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FEDERAL RESERVE BANK  
OF ATLANTA



1973

ANNUAL REPORT

FEDERAL RESERVE BANK OF ATLANTA

HG  
2613  
A7F2  
1973



FEDERAL RESERVE BANK  
OF ATLANTA

FIFTY-NINTH ANNUAL STATEMENT  
AND REPORT

HG  
2613  
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1973

January 2, 1974

TO ALL BANKS IN THE SIXTH  
FEDERAL RESERVE DISTRICT:

Comparative statements of condition of this bank as of December 31, 1973 and 1972, together with comparative statements of earnings and expenses for those years, are presented in this report. Complete lists of all directors and officers are provided.

Also presented are highlights of the bank's operations in 1973. It was another unusually eventful year, offering us many opportunities to participate in the continuing progress of the banking industry.



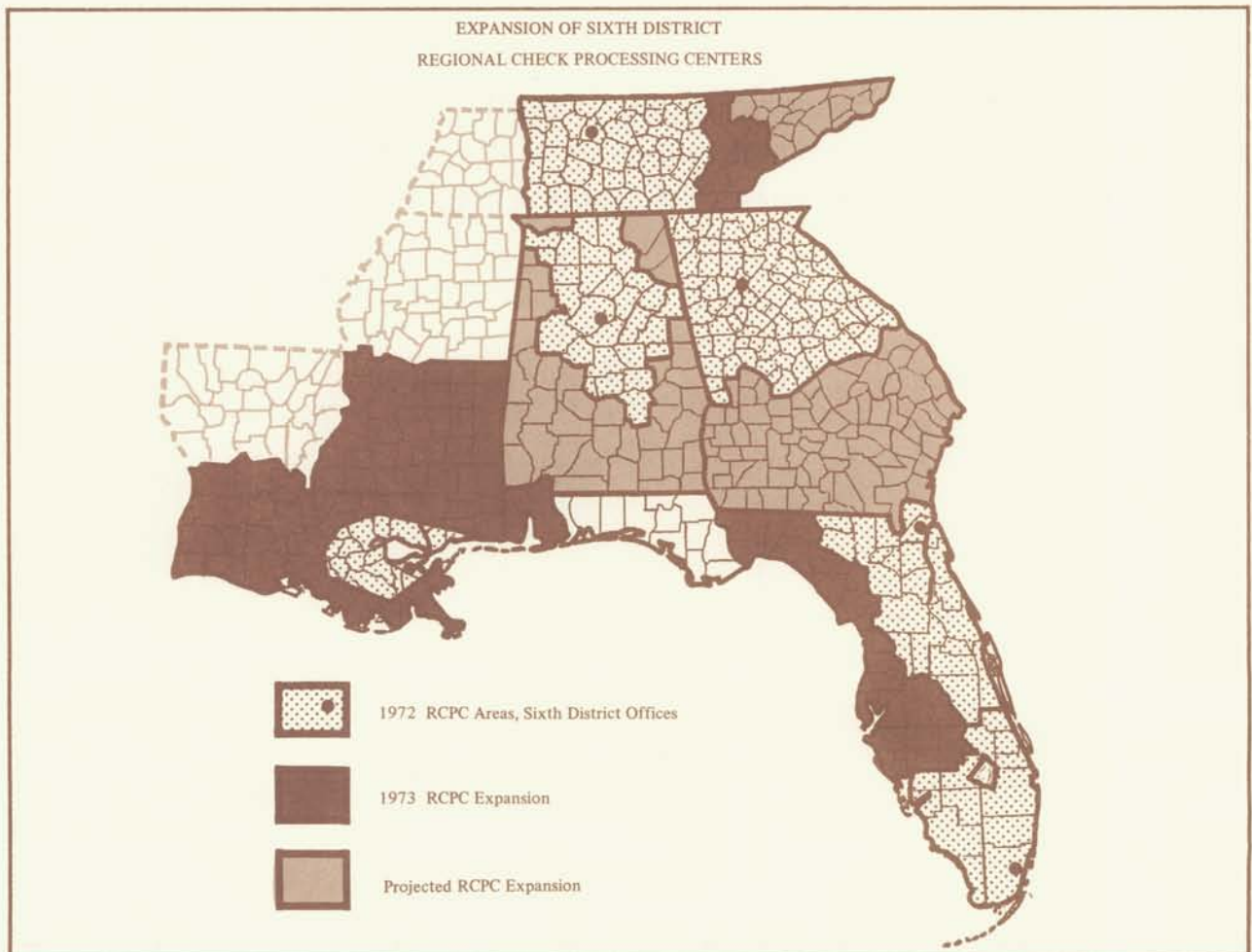
Monroe Kimbrel  
*President*

# HIGHLIGHTS of OPERATIONS

## EXPANDED REGIONAL CHECK PROCESSING CENTERS

Regional Check Processing was initiated in the Sixth District with the establishment of the Miami Office in October 1971. By November 1972, each Sixth District Office had converted all or part of

its Zone into a Regional Check Processing Center (RCPC). RCPC objectives and benefits include earlier presentment of checks for faster collection, reduction of float, expeditious handling of dis-



honored checks, and curtailment of check kiting fraud.

During 1973, RCPC expansion has continued in several Sixth District Zones.

**Atlanta:** The Atlanta Zone RCPC was initiated in September 1972, and serves 250 of the Zone's 445 banks. The initial conversion captured 75% of the former country check volume. The volume of Regional items processed by the Atlanta Office rose to 12,221,000 during November 1973, an increase of 20.2% over the November figures for the previous year. The Atlanta Office is examining the possibility of expanding the Atlanta RCPC area to include the entire Zone.

**Birmingham:** Birmingham RCPC operations were begun in September 1972. After a four-month phasing-in period, the RCPC was serving 139 banks. Check volume represented 74% of items formerly classified as country checks. The Birmingham Branch plans to initiate Phase II of the expansion to include all banks north of Montgomery by the middle of the year, and to incorporate the entire Zone in the future.

