RCPC

MULTIBANK

D

BOOK ENTRY

OBHC

FEDERAL RESERVE BANK OF CHICAGO

ANNUAL REPORT 1972

J

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To the member banks of the
Seventh Federal Reserve District:

The economy improved markedly in 1972, continuing at an accelerated pace the growth that began the previous year. Expanding employment and production were coupled with a reduced rate of inflation. However, the close of the year saw us still far short of our goals. Employment gains were only moderately greater than growth of the labor force, so that the unemployment rate remained unacceptably high; the rate of inflation declined less than had been hoped for; and the balance-of-payments deficit, though less than in 1971, was still deeper than in any earlier year.

Throughout the year the Federal Reserve System accommodated strong credit demands, but as economic expansion accelerated, monetary policy was directed toward moderation in monetary growth. In 1973—begun in an environment of vigorous growth—monetary policy again will be directed toward providing sufficient bank reserves to permit the economy to realize its productive potential. At the same time, we must resist demands for credit to finance a level of expenditures that would strengthen the inflationary pressures.

This bank helped to speed up the payments process in 1972 through the establishment of Regional Check Processing Centers and further progress toward automation of government securities transactions. These developments, as well as decisions under the Bank Holding Company Act involving Seventh District banks, are reviewed in this report.

The financial statements of this bank for 1972 reflect changes in Federal Reserve regulations, monetary policy actions, and devaluation of the dollar. Despite increased loans and securities, total assets declined to $15.4 billion on December 31, 1972, from almost $16 billion a year earlier. The decline is accounted for by a significant reduction in cash items in process of collection, accomplished through the RCPCs and the requirement of immediate payment on day of presentment for checks collected through Federal Reserve banks. In liabilities, these changes are in part reflected in lower deferred availability items. Reserve deposits of member banks also declined, despite the large growth in their deposit liabilities, because of lower reserve requirements. Total earnings in 1972 were $612 million, $14 million less than 1971 earnings. Earnings on loans to member banks declined almost $7 million, due to both lower average loans outstanding and a lower discount rate. Larger current earnings on U. S. Government securities held were more than offset by smaller profits on securities sold, and a net loss on foreign exchange transactions. Net earnings, after expenses and other deductions, totaled $551 million, of which $530 million were transferred to the U. S. Treasury.

The success of the Federal Reserve System in carrying out its responsibilities to the public and the banking community depends heavily on your cooperation. On behalf of the directors, officers, and staff of this bank, I thank you for your help in 1972.

Sincerely,

Robert P. Mayo

Robert P. Mayo
President

December 31, 1972

serving banks better

The Federal Reserve System expanded and improved services to member banks during 1972 with implementation of changes in the payments mechanism, expansion of book-entry procedures for government securities, and with the processing of increased bank holding company applications. In addition, Regulations J and D were changed putting member banks on uniform bases for purposes of check collection and reserve requirements.

Improving the Payments Mechanism

With the large and growing number of money transfers made by check in the United States, the Board of Governors of the Federal Reserve System issued a policy statement on June 16, 1971 calling for improvements in the payments mechanism. Improved methods of transporting and handling checks and advances in electronic communication made the time propitious for improving the conventional check system and also for improving and promoting the use of electronic money transfer systems.

As a first step in improving the conventional check system, Federal Reserve banks are establishing Regional Check Processing Centers (RCPCs) in key cities throughout the United States with several fully operational and others in various stages of implementation. Studies to determine the best means of providing expeditious and convenient check collection services to banks and their customers in areas not included in existing or planned RCPC arrangements are continuing.

The outstanding feature of RCPC arrangements is that all intra-RCPC-area checks are cleared in one day. This means that checks deposited with RCPC-area banks drawn on other banks in the same RCPC area are debited and credited overnight to the accounts of RCPC-area banks and their customers. This is possible partly because closing hours for the receipt of checks at RCPCs are such that RCPC-area banks, with the use of improved transportation, can make deposits with the RCPC the same day they receive deposits from their customers in the normal course of business. At RCPCs, deposits of checks drawn on RCPC-area banks received by the closing hour are processed and presented for payment and credit the following business day.

