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
Thursday, February 15, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills 1/
Mr. Robertson
Mr. Shepardson
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Smith, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Stephenson, Special Assistant, Division of Examinations
Mr. Veret, Attorney, Legal Division
Mr. Lyon, Review Examiner, Division of Examinations
Mr. Smith, Assistant Review Examiner, Division of Examinations

Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

1/ Entered meeting at point indicated in minutes.
Letter to the Federal Reserve Bank of New York interposing no objection to the Bank's foreign travel program for 1962.

Letter to The Chase Manhattan Bank, New York, New York, approving the establishment of a branch at 655 Hunts Point Avenue, Borough of the Bronx.

Letter to The Trust Company of New Jersey, Jersey City, New Jersey, approving the establishment of a branch at 2117-2127 Hudson Boulevard (also known as 181-185 Grant Avenue), provided branch operations now conducted at 391 Jackson Avenue are discontinued simultaneously with the establishment of the new branch.

Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Wheaton, Maryland.

Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Watseka, Illinois.

Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Evensdale, Iowa.

Letter to the Federal Reserve Bank of New York regarding operations of the Nassau County and Bergen County Clearing Bureaus.

Telegram to the Federal Reserve Bank of San Francisco noting without objection plans to continue to lease, under purchase option, certain National Data Processing high-speed electronic check processing equipment.

Mr. Smith (Assistant Director, Division of Examinations) then withdrew and Mr. Cardon, Legislative Counsel, entered the room.
Letter to Congressman Moss (Item No. 9). There had been distributed under date of February 14, 1962, copies of a draft of letter to Chairman Moss of the Special Government Information Subcommittee of the House Committee on Government Operations in reply to his letter of October 23, 1961, requesting information regarding telephone listening-in devices and telephone recording equipment in use at the Board and inquiring whether any steps were planned to conform to the Committee's recommendation, as set forth in House Report 1215, for the adoption of "clear, written regulations" that "advance notice must be given" whenever either monitoring or recording is contemplated. On July 10, 1961, the Board had replied to an earlier letter from Congressman Moss on the same subject.

The proposed reply would furnish the requested information regarding equipment and would indicate that the monitoring of telephone calls at the Board fell into two categories. The first involved making a verbatim record of part or all of a telephone conversation. With respect to this type of monitoring, the letter would state that the Board was issuing an instruction requiring notice to the other party to the call whenever a secretary was requested to make a verbatim report of all or part of a telephone conversation. In connection with the other type of monitoring, which occurred when a secretary was asked to listen in so that she might assist in handling the call or be provided information that she needed to know in order to perform her
duties, the letter would suggest that there appeared to be no need for issuing an instruction requiring advance notice that a secretary was on the line, although no effort should be made to avoid disclosing that fact.

In discussion the Secretary stated that an earlier draft of reply to Chairman Moss had been circulated to all Division heads and other members of the senior staff. On the basis of comments received, the draft reply being considered at this meeting had been prepared.

During the course of the ensuing discussion, it was pointed out that the 29 transmitter cut-off switches and two listening-in circuits now being used on telephones in the Board's offices were designed to enable secretaries to be on the line during telephone conversations without transmitting room noises. As indicated in the draft of reply, it was proposed that the two listening-in circuits would be replaced by less expensive transmitter cut-off switches.

Governor King commented that although it might be a rather general practice to ask secretaries to listen in on telephone conversations without giving notice to the other party on the line, it was his personal view that notice should be given whenever a secretary was asked to be on the line for any purpose.

On this point, statements were made by members of the staff to the effect that it was frequently found to be helpful if a secretary stayed on the line long enough to determine whether any files should be
placed at the disposal of the person receiving the call or whether any other staff members should be asked to come to the room. It was believed that this tended to provide more efficient service to the party who had made the call.

A number of changes in the wording of the proposed letter were then suggested and agreed upon, following which unanimous approval was given to a letter to Chairman Moss in the form attached as Item No. 9.

