

Federal Reserve Notes

FEDERAL RESERVE BANK OF SAN FRANCISCO • FEBRUARY 1978

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FED PROPOSES AUTOMATIC TRANSFERS

The Federal Reserve Board of Governors issued a proposal this month, that would permit member banks to transfer funds automatically from individuals' bank savings accounts to their checking accounts. The Board asked for comments on this proposed amendment to Regulation Q by March 20.

Under these proposed "automatic transfer agreements," funds could be transferred automatically from savings to checking accounts in order to cover overdrafts or to maintain specified minimum balances. In this respect, the proposed transfer service would be an alternative to plans that protect depositors from overdrafts through pre-arranged automatic extensions of credit. The service would be available only to individual customers, and not to businesses or governments.

No minimum amount for transfer would be required under the proposal. However, the customer would have to forfeit any interest earned on the amount transferred during the 30 days before transfer. The proposal is somewhat more liberal in both respects than a similar proposal made in March 1976.

The Board said that the proposal is aimed at "increasing the convenience and efficiency of savings accounts and lowering the cost of making payments by check." Costs to depositors would be lower because banks usually charge a substantial fee for checks that are returned for insufficient funds. Also, the Fed would avoid the additional costs incurred when such checks are presented for clearance, because they involve hand processing and multiple handling.

BRADLEY HEADS ADVISORY COUNCIL

Gilbert F. Bradley was elected President of the Federal Advisory Council for 1978 by the members of this advisory group to the Federal Reserve System. Bradley is Chairman of the Board and Chief Executive Officer of Valley National Bank of Arizona.

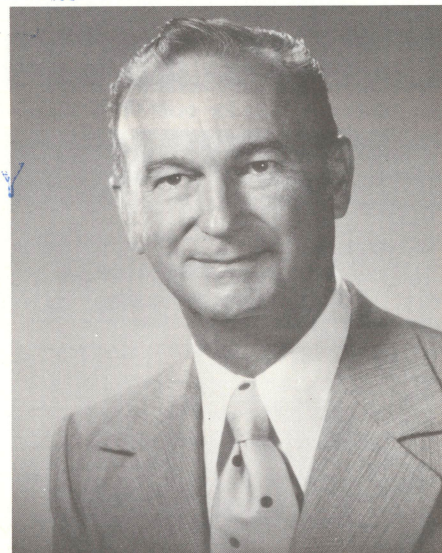
The Federal Advisory Council is composed of 12 members, one from each of the Federal Reserve Districts in the nation. Meeting quarterly with the Federal Reserve System's Board of Governors, the Council discusses economic and banking matters and makes recommendations regarding System operations and policies.

Bradley had been reappointed to the Council late last year by the Board of Directors of the Federal Reserve Bank of San Francisco for the 1978 term. He represents the nine-state San Francisco Reserve District, which contains over 6,800 commercial-banking offices and a population of more than 34 million.

Valley National is the largest bank in Arizona. Headquartered in Phoenix, the bank serves Arizona through more than 175 offices in all of the state's 14 counties. Valley Bank is the 26th largest commercial bank in the United States.

The proposed new service would be added to two other bank services previously authorized by the Federal Reserve. These permit customers of Fed member banks to withdraw or transfer funds from savings accounts by telephoned instructions, and to pay bills from their accounts under pre-authorized payment plans.

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G. F. Bradley

CHECK TRUNCATION PROGRAM BEGUN

The government-check "truncation" program is now underway in the San Francisco Federal Reserve District. Truncating means that the San Francisco Fed—along with the other Reserve Banks across the nation—will not have to forward Federal government checks to the Treasury anymore. Instead these checks will be sent to a government record center, and the Reserve Banks will supply the Treasury only with micro-filmed copies and magnetic-tape data. The system will expedite the check-processing cycle, and will reduce the cross-country shipping of over 700 million Treasury checks annually from various Reserve Banks to Washington, D.C.

