

INTRODUCTORY REMARKS
MILWAUKEE, WISCONSIN
SEPTEMBER 22, 1976

WELCOME

I WOULD LIKE TO ADD TO AND ELABORATE ON AL WOLKEY'S WELCOME TO ALL OF YOU. I HAD A CHANGE TO GREET SOME OF YOU BEFORE WE STARTED THIS AFTERNOON AND I LOOK FORWARD TO TALKING WITH EACH OF YOU INDIVIDUALLY BEFORE THE DAY IS OUT.

THANK YOU FOR MEETING WITH US TODAY. I'M PLEASE WITH THE SIZE OF THE TURNOUT. IT'S GOOD EVIDENCE OF YOUR INTEREST IN THE FED -- THAT UNIQUELY AMERICAN INSTITUTION.

PURPOSE OF MEETING

SEVERAL IN THE GROUP, WHILE EXPRESSING PLEASURE THAT WE WERE HOLDING THIS MEETING, ASKED -- WITH SOME CAUTIOUSNESS I THOUGHT -- WHY WE WERE HAVING A MEETING LIKE THIS WHEN OBVIOUSLY THERE WOULD BE SOME RATHER POINTED AND ROUGH QUESTIONS. IT DOESN'T BOTHER ME TO BE CONFRONTED BY ROUGH QUESTIONS NOR SHOULD YOU BE CONCERNED ABOUT ASKING THEM TODAY. WE'RE HERE TO TRY TO ANSWER THOSE QUESTIONS AND WE MAY BE ASKING YOU SOME ALONG THE WAY AS WELL.

BUT LET ME SAY SOMETHING MORE ABOUT OUR REASON FOR BEING HERE. AL WOLKEY POINTED OUT AN ARTICLE TO ME LAST MONTH BY PAUL WILLAX IN THE AMERICAN BANKER. IT WASN'T ABOUT THE FED, IT ACTUALLY CONCERNED THE IMAGE PROBLEM OF BANKS, BUT IT IS EQUALLY APPLICABLE TO THE FED.

DESPITE OUR EFFORTS TO ACHIEVE CLOSER CONTACT WITH YOU, OUR MEMBER BANKS, AND OTHERS THAT WE SERVE, WE REMAIN, BY AND LARGE, A CLASS OF FACELESS STRANGERS. SOME HAVE PUT A BLACK HAT ON THE FACELESS

STRANGER -- AN UNFAIR TYPECASTING PROMPTED NOT SO MUCH BY FACT OR EXPERIENCE BUT BY A LACK OF EITHER. WE HAVEN'T DONE A GOOD ENOUGH JOB IN SHOWING OUR REAL FACE, BLEMISHES AND ALL.

NOW, AS PAUL WILLAX SUGGESTS, IT ISN'T DIFFICULT TO BUILD A FRANKENSTEIN FROM A SNOW WHITE KIT IF YOU DON'T HAVE THE PROPER INSTRUCTIONS. WE'VE GIVEN YOU LOTS OF REGULATIONS AND CIRCULARS BUT WE HAVEN'T GIVEN ENOUGH OF THE "INSTRUCTIONS" NECESSARY SO YOU CAN BUILD AN IMAGE OF THE REAL THING. WE'RE HERE TO TRY TO CORRECT THAT TODAY AND TO TRY TO HELP YOU GET A BETTER UNDERSTANDING OF THE PURPOSE, PROBLEMS AND LIMITATIONS OF THE FED.

NO ONE ELSE CAN DO THE JOB FOR US. WE HAVE TO DO IT OURSELVES. AND WE HAVE TO DO IT BY GETTING OUT AND MIXING WITH THE PEOPLE WHO REALLY MAKE THINGS HAPPEN. THAT'S WHY I'VE ASKED MOST OF THE SENIOR OFFICERS TO COME HERE TODAY. NONE OF US SHOULD BE FACELESS STRANGERS BY THE END OF THE DAY.

CHANGING ROLES OF THE FED

THIS IS A PARTICULARLY GOOD TIME TO BEGIN THIS INTERCHANGE ON THE FED BECAUSE THE FEDERAL RESERVE SYSTEM IS A MUCH DIFFERENT INSTITUTION AND IS CONFRONTED BY A MUCH DIFFERENT SET OF PROBLEMS THAN WHEN MOST OF YOU STARTED IN BANKING. I SOMETIMES WONDER IF EVEN THOSE OF US IN THE THICK OF THINGS REALIZE HOW RAPID THE DEVELOPMENTS HAVE BEEN AND HOW TRAUMATIC THE CHANGES ARE.

