


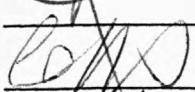
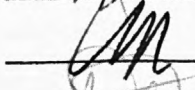
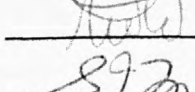
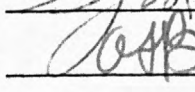
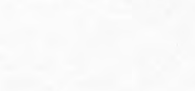

Minutes for December 29, 1966

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 a meeting of the available members of the Board of Governors of the Federal Reserve System on Thursday, December 29, 1966.

The meeting was held in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Dahl, Assistant Director, Division of Examinations
Mr. Via of the Legal Division
Messrs. Egertson, Lyon, and Maguire of the Division of Examinations

The following actions were taken subject to ratification at the next meeting of the Board at which a quorum was present:

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

| | <u>Item No.</u> |
|--|-----------------|
| Letter to Nevada Bank of Commerce, Reno, Nevada, approving the establishment of a branch in Las Vegas. | 1 |
| Letter to Manufacturers Hanover Trust Company, New York, New York, granting an extension of time to establish a branch at 1191 Second Avenue, Borough of Manhattan. | 2 |
| Letter to Western Bancorporation International Bank, New York, New York, approving an amendment to its articles of association to change its name to United California Bank International. | 3 |

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Item No.

Letter to the Federal Deposit Insurance Corporation regarding the application of Central Bank and Trust Company, Springville, Utah, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

4

Letter to the Federal Reserve Bank of San Francisco approving a request by Civic National Bank, Los Angeles, California, for permission to continue to maintain reduced reserves.

5

Apparent kiting operation. Mr. Egertson reported having been advised by the Office of the Comptroller of the Currency of an apparent kiting operation that had been discovered by national bank examiners in the course of the current examination of a bank in California. It appeared that a fairly large number of banks in that State holding deposits of the organization involved might be affected. The question raised by the Comptroller's Office was whether steps should be taken to alert all such banks. However, it was felt by the Federal Deposit Insurance Corporation that such action might be premature. At the suggestion of Governor Robertson, arrangements then were made for a meeting of top regional representatives of the three Federal bank supervisory agencies to assemble the full facts and contact the chief officer of the organization concerned in the kiting operation. According to preliminary indications, the amounts involved were not extremely large, but there was some concern from the standpoint of smaller banks that might incur loss.

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Governor Robertson noted that the matter would be pursued vigorously by the several bank supervisory agencies in such manner as might seem most appropriate in the light of whatever detailed information became available as a result of the meeting of the regional supervisory officials.

Interlocking relationships (Item No. 6). The Vice Chairman recalled that at the Board meeting on December 15, 1966, consideration had been given to certain interlocking relationships between The First National Bank of Bellevue, Bellevue, Nebraska, and The Southwest Bank of Omaha, Omaha, Nebraska, that appeared to be prohibited by the provisions of section 8 of the Clayton Act. It was understood that some time ago a different opinion had been expressed to the banks concerned by the Office of the Comptroller of the Currency. Accordingly, it had been agreed that the matter should be referred to the Acting Comptroller for review before the Board took any further action, and that was done.

The Vice Chairman reported that a letter had now been received from the Acting Comptroller taking the position that questions of this kind were properly the subject of interpretation by the Board of Governors in view of the provisions of the law and that hereafter all requests for such interpretations would be referred by the Comptroller's Office to the Federal Reserve.

In the circumstances, unanimous approval was given to the letter to the Federal Reserve Bank of Kansas City of which a copy is attached as Item No. 6, with a copy to the Acting Comptroller of the Currency.

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Nonpar banking (Item No. 7). The Vice Chairman referred to a letter that had been sent under date of December 8, 1966, by President Galusha of the Federal Reserve Bank of Minneapolis to all nonpar banks in the Ninth District as part of an effort to stimulate a dialogue on the subject of nonpar banking. Favorable results reportedly were being achieved, with indications that bank holding companies in the Ninth District were going to put their nonpar subsidiary banks on the par list and that a number of other nonpar banks also acknowledged the desirability of a change in the situation. In addition, it was understood that State legislation requiring par clearance was going to be introduced in the Minnesota legislature.