The other necessary step in accomplishing overnight check clearing for intra-RCPC-area items was provided by the change in check collection procedures (Regulation J) initiated by the Board of Governors and implemented by Federal Reserve offices beginning November 9, 1972. Currently, Regulation J requires all banks to whom the Federal Reserve presents checks for payment to remit in immediately available funds on the same day checks are presented. Thus, remittances for intra-RCPC-area checks are received by the Federal Reserve the business day after the checks are deposited with the first commercial bank of deposit, and such payments are immediately credited to reserve accounts of member banks in the RCPC area consummating the overnight check collection process.

This speed-up in check collection was accompanied by a change in reserve requirements (Regulation D) and earlier availability of credit for intra-RCPC-area items which lessened the impact on those banks not located in cities where there is a Federal Reserve office that had been accustomed to a one-day delay in paying for checks presented by the Federal Reserve. The change in Regulation D put all banks, regardless of location, on a uniform basis for purposes of computing reserve requirements and more than offset the aggregate reserve loss associated with the change in Regulation J. Since November 9, reserve requirements on demand deposits have been graduated according to an individual bank's level of deposits. Requirements range from a low of 8 percent on the first $2 million net demand deposits, to a high of 17½ percent on all net demand deposits over $400 million.

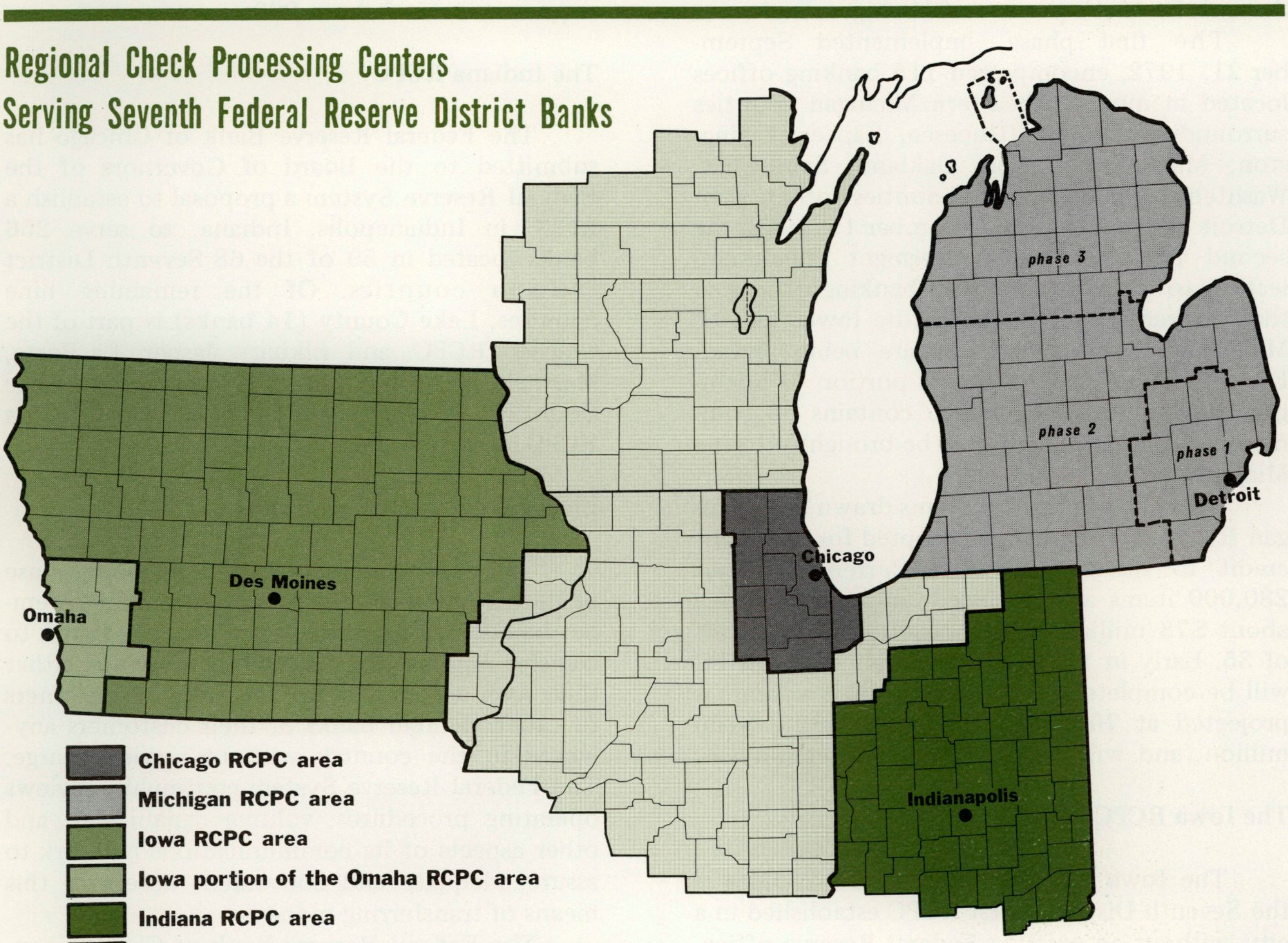
For all banks, the net effect of these two regulatory changes was to release about $1.5 billion in reserves. But because these were structural changes and not monetary policy moves, the Federal Reserve System absorbed the net release of reserves through open market operations, consistent with overall monetary policy. Individual banks faced with losses of funds resulting from these reforms are provided with temporary waivers of penalties on reserve deficiencies and special borrowing privileges at Federal Reserve bank discount windows in order to mitigate adverse effects.

