

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CONNECTICUT

UNITED STATES OF AMERICA,

Plaintiff,

v.

THE CONNECTICUT NATIONAL BANK
and THE FIRST NEW HAVEN
NATIONAL BANK,

Defendants.

Civil Action No. 14583

Filed: August 23, 1971

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the above-named defendants, and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 15 of the Act of Congress of October 15, 1914, c. 323, 38 Stat. 736, as amended (15 U.S.C. § 25), commonly known as the Clayton Act, in order to prevent and restrain violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, 38 Stat. 731, as amended (15 U.S.C. § 18).

2. Each of the defendants has its principal place of business, transacts business, and is found within the District of Connecticut.

II

THE DEFENDANTS

3. The Connecticut National Bank (hereinafter referred to as "Connecticut National") is made a defendant herein. Connecticut National is a banking association organized under the laws of the United States of America and maintains its principal place of business in Bridgeport, Fairfield County, Connecticut.

4. The First New Haven National Bank (hereinafter referred to as "First New Haven") is made a defendant herein. First New Haven is a banking association organized under the laws of the United States of America and maintains its principal place of business in New Haven, New Haven County, Connecticut.

III

TRADE AND COMMERCE

5. Commercial banks fill an essential and unique role in the nation's economy. Their principal functions are the acceptance of deposits for safekeeping and convenience in making payments by check, the granting of loans or advances of funds to individuals and business firms, and the creation through demand deposits of net additions to the supply of money. Most money payments in the United States are made through checks drawn against demand deposits, and the creation and holding of such deposits is a function peculiar to commercial banks and one which makes them to a great extent the administrators of the nation's check payment system. Through the making of loans to individuals and businesses,

commercial banks supply a significant part of the credit requirements of the nation's economy. Commercial banks also accept time deposits from various types of depositors and provide a wide variety of other financial services, including personal and corporate trust accounts, the collection of drafts, bills, and other commercial instruments, the acceptance of bills of exchange, the issuance of letters of credit, the sale of cashier's checks and drafts on correspondent banks, the purchase or sale of securities for customers, the sale of foreign exchange, and the renting of safety deposit boxes. This combination of services is unduplicated by other financial institutions.

6. Customers of Connecticut National and First New Haven have regularly utilized interstate communications, including the mails, telephone and telegraph, to carry on their business with, apply for, and obtain the services provided by these banks. Connecticut National and First New Haven have regularly utilized interstate communications, including the mails, telephone and telegraph, to conduct business with customers and with other banks located in states other than Connecticut. Connecticut National and First New Haven are each engaged in interstate commerce.

7. Connecticut National is the fourth largest commercial bank in Connecticut. It operates 48 banking offices, including ten in Bridgeport, 29 in Fairfield County outside of Bridgeport, eight in New Haven County, and one in Litchfield County. On December 31, 1970, Connecticut National held total assets of about \$398 million, total deposits of about \$354 million (including IPC demand deposits of about

\$154 million), and total loans and discounts of about \$228 million. Connecticut National holds about 7 percent of the deposits held by commercial banks in Connecticut.

8. First New Haven is the seventh largest commercial bank in Connecticut. It operates a total of 21 offices, all in New Haven County, including eight in New Haven City. On December 31, 1970, First New Haven held total assets of about \$315 million, total deposits of about \$261 million (including IPC demand deposits of about \$145 million), and total loans and discounts of about \$185 million. First New Haven holds about 5 percent of the deposits held by commercial banks in Connecticut.

9. The State of Connecticut is heavily industrialized, with a large white collar population and relatively little farming. Connecticut's population grew at a rate of 17.9 percent during the 1960's, the highest rate of growth in the northeast section of the United States. The state ranks first in the nation in per capita personal income and per capita value added by manufacture. Bridgeport and New Haven are the second and third largest cities in the state, respectively. Bridgeport is the leading industrial center in the state, and there is considerable manufacturing in the New Haven area also. Population in the Bridgeport and New Haven Standard Metropolitan Statistical Areas ("SMSAs") increased by 15 percent and 11 percent, respectively, in the 1960's. Population in Fairfield and New Haven Counties increased 21 percent and 13 percent, respectively, during the same period.

10. The cities of Bridgeport and New Haven are about 20 miles apart, connected by good highways. Several offices of both banks are located in the area between the two cities. Among these offices are five offices of First New Haven and three of Connecticut National located in close proximity to each other in the towns of Orange, Milford, Derby and Ansonia. Connecticut National and First New Haven are significant competitors of each other and of other commercial banks within this four-town area. Commercial banking in this area is highly concentrated. First New Haven and Connecticut National hold about 39 percent and 20 percent, the first and second largest shares, respectively, of the total deposits held by all commercial banking offices in the area. If the proposed consolidation between Connecticut National and First New Haven is consummated, the resulting bank would hold about 59 percent of the total commercial bank deposits in this area and operate eight of the area's 16 commercial banking offices.

11. Commercial banking in New Haven County is also highly concentrated. First New Haven is the second largest bank headquartered in the county and holds the largest share, about 24 percent, of all deposits in New Haven County banking offices. The four largest banks in the county together hold about 68 percent of all such deposits. Connecticut National's eight New Haven County offices hold about 5 percent of all deposits held in the county. If the proposed consolidation between Connecticut National and First New Haven is consummated, the resulting bank would hold

about 29 percent of all deposits in New Haven County banking offices, and the share of the four leading banks in the county would increase from 68 percent to about 73 percent.