Governor Robertson said that he had asked President Galusha to send copies of the relevant materials, including the December 8 letter, to the Presidents of the Reserve Banks in other districts where nonpar banking was prevalent, including Richmond, Atlanta, St. Louis, and Dallas, in the hope that they might take steps similar to those taken by President Galusha. He proposed that letters now be sent to those Presidents from the Board supporting the view that such steps should be instituted in the respective districts.

The sending of such letters was approved unanimously; a copy of the letter sent to the President of the Richmond Bank is attached as Item No. 7.

In reply to a question, Governor Robertson said that a copy of the letter sent by President Galusha had been supplied to Chairman Randall

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of the Federal Deposit Insurance Corporation at the latter's request. He understood that the Corporation was considering the issuance of a letter to banks within the near future expressing concern about the practice of nonpar banking and a hope that the banks themselves would correct the situation without legislation.

Report on competitive factors. Pursuant to the understanding at the meeting on Tuesday, December 27, Mr. Egertson reported further information obtained from the Federal Reserve Bank of St. Louis with respect to stockholdings in The Bank of Blue Mountain, Blue Mountain, Mississippi, and First National Bank, New Albany, Mississippi, by certain officers of a large national bank in Jackson, Mississippi, and members of their families. In brief, it appeared that those holdings were of long standing and were not acquired for the purpose of paving the way to a merger of the Blue Mountain and New Albany banks. In its investigation of the proposed merger, the St. Louis Bank had heard some concern expressed by bankers in the area that the two large Jackson banks were using personal relationships to extend their influence into parts of the State where they could not establish branches. However, those comments had been of a general nature, and no information on specific situations was furnished.

Mr. Egertson also related that a review of examination reports by the Atlanta Reserve Bank indicated that several officers and directors of one of the large Jackson banks were interested in a number of

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other banks and that certain officers and directors of the other large Jackson bank were directors of smaller banks in the State. However, that was the extent of the presently available information. The Board's Division of Data Processing had thus far been unable to locate other pertinent data in its files.

After a discussion of the matter it was agreed that the body of the report to the Comptroller of the Currency on competitive factors should include the following two paragraphs:

During an investigation made in connection with the proposal, it was disclosed that one of the directors of New Albany Bank, who is associated with one of the large banks in Jackson, Mississippi, owns, together with members of his family, approximately 15 per cent of the New Albany Bank's stock. This association has existed for many years. Also, one of the directors of Blue Mountain Bank, who is employed at the same Jackson institution, and his family have owned for many years about 36 per cent of the stock of Blue Mountain Bank. Together, the holdings of these two individuals and their associates would represent about 21 per cent of the outstanding stock of the resulting institution.

New Albany Bank and Blue Mountain Bank are located in separate counties and two branches of the latter are located in a third county. The counties adjoin. The investigation, as well as data furnished in the application, indicate that each bank and branch derives a preponderance of its deposits and loans from the county in which it is located, and that there is very little competition across county lines. Although business and personal relationships reportedly have existed between certain stockholders of both banks for a number of years, the existing competition, however small, will be eliminated if the proposal is consummated. The number of banking offices in the three counties will not change. There is growing concern among area bankers that two large national banks in Jackson, Mississippi, are using personal relationships to extend their influence into the areas of the State where these banks are prohibited from establishing branches.

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The report was then approved unanimously for transmittal in a form in which the conclusion read as follows:

Consummation of the proposed merger of Bank of Blue Mountain and First National Bank, New Albany, would remove whatever competition exists between them and further concentrate the banking structure in the area.

Application of Commercial Bancorp, Inc. (Items 8 and 9). There had been distributed drafts of a proposed order and statement reflecting approval by the Board on December 15, 1966, of the application of Commercial Bancorp, Inc., Miami, Florida, for permission to acquire a minimum of 80 per cent of the shares of Bank of Palm Beach and Trust Company, Palm Beach, Florida.