The new system began at the Reserve Bank's San Francisco office on February 1, and at its Salt Lake City office on February 15. The Portland and Seattle offices will truncate government checks

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SUMMARY OF KEY FED DEVELOPMENTS

* **CIRCULAR 9 CHANGES.** Circular 9 (Currency & Coin) revisions have been mailed to all District member and non-member banks. The changes concern preparation charges for currency and coin shipments to nonmember banks, and a larger limit for the risk-of-loss limitation. Preparation charges for shipments to nonmember banks have been increased from \$1.50 to \$4 per shipment for currency, and from 10 cents to 25 cents per bag for coin. The single-day risk-of-loss limitation by any one banking office to the Reserve Bank was increased from \$2 to \$10 million. The changes were made effective February 1, 1978. The Cash Officer at your nearest Federal Reserve office can provide further information.

* **REGISTERED & CERTIFIED MAIL.** To speed up the processing of registered and certified mail, the San Francisco Reserve Bank is instituting an identification-code system. The code quickly identifies certain high-priority shipments such as savings bonds, savings stamps, Treasury and Agency coupons, securities, letters of credit, currency and coin, and government deposits. Banks and savings-and-loan associations should identify envelopes, boxes or tags with the proper code. This will help the Reserve Bank reduce processing time, and also will expedite the posting of credit to a financial institution's account. Each container should hold only one type of shipment. Items other than those on the identification code should be sent by regular mail. If you have questions or need the identification code, call your nearest Fed office.

* **CURRENT CIRCULARS.** If you're wondering whether your circulars are up to date you can check quickly by referring to Federal Reserve Circular A, which shows the effective date of all current Fed circulars. For copies of Circular A or any other circular, contact the Supply Department at any of the Reserve Bank's offices.

* **IMPROPER PAYMENTS.** The Federal Reserve Board of Governors has issued a policy statement concerning improper and illegal payments by banks and bank holding companies. The statement deals with questionable practices here and abroad, including questionable political contributions. For further information contact C. Keefe Hurley, Jr., Senior Attorney, Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202-452-3269).

* **EFT PAYMENTS.** The Federal Government's recurring-payments program has been expanded to include Central Intelligence Agency (CIA) EFT payments, beginning with settlements for February 1. Payments generally will be consolidated in the same output file with Supplemental Security Income, Civil Service, Railroad Retirement, and Veterans Administration payments, and will be delivered to a financial organization or processing center by the business day prior to the payment date. CIA payments are made on the first day of each month. If the first of the month is a Saturday, Sunday, or holiday, the payment will be dated the following business day. For further details, contact Sally Balingit, District ACH Coordinator (405-544-2076).

* **BANK HOLDING COMPANY INTERPRETATION.** The Board of Governors has issued an interpretation of a section of the Bank Holding Company Act dealing with shares or other assets that are transferred to a company or transferee that is indebted to it, or to a transferee that maintains an officer or director interlock with the holding company. Under this interpretation, control of the shares (or other assets it owns) is presumed not to have changed unless the Board determines otherwise. For further information contact the Reserve Bank's Supervision, Regulation and Credit Department (415) 544-2235.

* **PAYMENTS SERVICES PROPOSAL.** Copies of a Board of Governors proposal to improve Federal Reserve payments services to financial institutions and the public have been mailed to interested parties throughout the San Francisco Reserve District. The Board invited public comment on two possible approaches. Under one plan, Reserve Banks would make debit and credit entries to member-bank reserve accounts for wire transfers conducted on Bankwire, a transfer system operated by commercial banks. A second plan would make use of Fedwire, a nationwide Federal Reserve service, to clear and settle electronic payments through automated clearinghouses. For a copy of the proposal, contact the Supply Department at your nearest Fed office.

* **SECURITIES UNDERWRITING.** The Board of Governors announced this month that it will resume the processing of applications from bank holding companies to underwrite and deal in Federal government and municipal securities. In 1974, the Board proposed amending Regulation Y (Bank Holding Companies) to add this activity to the list of permissible holding-company activities. However, the Board has decided against amending Regulation Y, and instead will judge individual applications on a case-by-case basis. For further information, call the Reserve Bank's Supervision, Regulation and Credit Department (415) 544-2235.

