

Minutes of the Board of Governors of the Federal Reserve System on Monday, July 15, 1971. The meeting was held at 12:00 p.m.

Minutes for July 15, 1971

To: Members of the Board  
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

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

Page 9 Increase in discount rate at Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

- Chairman Burns \_\_\_\_\_
- Governor Robertson \_\_\_\_\_
- Governor Mitchell \_\_\_\_\_
- Governor Daane \_\_\_\_\_
- Governor Maisel \_\_\_\_\_
- Governor Brimmer \_\_\_\_\_
- Governor Sherrill \_\_\_\_\_

7/15/71 Minutes of the Board of Governors of the Federal Reserve System on Thursday, July 15, 1971. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Robertson, Vice Chairman

Mr. Daane

Mr. Maisel

Mr. Brimmer

Mr. Sherrill

Mr. Kenyon, Deputy Secretary

Mr. Bernard, Assistant Secretary

Mr. Leonard, Assistant Secretary

Mr. Partee, Adviser to the Board and Director,  
Division of Research and Statistics

Mr. Solomon, Adviser to the Board and Director,  
Division of International Finance

Mr. Hackley, Assistant to the Board

Mr. Molony, Assistant to the Board

Mr. Coyne, Special Assistant to the Board

Mr. O'Brien, Special Assistant to the Board

Mr. Rippey, Special Assistant to the Board

Mr. O'Connell, General Counsel

Mr. Solomon, Director, Division of Supervision  
and Regulation

Mr. Johnson, Director, Division of Personnel  
Administration

Mr. Kakalec, Controller

Mrs. Heller, Adviser, Legal Division

Mr. Axilrod, Associate Director, Division of  
Research and Statistics

Mr. Gramley, Associate Director, Division of  
Research and Statistics

Mr. Kiley, Associate Director, Division of  
Federal Reserve Bank Operations

Mr. Ring, Assistant Director, Division of  
Federal Reserve Bank Operations

Mr. Leavitt, Deputy Director, Division of  
Supervision and Regulation

Mr. Egertson, Assistant Director, Division of  
Supervision and Regulation

Mr. Lyon, Assistant Director, Division of  
Supervision and Regulation

Mr. McClintock, Assistant Director, Division of  
Supervision and Regulation

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Mr. Halley, Deputy Controller  
 Mrs. Semia, Technical Assistant, Office of  
 the Secretary  
 Supporting staff members of the respective  
 Divisions

Ratification of actions. Actions taken by the available members of the Board at the meeting on Friday, July 9, 1971, as recorded in the minutes of that meeting, were ratified by unanimous vote.

Consent calendar. The Board approved unanimously a letter to B.M.C. Durfee Trust Company, Fall River, Massachusetts, approving its application for permission to issue capital notes. A copy is attached as Item No. 1.

The Board authorized the issuance of an order reflecting the Board's action on July 6, 1971, approving an application of Continental Bancor, Inc., Phoenix, Arizona, to become a bank holding company through the acquisition of shares of Continental Bank, Phoenix. A copy of the order is attached as Item No. 2.

The Board authorized the issuance of an order reflecting the Board's action on July 6, 1971, approving an application of First Bancorp, Inc., Corsicana, Texas, to become a bank holding company through acquisition of shares of the successor by merger to The First National Bank of Corsicana, along with beneficial ownership of between 24 and 25 per cent of the shares of three other Texas banks. A copy of the order is attached as Item No. 3.

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The Board approved unanimously an application of United Virginia Bankshares Incorporated, Richmond, Virginia, to acquire shares of the successor by merger to Security National Bank of Roanoke, Roanoke, Virginia, and authorized the issuance of an order reflecting that action. A copy of the order is attached as Item No. 4.

The Board approved unanimously an application of T G Bancshares Co., St. Louis, Missouri, to acquire additional shares of Bank of House Springs, House Springs, Missouri, and authorized the issuance of an order reflecting that action. A copy of the order is attached as Item No. 5.

Membership application. The Board approved unanimously an application made on behalf of Cheyenne Western Bank, Ashland, Montana, a newly-organized bank, not yet operating, for membership in the Federal Reserve System. A copy of the letter sent pursuant to that action is attached as Item No. 6.

Pan American Bancshares. In 1970 the Board approved an application of Pan American Bancshares, Inc., Miami, Florida, to acquire at least 80 per cent of the voting shares of Commercial National Bank of Broward County, Broward County, Florida, in exchange for shares of the holding company. Less than 80 per cent of the shares were subsequently tendered for exchange, with the result that the exchange offer was terminated. In March 1971 a proposed amendment to the application was received, under which applicant would purchase 78 per cent of the voting

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shares from a third party for \$71.65 per share plus \$200,000 for release of the third party's option. For the minority shares, applicant proposed to offer \$64 per share. Since the offer to minority interests, although not equal, was judged to be fair, and since other factors weighed in favor of the proposed acquisition, the Division of Supervision and Regulation recommended approval of the amended application.

