

Minutes for July 25, 1966



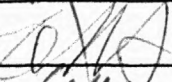
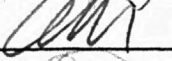
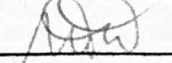

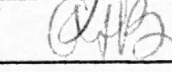
To: Members of the Board

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 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	<u></u>
Gov. Robertson	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>
Gov. Brimmer	<u></u>

## Minutes of the Board of Governors of the Federal Reserve

System on Monday, July 25, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Broida, Assistant Secretary  
 Mr. Bakke, Assistant Secretary  
 Mr. Holland, Adviser to the Board  
 Mr. Molony, Assistant to the Board  
 Mr. Cardon, Legislative Counsel  
 Mr. Fauver, Assistant to the Board  
 Mr. Solomon, Director, Division of Examinations  
 Miss Eaton, General Assistant, Office of the Secretary  
 Mr. Morgan, Staff Assistant, Board Members' Offices  
 Mr. Furth, Consultant

Messrs. Koch, Partee, Williams, Axilrod, Sigel, Smith, Altmann, Fisher, Peret, Thompson, and Wernick of the Division of Research and Statistics

Messrs. Hersey, Bryant, Dahl, Emery, Gekker, Gemmill, Hayes, Klein, and Maroni, and Mrs. Junz of the Division of International Finance

Economic review. Messrs. Klein, Hayes, Emery, and Maroni reported, respectively, on the U. S. balance of payments position, the austerity program instituted by the United Kingdom, developments in the Japanese economy, and inflationary problems in Brazil.

Mr. Altmann commented on the domestic situation with respect to prices, production, inventories, and sales, followed by reports from

7/25/66

-2-

Messrs. Wernick, Peret, and Thompson, respectively, concerning labor market developments, GNP projections, and consumer credit. Mr. Fisher concluded the review with observations concerning the situation in the home construction industry and mortgage market conditions, the latter commentary being supplemented by statistics relative to the lending capacity of mutual savings banks and savings and loan associations.

The foregoing review was based to some extent on staff materials prepared for tomorrow's meeting of the Federal Open Market Committee. Copies of the relevant documents have been placed in the Committee's files.

At the conclusion of the review, all staff members except Messrs. Sherman, Kenyon, Bakke, Molony, Cardon, Fauver, Solomon, Koch, Sigel, and Hersey withdrew and the following entered the room:

Miss Carmichael, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Johnson, Director, Division of Personnel Administration  
Mr. Kelleher, Director, Division of Administrative Services  
Mr. Kakalec, Controller  
Mr. Harris, Coordinator of Defense Planning  
Mr. Byrne, Director, Division of Data Processing  
Messrs. O'Connell, Shay, and Hooff, Assistant General Counsel  
Mr. Kiley, Assistant Director, Division of Bank Operations  
Mr. Hart, Assistant Director, Division of Personnel Administration  
Mr. Kern, Assistant Director, Division of Administrative Services  
Mr. Langham, Assistant Director, Division of Data Processing  
Mrs. Heller, Senior Attorney, Legal Division  
Mr. Smith, Attorney, Legal Division  
Mr. McIntosh, Technical Assistant, Division of Bank Operations  
Mr. Egertson, Supervisory Review Examiner, Division of Examinations  
Mr. Lyon, Review Examiner, Division of Examinations  
Mr. McClelland, Analyst, Office of the Controller  
Mr. Staiger, Senior Economist, Division of Data Processing

7/25/66

-3-

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 material that had been made available to the Board:

	<u>Item No.</u>
Letter to Safe Deposit Bank and Trust Company, Springfield, Massachusetts, approving the establishment of an in-town branch.	1
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Fremont.	2
Letter to Chemical Bank New York Trust Company, New York, New York, granting an extension of time to establish a branch at 130 William Street.	3
Letter to Philadelphia International Investment Corporation, Philadelphia, Pennsylvania, approving the establishment of a branch in London, England.	4

Approval of investment in bank premises (Item No. 5). There had been distributed a memorandum from Mr. Hooff dated July 21, 1966, submitting for the Board's consideration a draft of letter to Georgia Railroad Bank & Trust Company, Augusta, Georgia, confirming approval of an investment in bank premises.

Mr. Hooff explained the background of this matter, noting that on January 18 the Board had approved a proposed investment of \$70,000 by the bank to expand certain branch facilities. The Board's letter also stated, with respect to investments of approximately \$5,835,000

7/25/66

-4-

involving construction already under way at the head office and two other branches, that in the circumstances prior approval obviously could not be given. However, no objection was interposed to the expenditure of that sum for the purpose indicated. The position taken reflected the Board's general policy to "approve" investments in bank premises only if application was made by a member bank prior to the beginning of expenditures for construction.

Now it seemed that the lender with which the bank had contracted for funds to do the work already under way at the time of the Board's January 18 letter was raising a question whether the expenditure in bank premises was authorized. The proposed letter was intended to remove any doubt on that score.

Following brief commentary by Mr. Solomon concerning a discussion he had had with officials of the Atlanta Reserve Bank regarding this matter, Governor Robertson raised the question whether the Board's policy of not giving after-the-fact approval for investments in bank premises should not be modified. If a review of the facts indicated that approval would have been withheld if a bank had requested advance permission, he could see no reason why retroactive approval should be given. On the other hand, if an investment would have been deemed appropriate had advance permission been requested, he could see no reason why express authorization should not be given even though the bank had already commenced the work at the time the request for approval

7/25/66

-5-

was submitted. As he understood it, the instant case would have fallen into the latter category.

Governor Shepardson concurred in this view, and after further brief discussion it was agreed, at Governor Brimmer's suggestion, that the Legal Division would consider and make a recommendation on whether approval of requests for permission to invest in bank premises should not be granted even though work had already begun before receipt of the request, if such approval would have been granted had the request been prospective.

A letter to Georgia Railroad Bank & Trust Company, in the form attached as Item No. 5, was thereupon approved unanimously.

Report on competitive factors. A report on the competitive factors involved in the proposed merger of Southern National Bank of Houston, Houston, Texas, into First City National Bank of Houston, Houston, Texas, was approved unanimously for transmittal to the Comptroller of the Currency, the conclusion being stated as follows:

Consummation of the proposed merger of First City National Bank of Houston and Southern National Bank of Houston would eliminate existing and potential competition between them and enhance City National's position as the largest bank in the Houston area. The overall competitive effect of the proposal would be adverse.

