# Federal Reserve Notes

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## RECURRING PAYMENTS GUIDELINES ISSUED

Interim guidelines for the electronic delivery of Federal recurring payments by Reserve Banks have been issued by the Federal Reserve Board of Governors. The guidelines apply to all types of financial institutions participating in the Treasury Department's program for the direct deposit of Federal payments that are made on a recurring basis.

Under this program, payments are made by magnetic tape to Federal Reserve offices. The tapes are sorted by computer according to the financial institution involved. The Reserve Banks then carry out necessary accounting procedures and deliver the tapes to financial institutions, where the payments are credited to the accounts of customers.

This year, the Reserve Banks will begin distributing social-security payments to beneficiaries who have elected to have their benefits deposited directly in financial institutions. Beneficiaries who prefer to continue receiving social-security payments in the conventional way may continue to do so. However, electronic handling of these payments offers advantages to both taxpayers and beneficiaries. The government could realize substantial savings, since the cost of issuing, clearing and transporting checks is many times greater than the cost of electronic payments. For social-security recipients, direct deposit reduces the risk of theft and offers the convenience of automatic deposit in a financial institution.

In general, the interim guidelines

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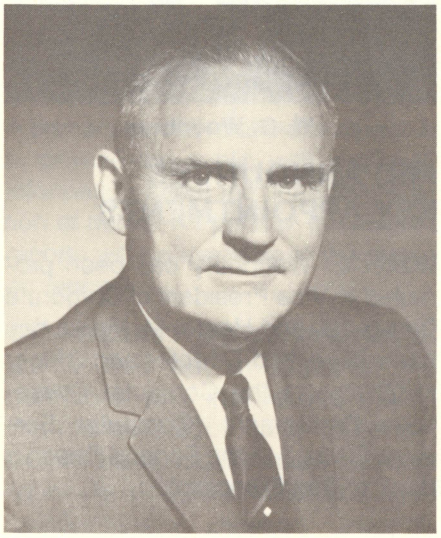
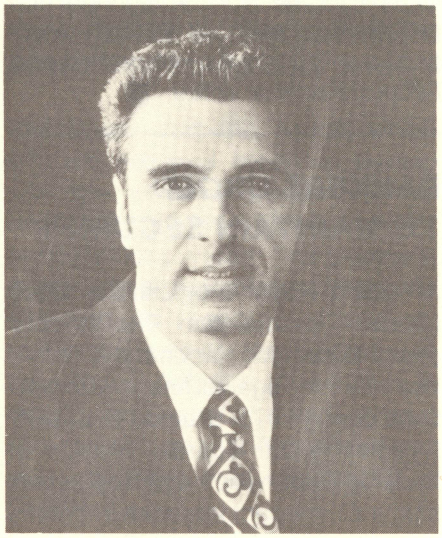


O. M. Wilson



J. F. Alibrandi

## WILSON, ALIBRANDI HEAD BOARD

The Federal Reserve Board of Governors has redesignated O. Meredith Wilson and Joseph F. Alibrandi as Chairman and Deputy Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco for 1976.

Dr. Wilson is Trustee of the Center for Advanced Study in the Behavioral Sciences at Stanford, California. He is a board member of a number of institutions, including the Carnegie Foundation for the Advancement of Teaching, the Nutrition Foundation, the American College Testing Program and the University of Notre Dame. Before assuming his present position, Dr. Wilson served as president of the University of Oregon from 1954 to 1960, and as president of the University of Minnesota from 1960 to 1967.

Dr. Wilson was first named Chairman of the San Francisco Fed's Board of Directors in 1968. He is currently completing a three-year term as a Class C Director representing the public interest.

Alibrandi is president of the Whittaker Corporation in Los Angeles, California. He is a member of the Corporation Development Committee for Massachusetts Institute of Technology, and has served on the Corporation Visiting Committee for the Sloan School of Management. Active in professional affairs, his affiliations include membership in the American Society of Mechanical Engineering and the American Management Association. He is also a Life Member of the Air Force Association, the American Institute of Aeronautics and Astronautics, and the Navy League of the United States.