The circumstances of the case were discussed against the background of the Board's general policy of attempting to assure equitable treatment to all shareholders in connection with proposed holding company acquisitions, and some members of the Board suggested that the staff explore further with applicant the possibilities for adjusting the offer to minority shareholders of the Broward County bank, including the possibility of reinstating an exchange offer as an alternative to the purchase of shares. Accordingly, the staff was requested to undertake such exploration, with the understanding that the case would then be brought back to the Board for further consideration.

Credit analysis. In a letter dated December 8, 1970, the Board asked the Conference of Presidents of the Federal Reserve Banks to consider ways in which the Reserve Banks might participate in credit analysis of loans that might be requested under paragraph 3 of section 13 of the Federal Reserve Act. On June 23, 1971, the Conference approved a plan developed by the Subcommittee on Discounts and Credits that provided in essence for the appointment of a System task force on emergency

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credit, which would be available to evaluate the creditworthiness of any loan, and for more vigorous training of Reserve Bank personnel in the credit analysis area. The task force would be composed of three senior Reserve Bank officers, plus an associate member from the Board's staff who would serve in a liaison capacity. The task force would develop a professional group of 6 to 8 analysts experienced in the extension of credit to large corporate borrowers, to be available on call. An effort would be made to develop the staff internally, but it seemed likely that some of the initial personnel with the desired level of experience would have to be retained on a consultant basis.

In a memorandum dated July 13, 1971, the Division of Federal Reserve Bank Operations recommended that the Board approve the recommended plan and that Mr. Ring be named as associate member of the Task Force on Emergency Credit.

Views expressed in discussion of the matter were to the effect that the plan should be put in motion and implemented as rapidly as possible, in order that the System might be in a position to deal effectively with situations that might arise, and that full consideration should be given to the retention of outside experts pending the development of expertise within the System, for training purposes and for availability on a standby basis.

Unanimous approval then was given to a letter to the Chairman of the Conference of Presidents in the form attached as Item No. 7 and

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Mr. Ring was named as associate member of the Task Force on Emergency Credit.

Emergency loan guarantees. It was noted that according to current reports a proposal had now been made, in connection with consideration by the Senate of legislation that would create a Federal emergency loan guarantee board, to change the composition of that body so that it would include, in addition to the Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System, the President of the Federal Reserve Bank in whose district the applicant for a loan guarantee was located in any given case. Under this proposal the Reserve Bank President would replace the Secretary of Commerce on the proposed board.

Several reasons were mentioned during a brief discussion of the matter as to why the proposal would appear unfortunate and question was raised whether the Board of Governors should express a position. It was pointed out, however, that no request for such an expression had been received and that an appropriate channel for the communication of views was not readily apparent. In the circumstances, it was understood that developments would be followed closely with a view to determining, if and when appropriate, what Board view should be communicated and in what manner.

Issue papers. During a review by the Board on November 3, 1970, of significant issues that had been developed by the Program Planning and Budgeting Committee, the Board expressed a particular interest in

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certain of those issues and also proposed several new issues for staff consideration. The staff had now prepared papers on those matters, some in the form of requests for guidance and some in the form of status reports. The papers had been referred to the Board by Governor Sherrill with a memorandum of July 12, 1971.

Governor Sherrill indicated that no Board action at this particular time was essential. The objective was to demonstrate how the process operated and to seek guidance as to how consideration of the issues should be carried forward.

Board members expressed the view that the several issues, taken as a group, were too involved to permit consideration at any one meeting. It was suggested that the issues be taken up individually, or in small groups, with sufficient advance notice to enable Board members to prepare themselves. Some of the issues were deemed important enough to warrant discussion by a full Board.

Governor Sherrill pointed out that a number of the projects would eventually require consideration as part of the budget process, and he noted that the Deputy Controller would be prepared to discuss any of the items with Board members to such extent as might be desired.

At the conclusion of the discussion, it was understood that staff work currently in process in connection with several of the issues would continue unless objection was indicated by a Board member or members,

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and that the procedures that had been suggested looking toward Board consideration of the issues on which guidance was required would be followed.

The meeting continued from this point with limited staff attendance.

Foreign credit restraint. Governor Brimmer noted that the House had passed a bill that among other things would exempt export credits from the purview of the Voluntary Foreign Credit Restraint Program. He had had conversations with several members of the Senate on this matter and had offered to make himself available for further consultation, but at this stage he could not predict the outcome.