It was understood that copies of the letter to Chairman Moss would be distributed to the staff and that an instruction would be issued to the effect that notice must be given to the other party on the line whenever a secretary at the Board was requested to make a verbatim record of part or all of a telephone conversation.

Mr. Kiley then withdrew from the meeting.

Application of First Security Corporation (Items 10 and 11).

On February 7, 1962, the Board voted to deny the application of First Security Corporation, Salt Lake City, Utah, to acquire all of the voting stock of Carbon Emery Bank, Price, Utah. Pursuant to that action, the staff was requested to prepare drafts of an order and a statement reflecting the Board's decision. With a memorandum from the Legal Division dated February 12, 1962, drafts of an order and a statement were distributed.

After Mr. O'Connell had referred to certain editorial changes that were proposed to be made in the statement, the Board authorized
the issuance of the order and statement in the form attached as Items 10 and 11, respectively.

Messrs. O'Connell, Lyon, and Smith (Assistant Review Examiner, Division of Examinations) then withdrew from the meeting.

Application of Liberty Bank and Trust Company. There had been distributed a memorandum from the Division of Examinations dated February 6, 1962, recommending favorably on an application of Liberty Bank and Trust Company, Buffalo, New York, for permission to merge with Bank of Orchard Park, Orchard Park, New York, and to operate a branch at the present location of Bank of Orchard Park.

At the Board's request, Mr. Leavitt made a statement concerning the facts of the case and the reasons underlying the recommendation of the Division of Examinations, his comments being based substantially on the information presented in the February 6 memorandum.

In the ensuing discussion, all members of the Board except Governor Mitchell indicated that they would favor approval of the proposed transaction. Governor Mitchell expressed the view that the two banks should not be permitted to merge. In his judgment, approval of the merger would give an impression that the Board felt that only large banks could operate effectively. A community bank, he noted, does not have to be large in size to provide effective service in its area.
The application was then approved, Governor Mitchell dissenting.

It was understood that the Legal Division would prepare drafts of an order and supporting statement for the Board's consideration.

Secretary's Note: When Governor Mills entered the meeting later, he asked that the record show that he favored approval of the application of Liberty Bank and Trust Company.

Messrs. Cardon, Solomon, Shay, Leavitt, Stephenson, and Veret then withdrew from the meeting.

Annual Report table. There had been distributed a memorandum from Messrs. Molony, Young, Thomas, and Noyes dated February 13, 1962, recommending that Annual Report Table No. 5 on "Open Market Transactions of the Federal Reserve System" be expanded. The table had heretofore shown monthly data on sales, purchases, and redemptions for total outright transactions and repurchase agreements, together with net changes in holdings of U. S. Government securities and bankers' acceptances. The expanded table would also provide similar monthly data for outright transactions in Government securities for the following maturity groupings: Bills; other issues maturing within 1 year, 1-5 years, 5-10 years, and over 10 years.

There being no objection, the Board approved the recommendation.

Mr. Thomas commented that consideration was also being given to the possibility of publishing statistical data that would relate Federal Reserve open market operations, including operations for the account of
the Treasury, more directly to dealer operations. Mr. Thomas pointed out, however, that it would be necessary to secure clearance from the Treasury Department if Treasury figures were to be included. On the basis of the discussion, it was understood that the question would be taken up by him with Mr. Roosa, Under Secretary for Monetary Affairs, or Mr. Daane, Deputy Under Secretary for Monetary Affairs, along with the New York Bank, and that a specific proposal would then be brought back to the Board for consideration.

Policy record of Federal Open Market Committee. With a memorandum dated February 14, 1962, which had been distributed, Mr. Young, Secretary of the Federal Open Market Committee, submitted a revised draft of the record of policy actions of the Committee during calendar year 1961. This record had been prepared for inclusion in the Annual Report of the Board of Governors pursuant to the requirements of section 10 of the Federal Reserve Act. The memorandum noted that all suggestions received following the distribution to the Committee of preliminary drafts of policy actions had been considered in preparing the proposed entries.