**Jacksonville:** The Jacksonville Branch initiated the first phase of a four-phase implementation of its RCPC in November 1972. One year later, Jacksonville had completed two more phases and had expanded the RCPC Zone to include 177 additional banks in the Tallahassee and Tampa / St. Petersburg areas. Of the former country check

volume, 67% is drawn on banks in the RCPC area.

**Miami:** The Miami Office began operations in October 1971 as the first RCPC in the Sixth District, covering its entire Zone. During the past year, the number of banks in the Miami Zone has increased from 209 at the end of 1972 to 239 in December 1973. Of these banks, 207 deposit an average of 1,237,000 items per day with Miami RCPC.

**Nashville:** In September 1972, the Nashville Branch initiated the first major phase of a two-phase conversion to RCPC operations in the Middle Tennessee area. Operations I and II of the second phase took place during the first two weeks of November 1973, expanding the RCPC area eastward to just beyond Knoxville and Chattanooga. This expansion increased the number of banks served from 154 to 204 and the RCPC check volume to 74% of the former country check volume.

**New Orleans:** Operations at the New Orleans RCPC began in November 1972 with the first phase of a three-phase implementation, serving 33% of the New Orleans Zone country banks. In July 1973, the New Orleans RCPC was expanded to include all of the 212 par-remitting banks in the New Orleans Zone. In October 1973, air transportation was replaced by a new "surface" transportation system which greatly increased the percentage of on-time deliveries for RCPC items.

## COMMUNICATIONS NETWORK INSTALLED

Significant progress was made in the Federal Reserve Bank of Atlanta's communications system during 1973. Beginning in February 1973, a newly created Communications Department was given responsibility for implementing the Sixth District's new Cyber 1000 communications network. The department's full-time professional staff will administer and operate the computerized message switch, approximately 2,500 miles of leased telephone lines, and 64 mini-computer terminals located in 34 District member banks and six Federal Reserve Offices.