In designating Alibrandi Deputy Chairman, The Board of Governors also reappointed him to a second three-year term as a Class C Director. He was first named to the Board in 1972.

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provide that financial institutions currently receiving checks on a Federal Reserve courier route will also have direct-deposit payments information delivered to them by courier. Those not served now by courier may have payments delivered by this means if their payments volume is sufficient and they are located on a courier route. Other financial institutions may receive direct-deposit payments instructions by mail, through a correspondent or a processing center, or through direct pickup of payments information at a Federal Reserve office.

## BANKERS URGED TO MAINTAIN SECURITY

A Federal Reserve official has urged bankers to maintain the strictest possible security to combat a record rise in crimes against financial institutions during 1975. Brenton C. Leavitt, Director of the Board's Division of Banking Supervision and Regulation, said a 51-percent increase in crimes against financial institutions was recorded during fiscal 1975. While viewing this as extremely serious, he said the increase was just half that of similar crimes against large retailers.

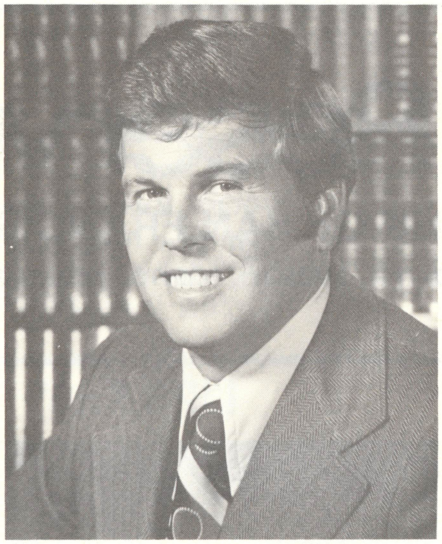
"The problem of crime against banks is not new, and has always been a matter of real concern to all banks, bank supervisors and law enforcement agencies," Leavitt said. "While we can never hope to eliminate crimes against banks, we will continue to make every reasonable effort to thwart the efforts of criminals."

Leavitt appeared before the House Subcommittee on Financial Institutions, Supervision, Regulation and Insurance of the Committee on Banking, Currency and Housing. The Subcommittee is conducting hearings on the Bank Protection Act of 1968, in light of the recent substantial increase in crime. The Act requires each Federal supervisory agency to promulgate rules establishing minimum standards for banks and thrift associations, so as to discourage crime and assist in the apprehension of criminals.

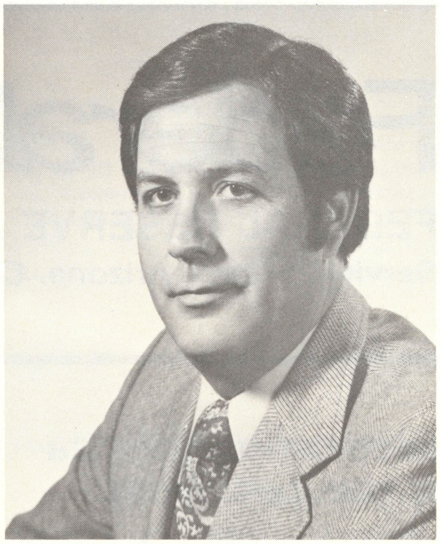
"We feel the present regulation with proper enforcement is sufficient to assure that security equipment is properly maintained," Leavitt said. "We are of the opinion that more rigid standards would not correct this problem. As in the case of training programs, we feel the examiners' evaluation of maintenance programs and records is sufficient to detect poor practices."

According to a recent survey of state member banks, about 97 percent of the 4,700 banking offices surveyed had robbery alarms at teller stations, and 99 percent had burglary alarms in vaults or in storage areas for valuables. About 80 percent had cameras installed in lobbies. The Federal Reserve is concentrating its efforts on the remaining 20 percent of banking offices without cameras, to insure that none are located in high crime areas. The System also is encouraging banks in low crime areas to install cameras if they have ever been robbery victims.

Summing up, Leavitt said that "in describing the most common deficiencies found in security programs, we emphasize the value of periodic and comprehensive training programs for bank employees."



