

# Federal Reserve Notes

FEDERAL RESERVE BANK OF SAN FRANCISCO

• January 1983

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

## FED APPROVES SCHWAB PURCHASE

On January 7, 1983, the Federal Reserve Board approved the application of BankAmerica Corporation to acquire the Charles Schwab Corporation and to acquire indirectly, Charles Schwab & Co., Inc., a retail discount securities broker. The approval marked the first time the Fed has ruled that discount-brokerage services are closely related to banking and are permitted for bank-holding companies.


No conditions were attached to the acquisition as the Board found that the arrangement did not violate the Glass-Steagall Act and is consistent with the Bank Holding Company Act. However, the Board made it clear that it grants approval only for those activities considered: "Thus, any change or expansion in the activities described...would require the approval of the Board."

In its ruling, the Federal Reserve Board stated "that the use of sophisticated techniques, resources and personnel to execute orders for the purchase or sale of securities for the account of customers is sufficiently widespread in the banking industry to justify a finding that banks generally provide securities execution services that equip them to offer the type of retail brokerage services provided by Schwab." Even in the area of margin lending, the Board noted that "banks generally and traditionally have extended credit to their customers for buying and carrying securities."

The Board concluded that the consummation of the Schwab-BankAmerica proposal "can reasonably be expected to result in public ben-

efits out-weighing possible adverse effects." Among those benefits are increased competition, as "the proposed acquisition is likely to make Schwab a more effective competitor in the retail brokerage market" allowing it to offer "new combinations of financial services", and increased convenience and efficiencies, when the two companies "share their capital, managerial, technological, and marketing resources" which should "result in lower consumer search costs and greater efficiency in the purchase of such (securities brokerage) services."

Both BankAmerica and The Charles Schwab Corporation are based in San Francisco. BankAmerica is one of the nation's two largest banking organizations and Charles Schwab & Co., Inc. is the nation's largest brokerage concern. The proposed acquisition now awaits final approval by the BankAmerica board and Schwab shareholders.

The Federal Reserve ruling is the latest in a series by federal regulations dissolving the barriers between commercial banking and securities activities. The week before, the Comptroller of the Currency approved plans by Los Angeles-based Security Pacific National Bank to acquire Kahn & Co., a Memphis, Tennessee, discount-brokerage concern. In a statement issued in September 1982, the Federal Deposit Insurance Corporation said that state banks not belonging to the Federal Reserve System may have subsidiaries in securities activities. 

## BOARD APPOINTS FOUR NEW BRANCH DIRECTORS

The Board of Governors of the Federal Reserve System completed the 1983 appointment process for Twelfth District Head Office and Branch directors by naming four new directors to branches of the San Francisco Federal Reserve Bank. Thomas R. Brown, Jr., G. "Johnny" Parks, David Nimkin, and Byron I. Mallott each will serve a 3-year term beginning this year.

Thomas R. Brown, Jr., chairman of the board and chief executive officer of the Tucson-based Burr-Brown Research Corporation, will replace Togo Tanaka, who was elected a Class B director of the Head Office Board, on the Los Angeles branch board of directors. Brown heads a company that manufactures electronic systems components. He is president and director of the Arizona Council of Economic Education, a director of the Arizona Academy and Tucson Tomorrow, and is past president of the Tucson Airport Authority.

G. "Johnny" Parks replaces Phillip W. Schneider on the Portland branch board. Parks is the Northwest Regional Director (Oregon, Washington, Alaska) of the International Longshoremen's & Warehousemen's Union (ILWU), a position he has held since 1969. He has been active in labor union affairs since 1946, serving as president of his local longshore union in Portland, Oregon and the International Union's Executive Board Chairman of ILWU labor negotiations in Alaska since 1970, as well

(Continued on page 3)



## REGULATIONS AND OPERATIONS UPDATE

**Regulation D—Reserve Requirements:** On December 23, 1982, the Board adopted in final form an amendment to Regulation D defining as transaction accounts those time deposits that are issued in connection with an agreement permitting the depositor to obtain credit by check or similar devices for the purpose of making payments or transfers to third parties.