* **HOLIDAY.** The Reserve Bank's Los Angeles and San Francisco offices will close at noon on March 24 for the observance of Good Friday. The Portland, Salt Lake City and Seattle Branches will be open for the full business day. 🏛️

FED ANNOUNCES OFFICER PROMOTIONS

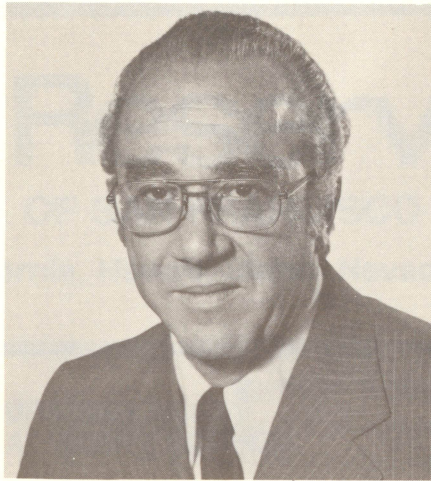
The Federal Reserve Bank of San Francisco promoted four officers to senior positions on January 1.

Eugene A. Thomas was promoted to Vice President of Bank Examinations. In this capacity, he is responsible for directing the commercial, international and trust examinations sections of the Supervision, Regulation and Credit Department. He previously served as Director of Bank Examinations.

Joseph R. Bisignano was named Director of Economic Analysis. Bisignano directs the support group that provides economic-policy information to the Bank's President and Board of Directors. He also oversees national economic research for the Research and Public Information Department.

H. Peter Franzel was advanced to Director of Branch Operations. He oversees such activities as check processing, coin and currency services, the market-

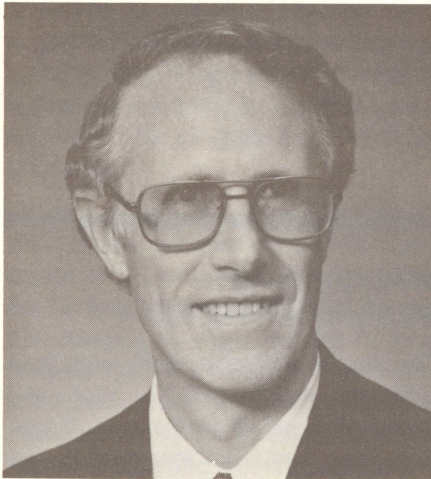
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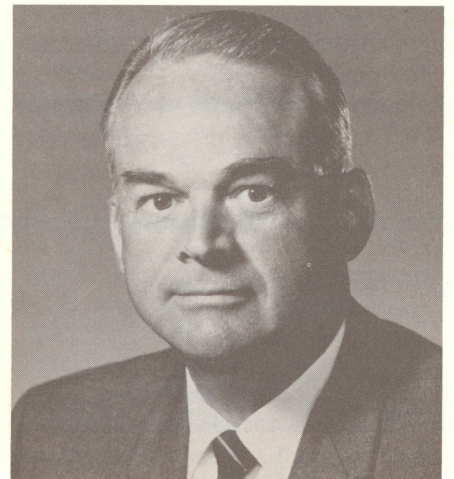
E. A. Thomas



J. R. Bisignano



H. P. Franzel



G. P. Galloway

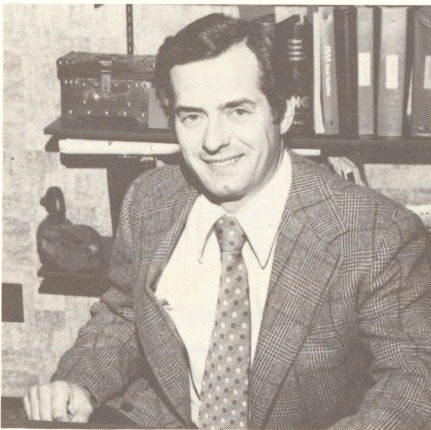
Welcome to the District

SANDY STATE BANK... HERITAGE BANK & TRUST

Two new banks in the Salt Lake City area—Sandy State Bank and Heritage Bank and Trust—recently became members of the Federal Reserve System.