THE FED, OF COURSE, ISN'T A STRANGER TO TRAUMA. IT WAS ESTABLISHED AS A REFORMER TO PRESERVE OUR BANKING SYSTEM FROM ONE FATAL WEAKNESS, THE REOCCURENCE OF RELATIVELY FREQUENT, DEVASTATING

MONEY PANICS. BUT THE ROLE OF REFORMER IS NOW LARGELY IN THE PAST, THE FED MUST NOW SIT ASTRIDE THE HORSE ON INNOVATION -- A PROCESS THAT IS BOTH CUMULATIVE AND CONTAGIOUS. AND WE ARE RIDING THAT HORSE OVER A VERY DIFFERENT TERRAIN -- A TERRAIN CHANGED BY TECHNOLOGY, ATTITUDES OF SOCIETY TOWARD INSTITUTIONS AND A REVOLUTION OF RISING EXPECTATIONS. PEOPLE HAVE DEVELOPED WIDER HORIZONS AND ARE EXPECTING DOORS TO BE OPENED. THERE IS A CHANGE IN ATTITUDE TOWARDS WORK AND THE PRODUCTION OF PHYSICAL GOODS. FOR MANY THERE IS AN ASPIRATION FOR WORK THAT CREATES AND A DENIGRATION OF OUR PRIOR EFFORTS AS WORK THAT DESTROYS. IN THIS ENVIRONMENT OUR PRIVATE AND OUR POLITICAL INSTITUTIONS SEEM ILL-ADAPTED TO THE GOALS MANY SEEM TO BE STRIVING FOR.

IT IS NO SURPRISE, THEN, THAT THE FED ALONG WITH MANY OTHER INSTITUTIONS HAS BEEN THE INCREASING FOCUS OF CONGRESSIONAL CONCERN. THE NUMBER OF CONGRESSIONAL FORAYS HAS BEEN NUMEROUS AND EXHAUSTING. AND WHILE MANY APPEAR TO BE DIRECTED ONLY AT THE FED, THEY ALL AFFECT YOU AS MEMBER BANKS, AND MORE GENERALLY AS COMMERCIAL BANKS. LET ME GIVE YOU A QUICK PASS THROUGH THIS BOOK OF CONCERNS SINCE THESE LIE AT THE HEART OF MANY OF THE QUESTIONS YOU SENT INTO AL.

PAYMENTS MECHANISM

CHANGES IN THE PAYMENTS MECHANISM MUST RANK HIGH ON EVERYONE'S LIST. WE ARE CONFRONTED NOT ONLY WITH EFFORTS TO INCORPORATE THE NEW ELECTRONIC TECHNOLOGY INTO A PAPER ENVIRONMENT BUT ALSO BY THE FACT THAT NEW INSTITUTIONS HAVE ENTERED THE ACT. THE ALPHABET SOUP OF ELECTRONIC PAYMENTS SYSTEM IS UPON US AND WHILE SOME MAY ARGUE

THAT THE FED SHOULD STAY OUT OF IT, THERE IS NO WAY THAT WE CAN. THE MAINTENANCE OF AN EFFICIENT PAYMENTS MECHANISM WAS AT THE HEART OF OUR INITIAL CHARGE FROM CONGRESS. THAT RESPONSIBILITY REMAINS TO INSURE PUBLIC SERVICE WITHIN THE FRAMEWORK OF AN EFFECTIVE PRIVATE BANKING SYSTEM.

FOR YEARS, INTEREST IN THE MASSIVE PAYMENTS MECHANISM WAS LIMITED TO BANKERS AND THE FEDERAL RESERVE. WE PROCEEDED TO PROMULGATE REGULATIONS AND PROCEDURES DESIGNED TO INSURE ITS EFFICIENCY. IT SEEMED TO BE A SIMPLE CASE OF MEETING PERFORMANCE REQUIREMENTS THAT EVERYONE KNEW -- MAKE THE CHECK AS CLOSE TO CURRENCY AND COIN AS POSSIBLE IN TERMS OF TIMELINESS AND ACCEPTABILITY.

