

FEDERAL RESERVE DIRECTORS: A STUDY OF CORPORATE AND BANKING INFLUENCE

STAFF REPORT FOR THE
COMMITTEE ON BANKING, CURRENCY AND HOUSING
HOUSE OF REPRESENTATIVES
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(II)

FOREWORD

AUGUST 6, 1976.

I transmit herewith a staff study of the corporate, banking and trade association relationships of the directors of the 12 Federal Reserve Banks.

This Committee has observed for many years the influence of private interests over the essentially public responsibilities of the Federal Reserve System.

As the study makes clear, it is difficult to imagine a more narrowly-based board of directors for a public agency than has been gathered together for the twelve banks of the Federal Reserve System.

Only two segments of American society—banking and big business—have any substantial representation on the boards, and often even these become merged through interlocking directorates.

The lack of diversity on the boards raises serious questions about the quality of economic intelligence and opinion which the district banks presumably feed into the Federal Reserve System and its monetary policy machinery. And the heavy links to the banking community raise doubts about the ability of the district boards to view bank and bank holding company regulatory issues with objectivity.

The Commission on Money and Credit raised some significant questions on these points in its 1961 report:

The agency-clientele relationship, between a Government agency and the business concerns it both serves and regulates, is almost always, almost inevitably, close; and the more so after it has matured for decades. There are public advantages in this: regulation can be knowledgeable, its inconveniences can be minimized, personal working relationships can be easy. But the hazards of too close a relationship are also well known; conflicts of interest tempt individuals on either side of the public-private line to consult private advantage too far; organized interests among the regulated may first infiltrate and then paralyze their public regulators; even legitimate transactions and contacts risk misconstruction; *parties on both sides come to take too parochial a view of the national interest.* (Pp. 91-92, emphasis added.)

The potential for conflict of interest has markedly increased since 1961, with the delegation of additional authority to the district Reserve Banks. The 1970 amendments to the Bank Holding Company Act, the Consumer Credit Protection Act, the Equal Credit Opportunity Act and similar consumer statutes, have given important new duties to the Federal Reserve System—responsibilities which serve to highlight the shortcomings of the make-up of the bank boards.

Despite these broadening roles, consumer and labor organizations have no apparent representation anywhere in the system. In fact, many directors of the Federal Reserve district banks are members of the United States Chamber of Commerce, the National Association of Manufacturers, and local “employers associations”—groups with long histories of opposition to organized labor.

Small farmers are absent. Small business is barely visible. No women appear on the district boards and only six among the branches. Systemwide—including district and branch boards—only thirteen members from minority groups appear.

The study raises a substantial question about the Federal Reserve's oft-repeated claim of "independence". One might ask, independent from what? Surely not banking or big business, if we are to judge from the massive interlocks revealed by this analysis of the district boards.

The big business and banking dominance of the Federal Reserve System cited in this report can be traced, in part, to the original Federal Reserve Act, which gave member commercial banks the right to select two-thirds of the directors of each district bank. But the Board of Governors in Washington must share the responsibility for this imbalance. They appoint the so-called "public" members of the boards of each district bank, appointments which have largely reflected the same narrow interests of the bank-elected members.

The parochial nature of the boards affects the public interest across a wide area, ranging from monetary policy to bank regulation. These are the directors, for example, who initially select the presidents of the 12 district banks—officials who serve on the Federal Open Market Committee, determining the nation's money supply and the level of economic activity. The selection of these public officials, with such broad and essential policymaking powers, should not be in the hands of boards of directors selected and dominated by private banking and corporate interests.

The nation would be better served by making the Federal Reserve System truly independent of big business and banking, freed of its built-in conflicts of interest, and more open in its activities. For example:

- Voting membership on the Federal Open Market Committee should be restricted to officers appointed by the President of the United States.

- The three Class A directors, who by law must be bankers, should be prohibited from participating in decisions bearing directly or indirectly on bank or bank holding company regulatory matters.

- The business/agriculture representation on the board, which the Federal Reserve Act assigns to the three Class B directors of each bank, should be broadened to include more small businessmen and family farmers, minority businesses, cooperative enterprises, and community development entities.

- As this Committee proposed in the Federal Reserve Reform Act, which passed the House in May, 1976, the "public" category (Class C) should be expanded from three to six members and women, minorities, agriculture, conservation, labor, education and consumers should be given specific consideration thus preventing the present over-emphasis on representation by big business and banking.

- The process for nomination and election of the board members should be reformed to lessen domination by trade associations and other narrowly-based groups. Consideration should be given to limiting the role of the commercial banks to the nomination and election of Class A directors, with all other board members selected by the Presidentially-appointed Board of Governors.

- More information should be made available to the Congress and the public about the day-to-day activities and decision-making of the district banks, including the economic intelligence input to the Board of Governors and the Federal Open Market Committee.

Until we have basic reforms, the Federal Reserve System will be handicapped in carrying out its public responsibilities as an economic stabilization and bank regulatory agency. The System's mandate is too essential to the nation's welfare to leave so much of the machinery under the control of narrow private interests. Concentration of economic and financial power in the United States has gone too far. We should celebrate our Bicentennial by reversing the trend away from Thomas Jefferson.

Henry S. Reuss

HENRY S. REUSS, *Chairman,*
Banking, Currency and Housing Committee
of the U.S. House of Representatives.

TABLE OF CONTENTS

	Page
Foreword.....	iii
Federal Reserve Directors: A Study of Corporate and Banking Influence.....	1
Public Policy Functions of the District Banks.....	1
How the Directors Are Selected.....	4
Who Is Selected?.....	4
Class A Directors—Of The Banks, By The Banks, For The Banks.....	5
Class B—Does B Stand For Big?.....	20
Class C Directors—The Public Interest Re-defined.....	34
Secondary Interlocks.....	48
The Public Relations-Lobbying Factor.....	56
Bank Politics and the Federal Reserve Directors.....	58
Bank Domination and Bank Examination.....	59
The Club System.....	62
<i>Intra-Mural Selection</i>	114
<i>Inter-Mural</i>	118
<i>The In-Bred Links</i>	119
Corporate Interlocks with Reserve Banks.....	120
How the Data Was Assembled.....	121

CHARTS

Chart 1-A—Federal Reserve Bank of Boston.....	8
Chart 2-A—Federal Reserve Bank of New York.....	9
Chart 3-A—Federal Reserve Bank of Philadelphia.....	10
Chart 4-A—Federal Reserve Bank of Cleveland.....	11
Chart 5-A—Federal Reserve Bank of Richmond.....	12
Chart 6-A—Federal Reserve Bank of Atlanta.....	13
Chart 7-A—Federal Reserve Bank of Chicago.....	14
Chart 8-A—Federal Reserve Bank of St. Louis.....	15
Chart 9-A—Federal Reserve Bank of Minneapolis.....	16
Chart 10-A—Federal Reserve Bank of Kansas City.....	17
Chart 11-A—Federal Reserve Bank of Dallas.....	18
Chart 12-A—Federal Reserve Bank of San Francisco.....	19
Chart 1-B—Federal Reserve Bank of Boston.....	22
Chart 2-B—Federal Reserve Bank of New York.....	23
Chart 3-B—Federal Reserve Bank of Philadelphia.....	24
Chart 4-B—Federal Reserve Bank of Cleveland.....	25
Chart 5-B—Federal Reserve Bank of Richmond.....	26
Chart 6-B—Federal Reserve Bank of Atlanta.....	27
Chart 7-B—Federal Reserve Bank of Chicago.....	28
Chart 8-B—Federal Reserve Bank of St. Louis.....	29
Chart 9-B—Federal Reserve Bank of Minneapolis.....	30
Chart 10-B—Federal Reserve Bank of Kansas City.....	31
Chart 11-B—Federal Reserve Bank of Dallas.....	32
Chart 12-B—Federal Reserve Bank of San Francisco.....	33
Chart 1-C—Federal Reserve Bank of Boston.....	36
Chart 2-C—Federal Reserve Bank of New York.....	37
Chart 3-C—Federal Reserve Bank of Philadelphia.....	38
Chart 4-C—Federal Reserve Bank of Cleveland.....	39
Chart 5-C—Federal Reserve Bank of Richmond.....	40
Chart 6-C—Federal Reserve Bank of Atlanta.....	41
Chart 7-C—Federal Reserve Bank of Chicago.....	42
Chart 8-C—Federal Reserve Bank of St. Louis.....	43
Chart 9-C—Federal Reserve Bank of Minneapolis.....	44

