

Federal Reserve Notes

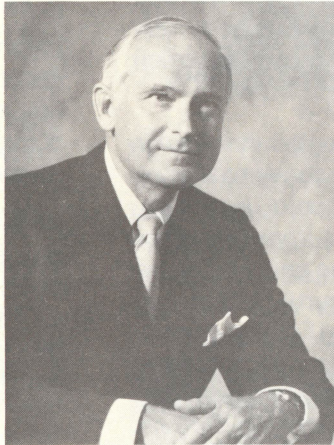
FEDERAL RESERVE BANK OF SAN FRANCISCO • DECEMBER 1976

Serving Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah & Washington

LIBRARY



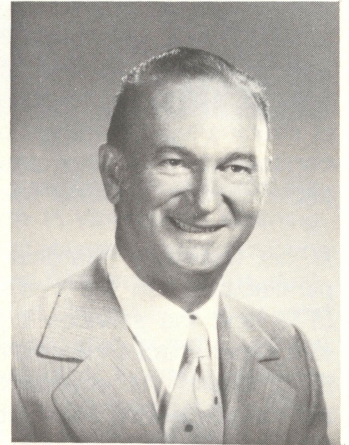
F.G. Larkin Jr.



C.L. Peck



D.W. Nelson



G.F. Bradley

NEW FED DIRECTORS APPOINTED FOR '77

The Federal Reserve Bank of San Francisco will gain two new directors next month, while one present director will begin a new term.

Frederick G. Larkin, Jr. and Clair L. Peck (the present director) have been elected by San Francisco District member banks, and Dorothy Wright Nelson has been appointed by the Federal Reserve Board of Governors. These three will join six other directors who are serving unexpired terms.

Larkin is Chairman of the Board and Chief Executive Officer of Security Pacific Corporation and Security Pacific National Bank. He has spent his entire career at Security Pacific following graduation from Stanford University. He was elected President of the bank in 1961 and Chairman of the Board eight years later.

With the formation of the holding company in 1971, Larkin also became Chairman of the Board and Chief Executive Officer of Security Pacific Corporation. Active in banking organizations, he is a member and past director of the Association of Reserve

City Bankers and is currently a trustee of its Banking Research Fund.

Peck is Chairman of the Board of C. L. Peck Contractor and is currently a Director of the San Francisco Fed. An alumnus of Stanford University, he graduated with a B.S. degree (cum laude) in civil engineering. He is a director of Farmers Insurance Group, the Investment Company of America, AMCAP Fund, Inc., Northrop Corporation, and the Di Giorgio Corporation.

Nelson was appointed by the Board of Governors as a public member. She is Dean and Professor of Law at the University of Southern California Law Center. She is the first woman to serve in this capacity with the San Francisco Fed, although two other women are now directors at the bank's branches in Los Angeles and Salt Lake City, and a third will assume a directorship at Portland in January.

Dean Nelson's achievements include such awards as the *Los Angeles Times* Woman of the Year in 1968, UCLA Professional Achievement Award, AWARE International Award

and the UCLA Law Alumnus of the Year. She also has received the University of Judaism Humanitarian Award, and the Ernestine J. Stalhut Award of the Women Lawyers Association of Los Angeles.

In a separate move, the Reserve Bank's Board of Directors reappointed Gilbert F. Bradley to the System's Federal Advisory Council. Bradley is Chairman of the Board and Chief Executive Officer of Valley National Bank of Arizona.

The 12-member Federal Advisory Council, which consists of one representative from each of the Federal Reserve Districts, meets four times a year in Washington D.C., with the System's Board of Governors. The Council discusses current economic and banking matters, and makes recommendations to the Board regarding System operations and policies.

Over the years, Bradley has served a number of major civic groups in Arizona. He was named Tucson's "Man of the Year" in 1963, and he was elected president of the Arizona Bankers Association in 1969. 🐾

GARDNER TESTIFIES ON EFTS ROLE

Government and private enterprise both have an important stake in the developing world of computerized transfer systems, Governor Stephen Gardner told the National Commission on Electronic Fund Transfers last month.

"Federal Reserve provision of automated clearing facilities was not intended to preclude private-sector development and operation of similar facilities, any more than its operation of check-clearing facilities preempts correspondent or other clearings of paper checks," Gardner said.

In his testimony, Gardner drew a parallel between the Fed's role in EFTS and the services it performs with paper checks. He said the Fed's EFTS operations essentially follow the check-clearing path, except that the payment information is exchanged on magnetic tape instead of paper checks. The System currently provides clearing and settlement facilities for automated clearinghouse operations in 25 offices.

Gardner emphasized that throughout this entire process, the Federal Reserve interacts only with financial institutions for purposes of clearing and settlement. All other organizational, operational, and legal requirements are handled between participating financial institutions and their customers.

He identified several major factors—such as cost savings—which led to the Fed's involvement in EFTS operations. "In common with other electronic payments technologies, the automated clearinghouse operation must afford customers a level of service or other reward which they cannot otherwise obtain, and such benefits must be paid for from cost savings over the paper-based alternative," Gardner stressed.