Issuance of the order and statement was authorized; copies of the documents as issued are attached as Items 8 and 9, respectively.

Application of Bank of Virginia (Items 10-12). There had been distributed drafts of a proposed order and statement reflecting approval by the Board on December 7, 1966, of the application of The Bank of Virginia, Richmond, Virginia, to merge The Bank of LaCrosse, LaCrosse, Virginia. A draft of dissenting statement by Governors Maisel and Brimmer had also been distributed.

Issuance of the order, statement, and dissenting statement was authorized; copies of the documents as issued are attached as Items 10, 11, and 12, respectively.

The meeting then adjourned.

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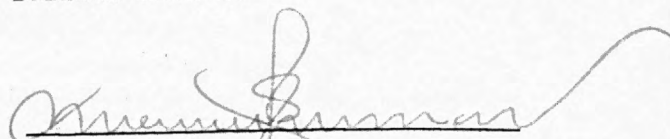
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Secretary's Notes: A letter was sent today to Bank of America National Trust and Savings Association, San Francisco, California, acknowledging receipt of notice of its intent to establish an additional branch in France, to be located in Marseille. The letter noted that no additional capital would be required to establish the branch.

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

Letter to First National City Bank, New York, New York, (copy attached as Item No. 13) rescinding the Board's authorization of September 29, 1966, for the bank to establish a branch in Casablanca, Morocco.

Letter to the Federal Reserve Bank of New York (copy attached as Item No. 14) approving the appointment of Philip G. Coletti as Federal Reserve Agent's Representative at the Buffalo Branch.


Secretary

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

Item No. 1
12/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1966

Board of Directors,
Nevada Bank of Commerce,
Reno, Nevada.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Nevada Bank of Commerce, Reno, Nevada, of a branch on the southeast corner of the intersection of Las Vegas Boulevard South and Charleston Boulevard, Las Vegas, 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 GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
12/29/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 29, 1966

Board of Directors,
Manufacturers Hanover Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to October 14, 1967, the time within which Manufacturers Hanover Trust Company, New York, New York, may establish a branch at 1191 Second Avenue, Borough of Manhattan, 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. 3
12/29/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1966.

Western Bancorporation
International Bank,
61 Broadway,
New York, New York. 10015.

Gentlemen:

Reference is made to your letter of December 12, 1966, enclosing a certified copy of a resolution of shareholders amending Article FIRST of the Articles of Association of your Corporation changing the name of the Corporation to "United California Bank International."

The Board of Governors approves the amendment to Article FIRST. It is understood that the change in name of your Corporation is to be effective as of the close of business December 31, 1966.

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. 4
12/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1966

The Honorable K. A. Randall, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of December 15, 1966, concerning the application of Central Bank and Trust Company, Springville, Utah, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

Subject was last examined by the Federal Reserve Bank of San Francisco as of the close of business August 29, 1966. At that time, the bank had a fairly high volume of criticized assets, numerous deficiencies were noted in the bank's records, systems and controls, and subject's capital position was below a desirable level. The Reserve Bank urged that corrective action be taken to improve these unfavorable conditions.

There have been no other corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System. Nevertheless, you may wish to consider the above information in your review of this application.

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
12/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1966

Mr. Irwin L. Jennings, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120.

Dear Mr. Jennings:

This refers to your letter of December 7 in regard to the request of the Civic National Bank, Los Angeles, California, for permission to continue to carry reduced reserves following the recent transfer of its head office operations from Marina del Rey, California, to the location in Los Angeles formerly occupied by its Civic Center Branch and designation of the Marina del Rey office as a branch.

Since the interchange of offices is expected to cause little change in the character of the bank's business or the size of its deposits, the Board of Governors concurs in your action in notifying the member bank that its permission to maintain the same reserves against deposits as are required to be maintained by banks outside of reserve cities may be continued subject to future reviews.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6
12/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 19, 1967

Mr. George D. Royer, Jr., Vice President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri. 64198

Dear Mr. Royer:

Reference is made to your letter of October 12, 1966, and earlier correspondence regarding a possible violation of section 8 of the Clayton Act (12 U.S.C. 19) and the Board's Regulation L (12 CFR 212) arising from the fact that a majority of the directors of The First National Bank of Bellevue, Bellevue, Nebraska ("Bellevue Bank") constitute a majority of the directors of the Southwest Bank of Omaha, Omaha, Nebraska ("Omaha Bank").