Application of United Virginia Bankshares (Items 6-10). There had been distributed drafts of orders and a statement reflecting the Board's approval on June 10, 1966, of the application of United Virginia

7/25/66

-6-

Bankshares Incorporated, Richmond, Virginia, for permission to acquire at least 90 per cent of the voting shares of Rockbridge Bank & Trust Company, Lexington, Virginia (a proposed new bank), and an application for approval of merger of Rockbridge National Bank of Lexington, Lexington, Virginia, into the said new bank, which had applied for System membership. Also submitted was a dissenting statement of Governors Robertson and Mitchell regarding the proposed holding company and merger transactions.

Issuance of the orders and statement, together with the dissenting statement, was authorized. Copies of the documents, as issued, are attached to these minutes as Items 6-9. A copy of the letter sent to Rockbridge Bank & Trust Company approving its application for membership in the Federal Reserve System is attached as Item No. 10.

Application of United Virginia Bankshares (Items 11-12). There had been distributed drafts of an order and statement reflecting the Board's approval on June 10, 1966, of the application of United Virginia Bankshares Incorporated, Richmond, Virginia, for permission to acquire 80 per cent or more of the voting shares of Spotswood Bank, Harrisonburg, Virginia, following its conversion from Harrisonburg Loan & Thrift Corporation.

Issuance of the order and statement was authorized. Copies of the documents, as issued, are attached to these minutes as Items 11-12.

Messrs. Shay, Hooff, Egertson, Lyon, and Smith, and Mrs. Heller then withdrew from the meeting.

7/25/66

-7-

Reorganization of data processing. There had been distributed three memoranda from the Division of Data Processing, with a transmittal memorandum dated July 20, 1966, regarding proposals for the reorganization of that Division and handling of responsibilities for data processing.

At Governor Robertson's suggestion, consideration of these memoranda was deferred until the Board meeting on Tuesday, August 2.

Governor Maisel, who was to be away on that date, noted that he had had certain initial reactions to the memoranda. First, the Board did not have before it any documentation reflecting the reactions of other divisions of the Board's organization that would be directly affected by the proposals. He also suggested that there should be some clarification of the magnitude of the costs involved in the proposals, both at the Board and System-wide. Furthermore, there were some significant questions involved with respect to the operation of the proposed "closed shop" organization; for example, would users of the equipment get the same quality of service as if they were given direct access to the computer? With respect to this last point, Governor Maisel stressed that if the proposed reorganization were to be effected, this should be with the understanding that there would be close and continuing surveillance of the operation with a view to prompt organizational changes if significant problems arose. He added that he recognized the problem of balancing the interests of users against a realistic allocation of



7/25/66

-8-

available resources. One possible solution to this area of potential controversy would be the establishment of a type of costing system so that users would have some tangible evidence of whether their demands on facility use were reasonable.

Governor Brimmer observed that the proposals seemed to embody a fundamental departure from the traditional role of the data processing function as a supporting service, transforming it into a primary operating activity. He was concerned that this might result in an emphasis on production-oriented activities to the detriment of experimental and exploratory uses of the equipment. Before the Board considered the proposal, he felt other divisions of the Board that would be affected should be requested to submit written views.

It was agreed that written submissions should be furnished by other interested divisions by the end of the week, thereby providing an opportunity to evaluate the comments before taking the subject up again at the August 2 meeting.

Mr. Byrne observed that his Division was under extreme pressure because of the impending delivery of the new IBM 360 system equipment. Incident to the transitional planning, it would be necessary to begin contracting out some phases of the Division's work. He suggested that the Division be authorized to commence negotiations for contract work forthwith.

7/25/66

-9-

Items carried over to subsequent meetings of the Board. It was agreed that the following items, scheduled for consideration at this meeting, would be deferred for discussion at a later date:

(1) At the request of Governor Mitchell, a distributed memorandum from Mr. Farrell dated July 21, 1966, regarding improvements in check collection and other related procedures was carried over to the meeting on Wednesday, July 27.

(2) At Governor Brimmer's suggestion, a memorandum from the Division of Personnel Administration and the Board's Equal Employment Opportunity Officer, dated July 22, 1966, to which was attached a draft of statement to be transmitted to the Civil Service Commission relating to the Board's employment program, was carried over to a subsequent meeting of the Board. Governor Brimmer indicated that he had a number of suggestions to make with respect to this report, which he thought could develop it into an improved document.

All members of the staff except Messrs. Sherman, Kenyon, and Johnson then withdrew.

General pay increase (Item No. 13). There had been distributed a memorandum from the Division of Personnel Administration dated July 21, 1966, recommending that the Board approve a revision of its regular salary schedule retroactive to July 3, 1966, corresponding to the basic compensation rates established by the Federal Employees Salary Act of 1966, which had now been signed by the President. The memorandum also recommended that the changes in fringe benefits provided by this Act be approved

7/25/66

-10-

by the Board for its employees and retirees (including the increased contribution for health insurance) and that corresponding changes be made in the Board Plan of the Retirement System of the Federal Reserve Banks, with appropriate funding of the cost of a 10 per cent increase in the annuities of certain widows and widowers.

The memorandum proposed that, subject to the approval of the Board member in charge of internal administrative affairs, the Personnel Division be responsible for making adjustments in the per diem and hourly rates of employees serving on a when-actually-employed basis. It also proposed that the Office of the Controller and the Personnel Division use Government regulations and interpretations as guides in deciding questions of administration and procedure.

The Board approved unanimously the recommendations in the memorandum, a copy of which is attached as Item No. 13.

Such action had been recommended in a memorandum from Governor Shepardson to the Board members dated July 20, 1966, which also recommended, as to salaries of the Board's official staff, that effective July 3, 1966, such salaries be increased 2 per cent, rounded to the nearest \$50, with a maximum of \$500, and that applicable fringe benefits provided by the Federal Employees Salary Act of 1966 likewise be made applicable to members of the official staff. The memorandum noted that these recommendations were in line with views expressed at a preliminary discussion at the Board meeting on July 13 and that the proposed salary increases would not include any merit adjustments.

7/25/66

-11-

Governor Shepardson's recommendations with reference to the official staff were approved unanimously. There are listed below the annual salaries approved for members of the official staff, effective July 3, 1966, pursuant to this action.

