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
Discount rates. The establishment without change by the Federal Reserve Banks of Atlanta and Minneapolis on October 5, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Kansas City, Dallas, and San Francisco on October 6, 1966, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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.
Letter to The Bank of Sussex County, Franklin, New Jersey, approving the establishment of a branch in Hampton Township and commenting on the bank's loan portfolio and capital position.

Letter to The Cleveland Trust Company, Cleveland, Ohio, approving the establishment of a branch in North Olmsted.

Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in La Habra.

Letter to Imlay City State Bank, Imlay City, Michigan, approving an investment in bank premises.


Reports on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank of Towanda, Towanda, Pennsylvania, and The First National Bank of New Albany, New Albany, Pennsylvania, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

While the proposed merger of The First National Bank of Towanda and The First National Bank of New Albany would eliminate a small amount of competition existing between the two banks, the overall effect of the proposal on competition is not considered adverse.

A modification of the conclusion having been agreed upon, unanimous approval was given to the transmittal to the Comptroller of
the Currency of a report on the competitive factors involved in the
proposed merger of The Campbell National Bank of La Rue, La Rue, Ohio,
into The National City Bank of Marion, Marion, Ohio. In the form in
which approved, the conclusion read as follows:

Consummation of the proposed merger would eliminate
a moderate amount of existing and potential competition
between The Campbell National Bank of La Rue and The
National City Bank of Marion in the area served by the
La Rue bank. The overall competitive effect of the
proposed transaction would be slightly adverse.

Application of Upper Main Line Bank (Items 6 and 7). There
had been distributed drafts of an order and statement reflecting the
Board's approval on September 27, 1966, of the application of Upper
Main Line Bank, Paoli, Pennsylvania, to merge with Farmers Bank of
Parkesburg, Parkesburg, Pennsylvania. (The title of the resulting
bank would be Community Bank and Trust Company.)

The issuance of the order and statement was authorized.
Copies of the documents, as issued, are attached as Items 6 and 7.

Application of Brazil Trust Company (Items 8 and 9). There
had been distributed drafts of an order and statement reflecting the
Board's approval on September 27, 1966, of the application of The
Brazil Trust Company, Brazil, Indiana, to merge with Farmers and
Merchants Bank, Clay City, Indiana. (The title of the resulting bank
would be First Bank and Trust Company of Clay County, Indiana.)

The issuance of the order and statement was authorized. Copies
of the documents, as issued, are attached as Items 8 and 9.
Request of First Virginia Corporation (Item No. 10). There had been distributed a memorandum dated October 6, 1966, from the Legal Division in connection with the request of The First Virginia Corporation, Arlington, Virginia, for a determination that proposed additions to the insurance activities of its nonbanking subsidiaries, First Virginia Life Insurance Agency, Inc., and First General Insurance Agency, Inc., were of the kind described in section 4(c)(8) (formerly section 4(c)(6)) of the Bank Holding Company Act so as to make inapplicable the prohibitions of section 4 of the Act with respect to the retention of shares in nonbanking companies. Since the Act requires that such determinations be made on the basis of the record made at a hearing, tentative arrangements had been made for a hearing to be held at 10:00 a.m. on October 28, 1966, at the Board's offices. (Note: The date was subsequently changed to November 1, 1966.) The Civil Service Commission had selected Mr. Philip J. La Macchia as hearing examiner, and Messrs. Cloth and Via of the Legal Division would serve as Board counsel. Attached to the memorandum was a draft of order for hearing. 

Issuance of the order was approved unanimously, and Mr. La Macchia was designated as hearing examiner. A copy of the order is attached as Item No. 10.

The meeting then adjourned.

Secretary's Notes: On October 7, 1966, Governor Shepardson approved on behalf of the Board the following items:

Letter to Dr. Antonio R. Martinez, Bethesda, Maryland, confirming arrangements for him to conduct a course in Conversational Spanish for members of the Board's staff as an activity of the Board's Employee Training and Development Program at a fee of $7 for each session conducted.

Memorandum from the Office of the Controller dated October 7, 1966, submitting proposals of the Division of Administrative Services to add two full-time and five part-time positions to the cafeteria staff and to convert one position of Supervisor to Assistant Manager.

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

Appointment

Minnie G. Searcy as Records Clerk, Office of the Secretary, with basic annual salary at the rate of $4,776, effective the date of entrance upon duty.

Salary increase

Frank P. Herigstad, Assistant Federal Reserve Examiner, Division of Examinations, from $7,090 to $7,696 per annum, effective October 9, 1966.

Advance of sick leave

William D. Ward, General Mechanic-Operating Engineer, Division of Administrative Services, from September 20 through September 30, 1966.