VIII

	Page
Chart 10-C—Federal Reserve Bank of Kansas City.....	45
Chart 11-C—Federal Reserve Bank of Dallas.....	46
Chart 12-C—Federal Reserve Bank of San Francisco.....	47
New York Federal Reserve Bank branch (Buffalo):	
Bank-appointed directors.....	64
Board of Governors appointments.....	65
Cleveland Federal Reserve Bank branch (Cincinnati):	
Bank-appointed directors.....	66
Board of Governors appointments.....	67
Cleveland Federal Reserve Bank branch (Pittsburgh):	
Bank-appointed directors.....	68
Board of Governors appointments.....	69
Richmond Federal Bank branch (Baltimore):	
Bank-appointed directors.....	70
Board of Governors appointments.....	71
Richmond Federal Reserve Bank branch (Charlotte):	
Bank-appointed directors.....	72
Board of Governors appointments.....	73
Atlanta Federal Reserve Bank branch (Birmingham):	
Bank-appointed directors.....	74
Board of Governors appointments.....	75
Atlanta Federal Reserve Bank branch (Jacksonville):	
Bank-appointed directors.....	76
Board of Governors appointments.....	77
Atlanta Federal Reserve Bank branch (Miami):	
Bank-appointed directors.....	78
Board of Governors appointments.....	79
Atlanta Federal Reserve Bank branch (Nashville):	
Bank-appointed directors.....	80
Board of Governors appointments.....	81
Atlanta Federal Reserve Bank branch (New Orleans):	
Bank-appointed directors.....	82
Board of Governors appointments.....	83
Chicago Federal Reserve Bank branch (Detroit):	
Bank-appointed directors.....	84
Board of Governors appointments.....	85
St. Louis Federal Reserve Bank branch (Little Rock):	
Bank-appointed directors.....	86
Board of Governors appointments.....	87
St. Louis Federal Reserve Bank branch (Louisville):	
Bank-appointed directors.....	88
Board of Governors appointments.....	89
St. Louis Federal Reserve Bank branch (Memphis):	
Bank-appointed directors.....	90
Board of Governors appointments.....	91
Minneapolis Federal Reserve Bank branch (Helena, Montana):	
Bank-appointed directors.....	92
Board of Governors appointments.....	93
Kansas City Federal Reserve Bank branch (Denver):	
Bank-appointed directors.....	94
Board of Governors appointments.....	95
Kansas City Federal Reserve Bank branch (Oklahoma City):	
Bank-appointed directors.....	96
Board of Governors appointments.....	97
Kansas City Federal Reserve Bank branch (Omaha):	
Bank-appointed directors.....	98
Board of Governors appointments.....	99
Dallas Federal Reserve Bank branch (El Paso):	
Bank-appointed directors.....	100
Board of Governors appointments.....	101
Dallas Federal Reserve Bank branch (Houston):	
Bank-appointed directors.....	102
Board of Governors appointments.....	103

IX

	Page
Dallas Federal Reserve Bank branch (San Antonio):	
Bank-appointed directors.....	104
Board of Governors appointments.....	105
San Francisco Federal Reserve Bank branch (Los Angeles):	
Bank-appointed directors.....	106
Board of Governors appointments.....	107
San Francisco Federal Reserve Bank branch (Portland):	
Bank-appointed directors.....	108
Board of Governors appointments.....	109
San Francisco Federal Reserve Bank branch (Salt Lake City):	
Bank-appointed directors.....	110
Board of Governors appointments.....	111
San Francisco Federal Bank branch (Seattle):	
Bank-appointed directors.....	112
Board of Governors appointments.....	113

TABULAR CHARTS

Tabular Chart A—David Rockefeller.....	49
Tabular Chart B—William S. Sneath.....	50
Tabular Chart C—Jack B. Jackson.....	51
Tabular Chart D—Maurice Granville.....	52
Tabular Chart E—Alan Pifer.....	53
Tabular Chart F—Robert H. Knight.....	54
Tabular Chart G—Frank R. Milliken.....	55

ILLUSTRATIONS

<i>Illustration 1. Interlocks of Southeast Banking Corporation of Florida at Atlanta Bank</i>	115
<i>Illustration 2. Interlocks of Five of the "Public" Representatives at the Minneapolis Bank</i>	117

TABLES

(Inserts follow page 120)

1. Federal Reserve director ties with Fortune 1,000 list.
2. Federal Reserve director ties with top 50 life insurance companies.
3. Federal Reserve director ties with top 50 retailers.
4. Federal Reserve director ties with top 50 transportation companies.
5. Federal Reserve director ties with top 50 utility companies.
6. Federal Reserve director ties with top 100 bank holding companies.

FEDERAL RESERVE DIRECTORS: A STUDY OF CORPORATE AND BANKING INFLUENCE

There is much debate about the role of the twelve Federal Reserve District Banks, their presidents, and boards of directors, in the overall operation of the Federal Reserve System.

While the Board of Governors in Washington occupies the dominant position in the Federal Reserve System, it is clear that the Federal Reserve Act and subsequent delegations of authority from the Board have given the district banks substantial powers, ranging from input on monetary policy to regulation of much of the nation's banking and commerce.

Clearly, the American public has an interest in who runs the district banks of the Federal Reserve System.¹ This study is an attempt to provide a profile of the governing bodies of these public entities—the directors who serve on the twelve districts banks and the 25 bank branches scattered across the nation from Boston to San Francisco.

Each of the district banks has a nine-member board of directors. In addition, each of the 25 branches has its own board, ranging in size from five to seven members. System wide, 269 directors sit on the boards—108 at the district bank level and 161 at the branch bank level.

PUBLIC POLICY FUNCTIONS OF THE DISTRICT BANKS

The Federal Reserve district banks have a variety of public duties. In addition to maintaining the check-clearing machinery and computer networks for the banking industry, the district banks are assigned major responsibilities in the examination and regulation of state member banks, and the Federal Reserve Board of Governors has delegated vast powers to the district banks in the administration of the Bank Holding Company Act. The same is true of the Bank Merger Act. They are clearly the first line of "contact" for banks

¹*Structure of the System.*—The Federal Reserve System consists of three major divisions. The Board of Governors, seated in Washington, D.C., is comprised of seven members appointed by the President with the advice and consent of the Senate. The Federal Open Market Committee—the monetary policymaker—consists of the seven Governors and five of the twelve district bank presidents or first vice-presidents, chosen by the boards of directors of the district banks in accordance with Section 12A of the Federal Reserve Act. The third component consists of the twelve Federal Reserve District Banks and their branches located in 37 cities across the country.

and bank holding companies which fall within the jurisdiction of the Federal Reserve.²

The presidents of the district banks participate in the discussions of the Federal Open Market Committee—the Federal Reserve's and the nation's monetary policy-making entity. Four of the twelve district bank presidents serve as voting members of the Federal Open Market Committee on a rotating basis. The president of the New York Federal Reserve District Bank is a permanent voting member of the FOMC, and his bank operates the trading desk which carries out the orders of the Open Market Committee.

In addition, the district banks are presumed to be a prime source of information on economic and banking conditions in their areas . . . information which is supposed to affect the policy-making of the Board of Governors and the Federal Open Market Committee.