Board Members' Offices

Ralph A. Young	\$28,000
Robert C. Holland	26,500
Robert Solomon	25,500
Charles Molony	25,000
Robert L. Cardon	23,950
Clarke L. Fauver	20,650

Secretary's Office

Merritt Sherman	27,000
Kenneth A. Kenyon	22,950
Arthur L. Broida	21,400
Karl E. Bakke	20,150
Elizabeth L. Carmichael	16,300

Legal Division

Howard H. Hackley	27,000
David B. Hexter	25,500
Thomas J. O'Connell	25,000
Jerome W. Shay	21,400
Wilson L. Hooff	19,150

Research and Statistics

Daniel H. Brill	27,000
Albert R. Koch	26,500
J. Charles Partee	25,500
Frank R. Garfield	23,450
Kenneth B. Williams	22,950
Tynan Smith	21,400
Stanley J. Sigel	20,900
Stephen H. Axilrod	20,400
Lyle E. Gramley	20,400

7/25/66

-12-

International Finance

Robert L. Sammons	\$23,950
A. B. Hersey	23,450
Samuel I. Katz	22,450
John E. Reynolds	22,450
Reed J. Irvine	21,400
Ralph C. Wood	21,400

Bank Operations

John R. Farrell	25,500
John N. Kiley, Jr.	20,900
M. B. Daniels	19,650

Examinations

Frederic Solomon	26,000
Brenton C. Leavitt	22,950
Glenn M. Goodman	20,900
James C. Smith	20,400
Andrew N. Thompson	20,400
Lloyd M. Schaeffer	20,400

Personnel Administration

Edwin J. Johnson	24,500
John J. Hart	16,850

Administrative Services

Joseph E. Kelleher	21,400
Harry E. Kern	16,300

Controller's Office

John Kakalec	17,350
--------------	--------

Defense Planning

Innis D. Harris	22,450
-----------------	--------

Data Processing

Lawrence H. Byrne, Jr.	20,400
Lee W. Langham	17,350

7/25/66

-13-

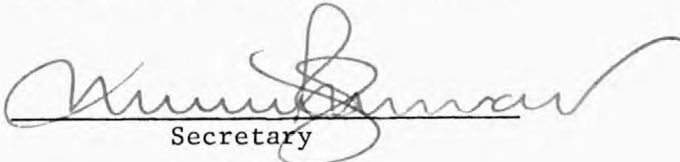
Participation in symposium. As requested in a memorandum from Mr. Katz of the Division of International Finance dated July 6, 1966, the Board authorized Helen B. Junz of that Division to accept an invitation to participate in a symposium to be held at the College of Europe in Bruges, Belgium, on March 16-18, 1967. The Board authorized payment of Mrs. Junz's transportation expense with the understanding that she would accept no honorarium from the College of Europe and that the College would pay her local expenses in Belgium during the period of the meetings.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of New York (copy attached as Item No. 14) approving the appointment of Joseph W. Jolly and Ernest K. Karius as assistant examiners.

Letter to the Federal Reserve Bank of Chicago (copy attached as Item No. 15) approving the appointment of Patrick J. Tracy as examiner.

  
Secretary

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

Item No. 1  
7/25/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1966

Board of Directors,  
Safe Deposit Bank and Trust Company,  
Springfield, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Safe Deposit Bank and Trust Company, Springfield, Massachusetts, of a branch at the northeast corner of the intersection of New Robbins Road and Cottage Street, Springfield, Massachusetts, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

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

Item No. 2  
7/25/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1966

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch in the vicinity of the intersection of Paseo Padre Parkway and Mowry Avenues, Fremont, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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



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

Item No. 3  
7/25/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1966

Board of Directors,  
Chemical Bank New York  
Trust Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to August 14, 1967, the time within which Chemical Bank New York Trust Company, New York, New York, may establish a branch at 130 William Street, New York, New York.

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. 4  
7/25/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 25, 1966.



Philadelphia International  
Investment Corporation,  
P. O. Box 7618,  
Philadelphia, Pennsylvania. 19101

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission for Philadelphia International Investment Corporation, Philadelphia, Pennsylvania, pursuant to the provisions of Section 25(a) of the Federal Reserve Act, to establish a branch in London, England, to be located at 37, Queen Street, London, E.C.4, and to operate and maintain such branch subject to the provisions of such section and of Regulation K.

Unless the branch is actually established and opened for business on or before July 1, 1967, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

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 Philadelphia, when the branch is opened for business. The Board should also be promptly informed of any future change in location of the branch in London.

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. 5  
7/25/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 26, 1966



Board of Directors,  
Georgia Railroad Bank & Trust Company,  
701 Broad Street,  
Augusta, Georgia. 30902

Gentlemen:

This refers to the Board's letter of January 18, 1966, in which approval was given to a proposed investment of \$70,000.00 in bank premises by Georgia Railroad Bank & Trust Company, for expansion of facilities at two branches. The Board's approval was also requested for investments covering similar projects already begun at the bank's head office and at two other branches.

In order to remove any doubts as to legal authority for past investments in bank premises by Georgia Railroad Bank & Trust Company, the Board hereby gives its approval of expenditures totaling \$5,905,000 representing investments in bank premises occasioned by projects at the head office, the Fort Gordon Branch, and the Daniel Village Branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Item No. 6  
7/25/66

## UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----

In the Matter of the Application of  
ROCKBRIDGE BANK & TRUST COMPANY,  
LEXINGTON, VIRGINIA,  
for approval of merger with Rockbridge  
National Bank of Lexington, Lexington,  
Virginia.

-----

## ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), an application by Rockbridge Bank & Trust Company, Lexington, Virginia, a proposed new bank, for the Board's prior approval of the merger of that bank and Rockbridge National Bank of Lexington, Lexington, Virginia, under the charter and title of the Rockbridge Bank & Trust Company. As an incident to the merger, the two offices of Rockbridge National Bank of Lexington would become the offices of the resulting bank. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation,

and the Attorney General on the competitive factors involved in the proposed merger,

IT IS HEREBY ORDERED, for reasons set forth in the Board's Statement accompanying its Order of this date concerning the acquisition of Rockbridge Bank & Trust Company by United Virginia Bankshares Incorporated, Richmond, Virginia, that said application for merger be and hereby is approved, provided that said merger shall not be consummated (a) before the thirtieth calendar day following the date of this Order nor (b) later than three months after said date.

Dated at Washington, D. C., this 26th day of July, 1966.

By order of the Board of Governors.

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

Voting against this action: Governors Robertson and Mitchell.

Absent and not voting: Governor Brimmer.