12. Commercial banking in the New Haven SMSA, consisting of New Haven and ten nearby towns, is also highly concentrated. First New Haven holds the largest share, about 40 percent, of commercial bank deposits in the SMSA. The two leading banks hold about 69 percent of all such deposits. Connecticut National's one office in Orange, which is within the New Haven SMSA, holds about 1 percent of total SMSA deposits.

13. Connecticut banking law permits statewide de novo branching into any city or town which is not the site of the head office of another bank. Five New Haven County towns in which First New Haven operates offices are presently open to de novo entry by Connecticut National. Four of these five towns are in the New Haven SMSA and three of the towns, East Haven, West Haven and Branford, are adjacent or very close to New Haven and would provide good locations from which Connecticut National could compete more effectively in the New Haven area.

14. Connecticut National has the capability and incentive to expand further into the New Haven SMSA by de novo branching into those towns which are open to such branching or by acquisition of one of the four small banks which operate offices in towns adjacent to New Haven. Connecticut National could also enter New Haven City by forming a multi-bank holding company and chartering a de novo bank there.

15. Commercial banking in the Bridgeport SMSA is highly concentrated. Connecticut National holds about 40 percent, the leading share, of total deposits in the Bridgeport SMSA. The two leading banks hold about 77 percent of all such deposits. First New Haven's three offices in Milford, New Haven County (which is in the Bridgeport SMSA) hold about 6 percent of total deposits in the Bridgeport SMSA.

16. Twelve towns in which Connecticut National operates offices are presently open to de novo branching by First New Haven, including all of the towns in the Bridgeport SMSA except the City of Bridgeport. Most of these towns are adjacent or very close to Bridgeport and would provide good locations from which First New Haven could compete more effectively in the Bridgeport area.

17. First New Haven has the capability and incentive to expand further into the Bridgeport SMSA by de novo branching. First New Haven could also enter Bridgeport City by forming a multi-bank holding company and chartering a de novo bank there.

18. Presently, 139 of Connecticut's 177 towns and cities, containing a total population of about 1,550,000, are open to de novo branching by outside banks. In recent years, the larger banks in the state have begun to expand into areas more distant from their home offices. Given the small size of the state and the ease of movement between major urban centers, it can be expected that regional and statewide banking systems will be established. Connecticut

National and First New Haven each have the capability and incentive to independently expand into such a system.

19. The proposed consolidation between Connecticut National and First New Haven is part of a recent trend toward mergers of leading banks in different parts of Connecticut. The third largest bank in the state is the result of a merger of leading banks in New Haven and Stamford, and the seventh and 13th largest commercial banks in the state, located in Bridgeport and Waterbury, respectively, recently merged to form the sixth largest bank in the state.

IV

OFFENSE

20. Defendants Connecticut National and First New Haven entered into an agreement on or about November 19, 1970, which will result in the consolidation of Connecticut National and First New Haven under the charter of First New Haven and with the title The First Connecticut National Bank. The Comptroller of the Currency approved the proposed consolidation on July 26, 1971.

21. The effect of the consolidation described in paragraph 20 above may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act in the following ways, among others:

- (a) actual and potential competition between Connecticut National and First New Haven in the Bridgeport and New Haven SMSAs, in New Haven County and in the Orange-Milford-Derby-Ansonia area of Connecticut will be

- permanently eliminated;
- (b) concentration in commercial banking in the Bridgeport and New Haven SMSAs, in New Haven County and in the Orange-Milford-Derby-Ansonia area of Connecticut will be significantly increased;
 - (c) Connecticut National will be eliminated as a potential substantial competitive factor in the New Haven area and in those parts of New Haven County where it presently does not operate commercial banking offices in competition with those of First New Haven;
 - (d) First New Haven will be eliminated as a potential substantial competitive factor in the Bridgeport area and in those parts of Fairfield and New Haven Counties where it presently does not operate commercial banking offices in competition with those of Connecticut National;
 - (e) the number of banks in Connecticut capable of independently expanding into statewide banking systems will be reduced;
 - (f) both Connecticut National and First New Haven will be entrenched in their dominant positions in many local markets; and
 - (g) mergers and consolidations between other leading banks in Connecticut may be fostered, resulting in the concentration of banking

resources in the state in the hands of a few large banks, thereby reducing diversity in banking choices and promoting parallel policies among leading banks in local markets.

PRAYER

WHEREFORE, plaintiff prays:

1. That the consolidation agreement described in paragraph 20 of this complaint be adjudged to be unlawful, in violation of Section 7 of the Clayton Act.
2. That defendants and all persons acting on their behalf be enjoined from carrying out the aforesaid agreement of merger, or any similar plan or agreement, the effect of which would be to merge, consolidate, or in any other way combine the businesses of said defendants.
3. That the plaintiff have such other and further relief as the Court may deem just and proper.
4. That plaintiff recover the costs of this action.



JOHN N. MITCHELL
Attorney General



RICHARD W. McLAREN
Assistant Attorney General



BADDIA J. RASHID

CHARLES L. WHITTINGHILL

Attorneys, Department of Justice

United States Attorney

JOHN W. CLARK

Attorney, Department of Justice