How many of these duties and responsibilities actually fall to the boards of directors?

It is clear that the boards of the district banks have a combination of administrative, policy and advisory roles of varying importance and of varying degrees of independence from the Washington-based Board of Governors.

The Federal Reserve Act gave the boards of the district banks “. . . the duties usually appertaining to the office of directors of banking associations . . .” and directed that the district bank “. . . keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities, real estate, or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions . . .” The chairman of the bank reports such findings to the Board of Governors with his recommendations—a significant authority in an era of “problem” banks.

The directors have the authority to appoint and set the salaries of the chief operating officers—the president and first vice-president of the district bank—subject to final approval of the Board of Governors. All other officers and their salaries are also set by the directors without final approval by the Board of

² District banks are the principal fiscal agents of the U.S. government in their area. In this capacity they hold Treasury checking accounts, perform fiscal services for Federal or Federally-sponsored credit agencies, pay interest on government obligations, and handle government securities. For the latter, the Banks receive applications from potential buyers, allot them among bidders, collect payments from buyers, and redeem securities. The basic information flow of the Federal Reserve System is from the district to the Board of Governors. Almost all applications for action requiring approval within the System are received from and filed with the district bank. The paperwork on and the analysis of these applications is performed by the staff of the district bank. In the Board's regulations governing submission of applications, the following phrase reveals the scope of this power: “. . . makes such investigations as may be necessary and submits relevant facts, with its recommendations, to the Board.” This obviously gives the banks tremendous power over the flow and selection of information from the regulated banks to the Board of Governors and, indeed, to the Congress and the people.

Specific powers over *state* member banks include the authority to: approve the establishment of a domestic branch; permit a bank to declare a dividend in excess of net profits for the calendar year; approve or deny the six months notice of intention to withdraw from the Federal Reserve System; permit a state bank to reduce its capital stock; determine the time for filing of reports from affiliates of state member banks; and require reports on security devices and order improvements deemed necessary.

Powers over *all* member banks (state and national) include the authority to: permit a member bank to invest more than the excess of capital stock in a bank premise; permit a member bank to accept commercial drafts in an aggregate at one time up to 100% of capital and surplus; extend the time a bank must surrender its Federal Reserve stock and certificate of membership; extend the time for submitting a report on the condition of a bank; approve applications to terminate registration of an individual who received credit secured with securities; and approve applications for membership in the Federal Reserve System giving consideration to the history of the applicant bank and its management, to its capital, assets, and future earnings, to the needs of the community, and to the consistency of the bank's corporate powers with the Federal Reserve Act and the Federal Deposit Insurance Act.

Governors. They also have wide discretion in dismissing any of these officers, who perform the day-to-day operations of the Federal Reserve district bank, and who oversee the member banks in their district.³

Subject to the Board of Governor's approval, the directors also set the discount rate in their district.⁴

The role of the directors in monetary policy is less clear, but it is obvious they do have advisory functions in this area.

The directors apparently do not instruct their presidents who vote in the Federal Open Market Committee, but they can and do advise on policy. The directors also hold joint meetings with the Board of Governors in Washington and, in addition, have informal contact at other times.

Testifying on the Financial Reform Act of 1976, on March 18 of this year, Federal Reserve Chairman Arthur Burns gave district boards of directors high marks for their advisory role in Federal Reserve policy-making:

First, they make an important contribution to our economic intelligence system, through a detailed knowledge of the state of business and consumer psychology and through a "feel" for prospective developments in their particular sphere of activity. This "grass-roots" input from directors serves as an important complement to the work of our economic research staffs. Secondly, many of our directors bring to us important management skills and "know-how" in their oversight responsibilities for efficient operation of Federal Reserve Banks. It is important, therefore, to secure knowledgeable, effective, and highly-motivated persons to serve in such capacities.

Dr. Burns' former colleague on the Board—Dr. Andrew Brimmer—takes a similar view. This is the way he described the role of the district boards in the June, 1972 issue of the *Federal Reserve Bulletin*:

The individuals who serve as directors of the Federal Reserve Banks and branches play a unique role in helping to supervise the activities of the Nation's central bank. They also share the responsibility for assuring monetary and credit conditions that will foster high employment and economic growth with reasonable price stability.

As the Burns-Brimmer statements indicate, the Reserve banks and their boards of directors play an important and diverse public role in the activities of the Federal Reserve System. Clearly the persons charged with performing these public functions should represent the public interest to the maximum degree possible.

³ The growing administrative role of the district banks and their directors was described by Thomas Mayer, professor of economics at the University of California at Davis, in a paper submitted for the "Study of Financial Institutions and the Nation's Economy" prepared for the Banking, Currency and Housing Committee:

"Since Federal Reserve Banks are adopting a 'management by objectives' system this means that a committee of directors has to undertake an elaborate evaluation of the president's performance. The criteria they use include his efficiency in controlling costs, his effectiveness in public relations activities, and, at least in some cases, also his performance on the FOMC. Directors also pass on the budget, and on the audit, etc. To illustrate the administrative functions of the directors by an example, when one Federal Reserve Bank, on the basis of an outside consultant's report, decided to increase mechanization, and terminate the employment of more than ten per cent of its staff, the directors advised the president on the best way to do this."

⁴ The discount rate is the payment member banks of the Federal Reserve System make when they borrow from the Federal Reserve district bank. The directors also have the power to open the discount window to non-member institutions within their area. Regulation of the use of such loans and advances has an impact on the quality of banking in the District. The loans and advances are secured by proper collateral, but the Federal Reserve bank has the discretion to determine "eligible" collateral. In unusual and exigent circumstances, the Federal Reserve bank can extend loans to individuals, corporations, and non-member institutions.

HOW THE DIRECTORS ARE SELECTED

By law, each Reserve bank board has nine members, divided into three categories as follows: The three Class A members are elected by, and are representatives of, the stockholding member banks. The three Class B directors, also elected by the member banks, are to be "actively engaged in commerce, agriculture, or some other industrial pursuit" at the time of their election. No Class B director may be an officer, director, or employee of any bank; however, there is no prohibition against owning bank stock. The three Class C directors are appointed by the Board of Governors. Class C directors may not be officers, directors, employees, or stockholders of any bank.

While the Federal Reserve Act clearly gives the member banks control over the selection of two-thirds of the boards, the banking industry in some districts has added an extra-legal nicety to assure conformity and a higher degree of input by the hierarchy of the industry. Five of the districts channel their nominations for both Class A and Class B directors through trade associations—state banker organizations affiliated with the American Bankers Association, the principal lobbying arm of the banking industry nationwide. This survey did not reveal any instances in which the nominations of the banking associations were rejected by the voting member banks.

In other districts, the nominations are solicited by ballot directly from the voting member banks. There are indications that the presidents of some of the Federal Reserve districts banks also have input in the nominating process.

The somewhat complex nominating process notwithstanding, the end result is often a single name listed for each opening on the boards. While there has been occasional competition for directorships, the idea of broad democratic input on the part of the member banks in an "election" is largely a facade.

Rather the process appears to be a ratification of whatever nominating process exists in each district—in some cases nominations by bank lobbying organizations; in others, less formal bank nominations; and in others, a process influenced by the System itself. Miraculously, the "voting" commercial banks scattered throughout each district agree on the names with rare dissents.

The Federal Reserve Act gives little instruction on the make-up of the branch boards which currently number 25 nationwide. The Act provides for a board of not more than seven and not less than three members with a "majority of one" to be selected by the Federal Reserve bank in that district and the remainder by the Board of Governors in Washington.⁵

WHO IS SELECTED?

How well has this complex selection process worked and how well has the public interest been served?