(Signed) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----

In the Matter of the Application of

UNITED VIRGINIA BANKSHARES INCORPORATED,

RICHMOND, VIRGINIA,

for approval of the acquisition of voting

shares of Rockbridge Bank & Trust Company,

Lexington, 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), amended by Public Law 89-485), and section 222.4(a) of Federal Reserve Regulation Y (12 CFR 222.4(a)), an application by United Virginia Bankshares Incorporated, Richmond, Virginia, a registered bank holding company, for the Board's prior approval of the acquisition by Applicant of at least 90 per cent of the voting shares of Rockbridge Bank & Trust Company, Lexington, Virginia, a proposed new bank into which would be merged Rockbridge National Bank of Lexington, Lexington, Virginia.

In accordance with section 3(b) of the Act, the Board gave written notice to the Commissioner of Banking for the Commonwealth

of Virginia of receipt of the application and requested his views and recommendation thereon. The Commissioner recommended approval of the application.

Notice of receipt of the application was published in the Federal Register on April 20, 1966 (31 Federal Register 6080), 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) before the thirtieth calendar day following the date of this Order nor (b) later than three months after said date, and that the Rockbridge Bank & Trust Company shall be opened for business not later than three months after date of this order.

Dated at Washington, D. C., this 26th day of July, 1966.

By order of the Board of Governors.

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

Voting against this action: Governors Robertson and Mitchell.

Absent and not voting: Governor Brimmer.

(Signed) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

APPLICATION BY UNITED VIRGINIA BANKSHARES INCORPORATED,  
RICHMOND, VIRGINIA, FOR APPROVAL OF THE ACQUISITION  
OF VOTING SHARES OF ROCKBRIDGE BANK & TRUST COMPANY,  
LEXINGTON, VIRGINIA.

STATEMENT

United Virginia Bankshares Incorporated, Richmond, 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, amended by Public Law 89-485 ("Holding Company Act"), an application for approval of the acquisition of at least 90 per cent of the voting shares of Rockbridge Bank & Trust Company, Lexington, Virginia, a proposed new bank. Applicant also has applied for the admission of Rockbridge Bank & Trust Company to membership in the Federal Reserve System, and proposes to merge the Rockbridge National Bank of Lexington, Lexington, Virginia, into the Rockbridge Bank & Trust Company. Incident to the merger proposal, Rockbridge Bank & Trust Company has applied, pursuant to the Bank Merger Act (12 U.S.C. 1828(c), as amended by Public Law 89-356) ("the Merger Act"), for the Board's prior approval of the proposed merger under the charter and title of Rockbridge Bank & Trust Company. Applicant intends to operate the existing main office and single branch of Rockbridge National Bank of Lexington as the main office and branch of the resulting merged institution.



Views and recommendations of Governmental authorities. -

As required by section 3(b) of the Holding Company Act, the Board notified the Virginia Commissioner of Banking of receipt of the application under that Act and requested his views and recommendation thereon. The Commissioner recommended approval of the application and advised that the State Corporation Commission had approved the procedure involved in Applicant's plan.

As required by the Merger Act, the Board notified the U.S. Attorney General, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency of receipt of the application and requested them to furnish reports on the competitive factors involved in the merger proposal. All three of said Governmental authorities reported to the Board that competition would not be adversely affected by consummation of Applicant's plan herein.

Statutory factors. - Under both section 3(c) of the Holding Company Act of 1956, as amended, and the provisions of the Merger Act, the Board may not approve a proposed transaction that would result in a monopoly or would be 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 may the Board approve any other proposed acquisition or merger, the effect of which, in any section of the country, may be substantially to lessen

competition or tend to create a monopoly or that 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 on the convenience and needs of the community to be served. Both statutes require the Board to consider also the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served.

Because of the identity of statutory criteria in the respective statutes, and in order to avoid repetition, the facts pertinent to both the holding company and merger proposals are discussed in common.

Substance of the proposal. - Under Applicant's proposal, the proposed merger will not be effected unless Applicant's acquisition of the Rockbridge Bank & Trust Company is approved. The practical effect of the over-all plan is the acquisition by Applicant of the two offices of the existing Rockbridge National Bank of Lexington ("the Bank"). In these circumstances, while consideration has been given to the facts in relation to the statutory criteria in both Acts, the Board's Statement herein is couched principally in terms of its consideration of the application filed pursuant to the Holding Company Act.

Competition. - In terms of banking deposits controlled at December 31, 1965,<sup>1/</sup> Applicant is the largest bank holding

<sup>1/</sup> Unless otherwise indicated, all banking data are as of this date.

company and banking organization in Virginia. Consummation of the proposal herein would increase Applicant's control of total deposits in Virginia from 12.1 to 12.3 per cent.<sup>2/</sup> Combined, the four bank holding company groups operating in Virginia would control 27.7 per cent of such deposits, an increase of .2 per cent from their present control. It appears that the three largest independent banks in Virginia control about 26 per cent of the total deposits of banks in the State.

In Rockbridge County, the proposed acquisition would result in Applicant's control of approximately 23 per cent of the total deposits,<sup>3/</sup> and Bank would be Applicant's only subsidiary operating in this county. Almost 19 per cent of deposits in the county are controlled by the three offices of the two subsidiaries of Financial General Corporation, a bank holding company that controls 10 banks (32 banking offices) in Virginia with combined deposits of about \$225 million. There are four other banks (with a combined total of nine banking offices) operating in the county, including four offices

<sup>2/</sup> These figures have been adjusted to include the deposits of the Spotswood Bank, Harrisonburg, Virginia (to be converted from the Harrisonburg Loan & Thrift Corporation, Harrisonburg, Virginia), which bank is to be acquired by Applicant, pursuant to approval of the Board given by Order of this date.

<sup>3/</sup> Information with respect to deposits of banks and branches in the county and primary service area is based on June 1964 data. The primary service area is the area from which Applicant estimates that Bank received 82 per cent of its deposits of individuals, partnerships, and corporations.

of First National Exchange Bank of Virginia, Roanoke (a bank with total deposits of \$278 million), and an office of Virginia National Bank, Norfolk (a bank with total deposits of approximately \$489 million). First National Exchange Bank of Virginia and Virginia National Bank, Norfolk control, respectively, over 30 per cent and almost 15 per cent of the deposits in the county.

The primary service area of Bank, with an estimated population of about 21,000, includes the cities of Lexington and Buena Vista and certain other nearby communities in the southern part of Rockbridge County. In addition to the six banking offices located in the City of Lexington, (two offices each of Bank, First National Bank of Lexington, and First National Exchange Bank of Virginia), there are located in Bank's primary service area the Peoples Bank of Buena Vista, Inc. (a subsidiary of Financial General Corporation), one branch of the Virginia National Bank, Norfolk, Virginia, and two additional branch offices of First National Exchange Bank of Virginia. The record shows that, in its primary service area, Bank controls 27 per cent of total bank deposits; the five branches of the two independent banks competing in this area (First National Exchange Bank of Virginia and Virginia National Bank, Norfolk) together control 52 per cent of such deposits; and the two subsidiaries of Financial General Corporation control 21 per cent.

