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
Gov. Robertson
Gov. Shepardson
Gov. Mitchell
Gov. Daane
Gov. Maisel
Gov. Brimmer
Minutes of the Board of Governors of the Federal Reserve System on Thursday, July 28, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Robertson, Vice Chairman
Mr. Shepardson
Mr. Mitchell
Mr. Brimmer
Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Bakke, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Associate General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Spencer, Staff Assistant, Office of the Secretary
Mr. Smith, Attorney, Legal Division
Mr. McIntosh, Technical Assistant, Division of Bank Operations
Messrs. Egertson and Maguire, Supervisory Review Examiners, and Mr. Lyon, Review Examiner, Division of Examinations

Approved items. The following items were approved unanimously after consideration of background information that had been made available to the Board. Copies are attached under the respective numbers indicated.

Item No.

Letter to Girard Trust Bank, Philadelphia, Pennsylvania, approving the establishment of a branch in Roslyn.
Letter to The Kingston State Bank, Kingston, Michigan, approving the establishment of a branch in Snover, subject to an increase in the bank's capital stock to the amount required by statute.

Letter to Bank of Las Vegas, Las Vegas, Nevada, approving the establishment of a branch in the vicinity of Tropicana Road and Maryland Parkway, Clark County.

Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in the Maritime Plaza, Golden Gateway Center, San Francisco.

Letter to the Chairman of Conference of Presidents requesting a study of possible alternatives to realignment of Federal Reserve Bank and branch territories that would serve to improve check, currency, and coin services.

Telegram to the Federal Reserve Bank of Chicago regarding rates permissible on certain multiple maturity time deposits.

A draft of Item No. 5 had been distributed to the Board pursuant to the understanding at the meeting on July 27. The approved letter attached to these minutes reflects editorial changes suggested at today’s meeting.

With respect to Item No. 6, it was understood that the substance of the telegram would be transmitted to all Federal Reserve Banks in the form of an "S" letter.

Report on competitive factors. A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed
merger of Carolina Bank, Pinehurst, North Carolina, into Central Bank and Trust Company, Broadway, North Carolina, was approved unanimously for transmittal to the Corporation. The conclusion stated that:

While the proposed merger of Central Bank and Trust Company, Broadway, and Carolina Bank, Pinehurst, would eliminate a modest degree of competition existing between the two banks, the overall effect of the proposal is not considered to be adverse.

Application of Virginia Commonwealth Corporation (Items 7-8). There had been distributed drafts of an order and statement reflecting the Board's approval on June 27, 1966, of the application of Virginia Commonwealth Corporation, Richmond, Virginia, for permission to acquire 80 per cent or more of the voting shares of The First Valley Bank, Weber City, Virginia, a proposed new bank.

Issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 7 and 8.

Pursuant to a suggestion made by Governor Brimmer, it was understood that the staff would reconsider the format of the Board's orders in bank holding company and merger cases insofar as the recording of votes was concerned, the point being that the fact that the decision on an application had been made on a date prior to that of the order was not made clear in the order, which might lead to some confusion on the part of readers.

The meeting then adjourned.
Secretary's Notes: A letter was sent today to The Chase Manhattan Bank (National Association), New York, New York, acknowledging receipt of notice of its intent to establish an additional branch in Hong Kong, to be located in Kowloon. It was noted that establishment of the proposed branch would require no increase in the amount of capital allocated to foreign branches.

A letter was sent today to Bank of America National Trust and Savings Association, San Francisco, California, acknowledging receipt of notice of its intent to establish a second branch in Pakistan, to be located in Lahore.

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

Letter to the Federal Reserve Bank of Atlanta (copy attached as Item No. 9) approving the appointment of John W. Nelson as examiner.

Memorandum from the Division of Administrative Services dated July 27, 1966, requesting approval of such overexpenditures as might result in the pertinent accounts of the 1966 budget of that Division incident to the purchase of a collator and the employment of an additional person in the Duplicating, Mail, Messenger, and Supply Section.