The Chicago RCPC

On April 1, 1972, the first Seventh District Regional Check Processing Center began operations. Located in the Chicago Federal Reserve Bank building, the Chicago RCPC serves 267 Illinois banks and 13 Indiana banks located in ten counties adjacent to Chicago (Cook—excepting banks that belong to the Chicago Clearing House Association—Du Page, Grundy, Kane, Kankakee, Kendall, Lake, Mc Henry and Will Counties in Illinois, and Lake County, Indiana). For banks in these ten counties, as well as for other Federal Reserve offices and direct-sending banks in other Federal Reserve districts, items drawn on Chicago RCPC-area banks are accepted at the RCPC for credit to member banks' reserve accounts on an overnight basis. This means that Chicago RCPC-area banks receive payment for items deposited with them and drawn on other Chicago RCPC-area banks which can be loaned or invested the business day following the day the items are deposited.

The Chicago RCPC processes each working day about 930,000 checks, representing approxi-

Regional Check Processing Centers Serving Seventh Federal Reserve District Banks



mately $163 million, which is about 27 percent of the Federal Reserve Bank of Chicago's total daily check-processing activity. A night staff of about 200 is required to process, transport, and present checks to Chicago RCPC-area banks on an overnight basis. The Chicago RCPC will expand to serve banks in adjacent areas in Illinois and Indiana, and, possibly, some areas in Wisconsin, as rapidly as the needed transportation, equipment, and personnel can be acquired.

The Michigan RCPC

At the Detroit branch of the Federal Reserve Bank of Chicago, the Michigan RCPC is being implemented in three phases. When completed, it will bring the benefits of accelerated check collection to the 286 banks located in the Seventh District's portion of Michigan.

The first phase, implemented September 21, 1972, encompassed 115 banking offices located in nine southeastern Michigan counties surrounding Detroit (Genesee, Lapeer, Livingston, Macomb, Monroe, Oakland, Saint Clair, Washtenaw, and Wayne Counties—other than Detroit city banks). On December 15, 1972, the second phase extended overnight check collection to an additional 162 banking offices so that, currently, all banks in the lower half of Michigan's lower peninsula are being served. Early in 1973, the remaining portion of Michigan's lower peninsula, which contains 52 commercial banking offices, will be brought into the Michigan RCPC.

Deposits of unsorted items drawn on Michigan RCPC-area banks are accepted for overnight credit to reserve accounts. Currently, about 280,000 items are processed daily, representing about $78 million, which requires a night staff of 35. Early in 1973, when the Michigan RCPC will be completely implemented, daily volume is projected at 700,000 items representing $150 million, and will require about 110 employees.

The Iowa RCPC

The Iowa RCPC located at Des Moines is the Seventh District's first RCPC established in a city without an existing Federal Reserve office. The phase-in began on October 31, 1972, and when fully operational the Iowa RCPC will serve 575 banks in 86 of Iowa's 99 counties. Forty-two banks in six southwestern Iowa counties (Fremont, Harrison, Mills, Montgomery, Pottawattamie, and Shelby) are being served for check clearing purposes by the Omaha branch of the Federal Reserve Bank of Kansas City, and 53 banks in seven southeastern Iowa counties (Clinton, Des Moines, Henry, Lee, Louisa, Muscatine, and Scott) continue to be served directly from the Federal Reserve Bank of Chicago.