**W. G. Woodbury**



**H. M. Martin**

## FED ANNOUNCES KEY APPOINTMENTS

Walter G. Woodbury has been promoted to Vice President of Corporate Personnel, and Hector M. Martin has been appointed Director and Officer in Charge of the Computer Operations Department (Computer Services Group), at the Federal Reserve Bank of San Francisco.

As VP-Corporate Personnel, Woodbury is responsible for corporate personnel policies throughout the San Francisco District. He joined the Los Angeles Branch in 1974, and was promoted last year to Director of Corporate Personnel at the bank's headquarters. Before his association with the Fed, Woodbury had 12 years' experience in private industry. He was Corporate Director of Personnel and Industrial Relations for two Southern California firms—Bourns, Inc., and NMB Corporation. He received a B.A. and an M.A. from California State University at Fullerton.

In his new position, Martin has direct responsibility for the computer operations of the Bank, including computer-operations planning and associated duties relating to the Bank's five branches.

Martin previously was associated with Crocker National Bank. He was Operations Supervisor for Crocker's Northern California Computer staff, and later Assistant Vice President and Manager of Operations. In 1974 he was appointed Division Manager with responsibility for statewide computer operations. His academic career includes attendance at the University of Havana.

## HOW MONEY SWITCHES HANDS

Every minute of each working day about $140 million is being transferred electronically throughout the nation by the Federal Reserve System's computerized communications network—known to bankers as "the Fed Wire." The inside story of this 40,000 mile superhighway for money is told in a new Federal Reserve publication entitled "The Culpeper Switch." The 20-page booklet, which is available free of charge through all five of the bank's offices, is designed especially for students and the general reader interested in money and banking.

The Fed wire is the backbone of the nation's money-transfer system. The average businessman of course has other means available for transferring funds across the country. He could write a check—30 billion are written annually—but this means sending a piece of paper through the mail on a trip that could take days. The Fed wire can reduce this tedious process to seconds. For that reason, the Federal Reserve believes that its wire will play an increasingly important role as the nation's banking system strives to reduce the billions of pieces of paper associated with the processing of checks and with the movement of billions of government securities.

The heart of the Fed wire is the Communications and Records Center in Culpeper, Virginia. The Federal Reserve, the U.S. Treasury, 200 member banks, and numerous regional check-processing centers are connected with Culpeper through nearly 14,000 miles of teletype lines and 25,000 miles of computer circuits.

This intricate network transfers about $30 trillion in funds and securities each year. Each of the 30,000 daily messages is flashed to Culpeper in electronically coded form. The messages originate in commercial banks, are sent to their Reserve banks, and then are switched to other Reserve and commercial banks. The speedy transfer gives the nation's central bank the ability, virtually instantly, to add to or subtract from the accounts of about 5,700 member commercial banks. This gives those commercial banks—and through them, the public—almost immediate access to funds and securities.

## CONDITION & INCOME REPORTS REVISED

Detailed changes that will be required this year in two basic bank reports have been announced by the Board of Governors and other Federal regulatory agencies. The revisions affect the Report of Condition and the Report of Income filed by all insured commercial banks. These "universal" reports are submitted to the Comptroller of the Currency by national banks, and to the Reserve Banks by state member banks. Insured nonmember banks report to the Federal Deposit Insurance Corporation.

A primary objective of the revisions is to provide the public with improved information about the financial situation of banks. All parts of the revised reports will be available to the public on request.

The revisions in the universal reports are spelled out in detail in the definitions and instructions mailed this month to each bank. Generally, the revisions require more frequent reporting, additional data, and more comprehensive support material. Under the new procedures, a set of supplements to the Condition and Income Reports will also be required from all banks with more than $300 million in assets reported on their previous year-end fully consolidated statement (both domestic and foreign offices). The final form of these supplements has not yet been announced.

Since the revised requirements on the universal reports and the new large-bank supplements become effective only with reporting for 1976, the formats used last year will again be used by state member banks for the condition report for year-end 1975 and the 1975 income report. However, the schedule of maturity of investment securities, which has in recent years been reported only in June, will also be required with the year-end 1975 condition report.