Memoranda recommending the following actions relating to the Board's staff:

Appointment

Margaret E. Shuey as Telephone Operator, Division of Administrative Services, with basic annual salary at the rate of $4,701, effective the date of entrance upon duty.

Salary increases

Robert P. Forrestal, Senior Attorney, Legal Division, from $10,927 to $12,873 per annum, effective August 14, 1966.

Robert F. Sanders, Senior Attorney, Legal Division, from $10,927 to $12,873 per annum, effective August 14, 1966.
Salary increases (continued)

James L. Pierce, Economist, Division of Research and Statistics, from $15,113 to $17,198 per annum, effective July 31, 1966.

Donna Sisk, Clerk-Typist, Division of Administrative Services, from $3,925 to $4,269 per annum, effective August 14, 1966.

Transfers

Vickie M. Hulteen, from the position of Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of Administrative Services, with no change in basic annual salary at the rate of $4,269, effective July 31, 1966.

Barbara Jane Sawyer, from the position of Stenographer in the Division of Personnel Administration to the position of Stenographer in the Legal Division, with no change in basic annual salary at the rate of $4,269, effective July 31, 1966.

[Signature]
Secretary
Board of Directors,
Girard Trust Bank,

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Girard Trust Bank, Philadelphia, Pennsylvania, of a branch at 1329-31 Easton Road, Roslyn, Abington Township, Montgomery County, Pennsylvania, provided the branch is established within six months 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 Directors,
The Kingston State Bank,
Kingston, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Kingston State Bank, Kingston, Michigan, of a branch at 1463 Main Street, Snover, Michigan, providing the branch is established within six months from the date of this letter, and further provided that, prior to establishment of the branch, the bank's capital stock is increased to the amount required by paragraph 3 of Section 9 of the Federal Reserve Act and related Federal statutes. Under present conditions a minimum capital of $150,000 would be required to fulfill these statutory provisions.

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 Directors,
Bank of Las Vegas,
Las Vegas, Nevada,

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of Las Vegas, Las Vegas, Nevada, of a branch in the vicinity of the intersection of Tropicana Road and Maryland Parkway in an unincorporated area of Clark County, Nevada, provided the branch is established within six months 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 Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by United California Bank, Los Angeles, California, of a branch in the Maritime Plaza, Golden Gateway Center, San Francisco, 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.)
Mr. Edward A. Wayne, Chairman,
Conference of Presidents,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Wayne:

From time to time in the past the Board has asked the managements of the various Reserve Banks to survey the possible need for realignment of the boundaries of Federal Reserve District and Branch territories. Considerable attention was given to this matter when Alaska was admitted to statehood in 1959. Then, as earlier, congressional inquiries as to the need for realignment of Federal Reserve District boundaries were based in part on doubts that such services as those in connection with check collection and currency and coin distribution were being provided in the most economical and expeditious manner.

In the Board's view, while an updating of boundaries to conform to present-day banking and commercial ties would provide a more realistic alignment of territories than now exists, it would likely also disturb a number of established relationships and banking patterns. Under the circumstances, other alternatives should, the Board believes, be explored. Hopefully, these may be sufficiently promising to preclude turning to a comprehensive redrawing of the Federal Reserve District map.

The Board believes that the substantial and continuing increase in the use of air services and truck routes to handle pickups and deliveries of money and checks has made it necessary to examine the steps that should and can be taken to provide economical and expeditious service in every part of each Bank or Branch territory. This involves surveys to designate the communities or areas in the country that would be better served by extending communication lines (truck routes or any other transport service) across District or Branch boundaries.
The Board is aware of various special arrangements which enable a Reserve Bank office to service commercial banks outside of its boundaries, but it believes that boundary cities and communities are, given present transportation facilities, being denied the quality of service that would be rendered if the System were operating coin and check services out of the base from which the most convenient and economical routings could be made.

Accordingly, the Board asks the Conference of Presidents to give this entire matter careful consideration through its committee structure, and report its findings within six months.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
HODGE - CHICAGO

Reurtel July 25 regarding questions raised by Detroit Bank and Trust Company under July 20 revision of Supplement to Regulation Q.