Testifying before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance on January 21, 1976, Federal Reserve Board Chairman Arthur Burns obviously felt the system was working well:

⁵ The criteria for these appointments—as opposed to elections—are spelled out in Federal Reserve System documents. The District Bank appointments must be well qualified and experienced in banking or actively engaged in commerce, agriculture or some other industrial pursuit. The remainder are appointed by the Board of Governors with only the proviso that they must be non-bankers who are representatives of the general public interest.

The 269 Reserve bank and branch directors who now serve the System are highly qualified citizens drawn from many walks of life and all parts of the country. Some are bankers, as contemplated by law; others are industrialists, merchants, farmers, attorneys, university presidents, and professors. They are deeply interested in our country and its economic welfare. They devote a great deal of time to the System, keeping the officials of the Reserve Banks and the Board informed on a regular, systematic basis about actual and prospective developments in their businesses, their industries, and their communities. . . .

Despite the Federal Reserve Board Chairman's belief that pluralism is alive and well on the district bank boards, even a cursory examination of the directorships reveals a heavy domination by Corporate America and influence by the financial industry which extends far beyond the statutory requirements. In fact, in many areas, the list of Federal Reserve directors reads like a blue-ribbon list of "Who's Who in American Corporations."

Charts and tables included in this report show that 37 of the 108 district bank directors are either directors, officers or employees of corporations from the *Fortune 500* list of the leading U.S. Corporations—or thirty-four percent of the district bank boards.

The banking and other financial links in the Federal Reserve are massive. In fact, some 73 of the 108—almost 70 percent—are either now, or have been, officers, directors, or employees of financial institutions.

In many cases, not only are the directors connected with commercial banks, but they are also top officials in bank trade associations—the American Bankers Association and various state banking associations. In most cases, these trade groups are primarily lobbying organizations seeking to influence governmental policy and decisions affecting banking—including those of the Federal Reserve System.

This survey of the 269 directors of the district bank and branch boards indicates only minimal representation for small business and only a scattering of input from the academic community. The agricultural community—where it is represented at all—is recognized basically through agribusiness or corporate farming operations. Women are ignored totally in the selection of district bank directors and only six women are among the 161 branch directors. Minorities are given little more than token representation.

CLASS A DIRECTORS—OF THE BANKS, BY THE BANKS, AND FOR THE BANKS

The Federal Reserve Act requires that banks be represented on the district boards. Class A directors are elected by the member banks in each district and they must be bankers while they serve on the boards.

While international giants, such as the Bank of America and the Chase Manhattan Corporation, have their chief officers on the district boards as do several big regional banks, the medium-sized and small banks have a sizeable degree of representation. The diversity of bank size among the Class A directors is intended to be in keeping with the Federal Reserve Act which requires that they be "representative of the stock-holding (Federal Reserve member) banks." For nominating and voting purposes, the member banks in each district are divided into three categories by size with each category nominating and electing one of the three Class A directors.

While the grouping brings some diversity among the banks, it apparently still leaves lots of familiar banking faces on the boards of the district banks. In six of the districts, for example, all three Class A directors either now or in the near past have been officers, directors, or have held other leadership

positions within state and national banking associations. In each of the other six districts, two of the three directors have present or past ties with bank associations.

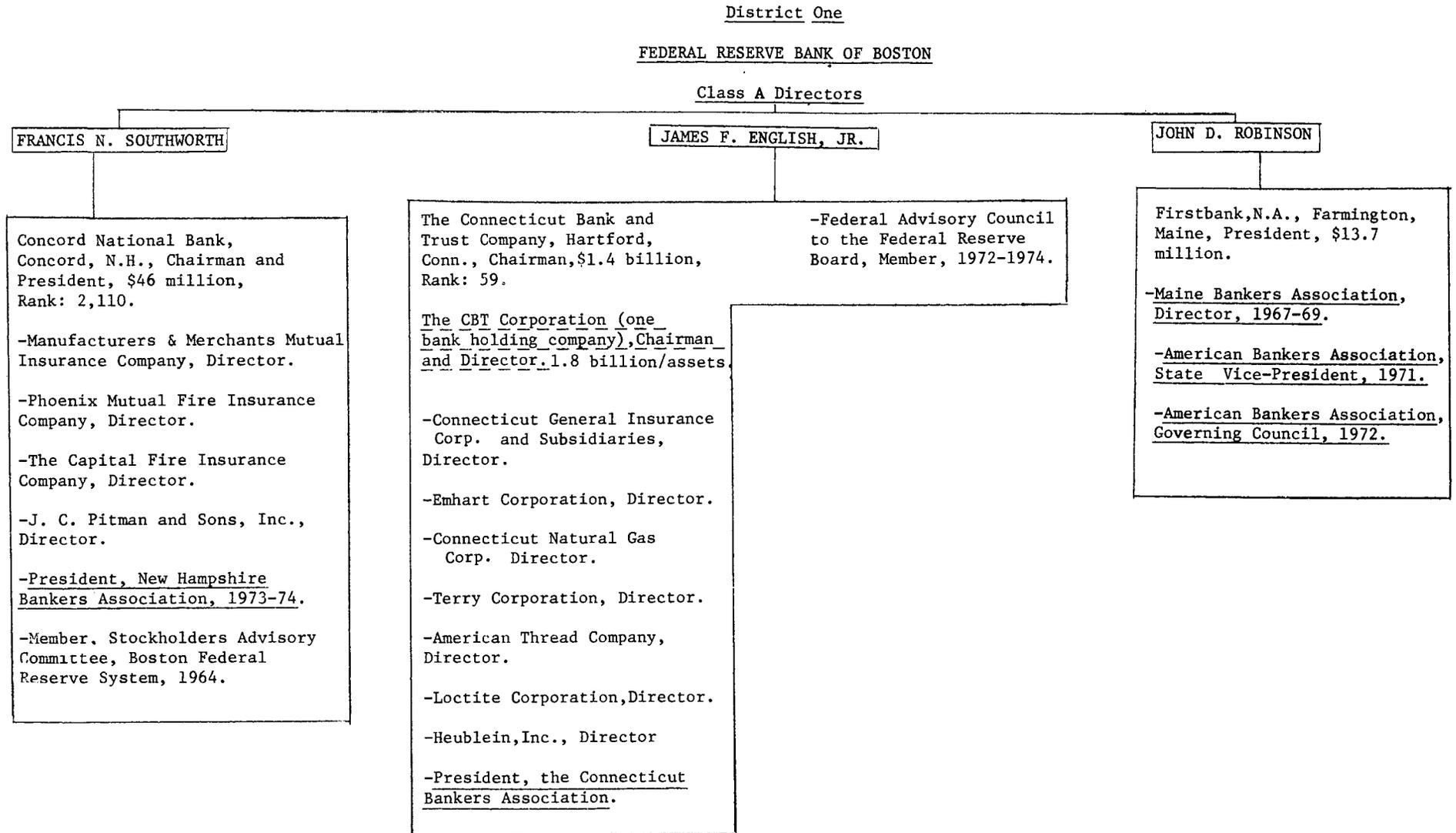
Systemwide, 30 of the 36 Class A directors either now or in the past have been heavily involved in the politics of bank associations—most of which are lobbying arms of the industry.

As a result, the attitudes of these directors may be as monolithic as the positions taken by their bank trade associations on banking matters and the diversity suggested by differing bank sizes may be less meaningful than it appears.

Many of the bankers in this class are also directors of big corporations, oil companies, tool making concerns, insurance firms, mortgage and financial organizations, and large industrial concerns—nine sit on insurance company boards and five serve on *Fortune 500* companies.

Charts 1–A through 12–A which follow show the affiliations of the 36 Class A directors:

Chart 1-A



District Two

Chart 2-A

FEDERAL RESERVE BANK OF NEW YORKClass A DirectorsDAVID ROCKEFELLERSTUART MC CARTYHARRY J. TAW

Chase Manhattan Corporation,
Chairman, (holding company
for nine banks, including
Chase Manhattan Bank, N.A.)
\$57.8 billion/assets,
Holding Company Rank: 2.

