

Minutes for October 27, 1961

To: Members of the Board

From: Office of the Secretary

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

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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

Chm. Martin

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell









Minutes of the Board of Governors of the Federal Reserve System
on Friday, October 27, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Landry, Assistant to the Secretary
Mr. Yager, Economist, Division of Research
and Statistics

Money market review. Mr. Yager reported on recent developments in the money market and commented on revised Federal budget estimates for fiscal 1962. Mr. Koch then discussed the situation with respect to bank reserves, credit, and the supply of money.

At the conclusion of these reports Messrs. Noyes, Koch, and Yager withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Furth, Adviser, Division of International
Finance
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Potter, Assistant Counsel

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Discount rates. The establishment without change by the Federal Reserve Banks of Minneapolis and Kansas City on October 25, 1961, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, and Dallas on October 26, 1961, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Item circulated to the Board. The following item, which had been circulated to the Board and a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

Letter to The Elyria Savings and Trust Company, Elyria, Ohio, approving an extension of time in which to establish a branch on West Street.

Application to organize national bank at Gloucester, Virginia
(Item No. 2). There had been circulated a draft of letter to the Comptroller of the Currency recommending unfavorably on an application to organize a national bank at Gloucester, Virginia. The draft reflected the recommendations of the Division of Examinations and the Federal Reserve Bank of Richmond. The Division memorandum noted that although the Bank of Gloucester, with deposits of \$7 million, was the only bank in Gloucester County, it was subject to competition from a number of surrounding banks. The public need and convenience apparently was being at least fairly well served by existing institutions in the area. The view was expressed in the memorandum that it would seem difficult for a new bank to obtain sufficient deposits to insure profitable operations

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within a reasonable period of time and that many of the deposits apparently would have to be acquired from the Bank of Gloucester.

Governor Robertson stated that he would be inclined toward a favorable recommendation on the application. In any situation where there was only one bank, he thought it necessary to have a strong basis for justifying an adverse position on an application to establish an additional bank. According to the memorandum of the Division of Examinations, many of the employed persons living in Gloucester County but working elsewhere were banking near their place of employment, but ordinarily people bank near their place of residence rather than their place of employment. Furthermore, he could find no substantiation in the record for the judgment that the principal organizers of the proposed new national bank might be motivated principally by their desire to establish a banking connection to obtain ready credit on liberal terms. The fact that the Bank of Gloucester had been able to reach its present size and to generate satisfactory earnings would seem to indicate that a new bank could help the community without injuring the existing bank. The organizers of the proposed national bank appeared to be people of good standing in the community who were willing to invest their capital and take a chance of making a profit. In summary, he saw nothing to indicate that the success of the proposed bank was a remote prospect or that the potential damage to the existing institution was great.

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Governor Shepardson indicated that he would favor an adverse recommendation. The Bank of Gloucester was not a large bank in terms of today's credit needs and there were other banks in the surrounding areas. The area was generally rural, and in such situations people are accustomed to go some distance to do their banking business. Furthermore, of the other banks in the area, none was of great size. There was a question, he thought, as to the need for an additional bank.

The remaining members of the Board also expressed agreement with the staff recommendation. Accordingly, the letter to the Comptroller of the Currency recommending unfavorably on the application was approved, Governor Robertson dissenting. A copy of the letter is attached as Item No. 2.

Application to organize national bank in El Paso, Texas (Item No. 3). There had been circulated a draft of letter to the Comptroller of the Currency recommending favorably on an application to establish a national bank in El Paso, Texas. This reflected the recommendation of the Division of Examinations, whereas the Federal Reserve Bank of Dallas had recommended unfavorably.

At the request of Chairman Martin, Mr. Leavitt commented on the matter, noting that the unfavorable recommendation of the Reserve Bank was based primarily on the lack of any strong need for the proposed bank. The Reserve Bank had recognized that the capital of the proposed institution would be adequate, and that the bank's earnings prospects

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and management appeared satisfactory. Mr. Leavitt said that although there was no strong apparent need for the new national bank, it would not harm other existing banks in the area and the other factors were satisfactory. Therefore, the Division of Examinations was inclined toward a favorable recommendation.

Following further discussion, it was agreed that if inquiry of the Federal Reserve Bank of Dallas should indicate that the Bank did not feel strongly on the matter and had no additional information to supply on the application, the letter recommending approval would be sent to the Comptroller of the Currency.