BUT IN THE LAST FEW YEARS IT HAS BECOME OBVIOUS THAT THE STRICTLY OPERATIONAL VIEW OF THE PAYMENTS MECHANISM IS INAPPROPRIATE. BY THE MID 1960'S QUESTIONS WERE BEING RAISED ABOUT THE LONG-TERM VIABILITY OF A PAYMENTS MECHANISM BASED ON PAPER FLOWS. GOVERNOR GEORGE MITCHELL BECAME AN OUTSPOKEN ADVOCATE OF EVALUATING AND INVESTIGATING ALTERNATIVE ARRANGEMENTS AND FORMS. THE DECISION NEXUS BEGAN TO SHIFT FROM IMPROVED EFFICIENCY OF THE EXISTING MECHANISM TO DIFFERENT MECHANISMS. WITH THAT SHIFT CAME A WHOLE NEW SET OF CONCERNS ABOUT IMPACTS ON THE PUBLIC, BUSINESS FIRMS, BANKS AND OTHER FINANCIAL INSTITUTIONS.

I HARDLY NEED TO TELL YOU HOW RAPIDLY THE PAYMENTS MECHANISM HAS BEEN CHANGING IN TERMS BOTH OF FORM OF PAYMENT AND INSTITUTIONAL PARTICIPATION. COMMERCIAL BANKS AND SOME OF THE NON-BANK FINANCIAL INSTITUTIONS HAVE MOVED AHEAD VIGOROUSLY IN DEVELOPING AND EXPERIMENTING WITH NEW TECHNIQUES.

BUT THERE ARE DIFFERENCES NOW FROM EARLIER ATTEMPTS BY BANKS TO IMPROVE THE EFFICIENCY OF OPERATIONS. NOW THE STRUCTURE OF COMPETITION IN THE PAYMENTS AREA IS CHANGING -- FORMS OTHER THAN BANKS ARE INVOLVED. AND NOW THERE IS A CLEARER IDENTIFICATION OF THE PUBLIC INTEREST.

AS YOU KNOW, CONGRESS HAS BECOME INVOLVED IN ORDER TO BALANCE THE MANY EQUITIES IN MONEY TRANSFERS FOR THE PUBLIC'S BENEFIT. THE COMMISSION ON ELECTRONIC FUNDS TRANSFER HAS BEEN SET UP AND IS OPERATING. THE COMMISSION WOULD BE HELPFUL IN ESTABLISHING PUBLIC INTEREST PRIORITIES AND IN CLARIFYING THE RESPONSIBILITIES OF VARIOUS PARTICIPANTS IN FUNDS TRANSFER. BUT THE ISSUES ARE DIFFICULT ONES. WHO SHOULD HAVE THE MAJOR RESPONSIBILITY FOR DEVELOPING AND OPERATING THE SYSTEM FOR HANDLING MONEY PAYMENTS? IS IT OR SHOULD IT BE A PRIVATE OR A PUBLIC FUNCTION? IS THE CONTINUATION OF A MIXED PRIVATE AND PUBLIC RESPONSIBILITY IN THE BEST PUBLIC INTEREST? IF THERE IS A CLEAR PUBLIC INTEREST, WHO SHOULD HAVE ACCESS?

THE FEDERAL RESERVE IS AND OBVIOUSLY WILL CONTINUE TO BE INVOLVED IN THE DELIBERATIONS. BUT THE WORLD DOESN'T STAND STILL AND EVEN BEFORE THE FINAL CONCLUSIONS ARE PRESENTED, DECISIONS MUST BE MADE. AND EVEN THESE INTERIM DECISIONS REQUIRE THE BALANCING OF MANY ELEMENTS.

SUPERVISION

AS BANKERS YOU ARE EQUALLY CONCERNED ABOUT THE QUESTION OF SAFETY AND SOUNDNESS OF BANKS. THE ISSUE ISN'T AS "HOT" NOW AS IT WAS EARLIER BUT IT REMAINS.

CONGRESS SAW THE PROBLEM TOO. SOME CRITICS PROPOSED A WHOLESALE OVERHAUL OF THE ENTIRE SYSTEM. IN PAST YEARS, THE CONCERNS WITH

"PROBLEM BANKS" WOULD HAVE APPEARED ONLY IN SPECIALIZED BANKING JOURNALS. BUT THIS TIME A LOT OF STORIES APPEARED IN THE HEADLINES WHICH SEEMED TO SAY THAT THE FED AND OTHER AGENCIES PERMITTED THE ERA OF GO-GO BANKING TO GET OUT OF HAND AND THEN LOCKED UP ALL THE EVIDENCE OF POOR LENDING PRACTICES.

