

FEDERAL RESERVE BANK
OF SAN FRANCISCO

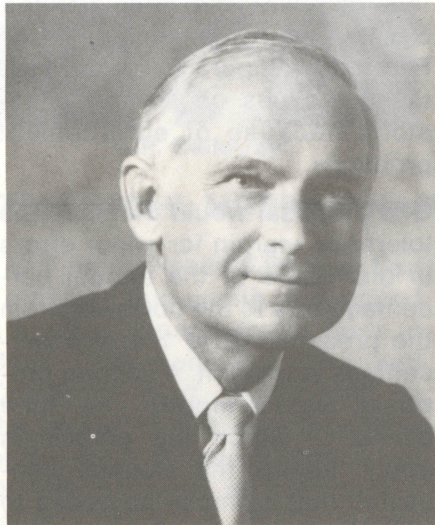
Federal Reserve Notes

FEDERAL RESERVE BANK OF SAN FRANCISCO • NOVEMBER 1979

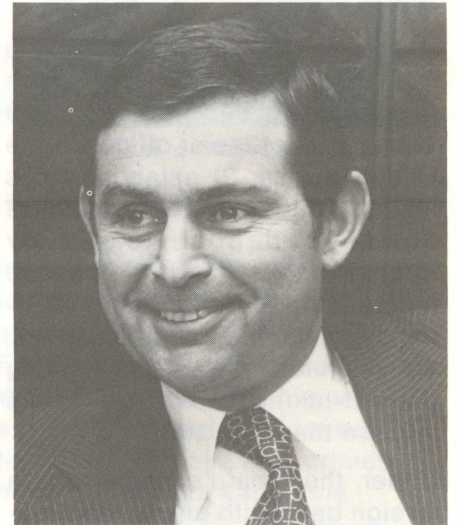
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F. G. Larkin, Jr.



C. L. Peck, Jr.



C. E. Schmidt

LARKIN, PECK, SCHMIDT RENAMED TO FED POSTS

Federal Reserve member banks in the San Francisco District this month re-elected Frederick G. Larkin, Jr., and Clair L. Peck, Jr. to the Board of Directors of the Federal Reserve Bank of San Francisco. Larkin was chosen as a Class A director, representing District member banks, and Peck was named as a Class B director, representing nonfinancial interests in the District. Separately, the Board reappointed Chauncey E. Schmidt to the Federal Reserve's Federal Advisory Council.

Larkin is Chairman of the Executive Committee of Security Pacific National Bank. Peck is Chairman of the Board of C.L. Peck Contractor, as well as Partner in Peck/Tooley Investment Builders. Schmidt is Chairman of the Board, President and Chief Executive Officer of the Bank of California and its holding company — BanCal Tri-State Corporation.

The Reserve Bank's nine directors provide management advice on the conduct of Reserve Bank operations and on supervisory, personnel and monetary-policy matters. They also provide first-hand information on key economic developments in various areas of the District, complementing the bank's internal research efforts. The directors have specific responsibility for initiating changes in the Reserve Bank's discount rate, subject to review and approval by the Board of Governors.

The Federal Advisory Council provides a link between the banking and financial community and the Federal Reserve Board of Governors. It is composed of 12 members representing each of the districts in the Federal Reserve System. The Council advises the Board on a wide range of topics, including overall banking and monetary objectives,

the Fed's regulation of member-bank activities, and the effects of monetary policy on commercial banking and the money market.

Larkin has spent his entire career at Security Pacific National Bank, following graduation from the University of Washington and Stanford's Business School. He was elected President of the Bank in 1961 and Chairman of the Board eight years later. He became Chairman of the bank's Executive Committee last year.

Larkin serves as a director of many industrial and financial institutions. In addition, he is a Director and Vice President of the Los Angeles World Affairs Council, a Director of the Hospital of the Good Samaritan Medical Center, Director (and Former President and Chairman) of the Los Angeles Philharmonic Association, and Director and Board Chairman of

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FED PROPOSES RULES FOR FOREIGN BANKING

The Federal Reserve Board of Governors proposed several rules late last month to help implement provisions of the International Banking Act of 1978 (IBA). The proposed regulations — to be incorporated into the Fed's Regulation K — would limit the interstate-banking activities of foreign banks in the United States.

In general, the Board's proposals 1) prescribe procedures by which a foreign bank can choose a home state for its office or offices in the United States; 2) establish rules limiting interstate expansion of domestic deposit-taking by foreign banks; and 3) provide federal standards for distinguishing deposits from credit balances, as a regulatory guide for limiting deposit-taking by foreign banks in more than one state.