-Chase Manhattan Bank, N.A.,
New York, New York, Chairman,
\$33.8 billion, Rank: 3.

-Chase Manhattan Bank,
(Switzerland), Director.

-Chase International Investment
Corporation, Chairman, (wholly-
owned foreign financing subsidiary
of the Chase Manhattan Bank, N.A.)

-Chase Manhattan Bank Foundation,
Chairman.

-Rockefeller Brothers Fund,
Trustee, Vice-Chairman and
Member of Executive Committee,
Chairman, nominating Committee.

-Rockefeller Family Fund, Trustee,
member of Executive Committee.

-Rockefeller Center, Inc.,
Director & Member, Finance Comm.

First-City National Bank of
Binghamton, N.Y., President,
\$231 million, Rank: 395.

-Lincoln Firstbanks, Inc., Dir.
and Vice-President (bank holding
company which owns above bank).
\$2.6 billion/assets;
Holding Company Rank: 28.

-Crowley Foods, Inc., Director.

-Systems Manufacturing Company,
Director.

-Security Mutual Life Insurance
Company, Director.

-New York State Bankers Association,
Member, Government Relations
Committee, September, 1974 - .

-Comptroller of the Currency's
Regional Advisory Commission for
the 2nd National Bank Region,
Member, 1968-1969.

First National Bank of
Cortland, N. Y., President,
\$53.5 million, Rank: 1,782.

-Cortland County Development
Corporation, Vice-President.

-Independent Bankers Assoc.
New York State, Director,
1975-1976.

-New York State Bankers Assoc.
Treasurer and Member, Governing
Board of Directors, 1973.

-New York State Bankers Assoc.
Member at Large, Council of
Administration, 1969.

-Comptroller of the Currency's
Regional Advisory Commission,
Member, 1970-1971.

District ThreeFEDERAL RESERVE BANK OF PHILADELPHIAClass A Directors

THOMAS L. MILLER

Upper Dauphin National Bank,
Millersburg, Pa., President,
\$26.8 million, Rank: 3,819

-Frederick Foundation,
Director.

-Dauphin County Bankers
Association, President,
1974.

WILLIAM B. EAGLESON

Girard Company, Chairman, --
President and C.E.O., --
\$3.5 billion/assets.

Girard Bank, Bala Cynwyd, Pa.,
Chairman and President,
\$2.95 billion, Rank: 27.

-General Accident, Fire & Life
Assurance Corporation, Member,
Advisory Committee.

-Penn Mutual Life Insurance
Company, Trustee.

-Camden Fire Insurance
Association, Director.

-Potomac Insurance Company,
Director.

-Pennsylvania General Insurance
Company, Director.

-Anchor Hocking Company,
Director.

-Weis Markets, Director.

-Thomas Emery's Sons, Inc.,
Director.

-The American Foundation,
Director.

JAMES PATCHELL

National Bank and Trust Co.
of Gloucester County, Woodbury,
New Jersey, President and
Chief Executive Officer,
\$134 million; Rank: 657.

-Morton Savings and Loan
Association, Director.

-Delaware County, Pennsylvania
Bankers Association, President.

-Gloucester County, New Jersey,
Bankers Association, President,
1967-1968.

-New Jersey Bankers Association,
President, 1974-1975.

District Four

Chart 4-A

FEDERAL RESERVE BANK OF CLEVELANDClass A Directors

EDWARD W. BARKER

First National Bank of
Middletown, Ohio., Chairman,
\$101 million, Rank: 892.

-Sorg Paper Company,
Director.

-Moon Equipment Company,
Director.

-Star Tool & Die Company,
Director.

-Zee Tool & Die Company,
Director.

-Magnode Products, Director.

-Ohio Bankers Association:
President, 1968-69;
Council of Administration,
Past Chairman;
Chairman, Group One
Division, 1966-68;
Study Commission on
Restructuring of
Ohio Bankers
Association,
Chairman, 1971;
Trust Committee,
Member.

-Butler County (Ohio)
Bankers Association,
Past Chairman.

-American Bankers Association,
Member, Executive Council,
1963-1965; and 1968-1970.

MERLE E. GILLIAND

Pittsburgh National Corporation,
Chairman and Chief Executive
Officer, \$2.9 billion/assets.
(This is a one-bank holding company.)

-Pittsburgh National Bank, Chairman,
Chief Executive Officer, and Director,
\$2.3 billion, Rank: 40.

-Kissell Company, Director,
(Mortgage loan servicing subsidiary
of Pittsburgh National Bank).

-Bell Telephone of Pennsylvania,
Director.

-American Bankers Association:
Executive Council, 1968-1971;
Urban Affairs Committee, 1970 - .

RICHARD P. RAISH

First National Bank of
Bellevue, Ohio, President,
\$26 million, Rank: 3988.

-Ohio Bankers Association,
President, (1965-66).

-Independent Bankers
Association of America,
Ohio Director, 1967-1972.

-American Bankers Association,
member, Executive Council,
1966-1968.

District FiveFEDERAL RESERVE BANK OF RICHMONDClass A DirectorsPLATO P. PEARSON, JR.

Citizens National Bank,
Gastonia, North Carolina,
Ch. & Pres. \$107 million,
Rank: 827.

-Wix Corporation, Director.

-Textiles, Inc., Director.

-Allied Financial Service,
Inc., Director.

- North Carolina Bankers
Association:

Resolutions Committee,
1972;
U. S. Savings Bond
Committee, 1972-4;
Structural Study
Committee, Member,
1974.

JAMES A. HARDISON

First Nat'l Bk. of Anson
County, Wadesboro, N.C., Ch.
& President, \$19 million.

-Wade Manufacturing Co.,
Director.

-Anson Savings & Loan Assoc.,
Director.

-West Knitting Corporation,
Director.

-Hornwood, Inc., Director.

-Z. V. Pate, Inc., Director.

-Pee Dee Oil Co., Inc., Pres..

-North Carolina Bankers
Association:

Legislative Committee,
Member.

J. OWEN COLE

First Maryland Bancorp.,
Baltimore, President,
\$1.1 billion assets.

-First National Bank of
Maryland, Chairman and
President, \$943 million,
Rank: 102.

--State of Maryland,
Commission to Study
the Regulatory Structure
of Banking, Savings and
Loan, and Small Loan
Industries, Member.

District Six

Chart 6-A

FEDERAL RESERVE BANK OF ATLANTAClass A Directors

JOHN T. OLIVER, JR.

First National Bank of
Jasper, Ala., President,
\$59 million, Rank: 1,602.

-Bankhead Mining Co.,
Inc., Director.

JACK P. KEITH

First Nat'l Bank of West
Point, Georgia, President,
\$22.4 million.

-Georgia Bankers Association:

President, 1965;
Chairman, Executive
Council, 1966;
Chairman, Insurance
Trust, 1959 to
present.

-American Bankers Association:

Executive Council,
Member, 1968-1970;
Committee for Strengthening
& Improving State Banking
Laws, Member, 1970-71.

-Independent Bankers Association:

Executive Council, Member.

-Comptroller of the Currency's
Regional Advisory Committee,
Member.

SAM I. YARNELL

Ancorp Bancshares, Inc.,
Chattanooga, Tennessee,
Chairman and Director,
\$462 million/assets.

-American National Bank &
Trust Company, Chairman,
\$383 million, Rank: 244.

-Volunteer State Life
Insurance Company,
Director.

-Skyland International
Corporation, Director.

-American Bankers Association:

Legislative Committee,
Commercial Lending
Division, Member;
Federal Legislative
Committee, former
member.

Chart 7-A

District SevenFEDERAL RESERVE BANK OF CHICAGOClass A Directors

JAY J. DE LAY

Huron Valley National Bank,
Ann Arbor, Michigan, President,
\$75.7million, Rank: 1198.