The final rule is substantially the same as that issued in temporary form effective October 5, 1982 and amended in November to exempt such time deposits issued before October 5, 1982 that will be renewed automatically on or before December 31, 1982. In issuing the final rule, the Board clarified that it does not regard as transaction accounts those time deposits pledged to secure incidental overdrafts in a checking account.

For further information, please contact Gail Taylor, Reports Officer, at (415) 974-2055.

**Regulation L—Interlocking Bank Directorates:** On December 29, 1982, the Board adopted an amendment to Regulation L clarifying the circumstances under which certain interlocks among depository institutions may be continued until 1988.

The Board and the other federal depository institutions' supervisory agencies proposed this amendment to their regulations last October. The revised rule was adopted by the five agencies as proposed and becomes effective when published jointly by the agencies in the Federal Register.

The following is the amended 212.5 of Regulation L:

"A person whose interlocking service in a position as a management official of two or more depository organizations began prior to November 10, 1978, and was not immediately prior to that date in violation of Section 8 of the Clayton Act is not prohibited from continuing to serve in such interlocking positions until November 10, 1988. Any management official who has been required to terminate or who has terminated service in one or more such interlocking positions as a result of a merger, acquisition, consolidation, or establishment of an office that formerly was defined as a change in circumstances in Section 212.6(a) (1981) is not prohibited from continuing or resuming such service until November 10, 1988." For further information, please contact Wayne Rickards in Bank and Consumer Regulations at (415) 984-2242.

**Regulations D and Q—Reserve Requirements and Interest on Deposits:** The Board has adopted a number of technical revisions to its regulations concerning reserves of depository institutions and interest on deposits to make the regulations conform to the following rules adopted by the Depository Institutions Deregulation Committee:

1204.104—26 Week Money Market Time Deposits of Less Than \$100,000

1204.108—Maximum Rates of Interest Payable by Depository Institutions on Deposits Subject to Negotiable Orders of Withdrawal

1204.120—90-Day Time Deposits of Less Than \$100,000

1204.121—Seven to 31-Day Time Deposits of \$2,500 or More

1204.122—Money Market Deposit Account

1204.201—Establishment of Interest Rates on Deposits Not Subject to Interest Rate Ceilings

For further information on Regulation Q and DIDC rulings, contact Robert D. Mulford or William L. Cooper at (415) 974-2256 or (415) 974-2254.

**Check Collection Procedures:** The Federal Reserve Board has approved a program to accelerate the collection of checks by the Federal Reserve Banks. The program includes a number of changes made in response to comment received on a proposal published in August 1982.

The main elements of the program as adopted are:

1) Reserve offices will have checks available for presentment (or dispatch) to paying institutions no later than 12:00 noon local time. This change will be made in two steps: On February 24, 1983, presentment will be moved to 11:00 a.m.; and on May 2, 1983, it will be moved to 12:00 noon.

2) The later presentment policy program will be applied at a later date to RCPC and country paying institutions that receive a substantial dollar value of checks. Deposit deadlines for checks drawn on high dollar RCPC and country institutions will be extended beyond the deadlines that were originally published by the Reserve offices.

3) Improved transportation schedules for consolidated check shipments and later deposit deadlines at most Reserve offices will improve the collection of checks between Reserve Bank territories. Each Reserve office's later deposit deadline will be made available to all depositors.

For further information, please contact the Check Officer at your local Federal Reserve office.