Under the Board's proposals, a foreign bank with one or more deposit-taking offices in the United States would be required to select a home state within 90 days after the Board's regulations are finalized. For banks with only one deposit-taking branch or subsidiary, the state location of that branch would constitute the home state. A bank with no deposit-taking offices would not be required to make this selection. A foreign bank would also be allowed to change its home-state designation one time, provided it relinquished interests or branches acquired due to its initial home-state selection.

The Board proposed the regulation to insure that a foreign bank does not, directly, or indirectly, establish and operate a deposit-taking branch outside its home state. Under the proposal, two or more foreign banks operating in this country, each of which is majority-owned by a common parent, would be regarded as one banking organization entitled to only one home state.

The regulations would require a

AGENCIES PROPOSE NEW TIL GUIDELINES

The Federal Reserve and other member agencies of the Federal Financial Institutions Examination Council last month proposed several amendments to the Truth in Lending Enforcement Guidelines (Regulation Z). The revisions are designed to make the guidelines more workable in light of the agencies' experiences this year with the original rules. Several agencies, including the Fed, had temporarily suspended the guidelines on several occasions because of enforcement problems.

One proposal would increase the tolerance margin for minor errors in disclosure of the annual percentage rate to the borrower, from the present 1/8 to 1/4 of a percentage rate point. A second proposal would modify the time period to which the guidelines apply. Lastly, the Council suggested that a phrase be added to the guidelines to permit the regulatory agencies greater flexibility in applying enforcement policy where a violation presents a unique or significant problem.

In addition to these three proposed amendments, the agencies requested public comment on other aspects of the guidelines. The Council particularly mentioned problems determining the actual annual percentage rate on real-estate loans, and problems ascertaining the direct and indirect costs of administering and implementing the guidelines.

foreign bank holding company that has a subsidiary bank outside its home state to give 60 days' notification to the Board before the subsidiary acquires all or substantially all of another bank's assets. Fed approval of the acquisition would be required.

The Board also proposed minimum criteria for distinguishing credit balances from deposits. This is necessary since the IBA restricts the establishment of branches (offices at which de-

PRESIDENT BLOCKS IRANIAN ASSETS

President Carter this month blocked all official Iranian assets in the United States, including deposits in U.S. banks and their foreign branches and subsidiaries. The order was issued in response to reports that the Government of Iran was about to withdraw about \$8 billion in such funds.

The order did not affect accounts of persons other than the Government of Iran, the Central Bank of Iran and other controlled entities. The President took the action pursuant to the International Emergency Economic Powers Act, which grants him authority "to deal with any unusual and extraordinary threat to the national security, foreign policy, or economy of the United States."

In a report to Congress, the President said, "Blocking property and property interests of the Government of Iran, its instrumentalities and controlled entities and the Central Bank of Iran will enable the United States to assure that these resources will be available to satisfy lawful claims of citizens and entities of the United States against the Government of Iran."

The Treasury Department implemented the blocking action by the issuance of the Iranian Assets Control Regulations, which appeared in the November 15 issue of the Federal Register. A number of amendments to the regulations have since been issued.

posits are received), but does not restrict agencies (offices where credit balances are maintained but which cannot accept deposits from U.S. citizens or residents).

Under the Fed's proposed definition, "credit balances" must be funds maintained at all times to serve a specific purpose, must not be solicited from the general public, and must not be used to pay operating expenses in the United States (such as rent, salaries, or taxes).

VOLCKER REPORTS ON CREDIT POLICY

Federal Reserve Chairman Paul Volcker assured member banks that the System "fully intends that sufficient credit will continue to be available to finance orderly growth in economic activity," even though growth in money and bank credit is expected to moderate as a result of the Fed's October 6 policy actions. Volcker voiced these assurances in a letter sent to all Federal Reserve member banks late last month.

Volcker recognized in his letter that greater volatility in money-market rates may result from the Board's new operating procedures. However, he cautioned that banks should take care when they adjust lending rates. "Sharp but clearly temporary variations in the cost of a small amount of marginal funds should not be the occasion for adjustments in the basic lending rate," he said.

The Fed Chairman stressed the need for banks, when adjusting rates, to consider the special problems of smaller customers who have limited financing alternatives. In his view, banks should take particular care that small businesses, consumers, home buyers, and farmers continue to receive a reasonable share of available funds. "Loans to such borrowers, as well as to larger business customers that require bank credit in support of their normal operations will help to sustain key sectors of local and national economies."