The Sixth District network will connect with other commercial banks and Federal Reserve Offices across the nation through the Federal Reserve System's switching facilities at Culpeper, Virginia. Basically a mechanism for exchanging wire transfers of funds, the system is designed to adapt to

other applications such as member bank currency and coin requests; return item advices; securities transfers; and Federal Reserve administrative messages. Undoubtedly, as the system evolves, other applications will be integrated into its operation.

If stages of implementation proceed as anticipated, live operations will begin during the first quarter of 1974; by the second quarter, the system will be fully operational; and by the end of 1974, the Cyber 1000 network will be interfaced electronically with the Bank's data processing system for automatically updating accounting entries.

Once the system is installed and in operation on a continuing basis, we will investigate, and, when practical, add features that will not only maintain the level of service but increase it as new applications of the communications technology become available.

## DISCOUNT ACTIVITY AT HIGH LEVEL

Discount activity in the Sixth District during 1973 was extremely high and reflected varied pressures on member bank reserve positions, such as wide deposit fluctuations, increased reserve requirements, and high loan demand in certain areas. Money market interest rates generally remained above the discount rate throughout the year. Daily average borrowings of \$160.1 million were the highest ever recorded for the Sixth District. Reserve Bank credit was extended to 150 member banks, representing the highest number of banks assisted in any year since the early 1930's.

Regulation A of the Board of Governors of the Federal Reserve System, which governs the extension of credit by Federal Reserve Banks, was revised effective April 19, 1973. In addition to making a number of technical changes broaden-

ing the types of paper that can be accepted as discount collateral, the revisions provided for the establishment of a "Seasonal Borrowing Privilege" for those banks which have significant seasonal pressures and have only limited or indirect access to national money markets. This new program is designed to provide qualifying banks with pre-arranged credit, which is renewable from one year to the next, to enhance their ability to service both the seasonal and non-seasonal credit needs of their communities.

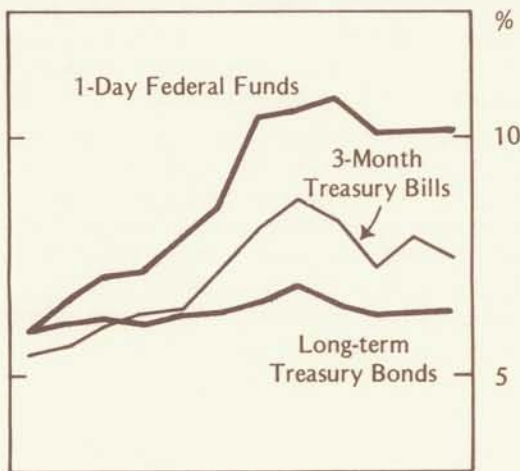
The discount rate was increased seven times during the year. The most recent change, effective August 16, increased the rate from 7% to 7½%, representing the highest on record for the Sixth District.

## INTEREST RATES IN 1973

Up a lot for eight months; down a little for four. Such was the 1973 path of short-term interest rates, which all set records at their August peaks. Long-term interest rates, inherently less volatile than their shorter-term counterparts, weakly echoed the up-and-down pattern.

The first chart illustrates this pattern with Treasury obligations — short bills and long bonds.

Interest Rates on Treasury Obligations

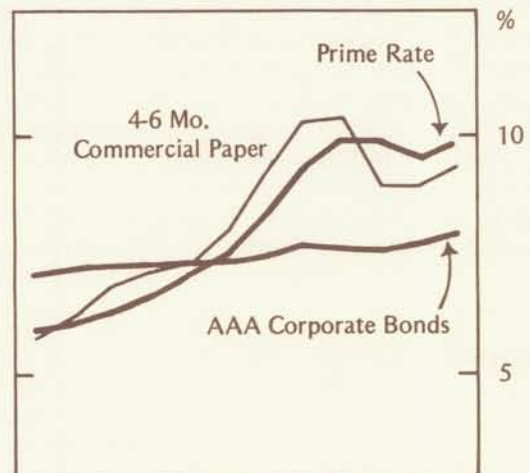


1973

Notably, increases in the three-month bill rate matched those in the interbank Federal funds rate until August; after that, investor expectations of easier money held down the bill rate, even while Federal funds traded above 10%. The increase in Treasury bond rates, meanwhile, was quite gradual.