-Downers Grove National Bank,
Director. \$58.8 million,
Rank: 1589.

-Illinois Bankers Association,
President, DuPage County,
1961-62.

-Comptroller of the Currency
Regional Advisory Board for
the Seventh Region, 1970-72.

JOHN F. SPIES

Iowa Trust and Savings Bank,
Emmetsburg, Iowa, President,
\$ 14.6million .

-Independent Bankers Association
of Iowa, Board Member, 1973.

-Independent Bankers Association,
Treasurer, and member, Executive
Committee, 1973.

-American Bankers Association,
Executive Committee, Member,
1967-1969.

A. ROBERT ABOUD

First National Bank of Chicago,
Chairman of the Board,
\$14.2 billion, Rank: 9.

-First Chicago Corporation,
Director, \$19 billion/assets.
This is holding company for bank.

-Field Enterprises, Inc., Dir.

-Inland Steel Company, Director.

-Hart, Schaffner and Marx,
Director.

-American Bankers Association,
Commercial Lending Division,
Executive Committee Member.

District EightFEDERAL RESERVE BANK OF ST. LOUISClass A Directors

RAYMOND C. BURROUGHS

The City National Bank of
Murphysboro, Illinois, Pres.,
\$35.7 million, Rank: 2780.

-Southern Illinois Local
Development Corporation,
Director,

-Illinois Bankers Association:

Executive Committee
Member, 1971-1973;
Council of Administration,
Member since 1969.

(Group Ten):

Sec'y-Treas, 1968-1969;
Vice-President, 1969-1970;
President, 1970-1971;
Chairman, Full Service
Banks, 1972-1973.

-Association for Modern
Banking in Illinois:

Government Relations
Committee Member;
Legislative Committee
Member.

DONALD N. BRANDIN

Boatmen's Bancshares, Inc.,
Chairman and C.E.O.,
\$1 billion/assets. Holding
Company Rank: 88.

The Boatmen's National Bank
of St. Louis, Inc., Ch. and
Pres., \$421 million, Rank: 220.
(Subs. of Boatmen's).

-Union National Bank, Dir.,
\$150 million, Rank: 584. (subs.
of Boatmen's).

-Baltimore Bank & Trust Co.,
Director, \$88 million, Rank: 1019.
(Subs. of Boatmen's).

-Williams, Kurrus & Co.,
Director, (subs. of Boatmen's).

-Petrolite Corp., Director,

-Sigma International, Ltd.,
Director.

-William S. Barnickel
& Company, Director.

-Missouri Bankers Association,
Member.

-Association of Registered Bank
Holding Companies, Member.

-American Bankers Association,
Member.

WILLIAM E. WEIGEL

First National Bank & Trust
Company, Centralia, Illinois,
Executive Vice-President,
\$51.8 million, Rank: 1847.

-Hoyleton State & Savings Bank,
Vice-Pres. & Director, \$7 million.

-Ashley State Bank, Vice-Pres. &
Director, \$8 million.

-Illinois Bankers Association:

Past President, Group Nine;
Former Member-Bank Management
Committee, Council of Administration,
Installment Credit Committee,
Administration and Curriculum
Committee for School of Banking
at Southern Illinois University.

District NineFEDERAL RESERVE BANK OF MINNEAPOLISClass A Directors

CHARLES T. UNDLIN

First Nat'l Bank of the Black Hills, Rapid City, S. Dak., president, \$ 188million, Rank:474.

-Black Hills Power & Light Company, Director.

-Wyodak Resources Development Company, Director.

-South Dakota Bankers Association, Chairman, Interim Tax Study Committee, 1973-74.

WILLIAM E. RYAN

Citizens State Bank, Ontonagon, Michigan, President, \$11 million.

-600 Michigan Corporation, Dir., and President.

-Leisure Facilities, Inc., Resident Agent.

-Ontonagon-Gogebic County Bankers Association, Former Chairman.

-Michigan Bankers Association:
Chairman, Group I, 1961;
Legislative Committee Member, 1962.

-Former Member, Bank Examination Committee, Federal Reserve Bk. (Advisory) 1970-71.

JOHN S. ROUZIE

First Nat'l Bk. of Bowman, North Dakota, President, \$22 million.

-Provident Life Insurance Company, Director. and Member, Executive Committee.
-Cardinal Drilling Co., Dir.

-Twin Buttes Investment Company, President.

-Comptroller of the Currency Advisory Committee, Member, Minnesota office.

--North Dakota State Banking Board, Former national bank member.

District Ten

CHART X

FEDERAL RESERVE BANK OF KANSAS CITYClass A Directors

PHILIP HAMM

First Nat'l Bk. & Trust Co., El Dorado, Kansas, Pres., \$21.5 million.
(Owned by Exchange Investors).

-Exchange Investors, Inc., Secretary-Treasurer, The bank holding company which owns bank, \$25 million/assets.

-Augusta State Bank, Dir., \$7 million.

-Benton State Bank, V.P. & Dir.. \$3.1 million.

-Midwest Radio Corporation, Director.

-Kansas Bankers Association:
State Affairs Council, 1973-74;
Legislative Committee, 1971-72;
Former State Treasurer.

-American Bankers Association:
Vice-Pres. for Kansas-1973-4;
Communications Council Member, 1973-74.

CRAIG BACHMAN

First Nat'l Bk. of Centralia, Kansas, President, \$4.6 million.

-Lohmuller-Bachman, Inc., (Ins.) Vice President and Treasurer.

-Kansas Bankers Association:
Bank Management Comm. 1964-66;
State Legislative Comm. 1966-71;
Federal Legislative Committee, 1971-1975.

-American Bankers Association,
Federal Legislative Advisory Committee, 1970-1971.

JAMES M. KEMPER, JR.

Commerce Bancshares, Inc., Kansas City, Missouri, Chairman and President, \$1.601 billion/assets, Holding Company Rank: 51.

-Commerce Bank and Trust Company, Chairman, \$539.9 million, Rank: 177. This is part of holding company.

-Commerce Mortgage Co., Chairman, (Subsidiary)

-Compac Services, Inc., Chairman, (Subsidiary)

-CBI Insurance Company, Chairman and Pres. (Subs.)

-Mid-America Financial Corporation, Chairman and Pres. (Subs.)

-Capital for Business, Inc., Chairman, (Subs.)

-Tower Properties, Inc., Chairman.

-Mississippi River Corporation, Director.

-Missouri Pacific Railroad, Director(subs. of Miss. River Corporation).

-Paul Mueller Company, Director.

-Kansas City Life Insurance Company, Director.

-W. S. Dickey Clay, Dir.

-Gas Service Company, Kansas City, Director.

-Kemper Investment Company, Director.

-Owens-Corning Fiberglas Corporation, Director.

- Member, American Bankers Association, Missouri Bankers Association, and Association of Registered Bank Holding Companies.

Chart 11-A

District ElevenFEDERAL RESERVE BANK OF DALLAS

Class A Directors

GENE D. ADAMS

The First National Bank of Seymour, Texas, President, \$9.8 million.

-Member, Texas Bankers Association, Independent Bankers Association and American Bankers Association.

FRANK JUNELL

The Central National Bank of San Angelo, Texas, Chairman of the Board, \$105.5 million, Rank: 843.

-First National Bk. of Kerrville, Chairman., \$45.4 million, Rank: 2159.

-Reagan St. Bank, Big Lake, Chairman, \$3.3 million.

-Coleman Bank (Coleman), Director, \$17 million. Part of U. S. Bancshares, Inc.

-First National Bank of Brownwood, Director, \$43.8 million, Rank: 2246. Part of U. S. Bancshares, Inc.

-Continental Fidelity Life Ins. Co., Director.

-Gandy's Dairies, Inc., Dir.