"If these benefits are realized, I believe that the automated clearinghouse operation can be a progressive and cost-effective alternative to the paper system," he added.

FOREIGN BANK CONTROLS NEEDED

Federal controls on foreign banks operating in the United States are becoming increasingly necessary, San Francisco Federal Reserve President John J. Balles told an audience of Japanese bankers in Tokyo last month.


Balles made the remarks during a month-long trip which encompassed conferences with government officials, bankers and businessmen throughout the Pacific Basin.

The Fed president noted that foreign banks have built up substantial operations inside this country, increasing their banking assets from \$18 billion to \$45 billion over the past four years. This growth has occurred largely outside the control of the Federal government and its agencies—and in some cases with the help of privileges (such as interstate branching) that are not available to domestic banks.

"I know of no other country where such a situation exists," said Balles.

Gardner argued that automated clearing and settlement is a natural outgrowth of the Fed's long-standing attempts to improve the payments mechanism.

Regardless of how EFTS develops, Gardner said member banks probably would not wish to duplicate existing settlement facilities. This alone should bring about a continued Fed commitment to its EFTS role. In addition, continued Fed participation seems likely because the System expects to realize economies of scale from its EFTS operations.

"The Federal Reserve has not arrived at specific positions on questions related to its role in the electronic payments mechanism, although it has been studying this issue for some time. In determining its role, the Board will consider such factors as competitive developments in the electronic payments mechanism, the positive encouragement of the private sector, the preservation of consumer options, and the willingness of the private sector to innovate and provide service beneficial to consumers." 


"You can thus understand why our Federal authorities believe that there should be uniform Federal control over foreign banks."

The Fed official pointed out that legislation to this effect was approved by the House of Representatives in the session just ended, but that the Senate failed to vote before adjournment. Similar legislation probably will be reintroduced next year, based upon the principle of "nondiscrimination." As Balles explained, this principle means that foreign banks in this country should have the same powers and obligations as equivalent domestic banks, but not any more powers.

He told the Japanese bankers, "Congress' acceptance of the principle of nondiscrimination in the proposed International Banking Act provides a good foundation for your operations in the United States.

"Under the Act, you would have the same powers and face the same rules as U.S. commercial banks. Yet because of the skills and resources you exhibit in the field of international finance, I am certain that Japanese banks will continue to grow and contribute to the increased efficiency of the U.S. financial system."

Balles noted several specific ways in which Japanese banks could be affected by the proposed legislation. The principal change for these banks would be the extension of reserve requirements to branches and agencies. However, most Japanese-bank offices are agencies, which have a relatively small deposit base, so that the cost of these reserves should be small. As an offset, these banks would gain access to Federal Reserve services.

Under the proposed act, foreign banks could continue to open agencies in several states with state approval. (The rationale is that agencies do not accept domestic deposits and hence are the equivalent of loan-production offices of domestic banks.) Thus, since Japanese banks generally utilize the agency form of operation, they could continue to operate such offices in several different states. 

FOUR NEW BRANCH DIRECTORS APPOINTED

The Los Angeles and Portland branches of the Federal Reserve Bank of San Francisco will have several new directors next month—Joseph J. Pinola at Los Angeles, and Jean Mater, Robert A. Young and Robert F. Wallace at Portland. Mater was appointed by the Federal Reserve Board of Governors, and the other three officials by the Board of the Federal Reserve Bank of San Francisco.

Pinola, who is President of United California Bank, gained early experience with Bank of America following Navy service during the Korean War. After extensive work in corporate and branch banking, he was named Bank of America's executive vice-president in charge of the North America Division. In 1976 he assumed the presidency of United California Bank, the 14th largest bank in the nation.



J.J. Pinola

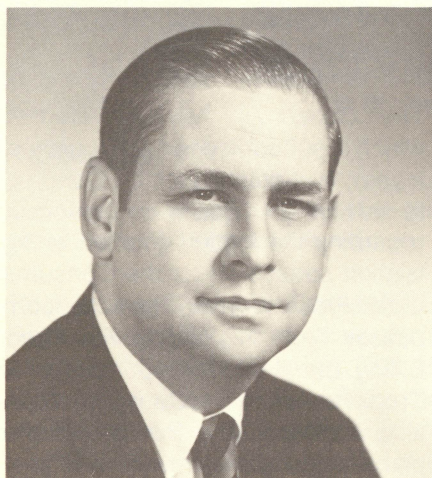
Active in professional and banking circles, Pinola became a Director of the California Bankers Association this year. He also is a Director of United California Bank and of Western Bancorporation Data Processing Company. He is a member of the Association of Reserve City Bankers and Robert Morris Associates.

Dr. Mater, the first woman director on the Portland Branch Board, is general manager of Mater Machine Works, Inc., and a partner or director in several associated firms. She is one of the few women in the country with a Ph.D. in Forest Products Chemistry.