Mr. Rippey then reported the possibility that the bill, if passed, would grant a 90-day deferment for the export credit exemption, and Governor Brimmer observed that such a deferment would ease the operating problems. He referred to work that was currently in process, in company with the Federal Reserve Banks, on steps that might be taken if the legislation was enacted and stated that alternatives would be presented for the Board's consideration at the appropriate time.

Report by Governor Daane. Governor Daane reported on meetings that he had attended in Basle and in Paris during the trip from which he had just returned, and additional comments were offered by Mr. Robert Solomon.

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Service by Mr. Partee. Governor Robertson referred to a letter that had been received from Chairman Casey of the Securities and Exchange Commission requesting that Mr. Partee be made available to serve on a committee that was being formed to review certain problems in the securities industry. He then read the reply that he proposed to send to Mr. Casey.

The proposed reply was approved unanimously. A copy is attached as Item No. 8.

Discount rate. On July 8, 1971, the directors of the Federal Reserve Bank of St. Louis had established, subject to review and determination by the Board of Governors, a rate of 5 per cent (rather than 4-3/4 per cent) on discounts and advances to member banks under sections 13 and 13a of the Federal Reserve Act, together with a rate of 5-1/2 per cent on advances to member banks under section 10(b) of the Act and a rate of 7 per cent on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13.

The reasons were set forth in a letter of the same date from Deputy Chairman Cooper. The directors had noted that in the past two weeks short-term market interest rates had continued to rise, that the three-month bill rate was now about two percentage points higher than in March, that the prime rate had been raised for the second time since March, and that member bank borrowings had risen to nearly \$700 million

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in the last half of June. The directors saw nothing in the current business situation that would argue for encouraging the expansion in bank reserves by offering them at below market rates. Information coming to them, both in comments from businessmen and in national statistics, indicated that the upturn in business activity had continued to strengthen recently. They felt that inflation continued as a serious problem and that further rapid monetary expansion was likely to intensify it.

The Vice Chairman reported having received information that similar rate action was likely to be taken today by the directors of the Federal Reserve Banks of New York and Philadelphia, and perhaps by the directors of the San Francisco Bank. He noted that the terms of the forthcoming Treasury financing were scheduled to be announced next Wednesday, which meant that any discount rate action would have to be taken immediately or deferred for several weeks out of even-keel considerations. He added that the monetary aggregates continued very strong.

In the circumstances, the Vice Chairman continued, he had talked this morning by telephone with Chairman Burns, who expressed the view that it would be better to act now than later. Among other things, the Chairman had pointed out that he was scheduled to appear before the Congress later this month, and in his view it would be desirable to have the discount rate matter cleared up before that time.

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The Vice Chairman then turned to Mr. Partee, who presented a resume of the latest available information on trends in the economy. The report, taken as a whole, suggested considerably more strength than had been portrayed in earlier staff reports. On the financial side, Mr. Partee and Mr. Axilrod pointed out that as Governor Robertson had said, the monetary aggregates continued strong. The gap between the discount rate and short-term market rates, including the three-month bill rate, was substantial and increasing, with little prospect that the gap would narrow, and with the continued strong performance of the aggregates the Open Market Account Manager would be moving toward the upper end of the 5 to 5-1/2 per cent range for Federal funds that had been specified at the most recent meeting of the Open Market Committee. Also, member bank borrowings had moved up to the \$990 million level for the latest statement week.

Mr. Axilrod reported that the flows of savings funds into depository institutions continued to be strong, according to the latest statistics. He and Mr. Partee expressed the view that a change in the discount rate would not be likely to lead to a further increase in the prime rate, which had already been raised twice and now stood at 6 per cent.

With respect to possible market reactions to announcement of a discount rate change, Mr. Axilrod noted that if action was taken today

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the news would be released concurrently with the publication of strong money supply figures and figures showing the highest level of member bank borrowings for a year or more. He did not believe that a discount rate increase would have much influence over the longer run on long-term market rates. However, he was a bit concerned that there might be some inclination in the market to read more into a discount rate announcement than was actually involved.

In the discussion that ensued, three members of the Board indicated that they would be prepared to act favorably on the proposed discount rate increase. The other members present indicated that, although they were not necessarily opposed to such action, they would like a little more time to reflect on the matter. Accordingly, it was agreed that the Board would meet again this afternoon.

The meeting then recessed and reconvened in the Board Room at 2:15 p.m. with the same members of the Board present. Staff attendance was comparable to that at the conclusion of the morning session.

