WELCOMING REMARKS  
By Robert P. Forrestal  
President and Chief Executive Officer  
Federal Reserve Bank of Atlanta  
FRB Atlanta Banking Conference  
Atlanta, Georgia  
April 28, 1994  

I am extremely pleased to welcome each of you to this conference on banking in a changing environment, which is sponsored by the Federal Reserve Bank of Atlanta. The Atlanta Fed hosts a major conference each year alternating among banking and regional themes and, in the third year, a scholarly focus that attracts a more academic audience. That is not to imply that bankers are not true scholars, but I believe the practical topics we have focussed on for this conference ought to speak directly to the pragmatist in each of you.

It has almost become trite to say that bankers are operating in a time of turmoil and change. In the past decade alone, we have certainly seen a shift away from the old 'bricks-and-mortar' concept of banking to one that is driven by technology. Clearly, though, banking has moved away from the construction of new buildings and moved into the world of technology, as represented by advances in communication and financial instruments.

The need to stay current with the latest ideas in technology, products, and services is borne out by the numbers my staff provided me to describe the changing structure of banking. In the United States, the market share of banks is declining. The numbers show that the share of credit-market funds for all depositories has declined from about 45 percent in the 1970s to nearly 30 percent over the first three years of this decade. Over that same interval, the market share of banks declined from nearly 30 percent to 20 percent. Banks are merging, acquiring and being acquired,
thus leading to consolidation in the industry. The consolidation has been spurred by technology, but it has also accelerated because of the strong competition from nonbank intermediaries that now offer many of the same services that banks offer. As most of you may know, it has long been the opinion of the Fed that the deregulation of banking in the United States has not gone far enough. We have seen some de facto movement in the direction of wider products with more banks offering mutual funds, for example. In addition, interstate branching has been taking place throughout the United States regardless of Congressional inertia on this legislative front. Ironically, this development may also cause more shrinkage in the number of U.S. banks. Still, it is clear that smart bankers must provide what their customers want in order to compete with other banks and non-bank intermediaries.

With this conference, we have tried to take a practical approach to issues that bankers deal with every day. That is why you will find sessions on mutual funds and small-business customers, as well as sessions on derivatives and regulatory topics. We have also included a session on international products, because we at the Fed firmly believe in the growing importance of the global marketplace. The financial markets are now virtually integrated from one country to the next, and I daresay that if your bank has not already begun to find ways to service businesses that want to get into international trade, then some of your customers may convince you of the need to do so before long.

Every session has been structured to maximize interaction between the panelists, the speakers, and the audience. I understand that we actually aimed to find some speakers who
disagreed with one another, so that the debate would be lively. I hope that you will also contribute
to that friendly debate, particularly if you have solid information based on the experience of your
own bank. Again, I am very happy to be hosting this gathering, and I hope that each of you takes
away many useful ideas from the panelists and from one another. Now let me turn to the matter
of introducing our keynote speaker this morning, Ed Crutchfield.