PUBLISHED LISTS OF YEAR-OLD PROBLEM-BANK SITUATIONS MISLEAD MANY READERS. ONLY TIME WILL TELL IF WE HAVE CONVINCED THOSE WITH CONCERNS THAT MOST BANKS HAVE NOW MADE SUBSTANTIAL PROGRESS IN SOLVING THEIR PROBLEMS, AND THERE IS NO DANGER OF IMMINENT FAILURE BY BANKS -- IF INDEED THERE EVER WERE.

SOME BANKS ADMITTEDLY TOOK TOO MANY RISKS DURING THE BOOM YEARS OF THE 1960'S AND EARLY 1970'S, BUT THE PENDULUM SWUNG BACK. THE BANKS DESERVE CREDIT FOR WHAT THEY DID EARLIER IN STABILIZING THE ECONOMY DURING THE CREDIT-CRUNCH, AT SOME COSTS TO THEMSELVES.

BUT WHILE THE HEAT IS OFF TEMPORARILY, PUBLIC AND THUS CONGRESSIONAL INTEREST WILL BE RE-EMERGING.

CONSUMER REGULATION

IS THERE ANYONE HERE WHO HASN'T HEARD ABOUT "CONSUMERISM" AND EXPERIENCED IT FIRST HAND IN YOUR BANKS? IF YOU HAVEN'T, JIM'S PEOPLE WILL BE SEEING YOU.

CONSUMERISM IN A SENSE HAS ALWAYS BEEN WITH US. WE ARE ALL CONSUMERS AND EACH MAKES HIS LIVING DIRECTLY OR INDIRECTLY IN THIS SOCIETY MEETING THE NEEDS OF CONSUMERS. BUT IN RECENT YEARS THE CONSUMER ADVOCATE ORGANIZATIONS HAVE ACHIEVED A PROMINENT PLACE IN ATTEMPTING TO INFLUENCE LEGISLATION AND BUSINESS PRACTICES. THE ADVOCATE'S VOICE IS SO LOUD AND PIERCING THAT IT IS TAKEN FOR

THE VOICE OF THE CONSUMER. SOMETIMES THE ADVOCATE IS CORRECTLY VOICING CONSUMER JUDGMENTS AND SOMETIMES NOT.

BUT LEGISLATORS HAVE REACTED, ARGUING RESPONSIBILITY FOR SUPERVISION OF BANKS AND EVEN APPLAUDING EFFICIENCY IN THE FED -- SOMETHING IGNORED IN OTHER SITUATIONS -- HAVE GIVEN THE FED THE RESPONSIBILITY TO WRITE AND INTERPRET REGULATIONS AND SUPERVISE COMPLIANCE. BUT AS YOU ARE ALL AWARE, THE DELEGATION HAS FREQUENTLY BEEN ON A VERY SHORT STRING.

THOSE OF US IN THE FED CAN ACCEPT RESPONSIBILITY BUT FRANKLY FEEL VERY UNCOMFORTABLE AT TIMES. WE ARE TAKEN AS ORIGINATORS RATHER THAN -- DO I DARE USE THE WORD -- EXECUTORS OF THE REGULATIONS.

I FRANKLY DO NOT KNOW HOW MUCH FARTHER THIS WILL GO. THERE IS A REAL QUESTION ABOUT WHETHER OR NOT THESE REGULATIONS ARE MEETING THE OBJECTIVE STATED. KARL SCHELD IS WORKING NOW WITH A GROUP OF UNIVERSITY AND BANKING PEOPLE ON A STUDY SPONSORED BY NSF TO ASSES THE BENEFITS AND COSTS OF PUBLIC REGULATION UPON CONSUMER FINANCIAL SERVICES. THE AVAILABILITY MAY HAVE BEEN REDUCED AND COST OF SERVICES INCREASED BY THE OUTPOURING OF WELL-INTENTIONED CONSUMER LEGISLATION.

MONETARY POLICY

MONETARY POLICY MUST RANK NEAR THE TOP OF CONGRESSIONAL CONCERN. PROPERLY AS A CREATURE OF CONGRESS, THE FED MUST BE RESPONSIVE. AND OUR RECORD ISN'T PERFECT. BUT SOME OF THE PROPOSALS BEING MADE WOULD DO CRITICAL DAMAGE TO A PROCESS WHICH PLAYS A CRUCIAL ROLE IN HELPING THE NATION TO ACHIEVE ITS GOALS OF ECONOMIC GROWTH, HIGH EMPLOYMENT AND RELATIVELY STABLE PRICES.