As to first question, deposit has one year maturity but depositor may redeem on 90th day after 30 days' notice. Since deposit is payable only 90 days after deposit date or 90 days or more after last preceding date on which it might have been paid, maximum rate for entire period of deposit is 5 per cent.

As to second question, deposit has one-year maturity but, after 60 days from date of deposit, depositor may give 30 days' notice of withdrawal at any time. Consequently, deposit is not payable within 90 days after date of deposit, but it may be paid after expiration of that period upon 30 days' notice. Following principle of illustration #4 in Legal Division explanatory statement of July 18, maximum rate for first 90 days is 5 per cent and maximum rate for remainder of year is 4 per cent.

(Signed) Sherman

SHERMAN
UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

VIRGINIA COMMONWEALTH CORPORATION,
RICHMOND, VIRGINIA,

for approval of the acquisition of voting shares of The First Valley Bank, Weber City, 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 by Public Law 89-435), and section 222.4(a) of Federal Reserve Regulation Y (12 CFR 222.4(a)), an application by Virginia Commonwealth Corporation, Richmond, Virginia, a registered bank holding company, for the Board's prior approval of the acquisition of 30 per cent or more of the voting shares of The First Valley Bank, Weber City, Virginia, a proposed new bank.

As required by section 3(b) of the Act, the Board notified the State Commissioner of Banking of receipt of the application and requested his views and recommendation thereon. The Commissioner expressed no objection to the proposed acquisition.
Notice of receipt of the application was published in the Federal Register on May 28, 1966 (31 Federal Register 7720), 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 nor (b) later than three months after said date, and that The First Valley Bank shall be opened for business not later than six months after date of this Order.

Dated at Washington, D. C., this 28th day of July, 1966.

By order of the Board of Governors.

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

Absent and not voting: Governors Robertson and Shepardson.

(Signed) Merritt Sherman

Merritt Sherman, Secretary.
APPLICATION BY VIRGINIA COMMONWEALTH CORPORATION, RICHMOND, VIRGINIA, FOR APPROVAL OF THE ACQUISITION OF THE FIRST VALLEY BANK, WEBER CITY, VIRGINIA

STATEMENT

Virginia Commonwealth Corporation, 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, as amended by Public Law 89-485 ("the Act"), an application for approval of the acquisition of 80 per cent or more of the voting shares of The First Valley Bank, Weber City, Virginia ("Bank"), a proposed new bank.

Applicant's seven subsidiary banks, at December 31, 1965, operated 49 banking offices and held total deposits of about $300 million. It is proposed that Bank will operate a single office in Weber City, and its estimated deposits after three years of operations are $42.5 million. Bank, a charter for which has been granted by the State Corporation Commission, will have an initial capitalization of $300,000, 30 per cent or more of which will be furnished by Applicant. Applicant states that Bank will not be opened for business if this application is denied.

1/ Unless otherwise indicated, all banking data noted are as of this date.
Bank's office will be located in a proposed shopping center in Weber City, situated about six miles north of Kingsport, Tennessee, and two miles southeast of Gate City, Virginia. According to Applicant, Bank's primary service area will encompass the towns of Weber City and Gate City, and surrounding agricultural and residential areas within a radius of approximately five miles; the population of this area is estimated to be in excess of 15,000 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 expressed no objection to the proposed acquisition.

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.** - Measured by total deposits of subsidiary banks, Applicant is the second largest of four bank holding company groups and the fourth largest banking organization in the State. When including Bank's projected third year deposits of $4 million, acquisition of Bank would increase Applicant's control of total deposits of Virginia banks from 5.9 to 6.0 per cent. Consummation of this proposal would mark the initial entry of a bank holding company system into Scott County and, including Bank's projected deposits, would result in Applicant's control of approximately 30 per cent of the total deposits of the three banking offices that would be located in Bank's designated primary service area, and about 5 per cent of the deposits of the nine banking offices that would be competing in that area. The aforementioned increase in deposits under Applicant's control would neither result in a monopoly nor, based on the record before the Board, be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any relevant area.