Advice had now been received that the directors of the Philadelphia Reserve Bank had voted to establish a discount rate of 5 per cent. Advice was expected shortly that the directors of the New York Bank had taken the same action, and action by the San Francisco Bank directors appeared probable. (Note: Advices from New York and San Francisco were received subsequently during the meeting.)

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The Board also had available copies of a letter in which President Clay of the Kansas City Bank explained why the directors of his Bank, meeting on July 8, had accepted by split vote his recommendation against changing the discount rate.

In further discussion of the proposed discount rate increase, two of the members of the Board (Governors Daane and Maisel) raised the question of institutional relationships, particularly whether there should be consultation with the Treasury. Since their views on the desirability of rate action now were not particularly strong, they felt that more weight should be attached to the question of interagency communication than might otherwise be the case, although the ultimate decision would of course remain with the Board.

It was then decided to arrange a telephone conference call with Chairman Burns in order that aspects of the situation that were of concern to some of the Board members might be made known to him. During the course of the conference call the Chairman repeated the reasons he had expressed to Governor Robertson earlier today that in his opinion argued in favor of discount rate action at this time. On the matter of interagency communications, it appeared to him, for several reasons, that if the Board was disposed to act on the discount rate, it would be sufficient to inform appropriate persons within the Government prior to the release of the Board's announcement. He noted that this would not be out of line with the procedure he had followed on several occasions

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when the discount rate was reduced and other policy actions were taken.

As a result of the conversation with the Chairman, it was agreed that the procedure he had suggested would be followed if the Board acted on the discount rate; but that before the vote was taken Governor Daane would talk on a personal basis with Mr. Volcker, Under Secretary of the Treasury for Monetary Affairs. After Governor Daane had made his telephone call to Mr. Volcker and had reported to the other members of the Board briefly concerning the tenor of the conversation, it was agreed that the Board would proceed to a vote on the discount rate proposal.

The Board then approved unanimously the establishment of the following rates by the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco, effective July 16, 1971: 5 per cent on advances and discounts to member banks pursuant to sections 13 and 13a of the Federal Reserve Act; 5-1/2 per cent on advances to member banks under section 10(b) of the Act; and 7 per cent on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13 of the Act.

Consideration was given to a draft of press release that had been prepared and, after certain minor changes had been agreed upon, the issuance of the press release was authorized, with the understanding that the release would not be issued until the Vice Chairman had completed his telephone calls to the Government officials mentioned by Chairman Burns.

BOARD OF GOVERNORS  
FEDERAL RESERVE SYSTEM

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(Note: The Board members subsequently approved the inclusion in the press statement of an additional sentence that was suggested by Governor Robertson in the light of his telephone conversations. A copy of the press release, as issued, is attached as Item No. 9.)

The meeting then adjourned.

Board of Directors  
F.R.B. Building  
Falls River, Massachusetts

  
Deputy Secretary

Gentlemen:

Reference is made to Section 217.10(c)(1) of Regulation Q and Section 204.10(c)(1) of Regulation R, the Board of Governors of the Federal Reserve System approved the statement of M. S. Griffin in subordinated notes by Bank of Boston, Boston, Massachusetts, as proposed in President Humphrey's letter of June 18, 1971, to the Federal Reserve Bank of Boston. It is understood that any advertisement with respect to such obligations will, in addition to being in compliance with the provisions of Section 217.6 of Regulation Q, clearly distinguish the nature of the obligation from a deposit, including by setting forth in bold face type that the obligation is subordinated to all claims of depositors and guaranteed by the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Kenneth A. Foyen

Kenneth A. Foyen  
Deputy Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 1  
7/15/71

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 15, 1971

Board of Directors  
B.M.C. Durfee Trust Company  
Fall River, Massachusetts

Gentlemen:

Pursuant to section 217.1(f)(3)(i) of Regulation Q and section 204.1(f)(3)(i) of Regulation D, the Board of Governors of the Federal Reserve System approves the issuance of \$1.5 million in subordinated notes by B.M.C. Durfee Trust Company, Fall River, Massachusetts, as proposed in President Sturges' letter of June 18, 1971, to the Federal Reserve Bank of Boston. It is understood that any advertising with respect to the obligations will, in addition to being in compliance with the provisions of section 217.6 of Regulation Q, clearly distinguish the nature of the obligation from a deposit, including by setting forth in bold face type that the obligation is subordinated to the claims of depositors and not insured by the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon  
Deputy Secretary

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

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In the Matter of the Application of ' ,  
CONTINENTAL BANCOR, INC., ' ,  
Phoenix, Arizona, ' ,  
for approval of action to become a ' ,  
bank holding company through the ' ,  
acquisition of 69 per cent or more ' ,  
of the voting shares of Continental ' ,  
Bank, Phoenix, Arizona. ' ,  
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ORDER APPROVING ACTION TO BECOME  
A BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(1)), and section 222.3(a) of Federal Reserve Regulation Y (12 CFR 222.3(a)), the application of Continental Bancor, Inc., Phoenix, Arizona ("Applicant"), for the Board's prior approval of action whereby Applicant would become a bank holding company through the acquisition of 69 per cent or more of the voting shares of Continental Bank, Phoenix, Arizona ("Bank").