Early in 1973, when the Iowa RCPC will be fully operational, it will accept for overnight credit all items drawn on Iowa RCPC-area banks. The projected daily average volume is 750,000 items, representing $140 million. For the Iowa RCPC to process deposits and transport cash letters for presentment on an overnight basis requires a staff of about 200.

The Indiana RCPC

The Federal Reserve Bank of Chicago has submitted to the Board of Governors of the Federal Reserve System a proposal to establish a RCPC in Indianapolis, Indiana, to serve 256 banks located in 59 of the 68 Seventh District Indiana counties. Of the remaining nine counties, Lake County (14 banks) is part of the Chicago RCPC, and Elkhart, Jasper, La Porte, Marshall, Newton, Porter, St. Joseph, and Starke Counties (46 banks) will be incorporated into a RCPC as soon as feasible.

Electronic Transfers of Funds

The Federal Reserve System encourages use of its wire network for transferring funds. Member banks may use the System's wire network to transfer amounts of $1,000 or more for either their own account or for accounts of customers to other member banks or their customers anywhere in the country without service charge. The Federal Reserve System continually reviews operating procedures, volume capabilities, and other aspects of its communications network to assure adequate and convenient access to this means of transferring money.

The Federal Reserve Bank of Chicago handles about 5,000 wire transfers a day amounting to about $9 billion. The Detroit branch handles a daily average of 1,500 wire transfers a day amounting to approximately $2.8 billion. Requests to electronically transfer funds from the reserve accounts of member banks are made to the wire transfer room of the Federal Reserve Bank of Chicago or the Detroit branch by telephone, by commercial wire messages, and most recently, by direct wire messages.

Banks that have relatively few wire transfers find it most economical and convenient to make requests to transfer funds by telephone. Because such requests are increasing in number and have the tendency to bunch between 10:30 a.m. and closing hours, the Chicago office is installing an Automatic Call Distributor (ACD). This system—to be operational in the first quarter of 1973—puts all calls through to available operators on a first-come, first-served basis in order of their arrival at the wire transfer room. As such, the ACD system will help minimize waiting time for member banks placing telephone requests to wire transfer funds. At the Detroit branch, telephone requests to transfer funds are conveniently and expeditiously handled by available operators.

Some member banks that typically have frequent wire transfers initiate them using commercial wire teletype machines in their banks linked to teletype machines in the wire transfer room of their Federal Reserve offices. During 1972, the Federal Reserve Bank of Chicago added the requisite equipment to expand commercial wire teletype service to a number of additional Seventh District banks. Also, the Detroit branch began accepting requests to transfer funds using facsimile equipment. This method—which permits several transfers to be requested at the same time—uses commercial telephone wires to send exact copies of wire transfer requests from member banks to the Detroit branch. It eliminates the need for telephone operators to receive such requests and offers member banks with relatively frequent wire transfers a convenient and expeditious means of requesting funds transfers.

A number of the Seventh District's largest member banks are joined to the Federal Reserve System's communications network by direct wire link-ups for effecting wire transfers of funds. Directly-linked banks initiate funds transfers from terminals located in their offices. At the Chicago office, these transfers pass through the Federal Reserve Bank of Chicago to the Federal Reserve office of receiving banks with no direct involvement of Federal Reserve Bank of Chicago personnel. As the transfers pass through, accounting data are automatically generated with totals recorded and balanced every hour. At the Detroit branch, requests to transfer funds by directly-linked banks are initiated at terminals in sending member banks and received as punched paper tape that is automatically generated in the wire transfer room. These tapes are read into computers which automatically generate accounting data and other information necessary to consummate the transfers. Both systems are fast and efficient for banks with large wire transfer activity.

Direct link-ups were initiated in Detroit in April 1971 and in Chicago in January 1972. While all banks currently directly linked are large Chicago and Detroit banks, expansion of the service is being considered for other member banks with high volumes of wire transfers in Chicago, Milwaukee, Indianapolis, Des Moines, Lansing, and other cities.

Book-Entry Procedures

As fiscal agent for the U. S. Treasury, the Federal Reserve System, among other services, redeems government securities as they mature, makes exchanges of denominations or kinds, and pays interest coupons. In this role, the Federal Reserve System issues, redeems, and exchanges over 250 million government securities yearly. In 1972, the dollar value of these transactions exceeded $2 trillion.