Secretary's Note: The Reserve Bank having subsequently been informed of the Board's intent to recommend favorably on the foregoing application and having advised that it had no further information to report, the letter, a copy of which is attached as Item No. 3, was sent to the Comptroller of the Currency.

Mr. Leavitt then withdrew from the meeting.

Application by Western Bancorporation (Items 4 and 5). Copies had been distributed of a memorandum from the Division of Examinations dated October 26, 1961, regarding an application by Western Bancorporation, Los Angeles, California, a bank holding company, for permission to organize, under section 25(a) of the Federal Reserve Act, a foreign banking corporation to be known as "Western Bancorporation International Bank". The proposed corporation would have its home office in New York City. The

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recommendations of the Division of Examinations and the Federal Reserve Banks of New York and San Francisco were favorable. The applicant stated that its purpose in organizing the proposed corporation was to enable Western Bancorporation and its affiliated banks through the subsidiary to participate more effectively in the business of foreign banking and to introduce another competitive factor in a field now largely dominated by East Coast banking institutions. The proposed corporation would engage in every type of banking business permitted under the Edge Act and Regulation K, Corporations Doing Foreign Banking or Other Foreign Financing under the Federal Reserve Act, including receipt of deposits incidental to foreign transactions or international business, extensions of credit, dealings in foreign exchange, and receipt of paper from foreign countries or for collection abroad.

In his comments on the matter, Mr. Goodman noted that the application by Western Bancorporation would, if approved, provide the third Edge Act banking corporation operated in New York City by interests outside the Second Reserve District. An additional application of this kind was now in process.

Governor Robertson stated that he would approve the application. He suggested that it be borne in mind, however, that within the next several years there were likely to be located in New York City, through this device, what would amount in effect to branch offices of most of the large banks of the United States. This would create a problem; there

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would be a lot of criticism on the part of New York City banks. He was not prepared to suggest what should be done about the matter, but there would be a problem.

Governor Shepardson stated that he would be prepared to approve the application. He inquired as to the disadvantages seen in the development referred to by Governor Robertson and Mr. Goodman, to which the latter replied that as long as the Edge Act corporations were subject to appropriate Board regulations he would not be too disturbed. There might be, of course, the question whether the Edge Act corporations were in effect branches of the parent banks, so as to contravene the spirit of the laws against interstate branch banking. Some would say that this was just a corporate veil, but the matter could be argued on both sides.

Mr. Solomon commented that the issue was more or less as presented in the Neal Committee study that preceded the revision of Regulation K, when the problem was pointed up by the operations of Bank of America, New York. Its powers were, of course, limited; the question was how severe the limitations should be made. The New York City banks would have liked to see the limitations made as severe as possible, and the revised Regulation K tried to strike a balance.

Mr. Goodman noted that as of next January 15, it would have been five years since the revised Regulation K became effective.

Governor Robertson expressed the view that a sufficient time had elapsed to warrant bringing together another group to restudy the problem, and Chairman Martin indicated that he agreed.

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Governor King expressed the view that the expansion of Edge Act corporations was a desirable development, offering an opportunity to do more of what this country needed to do in other parts of the world. He felt that it gave the hope of providing more effective help in various foreign areas than some of the other methods that had been utilized.

Governor Balderston noted that the president of a firm dealing in mutual fund shares had been selected as Vice President of Western Bancorporation International Bank and would be in charge of day-to-day operations, to which Mr. Goodman replied that when the proposed Edge Act corporation was first discussed, officials of Western Bancorporation seemed to have in mind that the functions of the subsidiary might be conducted by the staff of J. Henry Schroder Banking Corporation, New York City. Currently, it was proposed that all functions of the Edge Act corporation, including bookkeeping and equivalent operations, would be conducted by its own employees, with the individual mentioned by Governor Balderston in charge of day-to-day operations and policy guidance from officials of Western Bancorporation serving on the board of directors of the new corporation. This might be an interim arrangement, Mr. Goodman felt; the sponsors of the corporation were feeling their way along and were anxious to get started. In any event, in the absence of a general consent, all specific investments would have to be approved by the Board. Mr. Potter commented that the proposed arrangement

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for the services of the individual referred to by Governor Balderston would not appear to involve any violation of the pertinent statutes or the provisions of Regulation R, Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933. Any question therefore was one of policy rather than a legal question.