The Board has concluded that, because of the changes in the boundaries of Bellevue on September 23, 1965, that city and Omaha are contiguous within the meaning of section 8(4) of the Clayton Act. Accordingly, since it appears that no other exception applies, the interlocking relationships existing between Omaha Bank and Bellevue Bank are forbidden by the statute and Regulation L.

You will recall that in a letter dated December 20, 1966, a copy of which was forwarded to you, the Board offered the Acting Comptroller of the Currency an opportunity to review a contrary conclusion reached by his Office. Enclosed is a copy of his response, which states that, in the future, his Office will refer all requests and rulings and interpretations under section 8 to the Board.

Inasmuch as more than one year has transpired since the nearest election or appointment of the individuals involved prior to September 23, 1965, it would appear that none of them should be regarded as entitled to any benefit from the grace period provided in section 8 of the Clayton Act for interlocking relationships which come within the Act's prohibition because of events occurring during tenure in office. On this basis, the Board would appreciate it if your Bank would advise each of the banks that prompt steps should be taken to terminate the interlocking relationships in question.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

Item No. 7
12/29/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1966.

Mr. Edward A. Wayne, President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Wayne:

If you have not already received it, you will shortly receive a letter from Mr. Hugh Galusha, President of the Minneapolis Reserve Bank, describing actions recently taken by him for the purpose of stimulating a dialog in the Ninth Federal Reserve District regarding nonpar banking, including a letter he has written to all nonpar banks in the District. It is the Board's understanding that a majority of the responses received rather surprisingly acknowledge the necessity for a change in the situation. It is expected that a par clearance bill will be introduced in the Minnesota legislature early next year.

The Board hopes that you will consider writing a similar letter to the nonpar banks in your District and taking such other actions, similar to those taken by Mr. Galusha, as you may think appropriate to generate open discussion of the matter that could lead to voluntary discontinuance of exchange charges on the part of most nonpar banks or to State legislation. In this connection, the Board has reason to believe that the Federal Deposit Insurance Corporation may now be inclined to adopt a position in favor of par banking, even though it may not be willing to reverse its traditional position with respect to absorption of exchange charges.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

UNITED STATES OF AMERICA

Item No. 8

12/29/66

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
COMMERCIAL BANCORP, INC.,
MIAMI, FLORIDA,
for approval of the acquisition of voting
shares of Bank of Palm Beach and Trust
Company, Palm Beach, Florida.

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 89-485), and section 222.4(a) of Federal Reserve Regulation Y (12 CFR 222.4(a)), an application by Commercial Bancorp, Inc., Miami, Florida, a registered bank holding company, for the Board's approval of the acquisition of a minimum of 80 per cent of the outstanding voting shares of Bank of Palm Beach and Trust Company, Palm Beach, Florida.

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

Notice of receipt of the application was published in the Federal Register on October 21, 1966 (31 Federal Register 13624), which provided an opportunity for submission of comments and views regarding the application. Time for filing such comments and views has expired and all comments and views 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 the date of the Order.

Dated at Washington, D. C., this 29th day of December, 1966.

By order of the Board of Governors.

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

Absent and not voting: Chairman Martin.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 9
12/29/66

APPLICATION BY COMMERCIAL BANCORP, INC.,
FOR APPROVAL OF THE ACQUISITION OF VOTING SHARES OF
BANK OF PALM BEACH AND TRUST COMPANY, PALM BEACH, FLORIDA

STATEMENT

Commercial Bancorp, Inc., Miami, Florida ("Applicant"), a registered bank holding company, has applied to the Board of Governors, pursuant to section 3(a) of the Bank Holding Company Act of 1956, as amended by Public Law 89-485 ("the Act"), for permission to acquire a minimum of 80 per cent of the voting shares of Bank of Palm Beach and Trust Company, Palm Beach, Florida ("Bank"). Applicant presently has three subsidiary banks, all located in the Miami area, which had combined total deposits of \$46 million at December 31, 1965.^{1/} Bank, with total deposits of about \$32 million, is located some 60 to 80 miles north of each of Applicant's present subsidiary banks.