Governor Mitchell commented that upon reading the original drafts of the policy action entries he had the impression that the dissenting statements sometimes had overbalanced the majority statements in terms of the space occupied. While he believed that everyone who entered a dissent should be privileged to have his views appear in the
Governor Robertson observed that others had reacted in somewhat the same way as Governor Mitchell when the preliminary drafts of some of the policy action entries were distributed. As a result, Governor Robertson said he had gone through the entries and eliminated portions of some of his dissenting statements, retaining only what he considered essential in explaining his position.

In further discussion, Governor Robertson referred to the following sentence in the statement covering the basis for his dissent from the Committee's action on December 19, 1961, to discontinue the three statements of operating policies that had been in effect since 1953:

"In his view the operation that the Committee had launched in February 1961, including transactions in longer-term securities under the special authorization, had not been successful in raising short-term and lowering long-term rates, and had the operation been pushed to the point necessary to achieve these twin goals, its defects would now be obvious."

He suggested the insertion of "what he understood to be" after the word "achieve" in the above sentence.

Mr. Sherman stated that the Federal Reserve Bank of New York had suggested the possibility of inserting a footnote reference after the sentence to which Governor Robertson referred in order to clarify the objectives of the Committee. It was pointed out, however, that
those objectives had been spelled out in the entry for February 7, 1961, and it was agreed that the change mentioned by Governor Robertson would meet the point raised by the New York Bank.

Question was also raised with respect to whether Governor Mills would care to modify the phrasing of certain comments included in the entries for July 11 and October 3, 1961.

Secretary's Note: After Governor Mills joined the meeting, he agreed to a change in the statement summarizing views he had expressed at the July 11 meeting. He indicated, however, that he would prefer to have the October 3 statement stand as written.

The policy record of the Federal Open Market Committee for the year 1961 was then approved for inclusion in the Annual Report of the Board of Governors.

Mr. Thomas then withdrew from the meeting.

Annual Report text. At the Board meeting on February 14, 1962, consideration had been given to whether there should be included in the text of the Board's 1961 Annual Report a detailed account of the Federal Open Market Committee action on December 19, 1961, in terminating the three statements of operating policies that had been adopted originally in 1953 or whether there should be only a brief statement in the text referring to the detailed information that appeared in the Federal Open Market Committee policy record section of the Report with regard to Committee operating procedures, not only under the December 19 date but under earlier dates beginning with February 7, 1961.
Having the latter approach in mind, Mr. Molony had drafted for the Board's consideration a brief paragraph for inclusion in the text of the Annual Report in substitution for the detailed account of the December 19 action.

In the course of discussion, arguments for and against the procedure suggested by Mr. Molony were presented. It developed to be the consensus that a brief statement in the text referring to the policy record would be adequate, and Mr. Molony was authorized to revise the proposed paragraph in the light of certain suggestions that had been made.

Governor Mills entered the room at this point.

Report by Governor Mitchell. Governor Mitchell reported on a meeting of economists that he had attended at the Treasury Department on February 14, during which views on various aspects of the balance of payments were presented. At the conclusion of his report he said he thought it might be desirable to invite some of the persons who had spoken at that meeting to visit the Board as and when opportunities arose. There was general agreement with this suggestion, and Chairman Martin asked Governor Mitchell to prepare for Mr. Noyes a list of those who might be invited.

The meeting then adjourned.

Secretary's Note: 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:
Transfer

Carol Judith Sullivan, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of Examinations, with no change in her basic annual salary at the rate of $4,040, effective February 18, 1962.

Acceptance of resignations


Nancy M. Krauss, Statistical Clerk, Division of Research and Statistics, effective at the close of business March 2, 1962.
February 15, 1962

Mr. Alfred Hayes,
President,
Federal Reserve Bank
of New York,
New York 45, New York.