Military leave

Wilbert G. Cooper, Messenger, Division of Administrative Services, for military service in the Armed Forces of the United States beginning October 18, 1966.
Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Bank Operations recommending the appointment of Robert G. Adam as Technical Assistant in that Division, with basic annual salary at the rate of $9,851, effective the date of entrance upon duty.

Assistant Secretary
Board of Directors,
The Bank of Sussex County,
Franklin, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Bank of Sussex County, Franklin, New Jersey, of a branch in the vicinity of the intersection of U.S. Route 206 and State Route 94, Hampton Township, Sussex County, New Jersey, provided the branch is established within one year from the date of this letter.

The last examination of your bank in March of 1966 indicated a fairly high volume of criticized loans and a less than satisfactory capital position. The Board trusts these matters are receiving your close attention and understands that plans have been formulated to increase your bank’s capital funds by $1,000,000.

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 Cleveland Trust Company,
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Cleveland Trust Company, Cleveland, Ohio, of a branch at the southeast corner of the intersection of Lorain and Stearns Roads, North Olmsted, Cuyahoga County, Ohio, 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 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 vicinity of the intersection of Imperial Highway and Beach Boulevard, La Habra, California, provided the branch is established within two years 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,
Imlay City State Bank,
Imlay City, Michigan.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an investment in bank premises of $16,000 by Imlay City State Bank, Imlay City, Michigan, for the purpose of purchasing property adjoining the bank's main office.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Marine Midland
International Corporation,
120 Broadway,
New York, New York. 10015

Gentlemen:

In accordance with the request contained in your letter of September 21, 1966, the Board of Governors grants its consent to the purchase by your Corporation of 100 shares, par value £1 each, of Marine Midland Grace Nominees Limited, London, England, at a cost of approximately US$300.

It is understood that the nominee corporation is to be organized and maintained solely for the purpose of acting as nominee for the registration of securities of United Kingdom companies acquired or held by United States customers of Marine Midland Grace Trust Company of New York and other member banks of the Marine Midland Corporation; that the corporation's activities will be restricted to the execution of documents and the transferring of securities in and out of the name of the nominee corporation on the instructions of member banks' customers for whom they are held; and, that all shares of the nominee corporation are to be owned by your Corporation, except one share to be registered in the name of Mr. E. Tinsley Ray, Vice President and Senior Trust Officer of Marine Midland Grace Trust Company of New York as British law requires at least two registered shareholders.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

UPPER MAIN LINE BANK

for approval of merger with
Farmers Bank of Parkesburg

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 Upper Main Line Bank, Paoli, Pennsylvania, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Farmers Bank of Parkesburg, Parkesburg, Pennsylvania, under the charter of the former and title of Community Bank and Trust Company. As an incident to the merger, the sole office of Farmers Bank of Parkesburg would become a branch 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 the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated (a) 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 10th day of October, 1966.

By order of the Board of Governors.

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

Absent and not voting: Governor Daane.

(signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Upper Main Line Bank, Paoli, Pennsylvania ("Main Line Bank"), with total deposits of about $24 million, has applied, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), for the Board's prior approval of the merger of that bank with Farmers Bank of Parkesburg, Parkesburg, Pennsylvania ("Farmers Bank"), which has total deposits of about $4 million. 1/ The banks would merge under the charter of Main Line Bank, which is a member of the Federal Reserve System, and the name of Main Line Bank would be changed to Community Bank and Trust Company. As an incident to the merger, the sole office of Farmers Bank would become a branch of Main Line Bank, increasing the number of its offices to five.

Competition. - The head office of Main Line Bank is in Paoli, a community with an estimated population of 5,000, which is located in Chester County about 18 miles west of Philadelphia. The bank operates

1/ Figures are as of April 5, 1966.
one branch each in Bervyn and Exton, both within seven miles of its head office, and has received authorization to establish an additional branch four miles northeast of Paoli. The sole office of Farmers Bank is in Parkesburg, a community with an estimated population of 3,000, which is located in the western portion of Chester County about 27 miles from Paoli.

Main Line Bank and Farmers Bank are not competitors, and it does not appear that significant competition would develop between them if they did not merge. The nearest offices of the two banks are 21 miles apart, separated by several offices of other banks.

The merger would have no material effect on banking competition in the area presently served by Main Line Bank. The bank would continue to rank as the second largest locally headquartered bank in the Paoli area and to be faced with the competition of numerous other banking offices, including some branches of large Philadelphia-based banks.