After further discussion, unanimous approval was given to the application of Western Bancorporation. A copy of the letter sent to the holding company in accordance with this action and a copy of the preliminary permit issued pursuant thereto are attached as Items 4 and 5, respectively.

In this connection, Chairman Martin stated that it would be understood that a current study of Regulation K would be undertaken.

Messrs. Furth, Goodman, and Potter then withdrew.

North Shore Bank. Mr. Solomon referred to the current criminal prosecution of certain officers and directors of North Shore Bank, Miami Beach, Florida, growing out of alleged violations of the Federal Home Loan Bank Act by a savings and loan association with which the individuals in question were associated. The charges, which involved alleged self-dealing, had been referred to the U. S. Attorney and had been litigated over a long period of time. At the request of the Department of Justice, the Board (most recently on September 13, 1961) had authorized leaving certain examination reports of North Shore Bank in the custody of Mr.

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Lindsey, an examiner for the Federal Deposit Insurance Corporation who was assisting the U. S. Attorney in Miami on the case, for the purpose of developing leads but not for use in evidence.

Mr. Solomon went on to say that a telephone call had been received from the Federal Reserve Bank of Atlanta with the information that the North Shore Bank was now being examined by the Reserve Bank and that the U. S. Attorney had one or two leads he would like to have checked out by the Reserve Bank examiners from the member bank's records. This request had been related by Mr. Lindsey to the FDIC District Supervising Examiner, who in turn passed it along to the Reserve Bank. According to the Reserve Bank, there was a time factor involved in the request, since it was anticipated that the examination would be completed next week. There was, Mr. Solomon thought, a question whether the Board would be inclined to agree that an indefinite request received on such an informal basis should be honored.

In addition, Mr. Solomon said that, according to word received recently from the Federal Deposit Insurance Corporation, Mr. Lindsey had been on a leave-without-pay basis from that agency since about July of this year. The Board had originally made the reports of examination of North Shore Bank available to the U. S. Attorney in the custody of Mr. Lindsey on the basis that the latter was in the employ of the Corporation. Apparently, Mr. Lindsey was at present being paid by the U. S. Attorney.

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Presumably, he would be expected to return to the Federal Deposit Insurance Corporation, and the current arrangement was of a financial character so far as the Corporation was concerned.

In discussion, Chairman Martin inquired whether it would be going too far simply to reject the request, even if made formally through Justice Department channels, on the basis that it would involve a procedure going beyond the normal scope of the bank examination function. (Governor King indicated that this would be his inclination.)

Governor Robertson expressed the view that this would be going too far. He noted that over the years the bank supervisory authorities had cooperated with the Department of Justice in various ways. If, as might be true in this instance, a request for cooperation was of a minor nature and a subpoena could be avoided, that would be a saving to the bank involved. It was his suggestion, therefore, that if the information sought by the U. S. Attorney was minor in nature the Federal Reserve Bank of Atlanta should be instructed to use its judgment about whether to accede to the request. However, if it appeared as though a lengthy investigation of the books of North Shore Bank was contemplated, a formal request by the Justice Department to the Board should be required.

After further discussion, it was agreed that the procedure suggested by Governor Robertson would be followed.

Secretary's Note: The Atlanta Reserve Bank subsequently advised the Division of Examinations that the U. S. Attorney reportedly had decided to withdraw the request and to proceed by means of subpoena if necessary.

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Advisory Committee on Commercial Bank Preparedness. Governor Robertson recalled that in 1956, pursuant to the provisions of a Defense Mobilization Order, the Board appointed an Advisory Committee on Commercial Bank Preparedness, which in turn set up a subsidiary operating group. In view of the fact that the work for which the Advisory Committee was originally appointed had now been substantially completed, the suggestion had been made and agreed to at the time of the recent annual meeting of the American Bankers Association in San Francisco, California, that the Bank Management Commission of the Association take over the Advisory Committee's remaining functions, with the cooperation of the respective State associations. Governor Robertson indicated that it would seem appropriate for the Board at this time to concur in the dissolution of the Advisory Committee.

Following discussion, the Board concurred in the dissolution of the Advisory Committee. It was understood that appropriate letters would be written to the members of the Committee thanking them for their services and that a letter would be sent to the American Bankers Association recognizing the assumption by its Bank Management Commission of the functions formerly performed by the Advisory Committee and specifying areas in which the Commission might carry forward.

