system. In light of the favorable earnings and deposit growth records of Applicant's banks, the similarly favorable earnings records of its nonbanking subsidiaries, and the financial feasibility of Applicant's implementation of its banks' capital structures, if necessary, the Board finds the prospects of Applicant and its subsidiary banks to be satisfactory.

Bank, chartered as a State institution in 1923 and converted to a national bank in 1963, has about doubled its deposit volume in the past decade. Its financial condition is considered generally satisfactory. Despite a history of steady growth, Bank's earnings in recent years have been below average and not commensurate with its deposit growth. In 1963 and again in 1965, Bank's capital requirements necessitated its sale of stock. Applicant sets forth specific steps that it proposes to take to improve Bank's earnings, principally through reduction of certain operating costs. The Board finds Applicant's proposal reasonably susceptible of accomplishment and views this prospect as favorable to the proposal.

The managements of Applicant and its subsidiary banks are considered to be satisfactory. While Bank's management is considered to be experienced and qualified, Applicant makes known the poor health and approaching retirement of Bank's chief executive officer and asserts that his retirement will present a serious management succession problem in Bank. The Board recognizes that the size and location of Bank are factors that would limit Bank's ability to attract competent management under most favorable circumstances and believes the assistance that Applicant could render in the placement, training, and retention of competent executive personnel is a consideration supporting Applicant's proposal.

Convenience and needs of the community to be served. - The record before the Board reflects that in major respects the banking needs of Bank's primary service area are being served adequately. However, efforts within Giles County to compete for the location of new industry,

together with an impetus toward expansion of existing industry, have created an apparent demand for loans in Bank's service area that would be better served by Bank under Applicant's control. At present, each of the banks operating in the Rich Creek-Pearisburg area has a relatively high ratio of loans to deposits. Bank's ability to meet existing demands for commercial and industrial loans appears limited both by its relatively high ratio of loans to deposits (approximately 70 per cent) and by management's action in committing a major portion of Bank's resources to consumer loans. It is the Board's judgment that Applicant's acquisition and operation of Bank offer a reasonable likelihood that Bank's loan portfolio will be restructured so as to enable the handling, and perhaps encourage initiation, of requests for credit directly related to the economic demands of the area involved.

In addition, the Board finds consistent with approval of the application the likelihood that Applicant will effect certain operating techniques within Bank that will result in a more efficient and economic operation with ultimate benefit to the public.

Summary and conclusion. - Consummation of Applicant's proposal would not, in the Board's judgment, have resulting adverse competitive consequences, would better the earnings prospects of Bank, and would make available to the Rich Creek-Pearisburg communities sources of credit more reasonably geared to their needs.

Accordingly, the Board concludes that the proposed acquisition should be approved.

July 11, 1966.

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

Item No. 6
7/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 11, 1966.

REGISTERED
RETURN RECEIPT REQUESTED

The First Virginia Corporation,
2924 Columbia Pike,
Arlington, Virginia. 22204

Gentlemen:

The Board of Governors of the Federal Reserve System has approved the application of The First Virginia Corporation to acquire 80 per cent or more of the outstanding voting shares of First Valley National Bank, Rich Creek, Virginia. The Board's Order, accompanying Statement, and press release in this matter are enclosed.

Your Corporation has projected that some $4.3 million additional capital in excess of retained earnings will be needed for your subsidiary banks through 1967. While the Board readily understands that your Corporation can make no commitment at this time as to the method of providing such additional capital, in view of your Corporation's relatively heavy debt to net worth ratio, you are advised that with respect to any program undertaken by your Corporation to provide additional capital the Board would look with disfavor on any increase in your existing debt to net worth ratio, and would prefer that such ratio be reduced.

In connection with the provision of the Board's Order requiring that the acquisition be consummated no later than three months from the date of the Order, advice of the fact of consummation should be given in writing to the Federal Reserve Bank of Richmond.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

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

Item No. 7
7/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 11, 1966

Mr. Jack Tarver,
Federal Reserve Agent,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Tarver:

As requested in your letter of June 30, 1966, the Board of Governors approves the appointment of Mr. Marcel F. Dastugue as Federal Reserve Agent's Representative at the New Orleans Branch to succeed Mr. Walter J. Manning.

This approval is given with the understanding that Mr. Dastugue will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Dastugue may, with the approval of the Federal Reserve Agent and the Vice President in charge of the New Orleans Branch, perform such work for the Branch as will not be inconsistent with the duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Dastugue is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Dastugue execute the usual Oath of Office which should then be forwarded to the Board of Governors along with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.