Applicant proposes to acquire the aforestated percentage of Bank's stock through exchange of three shares of Applicant's stock for each share of Bank's stock. On these terms, Applicant proposes to acquire 95,000 (52 per cent) of Bank's outstanding voting shares owned by Applicant's president, Mr. H. T. Maroon, who is also Applicant's principal

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

stockholder (51 per cent). A similar three for one exchange offer will be tendered to Bank's minority shareholders. Applicant does not intend to consummate the proposed acquisition unless it can acquire a minimum of 80 per cent of Bank's outstanding shares.

Views and recommendation of supervisory authority. - As required by section 3(b) of the Act, the Board notified the Comptroller of the State of Florida of receipt of the application and requested his views and recommendation thereon. The State Comptroller recommended approval of the application.

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

Competitive effect of proposed acquisition. - Applicant is the seventh in size of eight bank holding companies operating in the State of Florida. Following the acquisition of Bank, Applicant would rank fifteenth in size of all banking organizations in the State, controlling about 1 per cent of the total deposits of all banks in Florida.

Bank's primary service area^{2/} consists of most of the City of Palm Beach and part of West Palm Beach. Bank is the fourth in size of five banks located in its primary service area, and holds about 15 per cent of the total deposits of the five banks. Two of the banks in that area controlling, respectively, 29 per cent and 22 per cent of the total deposits of the five banks are subsidiaries of bank holding companies - namely, Atlantic National Bank of West Palm Beach and Florida National Bank and Trust Company, West Palm Beach. The smallest bank in the area, Security Exchange Bank, West Palm Beach, is well established and has deposits of about \$14 million. The fifth of the area banks, First National Bank of Palm Beach, has total deposits (\$58 million) representing about 28 per cent of the aggregate deposits held by the five banks.

In addition to the five banks located in Bank's primary service area, eight other banks located outside the area are reported to compete therein. Bank holds 11 per cent of the aggregate total deposits (\$301 million) held by the 13 banks. Applicant's acquisition of Bank would increase its present control of deposits of all banks by only

^{2/} The area from which approximately 74 per cent of Bank's deposits of individuals, partnerships, and corporations ("IPC deposits") originate.

.4 per cent. Applicant would remain the seventh in size of bank holding companies and, as earlier stated, would rank fifteenth in size of all banking organizations in the State. It is reasonably concluded that Applicant's acquisition of Bank will not result in a monopoly; nor is there evidence that the proposal is in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any relevant area.

Nor, in the Board's judgment, is it likely that consummation of Applicant's proposal will result in any substantial lessening of competition. As between Applicant's present subsidiary banks and Bank, no significant competition presently exists. Some 60 or more miles separate Bank from Applicant's present subsidiaries. Further, Fort Lauderdale, with 12 commercial banks ranging in size of deposits from \$4 million to \$71 million, is located between the Palm Beach area and the Miami area. These facts reasonably support also the conclusion that little, if any, potential competition between Applicant's present subsidiary banks and Bank will be foreclosed by the proposed acquisition.

The three banks located nearest to Bank are all larger than Bank in terms of total deposits, and two of those banks are subsidiaries of bank holding companies. The other bank located in the primary service area is substantially smaller than Bank, with \$14 million of deposits, but has a history of successful competition with the larger banks in the area. In the Board's judgment, it will not experience any undue competitive consequences from Applicant's acquisition of Bank. A similar conclusion appears

warranted with respect to the eight banks located outside of, but competing in, Bank's area. Of these banks, the five that are considerably smaller than Bank are located from five to eight miles from Bank, are separated from Bank by Lake Worth, and are in closer proximity to other banks, some of which are larger than Bank, two of which are subsidiaries of bank holding companies. Bank's acquisition by Applicant will not, in the Board's judgment, alter measurably the existing competitive structure.