The conversion of Farmers Bank into an office of Main Line Bank may stimulate banking competition in the Parkesburg area since Farmers Bank competes with the Coatesville (six miles to the east) offices of two banks that have deposits of $17 million and $171 million, respectively. Farmers Bank also competes with the sole office of a bank in Atglen (three miles to the west) that has deposits of about $3 million. It does not appear that the merger would adversely affect the small bank in Atglen, which tends to draw the preponderance of its business from its own community and
presently competes to some extent with the branches (two miles west
and four miles northwest of Atglen) of two much larger Lancaster-
headquartered banks.

The effect of the proposed merger on competition would not be adverse.

Financial and managerial resources and future prospects. - The banking factors with respect to Main Line Bank are satisfactory and would not be adversely affected by the acquisition of Farmers Bank. The chief executive officer of Farmers Bank is well past the normal retirement age and, although there may be feasible alternative solutions, the merger would assure the continuance of capable management for the office now operated by Farmers Bank.

Convenience and needs of the communities. - The banking convenience and needs of the communities presently served by Main Line Bank would not be appreciably affected by the merger. The principal effect would be in Parkesburg, where a small unit bank would be replaced by a branch office of a larger and more progressive institution.

Summary and conclusion. - In the judgement of the Board, the proposed merger would benefit the banking convenience and needs of the Parkesburg area, and would not adversely affect banking competition.

Accordingly, the Board concludes that the application should be approved.

October 10, 1966.
In the Matter of the Application of

THE BRAZIL TRUST COMPANY

for approval of merger with Farmers and Merchants Bank

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 The Brazil Trust Company, Brazil, Indiana, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Farmers and Merchants Bank, Clay City, Indiana, under the charter of the former and title of First Bank and Trust Company of Clay County, Indiana. As an incident to the merger, the sole office of Farmers and Merchants Bank would become a branch 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 the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated (a) 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 10th day of October, 1966.

By order of the Board of Governors.

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

Absent and not voting: Governor Daane.

(signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION OF THE BRAZIL TRUST COMPANY
FOR APPROVAL OF MERGER WITH
FARMERS AND MERCHANTS BANK

STATEMENT

The Brazil Trust Company, Brazil, Indiana ("Brazil Bank"), with total deposits of about $12 million, has applied, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), for the Board's prior approval of the merger of that bank with Farmers and Merchants Bank, Clay City, Indiana ("Clay City Bank"), which has total deposits of about $5 million. The banks would merge under the charter of Brazil Bank, which is a member of the Federal Reserve System, and the name of Brazil Bank would be changed to First Bank and Trust Company of Clay County, Indiana. As an incident to the merger, the sole office of Clay City Bank would become a branch of Brazil Bank, increasing the number of its offices to three.

Competition. - The offices of both banks are in Clay County. The head office and drive-in branch of Brazil Bank are in Brazil, a community with a 1960 population of about 8,900, which is the county seat. Brazil is about 70 miles southwest of Indianapolis and

1/ Figures are as of June 30, 1966.
approximately 16 miles northeast of Terre Haute. The sole office of Clay City Bank is in Clay City, a community with a 1960 population of about 950.

The offices of the two banks are about 13 miles apart, and there are offices of other banks in the intervening area. Brazil Bank and Clay City Bank do not compete with one another to any meaningful extent. Shareholders who own about 34 per cent of the stock of Brazil Bank also own about 37 per cent of the stock of Clay City Bank. There is no evidence to indicate that the banks would become significant competitors even if the common ownership were terminated.

The relevant market for the resulting bank is Clay County and portions of Vigo, Parke, and Owen Counties. In this area, 12 banks operate 24 offices which hold total deposits of over $200 million. Following the merger, Brazil Bank would hold less than 10 per cent of total area deposits. Brazil Bank is faced with competition from the larger Terre Haute banks, in part because numerous residents of Brazil commute to work in Terre Haute. In addition, the largest bank in Terre Haute recently received approval to establish a branch eight miles from Brazil.

The principal competitor of Brazil Bank, and the only other bank in Brazil, is Riddell National Bank, which has total deposits of about $14 million. The nearest banking office to Clay City Bank is located approximately seven miles southeast of Clay City, and is a
branch of a bank which has total deposits of about $8 million. It
does not appear that any banking offices would be adversely affected
by the merger.

The effect of the proposed merger on competition would not
be adverse.

Financial and managerial resources and future prospects. -
The banking factors with respect to each of the banks proposing to
merge are satisfactory, as they would be with respect to the resulting
bank.

Convenience and needs of the communities. - The residents
of Brazil would benefit to some extent from the increased lending
limit of the resulting bank, and the bank's increased resources would
contribute to its ability to offer other improved services. However,
the major effect of the merger on banking convenience and needs would
be in Clay City where the office of Brazil Bank would provide a more
complete range of banking services than is now conveniently available
to the residents of that community.