## FED CUTS RESERVES, DISCOUNT RATE

Another change in reserve requirements on member-bank time deposits was announced last month by the Board of Governors of the Federal Reserve System. Under the action, reserve requirements on time deposits maturing in 180 days to 4 years were reduced from 3 percent to 2½ percent. However, the average of reserves required on the total of time and savings deposits at each bank must still not be less than the 3 percent minimum specified by law.

The Board said this action, which affected required reserves starting with the week of January 8, will release about $340 million in reserves to the banking system. The change is in line with previous Board decisions designed to encourage member banks to lengthen the structure of their deposit liabilities. A reduction in reserve requirements, from 3 percent to 1 percent, on time deposits of four years or more was announced in October.

A second policy shift occurred this month, when the Federal Reserve Bank of San Francisco and most other Reserve Banks lowered the discount rate on member-bank borrowing to 5½ percent. The rate had been 6 percent since last May. In announcing its approval of this reduction, the Board of Governors said that the action was intended "to bring the discount rate into better alignment with other short-term interest rates which have recently declined."

**NEW PUBLICATION**

The Fed will begin publication of *Pacific Basin Economic Indicators* on a quarterly basis in March. It will give annual rate of change data for 13 Pacific Basin countries on gross national product, money supply, international reserves, consumer prices, wholesale prices, manufacturing employment, industrial production, imports and exports.
To be placed on the mailing list for this publication contact the Public Information Section of the Federal Reserve Bank of San Francisco.

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## BUSINESS BORROWING COSTS UP SLIGHTLY

The average cost of business borrowing at West Coast banks was somewhat higher this fall than in midsummer, according to the latest quarterly survey conducted by the Federal Reserve Bank of San Francisco. The prime rate was the same in the two survey periods—early August and early November—but the average was higher in November because of the lagged effect of the rise in the prime rate which occurred in September.

The average rate on regular short-term loans made in the first fifteen days of November was 8.67 percent, a rise of 22 basis points from August. (One hundred basis points equal one percentage point.) The rate on revolving credit loans also rose, to 8.15 percent, for a 13-basis point increase.

Rates charged on large loans increased more than on smaller loans. For example, on loans over one million dollars, the average rate rose 19 basis points, compared with a rise of only 6 basis points on loans under $10,000.

In the November 1-15 survey period, the thirteen West Coast banks in the survey reported 1,776 short-term and revolving credit loans, totaling $794 million dollars. Both the number and total dollar amount were down from three months ago, and substantially below year-ago levels. In the November 1974 survey, interest rates on business loans made by West Coast banks averaged over 11 percent.

## BOARD PROPOSAL ON FOREIGN VENTURES

The Board of Governors last month announced a proposed policy concerning U.S. banks' participation in foreign joint ventures. The policy would affect parts of three regulations: Corporations Engaged in Foreign Banking and Financing Under the Federal Reserve Act (K), Foreign Activities of National Banks (M), and Bank Holding Companies (Y).

Under the proposal, the Board as a matter of policy would take the following factors into account in considering whether to approve an application to invest in the stock of a foreign joint venture:

1. The possibility that the venture might have liquidity or other financial needs calling for additional financial support.

2. The possibility that the additional support needed might be significantly larger than the original equity investment.

This means the Board would consider applications in the light of an organization's ability to meet demands imposed on it for either financial or managerial support. It would also consider not only the amount of the investment, but also the risks associated with the total initial assets and liabilities of the venture as well as its projected expansion.

## FED PAYS $5.4 BILLION TO TREASURY FOR 1975

Almost $5.4 billion was paid to the U.S. Treasury by the Federal Reserve System on its 1975 earnings, according to preliminary figures just released by the Board of Governors. Gross current earnings, largely from System holdings of Government securities, came to nearly $6.3 billion last year. This was about $22 million less than the previous year's gross earnings.

The Board reported that net expenses rose nearly 7 percent to $585 million. That left a total of about $5.7 billion in current net earnings, which was reduced to $5.5 billion by net losses on foreign-exchange transactions. After deduction of statutory dividends to member banks and additions to surplus accounts, the remaining $5.4 billion was paid to the Treasury as interest on Federal Reserve notes.