First Colorado Bankshares, Inc. (Items 6 and 7). Reference was made to a draft order and statement that had been distributed pursuant to

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the Board's action on October 20, 1961, approving the application by First Colorado Bankshares, Inc., under section 3(a)(1) of the Bank Holding Company Act to become a bank holding company.

After discussion, the issuance of the order and statement was authorized, with the understanding, however, that Governors Mills and Mitchell would first be given an opportunity to indicate whether the order and statement were in form satisfactory to them.

Secretary's Note: Governors Mills and Mitchell having subsequently indicated that they were satisfied with the order and statement, the documents were released on November 1, 1961. Copies are attached as Items 6 and 7, respectively.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on October 26, 1961, a memorandum from the Division of Administrative Services recommending that Lettie Reddick, Charwoman in that Division, be granted leave without pay for a period of 30 days, beginning October 25, 1961.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Appointment

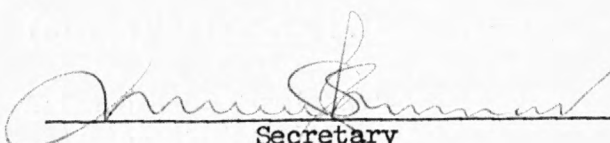
Lois Orr as Statistical Clerk, Division of Research and Statistics, with basic annual salary at the rate of \$3,865, effective the date of entrance upon duty.

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Salary increases, effective October 29, 1961

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Ann M. Peters, Statistical Assistant		\$5,005	\$5,170
Betty Schieman, Statistical Assistant		4,345	4,510
Vita Rose Monaco, Statistical Clerk		4,145	4,250
Arnold Katz, Economist		7,820	8,080
Mary C. Jackson, Statistical Clerk		4,145	4,250
<u>International Finance</u>			
Ruth Logue, Economist		9,735	9,995
<u>Personnel Administration</u>			
Juliann Perkins, Maid		3,185	3,290
<u>Administrative Services</u>			
Wilhelmina K. Steele, Operator, Tabulating Equipment		4,285	4,390
Charles E. Evans, Mail Clerk		3,710	3,815
John C. Simmons, Laborer		3,710	3,815


 Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 1
10/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 27, 1961



Board of Directors,
The Elyria Savings and Trust Company,
Elyria, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System has approved an extension until December 1, 1961, of the time within which The Elyria Savings and Trust Company may establish a branch on West Street just west of the intersection of Huron and Woodland Streets, Elyria, Ohio. The establishment of this branch was authorized in a letter dated September 29, 1959.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
10/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 27, 1961

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated May 31, 1961, enclosing copies of an application to organize a national bank at Gloucester, Virginia, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Richmond indicates that the proposed capital structure would be adequate and management fairly satisfactory, although the members of the proposed board of directors and the chief executive officer have had less banking experience than normally would be desirable. Future earnings prospects are marginal and there has been no demonstrated need for additional banking facilities in Gloucester. Accordingly, the Board of Governors does not feel justified in recommending favorable consideration of the application.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 3
10/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 27, 1961

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention: Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated June 5, 1961, enclosing copies of an application to organize a national bank at El Paso, Texas, and requesting a recommendation as to whether or not the application should be approved.

The Board, upon reviewing all available information, found all factors usually considered in applications of this nature to be favorable. Accordingly, the Board of Governors recommends favorable consideration of the proposal.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 4
10/27/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 27, 1961



Mr. Harry H. Mitchell, Vice President and Secretary,
Western Bancorporation,
600 South Spring Street,
Los Angeles 14, California.

Dear Mr. Mitchell:

The Board of Governors has approved the Articles of Association and the Organization Certificate, dated September 12, 1961, of Western Bancorporation International Bank, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization. As you are aware, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. The steps which must be taken prior to issuance of a final permit are enumerated in Section 211.3(c) of the Board's Regulation K.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
10/27/61

October 27, 1961

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated September 12, 1961, of WESTERN BANCORPORATION INTERNATIONAL BANK duly filed with said Board of Governors, and that WESTERN BANCORPORATION INTERNATIONAL BANK is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

(SEAL)

By (Signed) Elizabeth L. Carmichael

Assistant Secretary

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

In the matter of the application of
FIRST COLORADO BANKSHARES, INC.,
Englewood, Colorado.