ONE ACTION BY CONGRESS ALREADY IN PLACE IS THE SO-CALLED CONCURRENT RESOLUTION WHICH IS A FORMALIZED NEW REPORTING SYSTEM TO CONGRESS. CHAIRMAN BURNS TRAVELS UP TO CAPITOL HILL EVERY QUARTER TO DISCUSS THE COURSE OF MONETARY POLICY AND TO PROVIDE GROWTH PROJECTIONS FOR THE MAJOR MONETARY AND CREDIT AGGREGATES FOR THE YEAR AHEAD.

SOME AREN'T SATISFIED WITH THIS, ASKING THE FED TO GIVE ITS PROJECTIONS OF ECONOMIC ACTIVITY AND INTEREST RATE FORECASTS AS WELL. HOPEFULLY WE WON'T HAVE TO GO THAT FAR FOR REASONS I'LL MENTION LATER.

ADDITIONALLY, FORAYS HAVE BEEN MADE ON THE PARTICIPATION OF THE PRESIDENTS ON THE FOMC. OUR REMOVAL WOULD DESTROY THE REGIONAL CHARACTER OF THE FEDERAL RESERVE SYSTEM AND ELIMINATE WHAT I UNABASHEDLY CONSIDER TO BE VITAL INFORMATION FOR THE FORMULATION OF MONETARY POLICY.

IT NOW LOOKS AS THOUGH THE NUMBER OF DIRECTORS ON EACH OF THE REGIONAL BANK BOARDS MAY BE INCREASED TO TWELVE. THE NEED FOR ADDITIONAL PUBLIC REPRESENTATION AT THE REGIONAL LEVEL IS NOT AT ALL CLEAR. THE BREADTH OF REPRESENTATION ON OUR BOARD IS ALREADY VERY WIDE AND I HAVE NEVER DETECTED A LACK OF CONCERN WITH PUBLIC INTERESTS AND A FOCUS ON NARROW SELF-SERVING INTERESTS ON OUR BOARD.

SUNSHINE

AND THEN WE HAVE "SUNSHINE LEGISLATION". THESE ARE EFFORTS TO OPEN UP MEETINGS TO PUBLIC SCRUTINY. I SEE NO PUBLIC GAIN TO ALLOWING DETAILED INDIVIDUAL BANK INFORMATION AND DETAILED POLICY CONSIDERATIONS TO BE OFFERED TO ONE AND ALL. FORTUNATELY, THE LEGISLATION AS PASSED IN CONGRESS EXEMPTS CRUCIAL INFORMATION AND PROCEDURES FROM RELEASE.

INDEPENDENCE

I THINK THAT IT IS FAIR TO CONCLUDE THAT ON BALANCE THE PROPOSALS ADD UP TO AN ATTACK ON THE INDEPENDENCE OF THE FED.

THESE ATTACKS STEM FROM A MISTAKEN VIEW OF THE FED, ITS ACTIONS AND ITS EFFECTIVENESS. MOST WOULD AGREE THAT IN TERMS OF ECONOMIC POLICY, MONETARY POLICY, IN MANY RESPECTS, IS FAR MORE EFFECTIVE THAN FISCAL POLICY. MANIPULATING GOVERNMENT SPENDING TENDS TO BE A RATHER CLUMSY WAY OF DEALING WITH RAPIDLY CHANGING ECONOMIC DEVELOPMENTS. THE PROCESS OF REACHING A CONSENSUS ON NEEDED TAX CHANGES USUALLY TURNS OUT TO BE COMPLEX AND TIME-CONSUMING. HISTORY TEACHES US THAT ALTERATIONS OF FISCAL POLICY ONCE UNDERTAKEN, USUALLY AFFECT THE ECONOMY TOO LATE TO BE OF MUCH VALUE IN MODERATING FLUCTUATIONS IN BUSINESS ACTIVITY.

FORTUNATELY, MONETARY POLICY IS RELATIVELY FREE OF THESE SHORTCOMINGS BECAUSE OF ITS FLEXIBILITY. CHANGES CAN BE MADE PROMPTLY AND - IF NEED BE - FREQUENTLY. THE FED CAN MAKE THE HARD DECISIONS THAT MIGHT BE AVOIDED BY DECISIONMAKERS SUBJECT TO THE DAY-TO-DAY PRESSURES OF POLITICAL LIFE. EXPERIENCE SHOWS US THAT CHANGES IN MONEY AND CREDIT ARE MORE SPEEDILY TRANSMITTED THROUGH FINANCIAL MARKETS TO THE FACTORIES AND STORES.