As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Superintendent of Banks for Arizona and requested his views and recommendation. The Superintendent recommended approval of the application.

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Notice of receipt of the application was published in the Federal Register on May 13, 1971 (36 Federal Register 8830), providing an opportunity for interested persons to submit comments and views with respect to the proposal. A copy of the application was forwarded to the United States Department of Justice for its consideration. The time for filing comments and views has expired and all those received have been considered by the Board.

The Board has considered the application in the light of the factors set forth in section 3(c) of the Act, including the effect of the proposed acquisition on competition, the financial and managerial resources and future prospects of Applicant and Bank, and the convenience and needs of the communities to be served. Upon such consideration, the Board finds that:

Applicant is a nonoperating corporation formed for the purpose of acquiring Bank, and is owned and managed by a group of directors and officers of Bank who have extensive banking experience in the Phoenix area. Bank has deposits of about \$46 million and ranks eighth in size in the Phoenix area. (All banking data are as of December 31, 1970, and reflect holding company formations and acquisitions approved through May 31, 1971.) The proposal involves only a shift in ownership of Bank from a Texas corporation to Applicant, and would not adversely affect competition in any relevant area.

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The financial and managerial resources and future prospects of Applicant and Bank are consistent with approval of the application. Although Applicant would have substantial debt in relation to its net worth, several considerations diminish the importance of this factor. The management of Applicant is composed of senior officials of Bank who have exhibited strong managerial abilities since Bank's establishment in 1964. Further, Bank has shown an earnings record which coupled with its potential earnings indicate Applicant's ability to service its debt without significant danger to the condition of Bank. Other considerations that lead to the conclusion that Applicant's debt position does not preclude approval of the application are the adequacy of Bank's capital and a definite debt repayment program by Applicant. Considerations relating to the convenience and needs of the communities to be served lend weight toward approval of the application since the proposal involves the substitution of local for non-local ownership and such ownership will be more likely to be aware of and sensitive to the banking needs of the Phoenix area. It is the Board's judgment that the proposed transaction would be in the public interest, and that the application should be approved.

It is hereby ordered, For the reasons set forth in the findings summarized above, that said application be and hereby is approved, provided that the action so approved shall not be consummated (a) before the thirtieth calendar day following the date of this Order,

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or (b) later than three months after the date of this Order, unless such time shall be extended for good cause by the Board, or by the Federal Reserve Bank of San Francisco pursuant to delegated authority.

By order of the Board of Governors, July 15, 1971.

Voting for this action: Vice Chairman Robertson and Governors Daane, Maisel, and Sherrill.

Absent and not voting: Chairman Burns and Governors Mitchell and Brimmer.

(Signed) Kenneth A. Kenyon

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Kenneth A. Kenyon  
Deputy Secretary

[SEAL]

Item No. 3  
7/15/71

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

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In the Matter of the Application of  
FIRST BANCORP, INC.,  
Corsicana, Texas,  
for approval of action to become a bank  
holding company.  
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ORDER APPROVING ACTION TO BECOME  
A BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(1)) and section 222.3(a) of Federal Reserve Regulation Y (12 CFR 222.3(a)), an application by First Bancorp, Inc., Corsicana, Texas ("Applicant"), for the Board's prior approval of action whereby Applicant would become a bank holding company through the acquisition of the successor by merger to The First National Bank of Corsicana, Corsicana, Texas ("Corsicana Bank"). As an incident to the merger, Applicant would acquire the beneficial ownership of at least 24 per cent but less than 25 per cent of the shares of each of the following three Texas banks: Citizens National Bank in Ennis (24.7 per cent); Citizens State Bank, Malakoff (24.0 per cent); and First National Bank of Streetman (24.0 per cent).

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The described shares of the three banks other than Corsicana Bank are owned by Cornavco Corporation, all the shares of which are held by trustees for the benefit of the shareholders of Corsicana Bank. As a result of the merger, Applicant will succeed to beneficial ownership of all of the shares of Cornavco Corporation and, indirectly, of the described shares of the three banks.

As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Comptroller of the Currency and the Texas Commissioner of Banking and requested their views and recommendations. The Commissioner and the Comptroller recommended approval of the application.