Dear Mr. Hayes:

Your letter of January 26 and the accompanying memorandum outlining a foreign travel program for 1962 for the Federal Reserve Bank of New York has been brought to the attention of the Board of Governors, which has no objection to the plans as presented. It is understood that the proposed trips are subject to change as to country and timing, if circumstances make such changes desirable.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.
Board of Directors,
The Chase Manhattan Bank,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at 655 Hunts Point Avenue, Borough of the Bronx, New York, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Board of Directors,
The Trust Company of New Jersey,
Jersey City, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Trust Company of New Jersey, Jersey City, New Jersey, at 2117-2127 Hudson Boulevard (also known as 181-185 Grant Avenue), Jersey City, New Jersey, provided the branch is established within one year from the date of this letter. It is understood that operations at the branch located at 391 Jackson Avenue, Jersey City, will be discontinued simultaneously with the opening of the branch at 2117-2127 Hudson Boulevard, Jersey City, New Jersey.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
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 June 21, 1961, enclosing copies of an application to organize a national bank at Wheaton, Maryland, 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.
February 15, 1962

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 November 20, 1961, enclosing copies of an application to organize a national bank at Watseka, Illinois, and requesting a recommendation as to whether or not the application should be approved.

The Board of Governors, 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.
February 15, 1962

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

Dear Mr. Comptroller:

Reference is made to a letter from your office dated November 9, 1961, enclosing copies of an application to organize a national bank at Evansdale, Iowa, 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 Chicago indicated that a capital structure of $250,000 is to be provided rather than $200,000 as originally proposed. The proposed $250,000 appears adequate and all other factors usually considered in applications of this nature are satisfactory. Accordingly, the Board of Governors recommends favorable consideration of the proposal.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Mr. Marcus A. Harris, Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Harris:

This will acknowledge receipt of your letter dated  
February 2, 1962, concerning the 1961 operations of the Nassau  
County and Bergen County clearing bureaus.

It is noted that the Federal Reserve Bank of New York believes that the two clearing bureaus continue to provide an efficient service and that no change in the basic arrangements with these bureaus is warranted at this time. It is also noted that the bureaus are studying the feasibility of utilizing electronic equipment for processing checks. The Board would appreciate being advised should this program or the electronic check program at the Reserve Bank make it desirable to revise the agreement with respect to participation in the costs of the bureaus.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Swan - San Francisco

Board has noted without objection rental of check collection equipment referred to in your letter February 7, 1962.

(Signed) Merritt Sherman
Sherman

The Honorable John E. Moss, Chairman,
Special Government Information Subcommittee
of the Committee on Government Operations,
Room 218, George Washington Inn,
Washington, D. C.

Dear Mr. Moss:

This refers to your letter of October 23, 1961, transmitting a copy of House Report 1215 relating to the survey by the Special Subcommittee on Government Information of the House Committee on Government Operations to determine the extent to which telephone monitoring and recording are practiced in the Federal Government.

We are glad to furnish the following information requested in your letter:

Number of transmitter cutoff switches in use at Board 29
Annual cost of transmitter cutoff switches 1960-61 $37.80

Number of listening-in circuits in use at Board 2
Annual cost of listening-in circuits 1960-61 $18.00

Telephone recording equipment purchased or leased by Board None

As you know, the transmitter cut-off switches give less privacy and may result in somewhat less satisfactory transmission of conversation than the more costly listening-in circuits. However, since the needs of the offices having listening-in circuits can be served adequately by transmitter cutoff switches, arrangements are being made to install the more economical equipment.

The report furnished with your letter has been read with interest, and careful consideration has been given to the conclusions and recommendations included in it. It is noted that the House Committee on Government Operations urges the adoption of "clear, written regulations" that "advance notice must be given" whenever either monitoring or recording is contemplated.
As indicated in the Board's letter of July 10, 1961, replying to your letter of June 23, 1961, no monitoring is done by our telephone operators, no recording devices are used to monitor telephone calls, and no occasion has arisen that would suggest the necessity for the Board to issue regulations covering the monitoring of telephone calls, other than the request contained in your letter of October 23.