For prior approval of action to
become a bank holding company under
section 3(a)(1) of the Bank Holding
Company Act of 1956

ORDER APPROVING APPLICATION
UNDER BANK HOLDING COMPANY ACT

There having 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) and section 4(a)(1) of the Board's Regulation Y (12 CFR 222.4(a)(1)), an application by First Colorado Bankshares, Inc., a Colorado corporation with its principal office in Englewood, Colorado, for the Board's prior approval of action whereby Applicant would become a bank holding company through the acquisition of 50 per cent or more of the outstanding voting shares of The First National Bank of Englewood, Englewood, Colorado; University Hills Bank, Denver, Colorado; and Lakeside National Bank, Lakeside Center, Colorado; a notice of receipt

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of application having been published in the Federal Register on June 29, 1961 (26 F.R. 5851), which notice provided for the filing of comments and views regarding the proposed acquisition; and the time provided by the notice for filing comments and views having expired and no comments or views having been filed;

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is granted, and the acquisition by First Colorado Bankshares, Inc., of 50 per cent or more of the outstanding voting shares of The First National Bank of Englewood, University Hills Bank, and Lakeside National Bank is hereby approved, provided that such acquisitions are completed within three months from the date hereof.

Dated at Washington, D. C., this 27th day of October, 1961.

By order of the Board of Governors.

Voting for this action: Governors Balderston, Mills, Robertson, Shepardson, King, and Mitchell.

Absent and not voting: Chairman Martin.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

10/27/61

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY FIRST COLORADO BANKSHARES, INC.
FOR PRIOR APPROVAL OF ACTION TO BECOME A BANK
HOLDING COMPANY UNDER SECTION 3(a)(1) OF THE
BANK HOLDING COMPANY ACT OF 1956.

STATEMENT

First Colorado Bankshares, Inc., Englewood, Colorado, ("Applicant") has applied, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of action that would result in Applicant becoming a bank holding company - namely, acquisition of over 50 per cent of the voting shares of The First National Bank of Englewood, Englewood, Colorado ("First"); University Hills Bank, Denver, Colorado ("University Hills"); and Lakeside National Bank, Lakeside Center, Colorado ("Lakeside").

Views and recommendations of supervisory authorities. -

As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency and the Commissioner of Banks for the State of Colorado of the receipt of the application and requested their views. The Comptroller of the Currency recommended approval and the Commissioner interposed no objection to approval of the application.

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Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs and welfare of the communities and area concerned; and (5) whether the effect of the acquisitions would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - The three banks are located in suburban areas in or around Denver. First is located in the town of Englewood south of the downtown section of Denver; University Hills is located in the University Hills Shopping Center in the southeast part of Denver; and Lakeside is located northwest of the Denver business district in Lakeside Center. Lakeside is about 15 road miles from First and 16 miles from University Hills. First and University Hills are about 3-1/2 road miles apart. As of December 31, 1960, the three banks held total deposits of \$40.6 million.

The financial history, condition, prospects, and management of the three banks are satisfactory, as are the proposed financial structure, proposed management, and prospects of the Applicant.

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The primary service areas of the three banks do not overlap; thus, it appears that the locations of the banks are not conducive to active competition between them. Moreover, stockholders common to these banks together hold a majority of the stock of each, so that the likelihood of competition between them is further reduced.

It appears that harmonious working relationships have resulted from the common ownership of the three banks. The assurance of continuation of these relationships could result in some benefit to the communities concerned through additional services that each bank could render because of their affiliation through the holding company relationship.

It appears that the affiliation of these banks through the holding company arrangement would have little effect on their competitive positions. The total resources controlled by the proposed holding company would not represent an undue concentration, nor, because of the existing relationships, would the formation of the holding company materially alter the situation with respect to concentration. Applicant's proposed bank holding company system would be relatively small in terms of the over-all banking business in the Denver area and also in the State of Colorado. As of April 12, 1961, the aggregate deposits of the proposed subsidiary banks represented only 2.1 per cent of the deposits of all insured commercial banks in the State of Colorado, and only 3.5 per cent of the total deposits of all insured commercial banks in Denver and those outside Denver with

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which Applicant's proposed subsidiaries could be expected to compete to some extent.

Viewing the relevant facts in the light of the purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed formation of a holding company system comprising First National Bank of Englewood, University Hills Bank, and Lakeside National Bank would not be inconsistent with the statutory objectives and the public interest and that, accordingly, the application should be approved.

October 27, 1961.