Notice of receipt of the application was published in the Federal Register on May 1, 1971 (36 Federal Register 8274), providing an opportunity for interested persons to submit comments and views with respect to the proposal. A copy of the application was forwarded to the United States Department of Justice for its consideration. Time for filing comments and views has expired and all those received have been considered by the Board.

The Board has considered the application in the light of the factors set forth in section 3(c) of the Act, including the effect of the proposed acquisition on competition, the financial and managerial resources and future prospects of the Applicant and the banks concerned, and the convenience and needs of the communities to be served, and finds that:

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Applicant is a newly-formed organization and has no operating history. Upon acquisition of Corsicana Bank (\$40 million of deposits), Applicant would become the sixth largest bank holding company in the State and would control about 0.2 per cent of the commercial bank deposits in the State. (All banking data are as of December 31, 1970, and reflect holding company acquisitions approved through May 31, 1971.)

Corsicana Bank, the lead bank, is located in downtown Corsicana, and is the largest of ten banks in the Corsicana market by virtue of control of 56.8 per cent of deposits in that market. (Corsicana Bank will be merged into a nonoperating bank which has significance only as a vehicle to accomplish the acquisition of all the shares of Corsicana Bank. Acquisition of the shares of the resulting bank is treated as an acquisition of the shares of Corsicana Bank.) Streetman Bank (\$2 million of deposits), located 18 miles south of Corsicana is also in the Corsicana market and has 2.3 per cent of deposits there.

Citizens State Bank (\$3 million of deposits), is located in Malakoff which is 27 miles east of Corsicana and is in the Athens-Malakoff market which covers approximately the area within a 12-mile radius of Athens. In this market, Citizens State Bank, with 9.4 per cent of deposits, ranks fourth among six banks located there. In the Ennis market, which is adjacent to the Corsicana market, Citizens National Bank in Ennis (\$14 million of deposits) is the largest of three banks and holds 57.6 per cent of the deposits.

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Corsicana Bank, through Cornavco, acquired an indirect interest in Malakoff Bank in 1966, Ennis Bank in 1967, and Streetman Bank in 1969. It appears that Corsicana Bank exerts some influence over the operations of these three banks. However, the Board notes Applicant's assertion that "neither Applicant nor FNBC [Corsicana Bank] controls the election of directors of any such banks or exercises a controlling influence over their management or policies." It appears that the proposed transaction is essentially a corporate reorganization of existing interests and reflects neither expansion of the group nor an increase in the banking resources controlled by it. On the facts presented, consummation of Applicant's proposal is not expected to have a significant effect on existing or potential banking competition.

On the basis of the record before it, the Board concludes that consummation of the proposal herein would not have a substantially adverse effect on competition in any relevant area. Considerations relating to financial and managerial resources and prospects as they relate to Applicant, Corsicana Bank, and the three associated banks are consistent with approval of the application. Applicant will begin operations in a satisfactory financial condition and will be able to draw management expertise from Corsicana Bank. Applicant's prospects, which depend largely on those of Corsicana Bank, are favorable. Factors relating to the convenience and needs of the relevant markets are consistent with approval. It is the Board's judgment that the proposed transaction would be in the public interest and that the application should be approved.

It is hereby ordered, For the reasons summarized above, 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 this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Dallas pursuant to delegated authority.

By order of the Board of Governors, July 15, 1971.

Voting for this action: Vice Chairman Robertson and Governors Daane, Maisel and Sherrill.

Absent and not voting: Chairman Burns and Governors Mitchell and Brimmer.

(Signed) Kenneth A. Kenyon

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Kenneth A. Kenyon  
Deputy Secretary

(SEAL)

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

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In the Matter of the Application of  
UNITED VIRGINIA BANKSHARES INCORPORATED,  
Richmond, Virginia,  
for approval of acquisition of 80 per  
cent or more of the voting shares of  
the successor by merger to Security  
National Bank of Roanoke, Roanoke,  
Virginia.  
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ORDER APPROVING ACQUISITION OF BANK STOCK  
BY BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)) and section 222.3(a) of Federal Reserve Regulation Y (12 CFR 222.3(a)), an application by United Virginia Bankshares Incorporated, Richmond, Virginia ("Applicant"), for the Board's prior approval of the acquisition of 80 per cent or more of the voting shares of the successor by merger to Security National Bank of Roanoke, Roanoke, Virginia ("Bank"). The merger has significance only as a means of acquiring all of the shares of Bank; the proposal is therefore treated herein as one to acquire shares of Bank.

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As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Comptroller of the Currency, and requested his views and recommendation. The Comptroller offered no objection to approval of the acquisition.