On the basis of the foregoing data, it is the Board's judgment that consummation of the proposal herein would not result in such control of bank deposits by Applicant, by all holding companies in

the State, or by the seven largest banking organizations combined, as would constitute an undue concentration of banking resources in the State. Nor would consummation of the proposal result in such undue concentration of banking resources in any of the local areas involved as would preclude approval of the subject applications.

Considering next the extent to which Applicant's ownership of the stock of the Bank would eliminate existing competition or foreclose future competition between Bank and Applicant's subsidiaries, the Board finds that these considerations present no bar to approval of the applications herein. The record shows that the primary service area of Bank is a considerable distance from any office of Applicant's subsidiaries; the subsidiary closest to Bank is First National Trust and Savings Bank of Lynchburg, which is located 46 miles southeast of Lexington, with the Blue Ridge Mountains serving as a natural barrier between the two cities and with no major roads connecting them; and the subsidiary next closest to Bank is State-Planters Bank of Commerce and Trusts, Richmond, located 133 miles to the east. An analysis of Applicant's statement of origin of IPC deposits of Bank and Applicant's two closest subsidiaries, of the trust accounts of these banks, and of their loans demonstrates that competition between Applicant's subsidiaries and Bank is insignificant.

In its primary service area, Bank with deposits of approximately \$9.5 million competes with two banks (with combined deposits of approximately \$7 million) that are subsidiaries of Financial General Corporation. Bank competes also with the aforementioned four branches of the First National Exchange Bank of Virginia and single branch of Virginia National Bank, Norfolk. The acquisition herein proposed would not diminish the number of offices serving the local area. Inasmuch as

Applicant's plan contemplates that Rockbridge Bank & Trust Company is not to be opened unless the proposed merger is effected, it follows that the merger would not eliminate any competing banking office. It is reasonable to conclude from the record that consummation of Applicant's proposal would not diminish existing competition in any of the areas concerned nor preclude future competition therein. This conclusion of the Board accords with the aforementioned views and recommendations submitted to the Board by the supervisory authorities. Further it appears that consummation of Applicant's plan would enhance Bank's ability to compete with the branches of the two independent and much larger banks operating in the area and with the two banks already affiliated with a large bank holding company, and that the businesses and residents in the local areas involved would be the beneficiaries of this increased competition.

In the light of the foregoing considerations and all the facts in the record, the Board concludes that consummation of the subject proposal would not 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 United States. The Board further finds that consummation of the subject plan would not substantially lessen competition, tend to create a monopoly, nor operate in restraint of trade.

Financial and managerial resources and future prospects. -

Applicant became a bank holding company in January 1963. Its holding company system is composed of seven banks with approximately \$593 million in total deposits at December 31, 1965.<sup>4/</sup> Applicant's financial

<sup>4/</sup> This does not include about \$21 million of deposits of the proposed Spotswood Bank.

resources and prospects are satisfactory, due primarily to the satisfactory resources and prospects of its subsidiary banks. Applicant's management is regarded as well qualified and experienced.

Rockbridge National Bank of Lexington, with its single branch office and deposits of about \$9.5 million is located in the City of Lexington, which has an estimated population of 7,500. The Bank was organized as a State bank in 1886 and converted to a national charter in 1914. The facts in the record show that Bank's growth has been satisfactory and that its financial resources and prospects also are satisfactory. Its management appears to be adequate but the record suggests that Bank will soon encounter certain management problems, including a shortage of capable personnel, and will experience difficulty in recruiting suitable executive officers. Inasmuch as the proposed affiliation would provide an assured method for strengthening Bank's management and providing capable succession as needed, these considerations lend some slight weight toward approval.

On the basis of the foregoing, the Board concludes that the considerations above mentioned relating to the banking factors are consistent with and weigh slightly in favor of approval of Applicant's proposal.

Convenience and needs of the communities to be served. -

The proposed affiliation may be expected to have little, if any, effect on the convenience and needs of the communities served by Applicant's

present subsidiaries.<sup>5/</sup> Rather, the principal effect, hereafter discussed, would be in the area served by Bank.

Applicant urges, in favor of approval, that it can and is ready to assist Bank in (1) expanding upon and improving existing trust services; (2) instituting a wide array of enumerated lending services; and (3) implementing certain improvements, particularly with respect to the procurement and training of personnel, the furnishing of expert investment advice, and the use of modern auditing and accounting procedures. The Board is satisfied that Applicant's assistance with respect to the said services would prove beneficial, not only to Bank, but also, in certain respects, to the residents and businesses in its primary service area, by virtue of an improvement in the scope and nature of banking services available to them. While the prospects of Applicant's assistance in the aforementioned respects are consistent with and weigh toward approval under the factor of convenience of the area concerned, the affirmative weight engendered by such prospects is lessened by the absence in the record of evidence indicating that any of the area's basic banking needs are unserved.

<sup>5/</sup> This is true also with respect to the area to be served by the proposed Spotswood Bank. This institution will be located about 58 miles from Bank and the record indicates that their service areas will not overlap, and there is no present or potential competition between them.



-10-

In the light of the factors set forth in the Holding Company and Merger Acts, and on the basis of the relevant facts in the record before the Board, it is the Board's judgment that the subject proposal is in the public interest and that the application for the merger as proposed and for the acquisition by Applicant of the merged bank should, therefore, be approved.

July 26, 1966.

7/25/66

## DISSENTING STATEMENT OF GOVERNORS ROBERTSON AND MITCHELL

In our judgment, the evidence of record in this case does not support the finding of the majority that consummation of Applicant's proposal would be in the public interest within the meaning of the Bank Holding Company Act.

At the present time, the residents and businesses in Lexington have available the Rockbridge National Bank of Lexington, a relatively small, local independent bank, and two offices each of a subsidiary of Financial General Corporation (a bank holding company), and of the First National Exchange Bank of Virginia, Roanoke, Virginia. The evidence reflects, and the Board so found, that in all major respects the banking requirements of the Lexington area are being served adequately by existing institutions. Nothing of a compelling nature with respect to the condition or operations of the Rockbridge National Bank of Lexington has been shown to suggest a need for approval of Applicant's proposal. Bank, although relatively small in comparison with its competitors, is shown to be a viable institution, having experienced a satisfactory growth, with similarly satisfactory financial resources and prospects. While there is some evidence of a potential management succession problem in Bank, in our judgment the record reflects a reasonably satisfactory management condition. The foregoing findings, substantially similar to those made by the Board, certainly establish no premise for the conclusion that the

public interest would be served by approval of the proposed bank holding company acquisition.