Considerations of volume, efficiency, and safety have prompted the Federal Reserve System to adopt as a long-range goal a more fully automated government securities operation. To achieve this goal, the System has embarked on a program designed to do two things. One is to replace the pieces of paper representing government obligations with computerized book entries. The other is to effect transactions in book-entry securities by means of wire messages. Attaining these objectives will introduce greater efficiency in handling the securities, provide necessary controls, and reduce the risks of loss or theft. When fully developed, such benefits will be available to all owners of government securities through member banks qualified to make deposits in book-entry accounts.

The Federal Reserve Bank of Chicago began implementing book-entry procedures in 1968 for Treasury securities deposited for four purposes: those deposited as collateral for advances, those deposited as collateral for Treasury tax and loan accounts, those deposited as collateral against other federal money, and those member bank-owned securities deposited solely for safekeeping. In 1968, 67,000 government securities, representing $3.7 billion of securities—about 50 percent of the total amount in custody—were converted from physical form to book entry. Today, the Federal Reserve Bank of Chicago holds $4.6 billion of securities in book entry, which is about 40 percent of the total amount in custody. The Detroit branch also converted Treasury securities held for the abovementioned purposes to book entry in 1968. In August 1972, all remaining Treasury securities held in various other collateral accounts were converted to book-entry form. The scope of book-entry procedures is being expanded to ultimately include most federal agency obligations.

In September 1972, the Federal Reserve Bank of Chicago introduced a new security trading communications facility. This new service, designed to reduce costs and risks of handling government securities that are to be traded, allows participating member banks to consummate in a matter of minutes trades that previously took as long as two hours. At present, only the largest dealer-banks are participants.

The new facility at the Federal Reserve Bank of Chicago is an important improvement for dealer-banks and is a significant step toward the System's long-range goal of a fully automated government securities market. Expansion of the trading communications facility to accommodate additional dealer-banks is under study.

Bank Holding Companies

The Board of Governors acted on over 375 cases involving acquisitions of banks by bank holding companies during 1972 (through December 23, 1972), compared with 225 cases in 1971. Forty-five of the 1972 cases—about 12 percent—involved Seventh District holding companies. The Seventh District accounted for 24 cases, or about 11 percent of the 1971 total.

The rate of expansion in bank holding company activity has been greater in this district than in the nation because of the relatively large number of unit banks in the district, and because bank holding companies are permitted by state laws in all five Seventh District states. Multibank and one-bank holding companies are permitted in Wisconsin, Iowa, and Michigan, and one-bank holding companies are permitted in Illinois and Indiana. Michigan corporations were unusually active in forming bank holding companies, and almost half of all such Seventh District applications acted on in 1972 came from the state. This reflects the recent change in Michigan law permitting state-chartered corporations to own shares of banks.

Of the 45 Seventh District holding company cases decided in 1972, roughly half were expansions of existing bank holding companies and half were new organizations. Twenty-one of the 24 cases involving expansions by multibank holding companies through acquisition of additional banks were approved. Nineteen of the 21 cases involving companies seeking to form bank holding companies by acquiring one or more banks were approved.

Seventh District bank holding companies have been successful in efforts to expand by acquiring companies engaged in permissible nonbanking activities. During 1972, the Board of Governors approved all requests by Seventh District banks to acquire companies engaged in consumer finance and mortgage banking. During this same period, the Federal Reserve Bank of Chicago, acting under delegated authority, approved 42 requests from bank holding companies to establish new companies (de novo expansions) to engage in bank-related activities. The activities most frequently engaged in by Seventh District bank holding companies—either through acquisition or de novo—were: leasing (11), mortgage banking (7), consumer lending (6), commercial lending (6), and investment advising (5).