The second chart shows a similar pattern, this time on rates paid by prime business borrowers.

Interest Rates on Prime Business Obligations



1973

Corporate bond rates rose slowly, whereas short-term rates on both bank loans and commercial paper soared during the first eight months of 1973. The prime rate, even at 10%, remained below the comparable commercial paper rate until September, when a drop in the commercial paper rate made commercial paper a cheaper source of short-term business credit.

Other rates have behaved sympathetically: Long-term rates on municipals and mortgages trended slowly but steadily upward, whereas short-term rates on banks' acceptances and negotiable certificates of deposit posted most of their sharp increases during the first eight months of the year. The Federal Reserve Bank of Atlanta's discount rate, finally, moved from January's 4½% to August's 7½%, where it remained at year-end.

## INCREASED HOLDING COMPANY ACTIVITY

Substantial increases in bank holding company activity were experienced in 1973 by the Federal Reserve Bank of Atlanta in both banking and non-banking areas. Applications for the formation of bank holding companies and the acquisition of banks by holding companies increased by 33% over 1972, while applications to engage in non-banking activities experienced a 95% growth. Not only has the volume of applications processed increased, but the Reserve Bank's responsibility has been expanded as a result of amendments to the Board's "Rules Regarding Delegated Authority."

Since January 21, 1972, the Reserve Banks have had the authority to approve applications for the formation of one-bank holding companies and

the acquisition of *de novo* banks which meet certain criteria. During 1973, the Federal Reserve Bank of Atlanta received 35 applications which came within these guidelines. On April 23, 1973, additional authority was delegated to the Reserve Banks for the approval of applications for the formation of multibank holding companies and the acquisition of existing banks which meet guidelines promulgated by the Board of Governors. During 1973, this Reserve Bank received 22 such applications.

The primary source of activity in the banking area remains in Florida, although Alabama and Tennessee have shown significant increases in recent years. The majority of nonbank applications originate in Georgia.

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# SIXTH DISTRICT OFFICES



Atlanta



Birmingham



Jacksonville



Miami



Nashville



New Orleans



*Seated (left) are Clifford M. Kirtland, Jr., Deputy Chairman, and H. G. Pattillo, Chairman and Federal Reserve Agent.  
Standing (left to right) Arthur H. Kantner, Senior Vice President;  
Kyle K. Fossum, First Vice President; and Monroe Kimbrel, President.*

**Federal Reserve Bank of Atlanta**

**DIRECTORS**

**CLASS C**

*Term Expires  
December 31*

Appointed by the Board of Governors of the Federal Reserve System

- H. G. Pattillo, (*Chairman*), President, Pattillo Construction Company, Inc.,  
Decatur, Georgia .....1974
- F. Evans Farwell, President, Milliken and Farwell, Inc., New Orleans, Louisiana .....1975
- Clifford M. Kirtland, Jr., (*Deputy Chairman*), President, Cox Broadcasting Corporation,  
Atlanta, Georgia .....1976

**CLASS B**

Elected by Member Banks

- Ulysses V. Goodwyn, Executive Vice President, Southern Natural Resources, Inc.,  
Birmingham, Alabama .....1974
- George W. Jenkins, Chairman, Publix Super Markets, Inc., Lakeland, Florida .....1975
- Robert D. Hornbeck, Manager—Tennessee Operations, Aluminum Company of America,  
Alcoa, Tennessee .....1976

**CLASS A**

Elected by Member Banks

- Jack P. Keith, President, First National Bank, West Point, Georgia .....1974
- Sam I. Yarnell, Chairman, American National Bank & Trust Company,  
Chattanooga, Tennessee .....1975
- John T. Oliver, Jr., President, First National Bank, Jasper, Alabama .....1976