On the basis of the foregoing considerations, the Board concludes that consummation of Applicant's proposal will neither result in any substantial lessening of competition nor in any other manner be in restraint of trade.

Financial and managerial resources and future prospects. -

Applicant commenced operations as a bank holding company in April 1965, when it acquired control of its present three subsidiary banks. Its principal asset is the stock of these banks. Based upon the satisfactory asset quality and generally satisfactory capital structure of the three banks, their financial resources, and those of Applicant, are considered to be satisfactory. Bank, organized in 1953, has experienced sound financial growth, and its financial resources are also considered satisfactory.

Viewed in light of the favorable economic outlook for the areas served both by Applicant's subsidiary banks and by Bank, it is concluded that growth prospects for each of the banks are favorable. This conclusion obtains with respect to Bank whether it is operated as part of Applicant's system or continues under its present ownership.

Managements of Applicant, its subsidiary banks, and Bank are all considered to be competent and experienced. Applicant does not intend to initiate any changes in Bank's present management upon consummation of the acquisition.

Considerations relating to the financial and managerial resources, and future prospects of Applicant, its subsidiary banks, and Bank are considered to be consistent with approval of the application.

Convenience and needs of the area concerned. - The City of Palm Beach, Bank's location, is principally a resort town located in Palm Beach County. In the past 10 years, Palm Beach County has been one of the fastest growing areas in the nation as regards population, income, and bank deposits. Since 1960 there have been more than 40 new industrial plants or plant expansions in the County. Much of the employment growth has been in space-related industries where salary scales are generally high. Although future population growth is not expected to be quite as rapid as in recent years, the general economic outlook for the area is favorable.

There is no evidence or assertion in the record that the major banking needs of the businesses and residents in the Palm Beach area are not being adequately served. The proposed acquisition will have little effect on the convenience and needs of that area. Applicant proposes to make available to Bank computer facilities which Bank presently leases. This service, which would not normally be economically available to an institution the size of Bank, will be indirectly of some benefit to

Bank's customers. Applicant asserts that its acquisition of Bank will make available to its three banks and to Bank, on a participation basis, a combined lending limit nearly double that now available to Applicant's banks or to Bank, separately. However, the four banks are already affiliated and are able, the Board believes, to arrange loan participations almost as expeditiously now as they could as co-subsiaries.

Since no significant benefits will result from the proposed acquisition, considerations relating to the "convenience and needs" factor are viewed as being consistent with, but providing no strong weight for, approval of the application.

Summary and conclusion. - On the basis of all relevant facts contained in the record, and in light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed transaction would be consistent with the public interest and that the application should therefore be approved.

December 29, 1966.

UNITED STATES OF AMERICA

Item No. 10

12/29/66

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

THE BANK OF VIRGINIA

for approval of merger with
The Bank of LaCrosse

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 Bank of Virginia, Richmond, Virginia, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Bank of LaCrosse, LaCrosse, Virginia, under the charter and title of The Bank of Virginia. As an incident to the merger, the two offices of The Bank of LaCrosse would become branches 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 the date of this Order.

Dated at Washington, D. C., this 29th day of December, 1966.

By order of the Board of Governors.

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

Voting against this action: Governors Maisel and Brimmer.

Absent and not voting: Governor Robertson.