statement of operations

	Value		Number of items	
	1972	1971	1972	1971
	(millions)		*(thousands)*	
Clearing and collection				
Commercial bank checks	$ 557,149	$ 512,412	1,228,936	1,138,754
Government checks*	25,738	26,205	98,000	101,100
Other items	1,629	1,644	1,735	1,813
Currency and coin				
Currency received and counted	$ 5,644	$ 5,399	752,509	766,990
Coin received and counted	165	164	1,366,866	1,371,810
Unfit currency withdrawn from circulation	1,065	1,613	238,203	350,250
Safekeeping of securities				
Definitive securities**				
Securities received	$ 4,329	$ 5,249	443	517
Securities released	4,100	4,372	410	403
Coupons detached	287	254	3,123	3,014
In safekeeping on December 31	6,404	6,175	1,573	1,540
Book-entry Treasury securities**				
Securities deposited	$ 26,482	$ 15,934	17	14
Securities withdrawn	25,433	16,071	17	15
On deposit on December 31	5,849	4,800	–	–
Loans				
Total loans made during the year	$ 6,560	$ 37,521	–	–
Daily average outstanding	43	167	–	–
Number of banks accommodated	–	–	168†	184†
Investment				
Purchases and sales of securities for member banks	$ 572	$ 804	4	6
Transfer of funds				
Funds transferred	$2,930,866	$2,391,889	1,525	1,285
Services to the U. S. Treasury				
Marketable securities				
Issued:				
Bearer and registered	$ 10,567	$ 16,108	211	373
Book entry	7,361	6,824	7	8
Serviced:				
Bearer and registered	62,466	58,283	717	793
Book entry	39,042	19,577	22	14
Redeemed:				
Bearer and registered	15,807	22,482	595	804
Book entry	1,574	3,496	5	7
Savings bonds and savings notes				
Issued	$ 1,682	$ 1,480	29,611	27,826
Reissued and replaced	354	332	1,842	1,747
Redeemed	1,223	1,139	20,132	19,231
Federal tax deposit forms processed	$ 27,532	$ 24,580	5,476	5,123
Food stamps processed	$ 448	$ 387	261,592	247,904

*Includes postal money orders.
**Includes collateral custodies.
†Actual number.

statement of earnings

	1972	1971
Current earnings:		
Advances and discounts	$ 1,927,020	$ 8,733,021
U. S. Government securities	609,927,134	600,673,056
Foreign currencies	173,510	395,960
All other	126,696	145,150
Total current earnings	$612,154,360	$609,947,187
Current expenses:		
Operating expenses	$ 48,959,118	$ 45,974,533
Federal Reserve currency	4,946,457	3,611,570
Assessment for expenses of Board of Governors	5,295,000	4,893,000
Total	$ 59,200,575	$ 54,479,103
Less reimbursement for certain fiscal agency and other expenses	4,877,671	5,076,056
Current net expenses	$ 54,322,904	$ 49,403,047
Current net earnings	$557,831,456	$560,544,140
Additions to current net earnings:		
Profit on sales of U. S. Government securities (net)	$ 485,247	$ 16,418,733
All other	406,647	30,344
Total additions	$ 891,894	$ 16,449,077
Deductions from current net earnings:		
Loss on foreign exchange transactions (net)	$ 7,723,360	$ 1,227,227
All other	–	79,365
Total deductions	$ 7,723,360	$ 1,306,592
Net deductions from (–) or additions to current net earnings	–6,831,466	15,142,485
Net earnings before payments to U. S. Treasury	$550,999,990	$575,686,625
Dividends paid	$ 7,126,102	$ 6,485,409
Payments to U. S. Treasury (interest on Federal Reserve notes)	530,384,188	563,996,366
Transferred to surplus	$ 13,489,700	$ 5,204,850
Surplus account		
Surplus, January 1	$110,660,450	$105,455,600
Transferred to surplus—as above	13,489,700	5,204,850
Surplus, December 31	$124,150,150	$110,660,450

statement of condition

	December 31, 1972	December 31, 1971
Assets		
Gold certificate account	$ 1,846,174,385	$ 1,784,956,860
Special drawing rights certificate account	70,000,000	70,000,000
Federal Reserve notes of other banks	101,525,750	81,508,000
Other cash	40,085,433	28,404,018
Loans:		
Secured by U. S. Government securities	98,285,000	3,400,000
Other	164,000,000	
Total loans	$ 262,285,000	$ 3,400,000
Federal agency obligations, bought outright	210,976,000	79,307,000
U. S. Government securities	11,230,999,000	11,281,893,000
Total loans and securities	$11,704,260,000	$11,364,600,000
Cash items in process of collection	1,459,407,392	2,498,129,973
Bank premises	16,418,543	16,475,936
Other assets	154,570,510	113,809,762
Total assets	$15,392,442,013	$15,957,884,549
Liabilities		
Federal Reserve notes	$10,064,341,663	$ 9,573,220,598
Deposits:		
Member bank reserves	3,516,467,665	3,749,985,300
U. S. Treasurer—general account	189,771,416	254,844,087
Foreign	43,210,000	42,000,000
Other	50,715,222	137,920,942
Total deposits	$ 3,800,164,303	$ 4,184,750,329
Deferred availability cash items	1,192,451,152	1,883,770,142
Other liabilities	87,184,595	94,822,580
Total liabilities	$15,144,141,713	$15,736,563,649
Capital accounts		
Capital paid in	$ 124,150,150	$ 110,660,450
Surplus	124,150,150	110,660,450
Total liabilities and capital accounts	$15,392,442,013	$15,957,884,549
Contingent liability on acceptances purchased for foreign correspondents	$ 26,671,000	$ 38,235,000

directors

as of December 31, 1972

EMERSON G. HIGDON
Chairman and Chief Executive Officer
The Maytag Company
Newton, Iowa
Chairman and Federal Reserve Agent