**Clearing Balances:** The Board of Governors has approved two changes to the procedures for administering clearing balances. In the 12th District, these two changes will be phased in as follows:

1) Effective January 27, 1983, any depository institution that wants a clearing balance may obtain one;

2) Effective by March 30, 1983, depository institutions with required clearing balances will be able to take advan-

(Continued on page 4)



## NEW BRANCH DIRECTORS

(Continued from page 1)

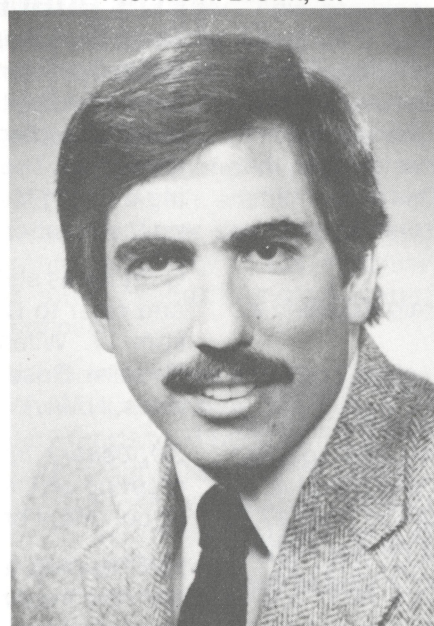
as serving on the union's Coastwise negotiating team. Parks' civic experience includes membership on the boards of directors of the Northwest Waterways Association and the Washington Citizens for World Trade, and a vice presidency at the Pacific Northwest Labor College. He has been commissioner of the Port of Portland since 1977.

David Nimkin, executive director of Salt Lake Neighborhood Housing Services, Inc., was appointed to the board of the Salt Lake City Branch. He replaces Robert A. Erkins. Salt Lake NHS is a privately funded, non-profit partnership of neighborhood residents, city officials, lenders and business representatives whose goal is the revitalization of inner city neighborhoods. Two of its programs include a sweat equity owner-built housing project for twenty-eight first time home-buyers currently priced out of the market and one employing and training neighborhood youth gang members in housing rehabilitation. Nimkin is also president of the Utah Housing Coalition, chairman of Salt Lake City's Energy Advisory Committee, and member of the Governor's Task Force on Housing. Nimkin further serves as an adjunct professor of social work at the University of Utah where he teaches courses in management and community planning. In the past, Nimkin has been a VISTA volunteer and staff member working to solve the problems of Utah's migrant farm workers. He was hired as the executive director of Salt Lake NHS in 1978 after a tenure with Granite Community Mental Health Center as a therapist and trainer of paraprofessionals.

Byron Mallott will replace Merle Adlum on the Seattle branch board. A life-long Alaskan, Mallott was elected a director of Sealaska Corporation in 1972, has served as chairman of the board since 1976 and as CEO since 1982. Sealaska Corporation is the largest of the twelve regional native-owned associations and has subsidiaries in-

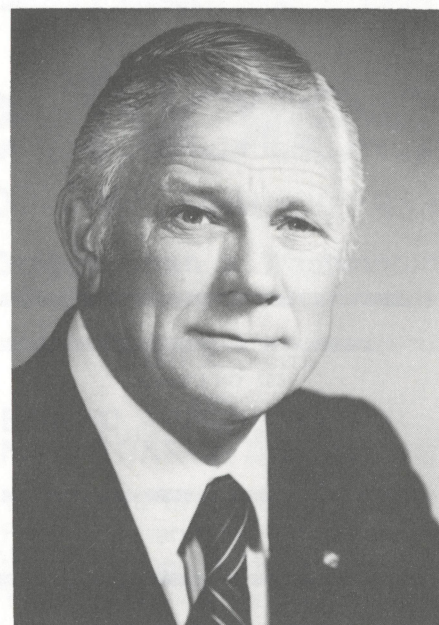


Thomas R. Brown, Jr.

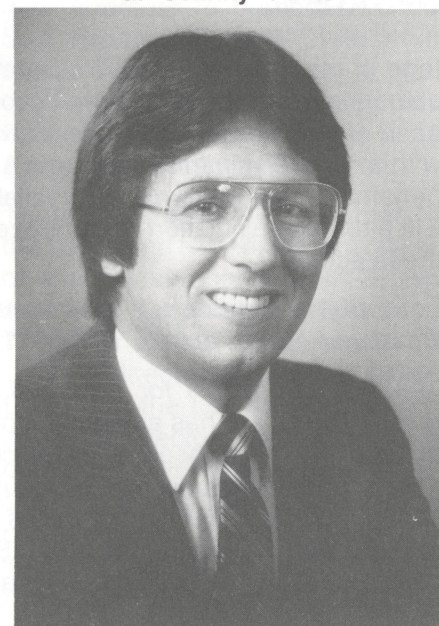


David Nimkin

involved in building materials and transportation services, processing and marketing of seafood products, and the development and marketing of timber products. In addition, he is a director of B.M. Behrends Bank, the University of Alaska Foundation, and Alaska Airlines; a member of the Western Regional Commission of the White House Fellows Selection program; and the owner of a commercial fishing, charter boat