Volcker reiterated the Board's earlier request that banks take care to avoid financing essentially speculative transactions in commodity, gold, and foreign-exchange markets. He also warned that credits advanced for "extraordinary financial transactions" would be viewed as questionable by the Board. Such transactions would include loans for the purpose of retiring stock or for corporate takeovers that simply substitute one source of financing



G.P. Galloway



M. J. Murray

GALLOWAY, MURRAY NAMED BANK VP'S

The Federal Reserve Bank of San Francisco this month announced a number of personnel actions in Bank Operations/Branches and Corporate Staff, highlighted by the promotions to Vice President of George P. Galloway (Director of District Security) and Michael J. Murray (Director of Corporate Personnel).

Galloway has responsibility for the development and administration of the Reserve Bank's dis-

for another — transactions that do not clearly promise improvement in economic performance.

Volcker underlined the Fed's view that, in the last analysis, the effective distribution of credit among potential borrowers must rest with individual lending institutions operating in the marketplace. "No regulatory agency can be in a position to substitute its own judgment in this area," he said.

He added his conviction that the banking system's adherence to the principles set forth in his letter will contribute to the success of the Fed's efforts to deal with inflation during this period of difficult economic adjustment. Also, the banks' cooperation will serve the longer-range objectives of lending institutions as well as the nation.

strict-wide security program. He joined the Reserve Bank in 1970 after a 29-year career with the Federal Bureau of Investigation. While with the FBI, his area of supervision included investigations of internal bank crimes in most of Northern California.

Murray has responsibility for the development and implementation of District-wide personnel policies and programs. He joined the Bank in 1973, after working as a personnel administrator at the Hewlett-Packard Company and as a manager at the Pacific Telephone Company. He holds an M.B.A. from the University of California (Berkeley).

In the Bank Operations/Branches area, four officers were promoted to Assistant Vice President — Gale Ansell, Analysis and Control (Seattle), David Christerson, Cash (San Francisco), Sally Hackett, Check Processing (Los Angeles), and Raymond Kriese, Personnel (Los Angeles).

In the Corporate Staff area (San Francisco), two new Assistant Vice Presidents were named — John K. Davis, Accounting and Connie Russell, Personnel. New officer appointments were James Tenge to Administrative Service Officer and Steve Whitmore to Personnel Officer.

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Federal Reserve Notes is produced by
William Burke, Dennis Barton and Karen
Rusk. The publication is distributed to
commercial banks by the Public Informa-
tion Section, Federal Reserve Bank of San
Francisco, P. O. Box 7702, San Francisco,
California, 94120.
Phone (415) 544-2184

400 Sansome St., San Francisco, CA 94120
**Federal Reserve Bank
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the Automobile Club of Southern California. He is a Trustee of several major educational institutions — California Institute of Technology and Occidental College — as well as a Trustee of the Haynes Foundation.

Peck, like Larkin, is an alumnus of Stanford University, where he graduated with a B.S. degree (cum laude) in civil engineering. In addition to holding numerous directorships, he is a Trustee of the Doheny Eye Foundation, a Trustee of the Mead Housing Trust and Development Corporation, and a Trustee and Vice Chairman of the Ear Research Institute.

In 1977, Peck received the Achievement Award of the Los Angeles Chamber of Commerce. In the same year, he received the Award of Distinction of the American Institute of Steel Construction.

Schmidt, before joining the Bank of California in 1976, was President of the First National Bank of Chicago. He is a graduate of the U.S. Naval Academy and the Har-

INSURANCE SALES RULE REVISED

The Federal Reserve Board of Governors this month revised its Regulation Y, to tighten conditions under which bank holding companies or their nonbank subsidiaries can handle general-insurance sales in communities with populations of less than 5,000. The Fed's Reg Y governs holding-company activities.

vard Graduate School of Business Administration.

Schmidt is a member of a number of financial and other organizations, including the Association of Reserve City Bankers, the International Monetary Conference, the American Bankers Association, the Advisory Council on Japan-U.S. Economic Relations, and the Stanford Research Institute Council. He is a director of the Bay Area Council, the California Roundtable, and the San Francisco Chamber of Commerce. He is also a member of the Advisory Board of the Pacific Rim Bankers Program, as well as the Board of Governors of the San Francisco Symphony Association.

The revised rule restricts insurance-sales activities to bank holding companies or their non-bank subsidiaries who have their principal places of banking business in communities with populations of 5,000 or less. The Board determined that existing regulatory language authorizing bank holding companies to engage in insurance-agency activities was too broad, because it permitted remote activities not intended to be authorized. The Board also deleted a provision of the previous rule permitting insurance sales activity in larger communities determined to have inadequate insurance-agency facilities.

The Board's action was in conformity with a court action requiring the Board to reconsider a 1971 rule which governs this small-community insurance activity. The Board concluded that the sale of general insurance in such communities was an activity closely related to banking. It noted that national banks have been authorized to sell insurance in such communities since 1916, and that many state banks are also engaged in this type of activity.