President, **JOHN W. BAIRD**
Baird & Warner, Inc.
Chicago, Illinois

Chairman, **WILLIAM H. DAVIDSON**
Harley-Davidson Motor Co., Inc.
Milwaukee, Wisconsin

WILLIAM H. FRANKLIN
Chairman and Chief Executive Officer
Caterpillar Tractor Company
Peoria, Illinois
Deputy Chairman

Executive Vice President, **JOHN T. HACKETT**
Cummins Engine Company, Inc.
Columbus, Indiana

President, **MELVIN C. LOCKARD**
First National Bank, Mattoon, Illinois
Mattoon, Illinois

Vice Chairman, **HOWARD M. PACKARD**
S. C. Johnson & Son, Inc.
Racine, Wisconsin

Chairman of the Board, **EDWARD B. SMITH**
The Northern Trust Company
Chicago, Illinois

President, **FLOYD F. WHITMORE**
The Okey-Vernon National Bank of Corning
Corning, Iowa

Seated: W. H. Franklin, E. G. Higdon, and W. H. Davidson. *Standing:* M. C. Lockard, E. B. Smith, J. W. Baird, J. T. Jackett, and F. F. Whitmore. *Not shown:* H. M. Packard.

Detroit branch

PETER B. CLARK
Chairman of the Board and President
Evening News Association
Detroit, Michigan
Chairman

WILLIAM M. DEFOE, Chairman of the Board
Defoe Shipbuilding Company
Bay City, Michigan

HAROLD A. ELGAS, President
Gaylord State Bank
Gaylord, Michigan

ELLIS B. MERRY, Director
National Bank of Detroit
Detroit, Michigan

ROLAND A. MEWHORT, Chairman of the Board
Manufacturers National Bank of Detroit
Detroit, Michigan

L. WILLIAM SEIDMAN, General Partner
Seidman & Seidman, C.P.A.
Grand Rapids, Michigan

GEORGE L. WHYEL, Vice Chairman
Genesee Merchants Bank & Trust Co.
Flint, Michigan

Seated: W. M. Defoe. *Standing:* R. A. Mewhort, L. W. Seidman, P. B. Clark, E. B. Merry, and G. L. Whyel. *Not shown:* H. A. Elgas.

Member of Federal Advisory Council

Chairman of the Board, **GAYLORD FREEMAN**
The First National Bank of Chicago
Chicago, Illinois