On the contrary, it is our opinion that consummation of this proposal cannot be reconciled with the legislative mandate contained in the Bank Holding Company Act that the Board, in every case, take into consideration the convenience and needs of the community to be served.

We believe that there are obvious advantages to the communities involved in preserving the option now available to them, namely, recourse to at least one local independent bank. Absent compelling circumstances not evidenced in this case, removal of this banking source not only fails to serve the convenience, needs, and welfare of the communities affected, but constitutes, in our judgment, a regrettable disservice.

July 26, 1966.

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

Item No. 10  
7/25/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 26, 1966



Board of Directors,  
Rockbridge Bank & Trust Company,  
Lexington, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Rockbridge Bank & Trust Company, Lexington, Virginia, for stock in the Federal Reserve Bank of Richmond, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate powers.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$150,000 in order to comply with Federal statutes.
4. That Rockbridge National Bank of Lexington, Lexington, Virginia, shall have been merged into subject bank.

Rockbridge Bank & Trust Company -2-

The Board also approves the establishment and operation by the resulting State member bank of the branch office now operated by Rockbridge National Bank.

In connection with the foregoing conditions of membership, particular attention is called to the provision of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with special reference to Section 208.7 thereof. A copy of the Regulation is enclosed.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's Certificate of Authority to Commence Business has been issued. A certified copy of such resolution, together with advice of compliance with the provisions of conditions numbered 3 and 4, should be transmitted to the Federal Reserve Bank of Richmond.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 90 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

Since Rockbridge Bank & Trust Company will be operating under the same management as operated the Rockbridge National Bank, it is assumed that you are acquainted with the officers of the Federal Reserve Bank of Richmond and the services offered by the System. The Board of Governors sincerely hopes that you will continue to find membership in the System beneficial and your relations with the Reserve Bank pleasant.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Enclosure.

Item No. 11  
7/25/66

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
In the Matter of the Application of  
UNITED VIRGINIA BANKSHARES INCORPORATED,  
RICHMOND, VIRGINIA,  
for approval of the acquisition of  
voting shares of Spotswood Bank,  
Harrisonburg, 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 United Virginia Bankshares Incorporated, Richmond, 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 Spotswood Bank, Harrisonburg, Virginia, which, prior to the acquisition of stock, is to be converted from Harrisonburg Loan & Thrift Corporation, Harrisonburg, Virginia.

As required by section 3(b) of the Act, the Board notified the Commissioner of Banking for the Commonwealth of Virginia of receipt of the application and requested his views and recommendation. The Commissioner recommended approval of the application.

Notice of receipt of the application was published in the Federal Register on May 5, 1966 (31 Federal Register 6760), 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 26th day of July, 1966.

By order of the Board of Governors.

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

Absent and not voting: Governor Brimmer.

(Signed) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)

Item No. 12  
7/25/66BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMAPPLICATION BY UNITED VIRGINIA BANKSHARES INCORPORATED, RICHMOND,  
VIRGINIA, FOR APPROVAL OF THE ACQUISITION OF SPOTSWOOD BANK,  
HARRISONBURG, VIRGINIASTATEMENT

United Virginia Bankshares Incorporated, Richmond, 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, amended by Public Law 89-485 ("the Act"), an application for approval of the acquisition of at least 80 per cent of the voting shares of Spotswood Bank, Harrisonburg, Virginia, a proposed commercial bank which will be the successor to Harrisonburg Loan & Thrift Corporation, an industrial loan corporation. The conversion of the latter into a commercial bank is contingent upon approval of this application, and the two institutions are hereafter referred to interchangeably as "Bank".

Applicant's holding company system is comprised of seven subsidiary banks, which at December 31, 1965,<sup>1/</sup> operated 59 banking offices and held deposits aggregating \$593 million. Its largest

<sup>1/</sup> Unless otherwise indicated, all banking data noted are as of this date.



subsidiary bank, State-Planters Bank of Commerce and Trusts, Richmond, with deposits of \$333 million, is the third largest bank in the State. Bank, organized in 1925, operates a single office in Harrisonburg and is the largest industrial loan association in Virginia. It has deposits of \$21 million (herein, Bank's "certificates of investment" are treated as deposits), and its primary service area <sup>2/</sup> consists of the City of Harrisonburg, Rockingham County, and portions of adjoining counties within a 20-mile radius of Harrisonburg; the area has an estimated population of 65,000 persons.

Views and recommendation of supervisory authority. - As required by section 3(b) of the Act, notice of receipt of the application was given to the State Commissioner of Banking, and his views and recommendation were requested thereon. The Commissioner responded favorably to the proposal.

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,

<sup>2/</sup> The area from which approximately 75 per cent of Bank's deposits originate.

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. - In terms of total deposits of subsidiary banks, Applicant is the largest of four bank holding company groups operating in Virginia, and is the largest banking organization in the State. Its subsidiary banks operate about 8 per cent of the banking offices in Virginia and control about 12 per cent of the deposits. The aggregate deposits held by Applicant's subsidiary banks are not substantially greater than the deposits held by each of the two largest independent banks in the State; they are about double the amount of those under control of each of the other three bank holding company groups operating in Virginia and of those held by the State's third largest commercial bank. Within Bank's primary service area, in addition to Bank, there are located eight commercial banks operating a total of 19 offices. Bank, with deposits of \$21 million, controls about 18 per cent of the total deposits in its service area. None of Applicant's subsidiary banks are situated in Bank's primary service area; its nearest is in Lynchburg, approximately 100 miles south of Harrisonburg. The Board has this date, however,

approved an application by Applicant to acquire control of the Rockbridge Bank & Trust Company, Lexington, which is 58 miles south of Harrisonburg, but outside Bank's primary service area.

It is clear from the foregoing facts that at present no single banking organization dominates banking operations in the State or within Bank's primary service area, and, in the Board's opinion, that consummation of Applicant's proposal will not result in such dominance. It follows from this that Applicant's proposal would not result in a monopoly. Nor does it appear from the evidence before the Board that Applicant's proposal is in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of Virginia.