**FEDERAL ADVISORY COUNCIL MEMBER**

Lawrence A. Merrigan  
President

The Bank of New Orleans and Trust Company  
New Orleans, Louisiana

**OFFICERS**

January 1, 1974

Monroe Kimbrel, President  
Kyle K. Fossum, First Vice President  
Arthur H. Kantner, Senior Vice President

Brown R. Rawlings, Senior Vice President  
Charles T. Taylor,  
Senior Vice President—Research

Harry Brandt, Vice President—Research  
W. Ronnie Caldwell, Vice President  
Frank Craven, Vice President  
Charles D. East, Vice President  
Robert P. Forrestal, Vice President and  
General Counsel  
B. H. Hargett, Vice President  
Delmar Harrison, Vice President  
Robert E. Heck, Vice President  
Harry C. Schiering, General Auditor  
Pierre M. Viguerie, Vice President

Martha Bethea, Assistant Vice President  
Byron L. Bohannon, Assistant General Auditor  
John Branscomb, Assistant Vice President  
George Budd, Assistant Vice President

David A. Callison, Assistant Vice President  
William N. Cox, III, Assistant Vice President  
Richard A. Dill, Assistant Vice President  
George Hibbert, Assistant General Counsel  
Eric B. Hingst, Assistant Vice President  
(also Secretary, Board of Directors)  
B. E. Howard, Assistant Vice President  
Kenneth J. Kearney, Assistant Vice President  
Zane R. Kelley, Examining Officer  
Wilbur W. Lawrence, Assistant Vice President  
John E. Leimone, Assistant Vice President  
Ely S. Matteri, Assistant Vice President  
George W. Moseley, Assistant Vice President  
Ronald Robinson, Assistant Vice President  
Clifford M. Saxon, Assistant Vice President  
Robert Sexton, Assistant Vice President  
Jack R. Sicard, Assistant Vice President  
H. Terry Smith, Assistant Vice President  
Benjamin C. Wade, III, Assistant Vice President  
John M. Wallace, Assistant Vice President

**Birmingham Branch**

**DIRECTORS**

*Term Expires  
December 31*

Appointed by the Board of Governors of the Federal Reserve System

- W. C. Bauer, (*Chairman*), President, South Central Bell Telephone Company,  
Birmingham, Alabama .....1974  
Frank P. Samford, Jr., Chairman, Liberty National Life Insurance Company,  
Birmingham, Alabama .....1975  
David Mathews, President, University of Alabama, University, Alabama .....1976

Appointed by the Board of Directors, Federal Reserve Bank of Atlanta

- W. Eugene Morgan, President, The First National Bank, Huntsville, Alabama .....1974  
John Alexander, Jr., President, City National Bank of Birmingham, Birmingham, Alabama ....1975  
Lawrence Harris, President, Slocomb National Bank, Slocomb, Alabama .....1976  
John Maples, Jr., Executive Vice President, Union Bank & Trust Company,  
Montgomery, Alabama .....1976

**OFFICERS**

January 1, 1974

Hiram J. Honea, Vice President

William A. Waller, Jr.,  
Assistant Vice President

James D. Shi,  
Assistant Vice President

John D. Swanson,  
Assistant Vice President

## Jacksonville Branch

### DIRECTORS

Term Expires  
December 31

Appointed by the Board of Governors of the Federal Reserve System

Gert H. W. Schmidt, (*Chairman*), President, TeLeVision 12 of Jacksonville,  
Jacksonville, Florida ..... 1974  
James E. Lyons, President, Lyons Industrial Corporation, Winter Haven, Florida ..... 1975  
Egbert R. Beall, President, Beall's Department Stores, Bradenton, Florida ..... 1976

Appointed by the Board of Directors, Federal Reserve Bank of Atlanta

Guy W. Botts, Vice Chairman, Barnett Bank of Jacksonville, N.A., Jacksonville, Florida ..... 1974  
Michael J. Franco, Chairman, City National Bank of Miami, Miami, Florida ..... 1975  
William K. de Veer, President, First National Bank, Palm Beach, Florida ..... 1976