officers

President, **ROBERT P. MAYO**

ERNEST T. BAUGHMAN, First Vice President

Senior Vice President, **CARL E. BIERBAUER**

Senior Vice President, **DANIEL M. DOYLE**

WARD J. LARSON
Senior Vice President, General Counsel, and Secretary

JAMES R. MORRISON, Senior Vice President

KARL A. SCHELD, Senior Vice President and Director of Research

HARRY S. SCHULTZ, Senior Vice President

BRUCE L. SMYTH, Senior Vice President

Vice President and Economist, **GEORGE W. CLOOS**

Vice President, **LE ROY A. DAVIS**

General Auditor, **FRED A. DONS**

Vice President, **RUDOLPH W. DYBECK**

Vice President, **ELBERT O. FULTS**

Vice President, **VICTOR A. HANSEN**

EDWARD A. HEATH, Vice President

RICHARD A. MOFFATT, Vice President

RAYMOND M. SCHEIDER, Vice President

JACK P. THOMPSON, Vice President

ALLEN G. WOLKEY, Vice President

Assistant Vice President, **ARNOLD J. ANSCHUTZ**

Assistant Vice President, **BUDDIE J. BELFORD**

Assistant Vice President, **PAUL J. BETTINI**

Chief Examiner, **HARRIS C. BUELL, JR.**

Examining Officer, **CHARLES L. CARTER**

Assistant Vice President, **ROBERT P. CORNELISEN**

Assistant General Auditor, **FREDERICK S. DOMINICK**

Assistant Chief Examiner, **FRANKLIN D. DREYER**

WILLIAM H. GRAM
Assistant General Counsel and Assistant Secretary

Assistant Vice President and Control Officer, **ROBERT JOHNSON**

Assistant Vice President, **THOMAS P. KILLEEN**

Assistant Vice President, **DANIEL P. KINSELLA**

Assistant Vice President, **ERICH K. KROLL**

Assistant Vice President and Economist, **JOSEPH G. KVASNICKA**

Assistant Vice President, **WILLIAM T. NEWPORT**

Assistant Vice President and Economist, **DOROTHY M. NICHOLS**

RICHARD H. RAMSDELL, Assistant Vice President

WILLIAM ROONEY, Assistant Vice President

CHARLOTTE H. SCOTT, Assistant Vice President

ROBY L. SLOAN, Assistant Vice President and Economist

ROBERT E. SORG, Assistant Vice President

DAVID R. STARIN, Assistant Vice President

ADOLPH J. STOJETZ, Assistant Vice President

ARTHUR G. STONE, Assistant Vice President

HILBERT G. SWANSON, Assistant Vice President

THOMAS C. TUCKER, Assistant Vice President

EUGENE J. WAGNER, Assistant Vice President

CARL C. WELKE, Assistant Vice President

ROBERT W. WELLHAUSEN, Assistant Vice President

PATRICIA W. WISHART, Assistant Vice President

THOMAS L. WOLFE, Examining Officer

Detroit branch

Senior Vice President, **DANIEL M. DOYLE**

Vice President, **WILLIAM C. CONRAD**

Vice President, **RONALD L. ZILE**

LOUIS J. PUROL, Assistant Vice President

ROBERT W. COOK, Assistant Cashier

appointments, elections, promotions, and retirements

Federal Advisory Council

Gaylord Freeman, chairman of the board of The First National Bank of Chicago, was reappointed as the Seventh Federal Reserve District's representative on the Federal Advisory Council for 1972.

Directors

Emerson G. Higdon, chairman and chief executive officer, Maytag Company, Newton, Iowa, was reappointed chairman of the board and Federal Reserve Agent, and William H. Franklin, chairman and chief executive officer, Caterpillar Tractor Company, Peoria, Illinois, was reappointed deputy chairman for 1972 by the Board of Governors. These appointments marked the third successive one-year term to these posts for each man.

John T. Hackett, executive vice president, Cummins Engine Company, Columbus, Indiana, was elected a Class B director succeeding Joseph O. Waymire, vice president-finance (retired), Eli Lilly and Company, Indianapolis, Indiana. Floyd F. Whitmore, president of the Okey-Vernon National Bank of Corning, Corning, Iowa, was reelected a Class B director. The three-year terms for these directors began January 1, 1972.

At the Detroit branch, Peter B. Clark, chairman of the board and president of the Evening News Association, was reappointed a director, and reelected chairman of the Detroit board for the year 1972. Harold A. Elgas, president of the Gaylord State Bank, Gaylord, Michigan, was appointed a director succeeding B. P. Sherwood, Jr., president, Security First Bank and Trust Company, Grand Haven, Michigan. The appointments were made by the Board of Governors for three-year terms effective January 1, 1972.

Promotions

Karl A. Scheld was appointed senior vice president. He continues as the bank's director of research, supervising economic analysis and forecasting activities.

Rudolph W. Dybeck and Thomas P. Killeen, both with extensive experience in the Chicago check department, transferred to Des Moines to head up the bank's regional check processing center. Dybeck was named vice president, and Killeen assistant vice president. Paul J. Bettini became assistant vice president in the check department.

Retirements

During the year, 16 employees with long and superior service to the bank retired.

More than 40 year service:

Walter C. Bloy	Fred Jusko
Margaret M. Heine	Thomas Kennealy
Chester Witt	

More than 35 years service:

Helen C. Carr	Arthur Frigaard
Louis Frano	Harriet McDonough

More than 25 years service:

Dorothy Fanale	Catherine Rumsey
Bob Pearson	Dorothy Seidel
Helen Powell	Ed Spatz
Marion H. Weiss	

In Memoriam

Lynn A. Stiles, vice president and economist, died on March 19, 1972 after a long illness. He was on the research staff for almost 20 years, and his work pertaining to state and local government matters was particularly valuable to this bank.

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