None of Applicant's present subsidiary banks other than State-Planters Bank of Commerce and Trusts, Richmond, derives any business from Bank's primary service area. With respect to State-Planters Bank, the record reflects that it had but 17 borrowers with loans totaling \$1.5 million and 11 depositors with accounts totaling \$150,000 located in Bank's primary service area. Those amounts do not, in the Board's judgment, represent any significant competition between the two banks. Further, the major portion of the business which the Richmond bank derives from the Harrisonburg area consists of demand deposits and commercial and industrial loans, while Bank competes principally for time deposits and consumer loans.

Regarding competition between Bank and Applicant's proposed subsidiary in Lexington, there is no appearance of any meaningful present competition, nor the reasonable likelihood of such potential competition. The Lexington Bank is 58 miles from Harrisonburg and is separated from Harrisonburg by the City of Staunton, which is larger than either Lexington or Harrisonburg. Staunton contains offices of five commercial banks, including offices of the State's two largest banks, a fact that lessens substantially the likelihood of any measurable present or potential competition between banks located in Lexington and those located in Harrisonburg.

Bank's affiliation with Applicant is not foreseen as having an adverse effect on the competitive abilities of other banks operating in Harrisonburg or in the larger primary service area. In addition to Bank, eight offices of three banks are located in Harrisonburg. The three banks range in size of deposits from \$11 million to \$28 million. Outside of Harrisonburg, but within Bank's primary service area, the \$28 million Harrisonburg Bank operates four offices. In addition, four independent banks, with deposits ranging from \$4 million to \$7 million, operate a total of five offices, and Virginia National Bank, Norfolk, the State's second largest bank, operates two offices. Bank's Harrisonburg competitors will not, in the Board's judgement, experience undue competitive impact from Applicant's acquisition of Bank. Two of these competitors are larger than Bank; and the other is a subsidiary of Financial General Corporation, a bank holding company

controlling 10 banks in Virginia, operating 32 banking offices with combined deposits of about \$225 million. The four banks ranging in size of deposits from \$4 million to \$7 million appear to be well established and to have met effectively the competition offered by local offices of the State's larger banking organizations.

Summarizing, the Board concludes that approval of Applicant's acquisition of Bank offers no potential within any relevant area for a substantial lessening of competition or tendency to create a monopoly. Rather, the Board believes it likely that consummation of Applicant's proposal will have the effect of increasing banking competition in Bank's primary service area inasmuch as Bank's conversion to a commercial bank will enable it to accept demand deposits, expand its lending activities, and generally broaden its range of service to the public, and will increase to nine the number of commercial banks in the area.

Financial and managerial resources and future prospects. -

Applicant became a bank holding company in January 1963. Despite its relatively brief history, considerations relating to its financial condition and prospects, including the satisfactory operating and growth records of its subsidiary banks, are regarded as satisfactory and consistent with approval of the application. Applicant's competent and experienced management is considered satisfactory.

Bank's financial condition is considered generally satisfactory when considering the proposed action by Applicant in (1) injecting additional equity capital into Bank, thus raising its capital position

to an acceptable level, and (2) retiring preferred stock and debentures which Bank now has outstanding. Bank's prospects are considered favorable, particularly in view of its ability upon conversion to a commercial bank to compete for all types of commercial banking business.

While Bank's present management is considered to be satisfactory, Applicant states that Bank's chief executive officer, who is principally responsible for much of Bank's recent substantial growth, will soon curtail substantially his managerial activities in anticipation of retirement. Applicant asserts, and Bank's history of operations reflects, that this occurrence will create in Bank a major management successor problem. While the Board believes that Bank's management succession problem is susceptible of resolution other than as proposed by Applicant, the extent to which that solution is reasonably assured by Applicant's ownership and control of Bank constitutes a consideration weighing toward approval of the application.

Convenience and needs of the communities to be involved. -

While the record reflects that industry continues to play an increasing role in the economy of the Harrisonburg area, thus contributing to general economic growth, the record also reflects that the area's 19 commercial banking offices are serving adequately the major banking needs generated by that economic growth. With Bank's scope of financial activities restricted primarily to the acceptance of time deposits and the making of consumer loans, it has served but a limited role in the economic expansion of the area. While Bank would continue to provide

the aforementioned services following its acquisition by Applicant, the convenience and welfare of the area's residents and businesses will be substantially enhanced through Bank's ability to accept demand deposits and to extend numerous additional commercial bank services. This consideration weighs toward approval of Applicant's proposal.

Summary and conclusion. - On the basis of the findings herein set forth, the Board concludes that consummation of Applicant's proposal would not have resulting adverse competitive consequences, but rather, would likely increase banking competition in the relevant area, and that considerations relating to the banking factors involved and to the convenience and needs of the communities to be served offer some weight toward approval of the application.

In the light of the factors set forth in the Bank Holding Company Act, and on the basis of the relevant facts of record, it is the Board's judgment that the subject proposal is in the public interest and that the application should be approved.

July 26, 1966.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 13  
7/25/66

# Office Correspondence

Date July 21, 1966

To Board of Governors

Subject: General Adjustment of the

From Division of Personnel Administration

Board's Regular Salary Schedule.

## BACKGROUND

Today we received copies of the "Federal Employees Salary Act of 1966," as signed by the President.

This law adjusts the annual rate of compensation in all steps of each grade in the Federal Government general salary schedule; retroactive to the first day of the first pay period which begins on or after July 1, 1966. The effective date for the Board, if approved, would be July 3, 1966.

In addition, this Act provides the following salary revisions; all effective the first day of the first pay period after enactment.

- (1) Increases the maximum rate of overtime pay from the first step of GS-9 to the same step of GS-10.
- (2) Authorizes overtime pay for any period in excess of 8 hours in one day for classified employees with the exception of employees in certain engineering and scientific positions (there are no employees on the Board's staff in these excepted positions).
- (3) Provides for a premium of 25 per cent of daily base pay for work on Sunday by any employee whose regularly scheduled 5-day work week includes Sunday.

The Act also provides the following changes in fringe benefits.

- (A) Effective July 18, the date of enactment of the pay bill:
  - (1) Eliminates the requirement that a child be dependent upon a Federal-employee parent in order to receive a survivor annuity, and raises from 21 to 22 the maximum age for student survivors to receive annuity payment.
  - (2) Permits the widow of a Federal employee to continue receiving her survivor annuity if she remarries after attaining age 60, or to have her annuity reinstated in the event a remarriage prior to age 60 is terminated.