### OFFICERS

January 1, 1974

E. C. Rainey, Senior Vice President

Vestus L. Crow,  
Vice President

Richard L. Berry,  
Assistant Vice President

Alan D. Davis,  
Assistant Vice President

S. J. Stacklin, Jr.,  
Assistant Vice President

Cecil L. Williams,  
Assistant Vice President

**Miami Office**

**OFFICERS**

January 1, 1974

W. M. Davis, Vice President

Robert E. Lee,  
Assistant Vice President

Robert G. Dole,  
Assistant Vice President

John R. Kerr,  
Assistant Vice President

Jessie T. Watson,  
Assistant Vice President

**Nashville Branch**

**DIRECTORS**

*Term Expires  
December 31*

Appointed by the Board of Governors of the Federal Reserve System

- Edward J. Boling, (*Chairman*), President, The University of Tennessee,  
Knoxville, Tennessee .....1974
- John C. Tune, Partner, Butler, McHugh, Butler, Tune, and Watts, Nashville, Tennessee .....1975
- James W. Long, Farmer, Springfield, Tennessee .....1976

Appointed by the Board of Directors, Federal Reserve Bank of Atlanta

- W. Bryan Woodard, Chairman of the Board, Kingsport National Bank,  
Kingsport, Tennessee .....1974
- Robert E. Curry, President, First National Bank, Pulaski, Tennessee .....1975
- T. Scott Fillebrown, Jr., President, First American National Bank, Nashville, Tennessee .....1976
- Fred R. Lawson, President, Blount National Bank, Maryville, Tennessee .....1976

**OFFICERS**

January 1, 1974

Jeffrey J. Wells, Vice President

W. Ralph Thurman,  
Assistant Vice President

William W. Dykes,  
Assistant Vice President

James D. Hawkins,  
Assistant Vice President

A. D. Sands,  
Assistant Vice President

**New Orleans Branch**

**DIRECTORS**

*Term Expires  
December 31*

Appointed by the Board of Governors of the Federal Reserve System

Fred Adams, Jr., President, Cal-Maine Foods, Inc., Jackson, Mississippi ..... 1974  
Edwin J. Caplan, (*Chairman*), President, Caplan's Men's Shops, Inc.,  
Alexandria, Louisiana ..... 1975

Appointed by the Board of Directors, Federal Reserve Bank of Atlanta

Archie R. McDonnell, President, The Citizens National Bank, Meridian, Mississippi ..... 1974  
Ernest F. Ladd, Jr., Chairman, Merchants National Bank, Mobile, Alabama ..... 1975  
James H. Jones, Chairman and Chief Executive Officer, First National Bank of Commerce,  
New Orleans, Louisiana ..... 1976  
Charles W. McCoy, Chairman of the Board and President, Louisiana National Bank of  
Baton Rouge, Baton Rouge, Louisiana ..... 1976

**OFFICERS**

January 1, 1974

Jack Guynn, Vice President

R. M. Junca,  
Assistant Vice President

H. C. DeBlonde,  
Assistant Vice President

E. Channing Workman,  
Assistant Vice President

## STATEMENT OF CONDITION

### ASSETS

|  | December 31, 1973 | December 31, 1972 |
|--|-------------------|-------------------|
| Gold Certificates .....                          | \$ 847,301,048    | \$ 646,601,696    |
| Special Drawing Rights Certificate Account ..... | 22,000,000        | 22,000,000        |
| Federal Reserve Notes of Other Banks .....       | 189,173,080       | 166,371,849       |
| Other Cash .....                                 | 38,775,526        | 40,060,022        |
| Subtotal .....                                   | 1,097,249,654     | 875,033,567       |
| Discounts and Advances .....                     | 109,490,000       | 94,750,000        |
| U. S. Government Securities .....                | 4,505,934,000     | 3,831,649,000     |
| Federal Agency Obligations .....                 | 111,272,000       | 71,978,000        |
| Total Loans and Securities .....                 | 4,726,696,000     | 3,998,377,000     |
| Other Assets:                                    |                   |                   |
| Cash Items in Process of Collection .....        | 757,518,603       | 927,777,438       |
| Bank Premises (Net) .....                        | 14,740,424        | 15,309,205        |
| All Other .....                                  | 60,600,791        | 56,323,639        |
| Total Other Assets .....                         | 832,859,818       | 999,410,282       |
| TOTAL ASSETS .....                               | \$6,656,805,472   | \$5,872,820,849   |