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 11
12/29/66

APPLICATION BY THE BANK OF VIRGINIA
FOR APPROVAL OF MERGER WITH
THE BANK OF LACROSSE

STATEMENT

The Bank of Virginia, Richmond, Virginia ("Virginia Bank"), with total deposits of about \$231 million, has applied, pursuant to the Bank Merger Act (12 U.S.C. 1828(c), as amended by Public Law 89-356), for the Board's prior approval of the merger of that bank with The Bank of LaCrosse, LaCrosse, Virginia ("LaCrosse Bank"), which has total deposits of about \$6 million.^{1/} The banks would merge under the charter and name of Virginia Bank, which is a member of the Federal Reserve System. As an incident to the merger, the two offices of LaCrosse Bank would become branches of Virginia Bank, increasing the number of its offices to 33.^{2/}

Competition. - Virginia Bank is a subsidiary of a registered bank holding company, Virginia Commonwealth Bankshares, Inc., which is the fourth largest banking organization in Virginia. The holding company's seven subsidiary banks hold about 6 per cent of the deposits held by the State's 250-odd banks, and the proposed merger would increase its share of these deposits by about one-tenth

^{1/} Figures are as of June 30, 1966.

^{2/} Includes three authorized branches that have not yet opened.

of one per cent. No affiliate of the holding company has offices nearer to LaCrosse Bank than Virginia Bank.

The head office of LaCrosse Bank is in LaCrosse, a town with a population of about 750, which is about 80 miles southwest of Richmond. The Bank operates a branch about three miles northwest of LaCrosse at South Hill, a town with a population of about 3,000. Both of these offices are in the eastern portion of Mecklenburg County. The nearest office of Virginia Bank to LaCrosse Bank is its branch at Boydton, a town with a population of 450, which is the seat of Mecklenburg County. Boydton is about 16 miles west of the LaCrosse/South Hill area and the intervening region is sparsely populated; Virginia Bank's next nearest office to this area is about 40 miles distant. Virginia Bank is precluded by the restrictions of State law from establishing a de novo branch in LaCrosse or South Hill.

There is only a minor degree of competition between LaCrosse Bank and Virginia Bank, and there is nothing to indicate that the banks would become significant competitors if they did not merge.

The principal competition for LaCrosse Bank is provided by a bank headquartered in South Hill and by the Broadnax branch (four miles east of LaCrosse) of a Lawrenceville bank. It does not appear that either of these banks would be adversely affected by the

merger. The next nearest banking offices to LaCrosse Bank are the Lawrenceville bank (15 miles distant) and the Boydton branch of Virginia Bank.

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

Financial and managerial resources and future prospects. -

The banking factors with respect to each of the banks proposing to merge are reasonably satisfactory, as they would be with respect to the resulting bank.

Convenience and needs of the communities. - The merger would have no material effect on the convenience and needs of the communities in which Virginia Bank presently operates offices.

The replacement of LaCrosse Bank by offices of Virginia Bank, with its larger lending limit and broader range of bank services, would afford added convenience for those businesses in the LaCrosse/South Hill area that presently deal with out-of-area banks and other financial institutions. In addition, the availability of full-scale banking services might have a favorable influence on the local economy.

Summary and conclusion. - In the judgment of the Board, the proposed merger would benefit the banking convenience and needs of the LaCrosse/South Hill area, and would not result in any significantly adverse consequences for banking competition.

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

December 29, 1966.

12/29/66

DISSENTING STATEMENT OF GOVERNORS MAISEL AND BRIMMER

Virginia Bank is the fifth largest bank in the State of Virginia. It is the largest of the seven subsidiary banks of Virginia Commonwealth Bankshares, Inc., a registered bank holding company, which is the fourth largest banking organization in the State. Since it commenced business in 1962, this holding company has acquired 14 banks, either directly or through mergers by its subsidiaries.

Virginia Commonwealth Bankshares and the three largest banking organizations in Virginia already account for over 39 per cent of the deposits and for nearly 30 per cent of the offices of the State's 250-odd banks. In addition, the eight largest banking organizations in Virginia presently hold more than 58 per cent of the deposits in the State, and they operate nearly 47 per cent of the banking offices. These facts are ignored by the majority.

A continuing trend in Virginia leading to the concentration of banking resources in a handful of large banking organizations would be clearly inconsistent with the preservation of effective banking competition in the State. Indeed, it is quite plain that if the trend is allowed to continue, it will lead to a banking oligopoly. Such a result is equally undesirable, whether it is achieved through large bites, a series of nibbles, or some combination of both.