G. "Johnny" Parks



Byron Mallott

and guide outfitting business. Active in both business and public affairs, Mallott served in the State of Alaska's Cabinet as Commissioner of the Department of Community and Regional Affairs; as a member of the Capitol Site Planning Commission and the Rural Affairs Commission; chairman of the Governor's Reapportionment Board; and as vice chairman of the Alaska Native Foundation. 🇺🇸



**Federal Reserve Notes** is produced monthly and is distributed to depository institutions by the Public Information Section, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, California 94120.  
**Phone (415) 974-2246**

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

101 Market St., San Francisco, CA 94120

## Federal Reserve Bank of San Francisco

### UPDATE


(Continued from page 2)

tage of the Federal Reserve's penalty-free band. For institutions with a pure clearing account, the penalty-free band will replace the carry-over provision. For institutions with a required clearing balance in a reserve account, the penalty-free band will also be available. This new feature will alter the calculation of carry-over currently in use for these accounts.

For further information, please contact Craig Knudsen in Reserve Analysis at (415) 974-3071.

**1983 Fee Schedule for Coin and Currency Transportation:** The Board has approved a new revised schedule of fees for the transportation of currency and coin to depository institutions. The schedule of fees includes a continuation of a ceiling but raises the ceiling from \$75 to \$100 per delivery during 1983. Except for the higher ceiling, fees in the Twelfth District are unchanged at this time.

**Home Mortgage Disclosure Act:** The Federal Financial Institutions Examination Council has completed the compilation of the 1981 aggregate data on mortgage and home improvement loan originations disclosed by lending institutions subject to the Home Mortgage Disclosure Act. The data for each Standard Metropolitan Statistical Area (SMSA) will be available for public inspection at the designated central depository for that SMSA. A list of SMSA central depositories is available from the Examination Council, Washington D.C., 20219.

**Private Sector Adjustment Factor:** The Board has adopted a private sector adjustment factor of 16 percent as an element in pricing its services in 1983. The figure is the same as in 1982 and assumes an average cost of capital during the year of 16.3 percent. Other factors in calculating the PSAF are the book value of related Federal Reserve assets and related financing expenses. 

### FOR PUBLIC COMMENT

**Book Entry Securities Services:** The Board is requesting public comment on a proposal to revise the fee structure for the Federal Reserve Banks' book entry services (computer recording of government securities and related wire transfers). The fee structure would be revised by increasing existing fees and by adding a maintenance fee based on the number of issues held in an account.

Comments should reach the Board by February 13, 1983 and refer to Docket R-0443. Address comments to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th and Constitution Avenues, N.W., Washington D.C. 20551.

**Depository Institutions Deregulation Committee:** At its meeting on December 6, 1982, the DIDC requested public comment on a number of issues by February 1, 1983.

- 1) Changing a number of features of the 91-day account and the 6-month money market certificate to make the regulations on these accounts more consistent.
- 2) Several options for accelerating the schedule to remove the deposit rate ceilings on existing accounts.
- 3) A schedule to reduce the \$2,500 minimum denominations on the short-term accounts to zero over the next three years.
- 4) A proposal to rescind the ceilings on fixed-rate account categories when their maturities are greater than the minimum maturity on the Committee's deregulation schedule.

Comments should refer to Docket D-0031.

Copies of the proposals are available from the Corporate Services Department, (415) 974-2752. For further information, please contact Robert D. Mulford or William L. Cooper in the Law Department at (415) 974-2256 or 974-2254. 