-Blackacres Royalties, Inc., Chairman.

-Galveston Radio, Inc., Director.

-Texas Bankers Association:
Administrative Council Member, 1967-69;
District Chairman (1971).

-Comptroller of the Currency, Regional Advisory Committee. 1971-1973.

ROBERT H. STEWART, III

First International Bancshares, Dallas, Texas, Chairman/Board, \$6.356 billion/assets, Holding Company Rank: 13.

-First National Bank in Dallas, Director, \$3.4 billion, Rank: 22. (Part of holding company)

-Dallas Power & Light Company, Director.

-National Chemsearch Corporation, Director.

-Pepsico, Inc., Director,

-Republic Financial Services, Inc., Director.

-Southwestern Life Insurance Co., Director.

-Campbell Taggart, Inc., Director.

-Braniff Airways, Inc., Director.

District Twelve

Chart 12-A

FEDERAL RESERVE BANK OF SAN FRANCISCOClass A Directors

A. W. CLAUSEN

CARL E. SCHROEDER

RONALD S. HANSON

BankAmerica Corporation,
San Francisco, Pres. &
C.E.O., \$67 billion/
assets.

-Bank of America NT & SA,
Pres. & C.E.O., \$57 billion,
Rank: 1. Part of Holding
Company.

-Bank of America (N.Y.),
Chairman, Part of Holding
Company.

-Banca d'America e d'Italia,
Director, Part of Holding Co.

-Commercial & General Acceptance
Ltd, Director.

-Partnership Pacific Limited,
Director.

-Societe Financiere Europeene,
Vice-Chairman and Director.

-American Bankers Association,
Member, Government Borrowing
Committee.

-Federal Advisory Council
Member, Federal Reserve
System, January 1, 1970
to December 31, 1972.

The 1st Nat'l Bk. of
Orange County, Orange,
California, Ch. & C.E.O.,
\$ 100 million, Rank: 896.

-California Bankers
Association:

Member, Past
Presidents
Committee;
President, 1966-67;
Board Member, 1963-69.

-American Bankers Assoc.,
Executive Council Member,
1965-68.

The First National Bank
of Logan, Utah, President, & C.E.O.
\$ 40.7 million, Rank: 2412.

-Utah Bankers Association:
President, 1969-1970;
Chairman, Legislative
Comm, 1975.

-American Bankers Association:
Special Committee on Hunt
Commission, member, 1970-71;
Governing Council, 1972-74.

-Comptroller of the Currency,
Regional Advisory Council,
12th Bank Region, 1970-1972.

CLASS B—DOES B STAND FOR BIG?

With the three Class A directors in each district bank assigned to commercial bankers by statute, it is clear that the interests of borrowers and the public at large must depend on representation in the six Class B and C positions.

The Class B directors—who must not be officers, directors or employees of any bank during the time they serve on the district boards—ostensibly represent the borrowers and it is evident that many of the districts interpret this as “big” borrowers.

For example, Chart 1-B shows that Federal Reserve District One (Boston) has its borrowers represented by the president of Textron, Inc., of Providence, Rhode Island (\$2.1 billion in annual sales); the chairman of William Filene's Sons Company (a subsidiary of Federated Department Stores which has \$3.27 billion in annual sales); and the president of the Southern New England Telephone Company. The three are directors of at least six other major corporations.

Even more telling is the fact that all three are former directors of major commercial banks—an extension of the influence of the banking industry already represented through the Class A directors.

The New York Federal Reserve Bank, which covers all of New York state and northern New Jersey, interprets the requirement of Class B representation as calling for the election of the chairman of Texaco; the president of the Union Carbide Corporation; and the president of J. C. Penney Company, Inc.—all multi-billion dollar corporations. (See Chart 2-B.) The hundreds of more modest-sized businesses—and the thousands of truly small businesses—apparently do not qualify for representation under the New York Federal Reserve's reading of the intent on Class B directorships.

On the West Coast, the “grass roots” input on Class B directors on the San Francisco Federal Reserve Bank (see Chart 12-B) comes from a multi-million dollar contractor; the president of the Crown Zellerbach Corporation; and the president of the Boeing Company.

Charts 1-B through 12-B which follow show the principal business pursuit of each Class B director as well as his other connections:

Chart 1-B

District OneFEDERAL RESERVE BANK OF BOSTONClass B Directors

G. WILLIAM MILLER

Textron, Inc., Providence,
Rhode Island, Ch. & C.E.O.,
\$2.11 billion/sales.

-American Research and
Development Corporation,
Director.

-Allied Chemical, Director

-The Kendall Company,
Director.

-Rhode Island Hospital Trust
National Bank, (former
director 1963 to 1970).
\$708 million, Rank: 138.
Rhode Island Hospital Trust
Corporation, a one-bank
holding company, owns
this bank.

WESTON P. FIGGINS

William Filene's Sons Company,
Boston, Massachusetts, Chairman,
(Subsidiary of Federated
Department Stores, \$3.27 billion/
sales.)

-Federated Department Stores,
Vice-President.

-Associated Merchandising
Corporation, Director

-John Hancock Life Insurance
Company, Director.

-National Bank of Washington,
D.C., (former director,
1963-1965), \$516 million,
Rank: 183.

ALFRED W.
VAN SINDEREN

The Southern New England
Telephone Company, New Haven,
Conn., President. \$435 million/
sales.

-The Stanley Works, Director.

-United Aircraft Corporation,
Director (Subsidiary of United
Technologies Corporation).

-Greater Hartford Corporation,
Director.

-First New Haven National Bank,
(former director 1965 to 1972;
member, executive committee
1970 to 1972.), \$285 million,
Rank: 334.

District Two

Chart 2-B

FEDERAL RESERVE BANK OF NEW YORKClass B DirectorsMAURICE F. GRANVILLE

Texaco, Inc., New York, N.Y.,
Chairman, \$23.3 billion/sales.

-American Petroleum Institute,
Director.

-Massachusetts Institute
of Technology, Governor.

WILLIAM S. SNEATH

Union Carbide Corporation, N.Y.,
N.Y., President, \$5.32 billion/
sales.

-Metropolitan Life Insurance
Company, Director, (from
May 21, 1975 on).

-Manufacturers Hanover Trust
Company, on one of Regional
Advisory Boards, (1970-1973.)

-Morgan Guaranty's International
Council, Member, (1971 to 1973.)

JACK B. JACKSON

J. C. Penney Co., Inc., N.Y.,
N.Y., President, \$6.93 billion/
sales.

-Great American Reserve
Insurance Company, Director,

-Union Carbide Corporation,
Director.

Chart 3-B

District ThreeFEDERAL RESERVE BANK OF PHILADELPHIAClass B Directors

WILLIAM S. MASLAND

C. H. Masland & Sons, Carlisle, Pa., Pres., \$114 million/sales.

-Amber Realty Company, Director,

-Masland Carpets of Canada, Ltd., President and Director.

C. GRAHAM BERWIND, JR.

Berwind Corporation, Phila., Pa., Ch. & Pres., \$100 million/sales.

-Philadelphia Suburban Corp., Dir.

-Yarway Corporation, Director,

(Mr. Berwind resigned early in 1976).

HAROLD A. SHAUB

Campbell Soup Co., Camden, New Jersey, Pres. & CEO, \$1.47 billion/sales.

-Penjerdel Corp., Director

-Scott Paper Co., Director,

-N. J. Bell Telephone Co., Dir.

-Campbell Soup Company, Ltd., Director.

-Campbell Sales Company, Director.

-Pepperidge Farms, Inc., Director.

District FourFEDERAL RESERVE BANK OF CLEVELANDClass B Directors

CHARLES Y. LAZARUS

F. & R. Lazarus Company,
Columbus, Ohio, Chairman
and Chief Executive
Officer, (Subsidiary of
Federated Department
Stores, \$3.27 billion/
sales .)