Because of the degree of banking concentration in the State of Virginia, we feel that further acquisitions by any of the larger banking organizations should depend upon a clear showing of

improved benefits to the banking public. We find no evidence of any such benefit in the record of this case. Moreover, we think the merger of Virginia Bank and LaCrosse Bank will have adverse effects for banking competition in the local area.

LaCrosse Bank operates its head office in LaCrosse and a branch in South Hill, both in the eastern portion of Mecklenburg County. The county is forested but also has tobacco and general farming. There are no banks between the LaCrosse Bank and the Boynton branch of Virginia Bank. Since this is a sparsely settled area, competition between the two has not been great. On the other hand, the existence of an alternative source of supply, particularly for loans, may be extremely important for those concerned. It is this type of safety valve that the Bank Merger Act is supposed to protect.

The number of banking alternatives in this area has been falling rapidly. Three independent banks have been eliminated by merger in the past six months. Authorizing an additional merger at this time means that the number of alternative banking sources available to the inhabitants of the county has been cut nearly in half within a year. Clearly, such a continued chipping away of competition should only be authorized when it has been shown that there are major advantages to the community based upon the shift in bank ownership.

The majority approves the application essentially on the ground that the merger "would afford added convenience for those

businesses in the LaCrosse/South Hill area that presently deal with out-of-area banks and other financial institutions." On the face of it, it appears that the extent of this benefit would not be great in view of the accessibility to the area of the branch of Virginia Bank at Boydton, the seat of Mecklenburg County, which is 16 miles away across a rural region. Further, there is no evidence that the local businesses that finance outside the LaCrosse/South Hill area do so because their needs cannot be conveniently met at, or near, home. They use financial institutions that are situated at greater distances than the Boydton branch of Virginia Bank. In addition, the record before us makes it clear that the principal competitors of LaCrosse Bank have few calls for loans in excess of their lending limits and that when such demand do arise, they can be met by placing overlies with correspondent banks. These principal competitors include the bank headquartered in South Hill and the branch of the Lawrenceville-based bank at Broadnax, only four miles from LaCrosse. The fact that some businesses in LaCrosse and South Hill choose, in these circumstances, to finance through "out-of-area" institutions may be a tribute to the competitive acumen of the latter, but it is a weak and insufficient reason for approving this merger.

As its other reason for approving the merger, the majority states that "the availability of full-scale banking services might have a favorable influence on the local economy." We agree

that, in many instances, a community can benefit from the addition of a source of full-scale banking services. However, simply to make banking services available is not sufficient to create a demand for them. Instead, there must be a reasonable nexus between the availability of such services and the indigenous sources of economic growth. This nexus currently does not exist in the LaCrosse/South Hill area--a fact the majority does not deny.

In our judgment, the approval of this merger subordinates the public interest to the corporate interests and convenience of the applicant, which is exactly the reverse of what the Bank Merger Act requires.

Therefore, we think the application should be denied.

December 29, 1966.



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

Item No. 13
12/29/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1966

First National City Bank,
399 Park Avenue,
New York, New York. 10022

Gentlemen:

Reference is made to your letter of December 12, 1966, regarding the Board's letter of September 29, 1966, which authorized your bank to establish a branch in Casablanca, Morocco, provided such branch was actually established and opened for business on or before October 1, 1967.

You state that prior to the submission of your application you had been assured that your bank would be welcome in Morocco in any form. However, the Finance Minister in Casablanca has advised your representative that approval of the Government of Morocco must be limited to the establishment of a Moroccan corporation which can be wholly owned by your bank or one of its affiliates and that the branch will not be established.

Accordingly, the Board's authorization of September 29, 1966, for your bank to establish a branch in Casablanca is rescinded.

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. 14
12/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1966

Mr. Everett N. Case,
Federal Reserve Agent,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Case:

As requested in your letter of December 14, 1966, the Board of Governors approves the appointment of Mr. Philip G. Coletti as Federal Reserve Agent's Representative at the Buffalo Branch to succeed Mr. Sydney L. Henning.

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

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

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

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.