The occasions on which there may be monitoring of telephone calls at the Board fall into two categories. One of these, which is relatively rare, occurs when a secretary is asked to make a verbatim record of part or all of a telephone conversation. The Board believes that in every such instance there should be clear announcement of that fact prior to the making of the record. Specific announcement ordinarily has been given in any such case and, to assure that this will be a consistent practice, the Board is issuing an instruction requiring notice to the other party to the call whenever a secretary is to be requested to make a verbatim record of part or all of the conversation.

The other and more frequent, although by no means common, case of "monitoring" occurs when a secretary is asked to be on the line so that she may provide any necessary or relevant material that would assist in handling the call expeditiously, or so that she may be informed of the nature of the conversation without repetition by the principal of things she needs to know to perform her duties most effectively. This type of secretarial assistance is believed to be fairly widespread and understood in both private and public business, and obviously no secretary at the Board would engage in the practice except upon specific request or on the basis of an express understanding with her principal. The Board looks upon this second type of "monitoring" as a means to greater efficiency in the use of the time of both principal and secretary.

In addition to issuing the instruction requiring clear announcement of the making of a verbatim record, the Board also is circulating this letter among the members of the staff. This is being done in order to make certain that a secretary is to remain on the line only for the purpose of assisting in the handling of the call or in keeping the secretary informed of things she needs to know in connection with her work, and that no effort is to be made to avoid disclosing to anyone that the secretary may be on the line for this purpose.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.
ORDER DENYING APPLICATION UNDER
BANK HOLDING COMPANY ACT

WHEREAS, there has come before the Board of Governors, pursuant
to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1842)
and section 4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)
(2)) an application on behalf of First Security Corporation, Salt Lake
City, Utah, for the Board's prior approval of the acquisition of all
the voting stock of Carbon Emery Bank, Price, Utah; a Notice of Receipt
of Application has been published in the Federal Register on September 27,
1961 (26 Federal Register 9098), which provided an opportunity for sub-
mission of comments and views regarding the proposed acquisition; and
the time for filing such comments and views has expired and no such
comments or views have been filed;
IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is denied.

Dated at Washington, D. C. this 15th day of February, 1962.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and Governors Balderston, Hills, Robertson, Shepardson, and King.

Absent and not voting: Governor Mitchell.

(Signed Merritt Sherman

Merritt Sherman, Secretary.

(SEAL)
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY FIRST SECURITY CORPORATION FOR
APPROVAL OF THE ACQUISITION OF ALL THE VOTING STOCK
OF CARBON EMERY BANK, PRICE, UTAH

STATEMENT

First Security Corporation, Salt Lake City, Utah ("Applicant"), a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the acquisition of all the voting stock of Carbon Emery Bank, Price, Utah ("Bank").

Views and recommendations of supervisory authority. - Pursuant to section 3(b) of the Act the Bank Commissioner of the State of Utah was asked for his views and recommendations. He interposed no objection to approval of the application.

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 bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisition 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 Applicant, a bank holding company with its principal office in Salt Lake City, Utah, owns a majority of the stock of five banks, one each in Idaho and Wyoming, and three in Utah. The Utah banks are First Security Bank of Utah, N. A., Ogden, First Security State Bank, Salt Lake City, and Sanpete Valley Bank, Mount Pleasant. At June 30, 1961, Applicant's banks operated 77 of the three States' total of 293 banking offices and held $518 million of the $2 billion total deposits held by all banks in the three States. In September 1961, the Board approved Applicant's acquisition of Sanpete Valley Bank, Mount Pleasant, Utah, which operates one office and at June 30, 1961, held deposits of $3.7 million. Applicant's largest banking subsidiary, First Security Bank of Utah, is the largest bank in the State of Utah. Applicant's second largest banking subsidiary is the largest bank in Idaho. These banks held deposits at June 30, 1961, of $303.5 million and $199 million, respectively. Its banking subsidiary in Wyoming had total deposits of approximately $5 million at June 30, 1961.