- (3) Permits retirement on a full annuity at age 55 after 30 years' service and at age 60 after 20 years' service.
- (B) Effective the first day of the second month (September 1, 1966) following enactment of the pay bill:

Increases, by 10 per cent, the annuities of widows and widowers of Federal employees who died or whose retirement was based on a separation from service prior to October 11, 1962.

- (C) Effective commencing with the first day of the first pay period beginning on or after the date of enactment (for the Board this is July 31).
- (1) Increases the Government's bi-weekly contributions to the cost of health insurance coverage for employees or annuitants to \$1.62 for self only enrollment and \$3.94 for self and family provided that these contributions do not exceed 50 per cent of the subscription charge. The Board's bi-weekly contributions would then be \$1.68 and \$4.10 (formerly \$1.30 and \$3.12) including a 4 per cent administrative charge paid by the employer.
- (2) Increases the maximum age limit from 21 to 22 for health insurance coverage for student children.

### RECOMMENDATION

In keeping with the Board's policy of maintaining a salary structure for its employees comparable to that of other agencies of the Federal Government, it is recommended that the Board approve the following:

- (1) Revision of the Board's Regular Salary Schedule Retroactive to July 3, 1966 in accordance with attached table (Attachment 1) which corresponds to the basic compensation rates established by the "Federal Employees Salary Act of 1966."
- (2) It is also recommended that the changes in fringe benefits provided by this Act be approved by the Board for its employees and retirees (including the increased contribution for health insurance); and the corresponding changes in the Board's Retirement Plan, with appropriate funding of the cost of the 10 per cent increase in the annuities of widows and widowers.

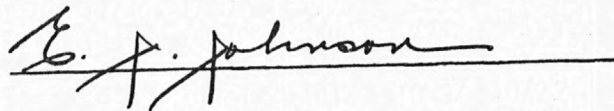
In connection with the implementations of these recommendations, the following administrative procedures are recommended, as in past applications of pay bill changes to pay rates of Board employees:

- (1) With the approval of the Board Member in charge of internal administrative affairs, the Division of Personnel Administration shall be responsible for making adjustments in the per diem and hourly rates of the WAE (when actually employed) employees, etc.
- (2) The office of the Controller and the Division of Personnel Administration will use Government regulations and interpretations as guides in deciding questions of administration and procedure.

### EXCEPTIONS

No salary rate adjustments are included in these recommendations for Board employees paid under the Metropolitan D. C. Prevailing Rate Wage Schedule (mechanics, gardeners, painters, chauffeurs, etc.) and the Interdepartmental Lithographic Wage Pay Schedule (offset press operators, multilith and mimeograph operators, etc.) These employees receive periodic salary adjustments as a result of annual wage surveys.

No recommendations are made in this memorandum with regard to the annual salaries of the Board's Official Staff. It is assumed that any determinations on this matter will be made by the Board, as in the past.

  
\_\_\_\_\_

Attachment.

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**  
**REGULAR SALARY SCHEDULE**

Basic Annual Pay Rates by Grades--July 3, 1966

(Rates in effect October 10, 1965 to July 2, 1966 are shown  
on the second line of each grade)

*Progress Steps*

Grade	Step Increase	One Year Periods			Two Year Periods			Three Year Periods			10
		1	2	3	4	5	6	7	8	9	
FR-1	122	3609	3731	3853	3975	4097	4219	4341	4463	4585	4707
	119	3507	3626	3745	3864	3983	4102	4221	4340	4459	4578
FR-2	133	3925	4058	4191	4324	4457	4590	4723	4856	4989	5122
	129	3814	3943	4072	4201	4330	4459	4588	4717	4846	4975
FR-3	144	4269	4413	4557	4701	4845	4989	5133	5277	5421	5565
	140	4149	4289	4429	4569	4709	4849	4989	5129	5269	5409
FR-4	160	4776	4936	5096	5256	5416	5576	5736	5896	6056	6216
	156	4641	4797	4953	5109	5265	5421	5577	5733	5889	6045
FR-5	176	5331	5507	5683	5859	6035	6211	6387	6563	6739	6915
	171	5181	5352	5523	5694	5865	6036	6207	6378	6549	6720
FR-6	198	5867	6065	6263	6461	6659	6857	7055	7253	7451	7649
	192	5702	5894	6086	6278	6470	6662	6854	7046	7238	7430
FR-7	213	6451	6664	6877	7090	7303	7516	7729	7942	8155	8368
	207	6269	6476	6683	6890	7097	7304	7511	7718	7925	8132
FR-8	235	7068	7303	7538	7773	8008	8243	8478	8713	8948	9183
	228	6869	7097	7325	7553	7781	8009	8237	8465	8693	8921
FR-9	261	7696	7957	8218	8479	8740	9001	9262	9523	9784	10045
	254	7479	7733	7987	8241	8495	8749	9003	9257	9511	9765
FR-10	288	8421	8709	8997	9285	9573	9861	10149	10437	10725	11013
	280	8184	8464	8744	9024	9304	9584	9864	10144	10424	10704
FR-11	315	9221	9536	9851	10166	10481	10796	11111	11426	11741	12056
	306	8961	9267	9573	9879	10185	10491	10797	11103	11409	11715
FR-12	379	10927	11306	11685	12064	12443	12822	13201	13580	13959	14338
	368	10619	10987	11355	11723	12091	12459	12827	13195	13563	13931
FR-13	448	12873	13321	13769	14217	14665	15113	15561	16009	16457	16905
	435	12510	12945	13380	13815	14250	14685	15120	15555	15990	16425
FR-14	523	15106	15629	16152	16675	17198	17721	18244	18767	19290	19813
	508	14680	15188	15696	16204	16712	17220	17728	18236	18744	19252
FR-15	607	17550	18157	18764	19371	19978	20585	21192	21799	22406	23013
	590	17055	17645	18235	18825	19415	20005	20595	21185	21775	22365

Item No. 14  
7/25/66

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 26, 1966

Mr. Fred W. Piderit, Jr., Vice President,  
Federal Reserve Bank of New York,  
New York, New York. 10045

Dear Mr. Piderit:

In accordance with the request contained in your letter of July 20, 1966, the Board approves the appointments of Joseph W. Jolly and Ernest K. Karius as assistant examiners for the Federal Reserve Bank of New York. Please advise the effective dates of the appointments.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

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

Item No. 15  
7/25/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 26, 1966

Mr. Leland M. Ross, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois. 60690

Dear Mr. Ross:

In accordance with the request contained in your letter of July 19, 1966, the Board approves the appointment of Patrick J. Tracy, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Chicago, effective August 8, 1966.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.