### LIABILITIES

|   |                 |                 |
|---|-----------------|-----------------|
| Federal Reserve Notes .....                     | \$3,560,313,624 | \$3,191,173,802 |
| Deposits:                                       |                 |                 |
| Member Bank Reserve Accounts .....              | 1,819,108,197   | 1,682,393,094   |
| Due to Other F.R. Banks – Collected Funds ..... | 214,063,257     | –0–             |
| U. S. Treasurer – General Account .....         | 237,258,903     | 144,484,901     |
| Foreign .....                                   | 18,200,000      | 19,720,000      |
| Other .....                                     | 33,365,028      | 20,336,073      |
| Total Deposits .....                            | 2,321,995,385   | 1,866,934,068   |
| Other Liabilities:                              |                 |                 |
| Deferred Availability Cash Items .....          | 583,753,166     | 671,337,492     |
| All Other .....                                 | 66,734,497      | 32,736,387      |
| Total Other Liabilities .....                   | 650,487,663     | 704,073,879     |
| TOTAL LIABILITIES .....                         | \$6,532,796,672 | \$5,762,181,749 |

### CAPITAL ACCOUNTS

|   |                 |                 |
|---|-----------------|-----------------|
| Capital Paid In .....                           | \$ 62,004,400   | \$ 55,319,550   |
| Surplus .....                                   | 62,004,400      | 55,319,550      |
| Total Capital Accounts .....                    | 124,008,800     | 110,639,100     |
| TOTAL LIABILITIES AND<br>CAPITAL ACCOUNTS ..... | \$6,656,805,472 | \$5,872,820,849 |

## EARNINGS AND EXPENSES

|   | 1973          | 1972          |
|---|---------------|---------------|
| Total Current Earnings .....                                  | \$273,336,666 | \$202,756,774 |
| Net Expenses .....  | 44,165,034    | 35,482,427    |
| Current Net Earnings .....                                    | \$229,171,632 | \$167,274,347 |
| Additions to Current Net Earnings:                            |               |               |
| Profit on Sales of U. S. Government<br>Securities (Net) ..... | -0-           | 153,507       |
| All Other .....   | 69,463        | 113,898       |
| Total Additions .....   | 69,463        | 267,405       |
| Deductions from Current Net Earnings:                         |               |               |
| Loss on Foreign Exchange Transactions (Net) ...               | 3,319,157     | 3,524,755     |
| All Other .....   | 1,872,241     | 2,354         |
| Total Deductions .....  | 5,191,398     | 3,527,109     |
| Net Additions (+) Deductions (-) .....                        | -5,121,935    | -3,259,704    |
| Net Earnings Before Payment to U. S. Treasury .....           | \$224,049,697 | \$164,014,643 |

## DISTRIBUTION OF NET EARNINGS

|  |               |               |
|--|---------------|---------------|
| Dividends Paid .....                                   | \$ 3,565,229  | \$ 3,174,260  |
| Payments to U.S. Treasury (Interest on F. R. Notes) .. | 213,799,618   | 155,898,833   |
| Transferred to Surplus Account                         |               |               |
| Net Additions (+) Deductions (-) .....                 | +6,684,850    | +4,941,550    |
| Total Earnings Distributed .....                       | \$224,049,697 | \$164,014,643 |

## SURPLUS ACCOUNTS

|   |               |               |
|---|---------------|---------------|
| Surplus January 1 .....                 | \$ 55,319,550 | \$ 50,378,000 |
| Transferred to Surplus - As Above ..... | 6,684,850     | 4,941,550     |
| Surplus December 31 .....               | \$ 62,004,400 | \$ 55,319,550 |