Notice of receipt of the application was published in the Federal Register on May 26, 1971 (36 Federal Register 9581), providing an opportunity for interested persons to submit comments and views with respect to the proposal. A copy of the application was forwarded to the United States Department of Justice for its consideration. Time for filing comments and views has expired and all those received have been considered.

The Board has considered the application in the light of the factors set forth in section 3(c) of the Act, including the effect of the proposed acquisition on competition, the financial and managerial resources and future prospects of the Applicant and the banks concerned, and the convenience and needs of the communities to be served, and finds that:

Applicant, Virginia's largest banking organization, controls 11 banks with deposits of \$1.1 billion, or 13.9 per cent of the deposits in the State. (Banking data are as of December 31, 1970, and reflect holding company formations and acquisitions approved by the Board to May 31, 1971.) Bank (\$21 million deposits) is the smallest banking organization in the Roanoke area (4.8 per cent of deposits), where it competes with offices of three independent banks and two bank holding companies. Although Applicant is the largest banking organization in

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the State, its nearest subsidiary is more than 40 miles from Bank, and neither it nor Applicant's other subsidiaries compete in the Roanoke area. Because of the distances involved, Virginia law, and other facts of record, the development of significant competition is considered unlikely. In view of the foregoing, Applicant's entry into Roanoke through acquisition of the smallest bank should serve to enhance competition and will not have a significantly adverse effect on competition in any relevant area.

The financial condition of Applicant and its subsidiaries and Bank is regarded as satisfactory. Consequently, considerations under these factors are consistent with approval.

The financial resources and increased competitive capacity of Bank resulting from approval of the application would benefit residents of the pertinent market area. Accordingly, considerations relating to the capacity of Bank to meet the convenience and needs of the community weigh slightly in favor of approval. It is the Board's judgment that consummation of the proposal would be in the public interest and that the application should be approved.

It is hereby ordered, For the reasons set forth above, 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

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months after the date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Richmond pursuant to delegated authority.

By order of the Board of Governors, July 15, 1971.

Voting for this action: Vice Chairman Robertson and Governors Daane, Maisel, Brimmer, and Sherrill.

Absent and not voting: Chairman Burns and Governor Mitchell.

(signed) Kenneth A. Kenyon

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Kenneth A. Kenyon  
Deputy Secretary

(SEAL)

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

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In the Matter of the Application of  
T G BANCSHARES CO.,  
St. Louis, Missouri,  
for approval of acquisition of 53.6 per  
cent or more of the voting shares of  
Bank of House Springs, House Springs,  
Missouri.  
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ORDER APPROVING ACQUISITION OF BANK STOCK  
BY BANK HOLDING COMPANY

There has come before the Board of Governors, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(3)) and section 222.3(a) of Federal Reserve Regulation Y (12 CFR 222.3(a)), an application by T G Bancshares Co., St. Louis, Missouri ("Applicant"), a bank holding company, for the Board's prior approval of the acquisition of an additional 53.6 per cent or more of the voting shares of Bank of House Springs, House Springs, Missouri ("Bank"). Applicant presently owns 24.99 per cent of the voting shares of Bank.

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As required by section 3(b) of the Act, the Board gave written notice of receipt of the application to the Commissioner of Finance for the State of Missouri, and requested his views and recommendation. The Commissioner recommended approval of the application.

Notice of receipt of the application was published in the Federal Register on May 18, 1971 (36 Federal Register 9043), providing an opportunity for interested persons to submit comments and views with respect to the proposal. A copy of the application was forwarded to the United States Department of Justice for its consideration. Time for filing comments and views has expired and all those received have been considered.

The Board has considered the application in the light of the factors set forth in section 3(c) of the Act, including the effect of the proposed acquisition on competition, the financial and managerial resources and future prospects of the Applicant and the banks concerned, and the convenience and needs of the communities to be served, and finds that:

Applicant, the eighth largest bank holding company and the ninth largest banking organization in Missouri, has one subsidiary bank with \$125.7 million in deposits, representing 1.1 per cent of the total commercial bank deposits in the State. (All banking data are as of December 31, 1970, adjusted to reflect holding company formations and acquisitions approved by the Board to date.)

Bank (\$4.7 million deposits), with 9.9 per cent of the area's deposits, is the fifth largest of the seven banks located in its primary service area, which is approximated by the northwest portion of Jefferson County. Applicant's only subsidiary bank, the Tower Grove Bank and Trust Company, is located 24 miles from Bank in St. Louis, and does not compete with Bank to any significant extent. In light of the facts of record, including the distance separating Bank from Applicant's subsidiary, the presence of numerous banking alternatives, and Missouri's restrictive branching law, it does not appear that consummation of the proposal herein would foreclose the development of potential competition. Affiliation with Applicant should enhance Bank's ability to compete more effectively within the St. Louis banking market. It does not appear, therefore, that existing competition would be eliminated or significant potential competition foreclosed by consummation of Applicant's proposal, or that there would be undue adverse effects on any bank in the area involved.