Bank is located in the city of Price, 100 miles southeast of Salt Lake City; the 1960 population of Price was 6,800. Bank's primary service area (the area from which approximately 75 per cent of its total deposits originate) encompasses Carbon County and adjoining Emery County, the two counties forming a natural economic and trade area. The 1960 population of Carbon County was approximately 21,000 and that of Emery County about 5,500. Bank is the ninth largest bank in the State with total deposits of $10.8 million at June 30, 1961. At the same date,
the two other banks located in Carbon County, First National Bank of Price in Price, and Helper State Bank about 7 miles northwest of Price in Helper, had total deposits of $6.5 and $4 million, respectively. Bank recently has been authorized to establish a branch at Sunnyside in Carbon County, which would give Bank two of the county's four banking offices.

The financial history and condition of both Applicant and Bank are satisfactory and their prospects favorable.

The past history of Applicant's operation reflects capable and experienced management. Bank's financial history and condition, its growth record, and its favorable earnings record justify the conclusion that its present management is satisfactory. Applicant asserts that Bank is faced with a problem in regard to management succession and continuity that would be relieved by approval of this application. However, Applicant has not shown any effort on the part of Bank's officers or directors to assure management succession other than through a proposed sale of Bank. Bank's operating earnings, as well as its capital position, appear sufficient to enable it to offer reasonably attractive compensation and other benefits so as to draw competent management and be reasonably assured of its continuity.

In respect to the convenience, needs, and welfare of the communities and the area concerned, it appears that Bank, together with the First National Bank of Price and the Helper State Bank, is providing adequate and satisfactory service. In this connection, Applicant states
that under its ownership Bank would be able to offer trust department services, could take care of all deserving borrowers without resorting to help from outside financial institutions, and could, in particular, better meet the demands of prospective borrowers in the field of consumer credit and home financing. In brief, Applicant asserts that it would render banking services substantially equivalent to those offered in the larger centers in which its present banking subsidiaries now operate.

Applicant's ability to furnish services within Carbon and Emery Counties comparable to services it offers in larger and perhaps economically different areas would, of course, benefit anyone who actually had need of such services. However, it has not been shown either that there exists an unserved demand for the additional services that a subsidiary of Applicant might offer or that the banking services that are required cannot be provided adequately by Bank and its two competitors in Carbon County.

In connection with Applicant's statement that loans in the Carbon-Emery area would receive its particular attention, especially consumer installment and home financing loans, the following facts and conclusions appear pertinent. Bank has stated that within the past year it has not issued to any other banks participations in loans. There is no evidence of a presently unserved area demand for consumer installment and home financing loans; and it is noted that a comparatively small percentage of Bank's total loans outstanding is of these types and that
a relatively low ratio of total loans to deposits is reflected in the published statements of Bank and its two competitors. Should the demand for these or other types of loans increase, a prospective development not readily to be anticipated from any circumstances set forth in the application, there is nothing to suggest that the increased demand cannot be met suitably by Bank and its competitors, either directly or through participation of correspondent banks.

With respect to the fifth factor enumerated in section 3(c) of the Act, for the reasons hereafter discussed it is the Board's judgment that the acquisition of Bank would expand Applicant's system beyond limits consistent with adequate and sound banking, the public interest and the preservation of banking competition.