Summary and conclusion. - In the judgment of the Board, the
proposed merger would not adversely affect banking competition, and
the resulting bank would be able to offer improved services which, in
particular, would benefit the banking needs and convenience of the Clay
City community.

Accordingly, the Board concludes that the application should
be approved.

October 10, 1966.
Notice of Request and Order for Hearing
Pursuant to Section 4(c)(8) of the Bank Holding Company Act of 1956

Notice is hereby given that request has been made to the Board of Governors of the Federal Reserve System, pursuant to section 4(c)(8) of the Bank Holding Company Act of 1956, as amended by Public Law 89-485 (12 U.S.C. 1843(c)(8)), and section 222.5(b) of the Board's Regulation Y (12 CFR 222.5(b)), by The First Virginia Corporation, Arlington, Virginia, a bank holding company, for a determination that the proposed additions to the insurance activities of its nonbanking subsidiaries, First Virginia Life Insurance Agency, Inc. and First General Insurance Agency, Inc., are of the kind described in the aforementioned sections of the Act and the Regulation so as to make it unnecessary for the prohibitions of section 4 of the Act with respect to the ownership of shares in nonbanking organizations to apply in order to carry out the purposes of the Act.

Inasmuch as section 4(c)(8) of the Act requires that any determination pursuant thereto be made by the Board after due notice and hearing and on the basis of the record made at such hearing,

It Is Hereby Ordered, That pursuant to section 4(c)(8) of the Banking Holding Company Act and in accordance with sections 222.5(b) and 222.7(a) of the Board's Regulation Y (12 CFR 222.5(b), 222.7(a)), promulgated under the Bank Holding Company Act, a hearing with respect
to this matter be held commencing on November 1, 1966, at 10 a.m.,
at the offices of the Board of Governors of the Federal Reserve System,
Washington, D. C., before a hearing examiner selected by the Civil
Service Commission, pursuant to section 3344 of Title 5 of the United
States Code, such hearing to be conducted according to the Rules of
Practice for Formal Hearings of the Board of Governors of the Federal
Reserve System (12 CFR Part 263). The right is reserved to the Board
or such hearing examiner to designate any other date or place for such
hearing or any part thereof which may be determined to be necessary
or appropriate for the convenience of the parties. The Board's Rules
of Practice for Formal Hearings provide, in part, that "All such
hearings shall be private and shall be attended only by parties and
their representatives or counsel, representatives of the Board,
witnesses, and other persons having an official interest in the pro-
ceedings: Provided, however, That, on written request by a party or
representatives of the Board, or on the Board's own motion, the Board,
unless prohibited by law, may permit other persons to attend or may
order the hearing to be public."

Any person desiring to give testimony in this proceeding
should file with the Secretary of the Board, directly or through the
Federal Reserve Bank of Richmond, Richmond, Virginia, on or before
October 28, 1966, a written request containing a statement of the
nature of the petitioner's interest in the proceeding, and a summary
of the matters concerning which said petitioner wishes to give
testimony. Such request will be presented to the designated hearing examiner for his determination. Persons submitting timely request will be notified of the hearing examiner's decision.

Dated at Washington, D. C., this 10th day of October, 1966.

By order of the Board of Governors.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
AIR MAIL

Lic. Eduardo Mosquera E.,
Superintendente de Bancos,
Superintendencia de Bancos,
Guatemala, Guatemala, C. A.

Dear Mr. Mosquera:

This will acknowledge your letter of August 25, 1966, asking to be supplied on a confidential basis with certain information regarding the acquisition of shares of Banco de Comercio e Industria de Guatemala, S.A., for the amount of 250,000 quetzales by The Bank of California Organization in October 1965.

According to information available to the Board of Governors the shares that you mention were acquired by Bank of California International Corporation, San Francisco, California, a wholly-owned subsidiary of The Bank of California National Association, San Francisco.

The Bank of California International Corporation (whose name has subsequently been changed to Bank of California International and its Head Office removed to New York, New York) is a corporation organized and operating pursuant to the provisions of Section 25(a) of the Federal Reserve Act and, as such, acquisition of shares of the Guatemalan bank would not be subject to approval by any authority of the State of California. In view of the provisions of Regulation K, issued by the Board of Governors under the authority of Section 25(a), the shares of Banco de Comercio e Industria de Guatemala, S.A. were acquired under the general consent provisions of Section 211.8(a) of the Regulation and no specific approval by the Board of Governors was required.

It is hoped that the foregoing information will be sufficient for your purposes.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.