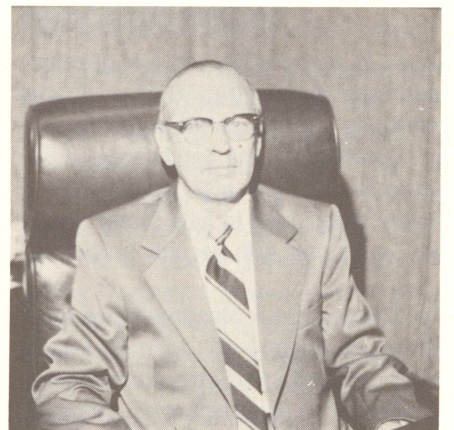
Sandy State Bank opened for business late last year as the only state-chartered bank in the fast-growing area of Sandy, Utah. Its population of 35,000 has increased more than fivefold in just the last seven years.

President Ron Carnago and Vice President Donald Boshard intend to emphasize the bank's "strong local ties to the people of Sandy and its commitment to serving the needs of the community." President Carnago says that the bank's management considers Federal Reserve membership essential to providing a full range of services.



R. Carnago

Heritage Bank and Trust recently opened for business in Salt Lake City under the leadership of President John Starley. Starley had been associated with Commercial Security Bank of Salt Lake City for 30 years, and also had been past-president of the Salt Lake Bank Officers Association and an active member in the Bank Administration Institute. Backing up Starley is Vice President and Cashier Barry Dunn, with 20



J. Starley

years of banking experience in metropolitan Salt Lake City.

Starley feels that the bank's market area is only partially developed, and he intends to emphasize service to residential, light-industry and retail customers in the southwest part of the metropolitan area. In his view, both Salt Lake City and Heritage have a lot of growing to do in the next several years. 🐛

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Federal Reserve Notes is produced by William Burke, Ronald Getz and 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.

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OFFICER PROMOTIONS

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ing of government securities and other fiscal activities at the Bank's five branches. Franzel had been Assistant Vice President - Branch Operations Support.

Meanwhile, George P. Galloway was named Director of District Security. Galloway is responsible for the development and administration of programs relating to security, safety and emergency operations for the San Francisco Reserve District. He also administers a program designed to help District member banks deal with security problems.

The Reserve Bank also made five other officer appointments. John H. Beebe was promoted from Senior Economist to Assistant Vice President and Economist. Robert H. Colfelt was advanced from Check Officer (San Francisco Branch) to Assistant Vice President. William Ott was named Assistant Vice President in the Computer Services Group. Richard L. Rasmussen was promoted from Check Officer (Los Angeles Branch) to Assistant Vice President. Ray Kriese was named Employee Relations Officer at the Los Angeles Branch. 🏛️

WALKER BANK MERGER APPROVED

The merger of Walker Bank and Trust Company of Salt Lake City, Utah, and American Bank of Commerce, Cedar City, Utah, has been approved by the Federal Reserve Bank of San Francisco. As a result of the merger, the present office of American will become an authorized branch office of Walker Bank and Trust.

Walker Bank and Trust has deposits of roughly \$500 million and operates 25 branches throughout Utah. American has deposits of \$3.3 million and its sole banking operation is in Cedar City.

In granting its approval to the merger, the San Francisco Fed said its action would tend to replace a less viable competitor with a stronger competitor, and would serve to improve the range and quality of banking services to customers. 🏛️

CHECK TRUNCATION

(Continued from page 1)

on March 22, while Los Angeles will convert to the new system on April 17. At that time, all government checks in this District will be sent to San Francisco for processing.

To accommodate this new mode of processing, the symbol and serial number of each check must be pre-encoded, along with the MICR-encoded routing number. (MICR stands for Magnetic Ink Code Recognition.) On some checks an additional one-digit transaction code will be MICR-encoded.

While most banks already "amount encode" Treasury checks for their own use, this now becomes a requirement for deposits at Federal Reserve Banks. The dollar amount must be encoded in accordance with the ABA Magnetic Ink Character Recognition Program. Actually, this encoding provision has been in effect for government-check deposits since 1975, so that the new program simply enforces an existing ruling.

District commercial banks will receive informational material in the near future concerning implementation of the government-check truncation program. Banks that have specific questions may contact the Check Officer at the nearest Federal Reserve office at any time. 🏛️