As of December 31, 1960, Applicant controlled two banks in Utah, operating 43 banking offices in 16 of the 29 counties in the State, having total resources of $348 million and total deposits of $314 million. These totals represented, respectively, 36 per cent of the banking offices in the State, 32 per cent of the total resources, and 31 per cent of the total deposits of all banks in the State. The recent acquisition of Sanpete Valley Bank increased Applicant's subsidiary banking offices to 44 and the counties within which it operated to 17. These 44 banking offices held, at June 30, 1961, $318 million of deposits. With the acquisition of Bank, Applicant's 45 banking offices (excluding the proposed Sunnyside office) would represent 41.5 per cent of the banking offices in 18 of the State's twenty-nine counties, 4 of the twenty-nine having
no banking offices. Using June 30, 1961 figures as a basis, these
45 banking offices, representing 37 per cent of the State's total banking offices, would hold 34 per cent of the total deposits of all Utah banks.

Within the area comprising Carbon County and the 6 counties contiguous to it, Applicant's subsidiaries operate 9 of the 24 banking offices. On the basis of June 15, 1960 deposit figures (the latest date for which deposits by counties are available) these 9 offices held 36 per cent of the deposits of individuals, partnerships and corporations ("IPC deposits") in the seven-county area. This percentage would be increased to 45 by the acquisition of Bank.

Applicant controls no banking offices in the Carbon-Emery area. The nearest office controlled by Applicant and accessible by principal highways is about 70 miles northwest of Price. Other of its subsidiaries' offices accessible by major highways are from 75 to 115 miles from Price. The distances involved, when considered in the light of the geographical characteristics of the area, support the conclusion that competition between Applicant's present banking subsidiaries and Bank is relatively insignificant. Not insignificant, however, in the Board's judgment, would be the impact of the acquisition on the remaining banks in the area concerned and, inevitably, upon those doing business with the banks, and, more broadly, upon the general banking structure.

If Bank were to be acquired, Applicant's predominant position within the State, and within the particular areas therein earlier discussed, would be extended to and magnified within Carbon and Emery Counties.
Bank's primary service area. Bank already is the largest of the three banks located in Carbon County and serving the two-county area. It is the ninth largest bank in the State, and the only bank in the State with head office south of Salt Lake City with total deposits at June 30, 1961, in excess of $10 million. At the same date, it held 50 per cent of the IPO deposits, 51 per cent of the total deposits and 44 per cent of the loans and discounts held by the three banks located in Carbon County.

As earlier noted, approval has been given for Bank to establish an additional office at Sunnyside in Carbon County. Applicant proposes to operate Bank and its branch at Sunnyside as offices of First Security Bank of Utah. Approval of this application, followed by merger of Bank into First Security Bank of Utah, would thus immediately enable Applicant, operating through offices of a subsidiary bank with total deposits in excess of $300 million, to compete against the two remaining unit banks in Carbon County, one with $6.5 million of deposits, the other with $4 million. The proposed affiliation would also reduce by one the number of alternative sources of correspondent banking services available to these two remaining banks since, as a practical matter, they would avoid referring correspondent business to a Salt Lake City bank that competed directly with them in Carbon County. Approval and consummation of the proposed acquisition would reduce to seven the nonholding company banks in the State having deposits in excess of $10 million and, simultaneously, would increase the control by the State's two bank holding companies, combined, to approximately 46 per cent of the offices and
51 per cent of the deposits of all banks in the State. Applicant would then be operating in all but seven of the State's 25 counties having banking offices.

In view of the proportion of the total banking resources of the State and of the areas therein particularly pertinent to this application that are presently concentrated under Applicant's control, and despite the fact that acquisition of Bank would not result in a substantial percentage increase in the total resource size of Applicant's system, it is the judgment of the Board that introduction of Applicant's system into the Carbon-Emery area would result in a degree of dominance that would endanger the future competitive ability and growth potential of the area's remaining banks. The insignificant increase in benefits to the communities and area concerned that may be anticipated from Applicant's operation of Bank is insufficient to outweigh the adverse consequences to the banks concerned and to the public that are inherent in the proposal.

Accordingly, viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would not be consistent with the statutory objectives and the public interest and that the application should be denied.