THE FOUNDERS OF THE FED WERE WELL AWARE OF THE DANGERS THAT COULD ARISE FROM THE CREATION OF A MONETARY AUTHORITY SUBSERVIENT TO THE EXECUTIVE BRANCH AND THUS POSSIBLY SUBJECT TO POLITICAL MANIPULATION. CONSEQUENTLY THEY TOOK SEVERAL STEPS TO INSURE INDEPENDENCE WITHIN THE FEDERAL GOVERNMENT.

1. THE TERM OF OFFICE OF BOARD MEMBERS WAS MADE LONG ENOUGH TO MINIMIZE THE THREAT OF COVERT POLITICAL PRESSURE. APPOINTEES WERE GIVEN STAGGERED TERMS TO AVOID PRESIDENTIAL "PACKING".
2. THE FED WAS REQUIRED TO ACCOUNT TO CONGRESS, NOT THE EXECUTIVE BRANCH.

3. THE FED'S OPERATIONS WERE TO BE FINANCED FROM ITS OWN INTERNAL SOURCES.

4. POWER WAS DIFFUSED WITHIN THE SYSTEM SO THAT ALL INTERESTS COULD BE RECOGNIZED IN THE ACTIVITIES OF THE REGIONAL BANKS.

THE SYSTEM HAS WORKED. IT HAS STUMBLERD ON OCCASION BUT IT'S HARD TO IMAGINE THAT OUR PROBLEMS WOULD HAVE BEEN SOLVED IF WE TURNED CONTROL OF THE MONETARY AUTHORITY OVER TO CONGRESS OR THE PRESIDENT. IF THE SPENDING PROPENSITIES OF FEDERAL OFFICIALS HAD BEEN GIVEN FREER REIN THROUGH EASIER ACCESS TO THE "PRINTING PRESS" THE INFLATIONARY TENDENCY THAT HAS WEAKENED OUR ECONOMY PROBABLY WOULD HAVE BEEN AGGRAVATED MORE.

OF COURSE, THE INDEPENDENCE OF THE FED CAN NEVER BE ABSOLUTE. THE FED CANNOT BE AT LOGGERHEAD'S WITH THE BASIC GOALS AS LAID DOWN BY CONGRESS. BUT IN TERMS OF CARRYING OUT ITS RESPONSIBILITIES IN MEETING THOSE GOALS, ITS INDEPENDENCE FROM TRANSITORY POLITICAL PRESSURE IS CRITICAL.

I'VE GONE ON SOMEWHAT LONGER THAN I SHOULD. BUT IN MY OBVIOUSLY UNBIASED VIEW THE FED IS AN IMPORTANT INSTITUTION IN OUR SOCIETY. WE APPRECIATE YOUR SUPPORT AND HOPE THAT WE CAN CONTINUE TO COUNT ON IT. WE NEED EACH OTHER.

THE AGENDA OF CONCERNS IS A LONG ONE. I'VE ONLY HIT THE HIGH POINTS. NOW LET'S GET TO SOME OF THE DETAILS. WE'VE TAKEN THE QUESTIONS YOU'VE PROVIDED AND COMBINED THEM INTO SEVERAL CATEGORIES. I'LL DIRECT QUESTIONS TO SOME UP HERE TO START THINGS OFF AND THEN TAKE ADDITIONAL QUESTIONS FROM YOU -- OR IF YOU ARE SHY FOR A MOMENT, GO DOWN THE LIST OF OTHER QUESTIONS YOU RAISED.

LET'S KEEP IT AS INFORMAL AND AS INFORMATIVE AS WE CAN.

BASIC QUESTIONS

THIS HAS BEEN A PERIOD OF SIGNIFICANT CONCERN WITH THE SAFETY AND SOUNDNESS OF BANKS. HAS THE SITUATION REALLY BEEN CORRECTED? HOW DO YOU VIEW CAPITAL ADEQUACY FOR BOTH BANKS AND BANK HOLDING COMPANIES IN THE CURRENT ENVIRONMENT? (MORRISON)

A NUMBER OF CHANGES ARE TAKING PLACE IN THE PAYMENTS AREA. WHAT ARE THE FED'S POSITIONS ON EFTS, ACH'S ETC? (SCHULTZ)

THE FED HAS TAKEN ON MANY NEW ROLES IN RECENT YEARS. HAVE THESE CHANGES AFFECTED OUR RELATIONSHIP AS MEMBER BANKS WITH YOU? (DOYLE)

CONCERN HAS BEEN EXPRESSED ABOUT THE CURRENT SLUGGISHNESS IN ECONOMIC ACTIVITY. HOW DO YOU VIEW THE OUTLOOK? (SCHELD)