Based upon the foregoing, the Board concludes that consummation of the proposed acquisition would not have significant adverse effects on competition in any relevant area. Considerations relating to the financial and managerial resources and future prospects are regarded as consistent with approval of the application as they relate to Applicant and its subsidiary, and lend weight in support of approval as they relate to Bank, since affiliation with Applicant would insure Bank's future financial stability and provide Bank

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with greater management depth. Applicant proposes to expand Bank's lending operations and to assist Bank in establishing new services such as business development and trust services. The residents of Bank's service area should benefit from these services. Consequently, considerations relating to the convenience and needs of the area lend some additional weight toward approval. It is the Board's judgment that consummation of the proposed acquisition would be in the public interest, and that the application should be approved.

It is hereby ordered, For the reasons set forth above, 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 this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of St. Louis pursuant to delegated authority.

By order of the Board of Governors, July 15, 1971.

Voting for this action: Vice Chairman Robertson,  
and Governors Daane, Maisel, Brimmer, and Sherrill.

Absent and not voting: Chairman Eurns and Governor Mitchell.

(Signed) Kenneth A. Kenyon

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Kenneth A. Kenyon  
Deputy Secretary

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6  
7/15/71

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 15, 1971



Board of Directors  
Cheyenne Western Bank  
Ashland, Montana

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Cheyenne Western Bank, Ashland, Montana, for stock in the Federal Reserve Bank of Minneapolis effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$120,000, and other capital funds of not less than \$180,000.

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

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

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's Certificate of Authority to Commence Business has been issued. A certified copy of such resolution, together with advice of compliance with the provisions of condition numbered 3, should be transmitted to the Federal Reserve Bank of Minneapolis. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

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

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon  
Deputy Secretary

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7  
7/15/71

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

JUL 15 1971 July 15, 1971

Mr. Darryl R. Francis, Chairman  
Conference of Presidents of the  
Federal Reserve Banks  
c/o Federal Reserve Bank of St. Louis  
P. O. Box 442 Exchange Court  
St. Louis, Missouri 63166

Dear Mr. Francis:

The Board wishes to acknowledge with appreciation the response of the Conference of Presidents to the suggestion in the Board's letter of December 8, 1970, that a plan be developed for the Reserve Banks to participate in credit analysis of large emergency loans.

It is noted that the Conference on June 23, 1971, approved the recommendation of the Committee on Discounts and Credits with respect to the organization of a Task Force on Emergency Credit, as recommended in a report dated June 4, 1971, by the Subcommittee on Discounts and Credits, and agreed that the Reserve Banks should press ahead with the training of their own staffs in the credit analysis area.

It is also noted that the Task Force would have an associate member from the Board's staff, and for this purpose the Board has designated P. D. Ring, Assistant Director, Division of Federal Reserve Bank Operations.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon  
Deputy Secretary

cc: Mr. Hayes, Chairman, Committee on Discounts and Credits,  
Conference of Presidents of the Federal Reserve Banks  
Mr. Garbarini, Secretary, Conference of Presidents  
of the Federal Reserve Banks

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

Item No. 8  
7/15/71

OFFICE OF THE VICE CHAIRMAN

July 15, 1971

The Honorable William J. Casey  
Chairman  
Securities and Exchange Commission  
Washington, D. C. 20549

Dear Chairman Casey:

In Chairman Burns' absence I am replying to your letter of July 9 in which you suggested that J. Charles Partee be designated as the Board's representative on an informal review committee of practices in the securities industry. I am most pleased to make this designation on behalf of the Board.

Sincerely yours,

(Signed) J. L. Robertson

J. L. Robertson



Item No. 9  
7/15/71

For immediate release.

July 15, 1971.

The Board of Governors of the Federal Reserve System today approved actions by the directors of the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco, increasing the discount rate of those banks from 4-3/4 per cent to 5 per cent, effective Friday, July 16.

The action was in recognition of increases that have taken place in other short-term interest rates and is intended to bring the discount rate--which is the rate charged member banks for borrowing from their district Reserve Banks--into better alignment with short-term rates generally. The move also reflected the Board's concern over the continuation of substantial cost-push inflation in the economy.

This change in the rate, which previously had been lowered twice this year, returns it to the level prevailing in late January and early February.

Governor DASH

Governor HANCOCK

Governor BRIMMER

Governor SHERRILL