Inasmuch as Bank will be newly established, no competition exists between it and Applicant's present subsidiaries that would be eliminated by this proposal. Further, since Bank will not be opened for

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2/ Deposits computed on the basis of June 30, 1964 figures, the latest date for which deposits by counties are available.
business except as a subsidiary of Applicant, approval of this proposal offers no possibility that future competition between Bank and Applicant's subsidiaries would thereby be foreclosed. Even were Bank to operate independently of Applicant's system (an occurrence that Applicant states it does not contemplate), Bank's distance from Applicant's present subsidiaries - 30 miles from the nearest, over 100 miles from each of the others - reasonably precludes the likelihood that measurable competition would develop. According to Applicant's analysis, its subsidiary located 30 miles from Weber City, a $12 million institution, derives none of its business from within Bank's designated primary service area.

Virginia National Bank, Norfolk, one of the State's largest banking organizations (deposits of $506 million), is the only bank with offices located in the designated service area and in Scott County. It has two offices situated in Bank's service area and one office located about 20 miles northeast of Bank's proposed site. Competing to some extent in Bank's service area, however, are two banks in Kingsport, Tennessee, which, combined, operate six offices within eight miles of Bank's proposed site. These banks have deposits of $16 million and $71 million, respectively. With but one bank located in Bank's designated service area and in Scott County, it is the Board's view that Bank's establishment and acquisition by Applicant will not produce any adverse competitive consequence but, more realistically, will sharpen banking competition in the areas involved. The size of the two
Tennessee banks located outside of but competing in the area, and the evidence of their apparent ability to compete effectively with the well-established offices of Virginia National Bank, warrant the conclusion that Bank's establishment and operation as a subsidiary of Applicant will not have any detrimental effect on the competitive abilities of these banks.

On the basis of the evidence contained in the record, it is the Board's judgment that the establishment of Bank and its acquisition by Applicant would not result in a substantial lessening of competition, nor in any other manner be in restraint of trade.

Financial and managerial resources and future prospects. - Applicant's financial history dating back to December 1962 reflects a sound financial operation. Its present financial condition is found to be generally satisfactory. Based principally upon the satisfactory operating histories of Applicant's subsidiary banks and their apparent favorable prospects, Applicant's prospects are viewed as favorable.

Bank has no financial or operating history. However, its pro forma financial condition is satisfactory, and its growth projections appear reasonably susceptible of achievement. Bank's management is to be drawn from Applicant's present subsidiary banks and is considered to be satisfactory.

Considerations relating to the financial resources, management, and prospects of Applicant, its subsidiaries, and Bank are consistent with approval of the proposed transaction.
Convenience and needs of the communities to be served. - As earlier stated, the portion of Scott County that will be principally affected by Bank's operation is the Weber City-Gate City area. Unlike a major portion of Scott County that is largely agricultural in nature, the Weber City-Gate City area is predominantly residential; a large portion of the residents are employed in nearby Kingsport, Tennessee. Kingsport is presently experiencing industrial development the benefits of which directly affect the Weber City-Gate City area. In excess of 50 manufacturing plants located in the Kingsport area employ about 20,000 people. Evidence of continued industrial expansion in the Kingsport area portends a continued favorable economic outlook for the Weber City-Gate City area. The earlier-noted residential development in this area is likely to keep pace with the Kingsport industrial development, particularly in view of the recently completed four-lane highway that connects Kingsport, Weber City, and Gate City.

The evidence of record satisfies the Board that existing major banking requirements within Bank's designated service area are being met, and that any such banking requirements that may arise from the aforementioned residential-industrial development can be met adequately by banking facilities located or competing in Bank's service area. Nevertheless, the Board finds that approval of the application is supported by the fact that Bank's establishment will constitute an immediately available alternative source of full banking service, which in turn should foster increased competition between and among banks serving the communities involved.
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 Weber City-Gate City area, and that considerations relating to the convenience of these communities 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 Applicant's proposal is in the public interest and that the application should be approved.

Mr. R. M. Stephenson, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Stephenson:

In accordance with the request contained in your letter of July 25, 1966, the Board approves the appointment of John W. Nelson, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Atlanta, effective August 1, 1966.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.