J. Mater

In 1973, Dr. Mater became the first woman to receive the coveted Gottschalk Award of the Forest Products Research Society. A past president of the Corvallis Chamber of Commerce, she has also served on advisory councils to several Federal agencies.



R.F. Wallace


Wallace is Chairman of the Board and Chief Executive Officer of First National Bank of Oregon. He became a banker following graduation from Colgate University. Wallace joined First National Bank of Oregon in 1968 as an Assistant Vice President and became president just four years later. He assumed his present position last year.

Wallace has served as a member of the Government Relations Council of the American Bankers Association, and as a member and past-president of the Port of Portland Board of Commissioners. He is an Associate Campaign Chairman and Director of the United Way, and a Trustee of Lewis and Clark College.



R.A. Young

Young is President of Northwest National Bank in Vancouver, Washington. He held several banking positions in Iowa and California after graduating from the University of Iowa, and eventually became Board Chairman and President of Everett (Washington) Trust and Savings Bank. In 1974, he joined the Northwest Bank.

Young was elected to the National Board of Directors of Robert Morris Associates in 1970, and has just completed a term as national president of the organization. He continues his service to that organization as Chairman of the Policy Division and as a member of both the Executive Committee and the Administration Services Committee. 

TERMS IMPROVED FOR KEOGH PLANS

The Federal Reserve has improved the terms for Keogh plan retirement accounts to make it easier for self-employed individuals to earn a good return on their savings for retirement.

Keogh plans were first authorized under 1962 legislation to provide tax benefits as a means of encouraging self-employed persons to save for retirement. The provisions permit a self-employed individual to establish a retirement savings plan with a depository institution, where he can place up to 15 percent of earned income or \$7,500 a year—whichever is smaller—in the account. The sums deposited may be deducted from the amount of income subject to Federal tax.

(continued on page 4)

Phone (415) 544-2184

Federal Reserve Notes is written by Ron Getz and produced by Karen Rusk. The publication is distributed to commercial banks by the Research Information Center, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, California, 94120.

400 Sansome St., San Francisco, CA 94120
**Federal Reserve Bank
of San Francisco**

FIRST CLASS MAIL
U.S. POSTAGE
PAID
PERMIT NO. 752
SAN FRANCISCO, CALIF.

CONSUMER COUNCIL STUDIES REGULATIONS

At its first business meeting last month, the Federal Reserve's Consumer Advisory Council wrestled with the problem of how consumer regulations affecting banks can be simplified and still be complete and workable. Council members acknowledged that simplification was "a very controversial idea" that was easy to embrace as an ideal but difficult to execute in reality.

The discussion indicated that the major obstacle to simplification is the conflict between interest groups with different aims and divergent viewpoints. For example, some consumers are pressing for more and more information, some Congressmen are pushing for simplification of regulations, some creditors are advocating reduced liability under the legislation, and so on.

Council members underscored the fact that the choice in writing consumer legislation and regulations is often between simplicity and understandability versus completeness. One member argued that much of the complexity is due to creditors asking regulatory agencies for guidance. The resulting interpretations and staff responses then become part of a sometimes unwieldy body of official

source material that creditors need to consult to ensure compliance with regulations.

The Consumer Advisory Council, which is scheduled to meet four times a year, was established by Congress to advise the Board of Governors regarding the implementation of legislation passed under the Consumer Credit Protection Act. The act encompasses Truth in Lending, Fair Credit Billing, Equal Credit Opportunity, Fair Credit Reporting and Consumer Leasing. However, the Board can also place other consumer-related matters before the Council for its consideration.

Four Westerners serve on the 26-member Council, including Vice-Chairman William D. Warren. Warren is Dean of the School of Law of the University of California at Los Angeles. The others are Roland E. Brandel of San Francisco, a partner in the law firm of Morrison and Foerster; Robert R. Dockson of Los Angeles, president and chief executive officer of the California Federal Savings and Loan Association; and Percy Loy of Portland, president of the Kubla Khan Food Company. 🐾

(continued from page 3)

The Board of Governors made two major changes in its Regulation Q (Interest on Deposits) to facilitate such savings. The first enables member banks to pay all, or a part, of a Keogh plan time deposit before its maturity without the usual penalty for early withdrawal. This amendment applies to depositors who reach the age of 59½ or become disabled.

The second amendment makes it possible for a Keogh plan depositor to have less than \$1,000 on deposit and still earn the 7¼-percent interest available for four-year time deposits, or the 7½-percent available for six-year deposits. This change recognizes the fact that some depositors may not have the \$1,000 necessary to start such accounts.

Similar actions were taken by the Federal Deposit Insurance Corporation for banks it supervises, and by the Federal Home Loan Bank Board for savings and loan institutions.

This latest Reg Q amendment extends to Keogh plans the conditions established last December for Individual Retirement Accounts (IRAs). Under the Employee Retirement Income Security Act of 1974, individuals not covered by a retirement plan can deposit up to \$1,500 or 15 percent of gross income—whichever is smaller—in IRAs. 🐾