-Federated Department Stores,
Vice-Pres. and Director.

-Associated Merchandising
Corporation, Director.

-Midland Mutual Life Insurance
Co., Director.

-Huntington Bancshares, (Former
Director), \$1.46 billion/
assets, Holding Company
Rank: 63.

-Huntington National Bank,
(former director, April 1956
to September 3, 1971),
\$694 million, Rank: 145.

DONALD E. NOBLE

Rubbermaid, Inc., Wooster,
Ohio, Chairman and Chief
Executive Officer, \$131
million/sales.

-Tappan Company, Director.

-Insilco Corporation,
Director.

-Thermo Electron Corporation,
Director.

RENE C. MC PHERSON

Dana Corporation, Toledo,
Ohio, Chairman and Chief
Executive Officer,
\$1.08 billion/sales.

-Champion Spark Plug Company,
Director.

-Hayes-Dana Ltd., Director.

-Spicer, S.A., Director.

-Turner Manufacturing Company,
Director.

-Floquet Monopole, Director.

-Equitable Life Mortgage &
Realty Investors, Trustee.

/Mr. McPherson resigned his Federal
Reserve Directorship early this
year to accept directorship on board
of Manufacturers Hanover Trust
Company in New York City./

District FiveFEDERAL RESERVE BANK OF RICHMONDClass B Directors

ANDREW L. CLARK

Andy Clark Ford, Inc.,
Princeton, W. Va., Pres.

-The Prince Corporation,
President.

-Kacy Development Corp.,
Pres..

-Andy Clark Mobile Home
Sales, Inc., President.

HENRY CLAY HOFHEIMER, II

Virginia Real Estate Investment
Trust, Norfolk, Va., Ch., \$50.4
million/assets.

-Lone Star Industries, Inc.,
Director.

-Southern Shopping Center, Inc.,
Pres. & Dir. (owned by Va.REIT).

-Tidewater Shopping Center, Inc.
Pres. & Dir.

-National Realty Corporation,
Pres. & Dir..

-Concord Realty Corporation,
Pres. & Dir.

-Marshall Manor, Inc., Pres.
& Dir.

-Atlantic Warehouse Corp., Dir.

-Etheridge-Baylor-Hofheimer, Inc.,
Dir.

-Intercoastal Steel Corporation,
Director.

-Cavalier Realty Corp.,
Pres. and Dir.

-Jamestown Corp., Dir.

OSBY L. WEIR

Sears, Roebuck & Company,
Retired General Manager,
Metropolitan Washington-
Baltimore Area.

-Potomac Electric Power Co.,
Director.

District Six

Chart 6-B

FEDERAL RESERVE BANK OF ATLANTAClass B Directors

ROBERT T. HORNBECK

Aluminum Company of America,
Alcoa, Tenn., Tennessee Operations,
Manager,

ULYSSES V. GOODWYN

Southern Natural Resources, Inc.,
Birmingham, Ala., Exec. Vice-Pres.,
& Director, \$538 million/sales.

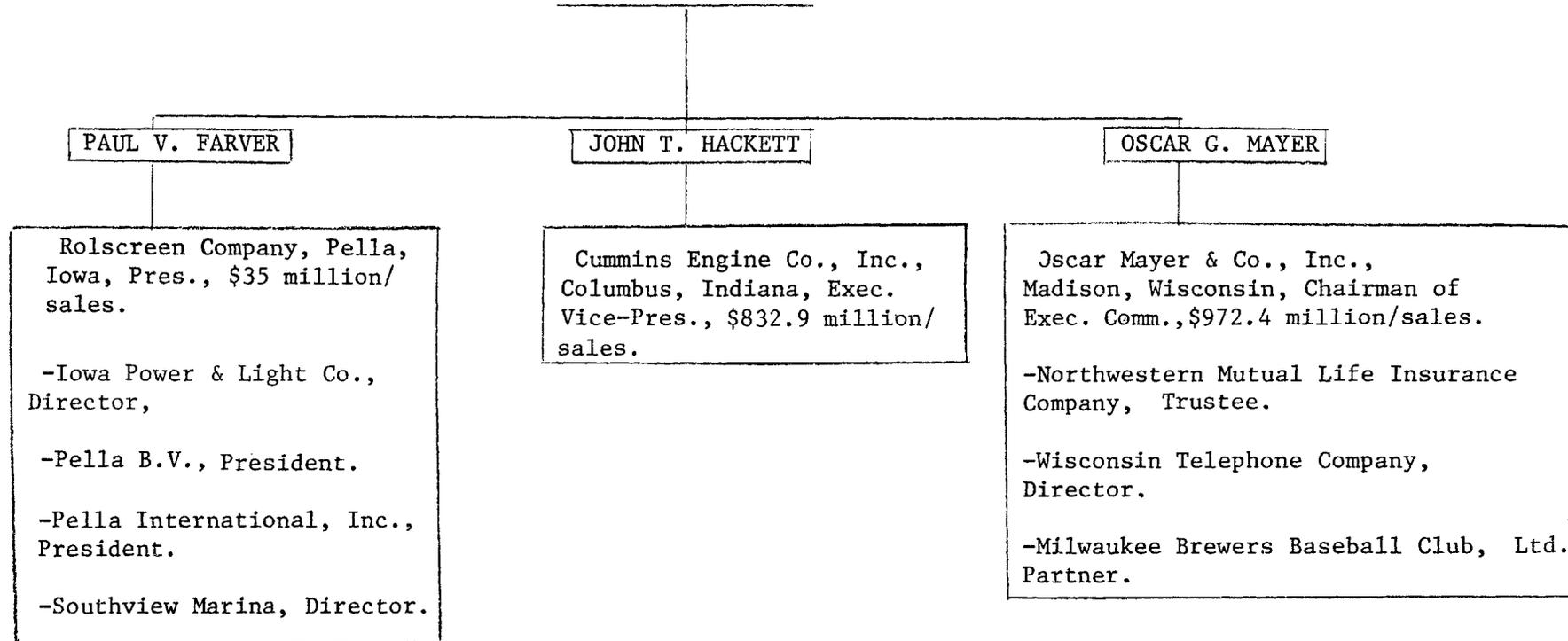
- Southern Natural Gas Company,
Executive Vice-President.
- Offshore Company, Director.
- other subsidiaries or joint
ventures of Southern Natural
Resources, Inc. Director.

GEORGE W. JENKINS

Publix Supermarkets, Inc., Lakeland,
Fla., Chairman, \$1 billion/sales.

- Arkwright Boston Insurance, Member,
Southern Advisory Board.
- Florida Power Corporation, Director,
- Peoples Bank of Lakeland, (former
director, 1961-1972), \$172 million,
Rank: 513.
- Pinellas Central Bank and Trust
Company, (former director, 1954-1972),
\$61.8 million, Rank: 1,493. This is part of multi-bank holding company, Southeast Banking Corporation.
\$3.249 billion/deposits, Holding
Company Rank: 21.
- First National Bank of Miami,
(former director, 1966-1972).
\$1.4 billion, Rank: 65. This is
also part of Southeast Banking Corp.

Chart 7-B

District SevenFEDERAL RESERVE BANK OF CHICAGOClass B Directors

District Eight

Chart 8-B

FEDERAL RESERVE BANK OF ST. LOUISClass B Directors

FRED I. BROWN, JR.

Arkansas Foundry Company,
Little Rock, Arkansas, Pres.,
\$25-30 million/sales range.
(dba AFCO Steel).

-Brown Foundation,
Secretary-Treasurer.

-Brown Welding Company,
Partner.

-AFCO Metals, Secretary-
Treasurer.

RALPH C. BAIN

Arkla Industries, Inc.,
Evansville, Indiana, Sen.
Vice-Pres. \$35-43 million/
sales range. (subs. of Ark.
Louisiana Gas Company).

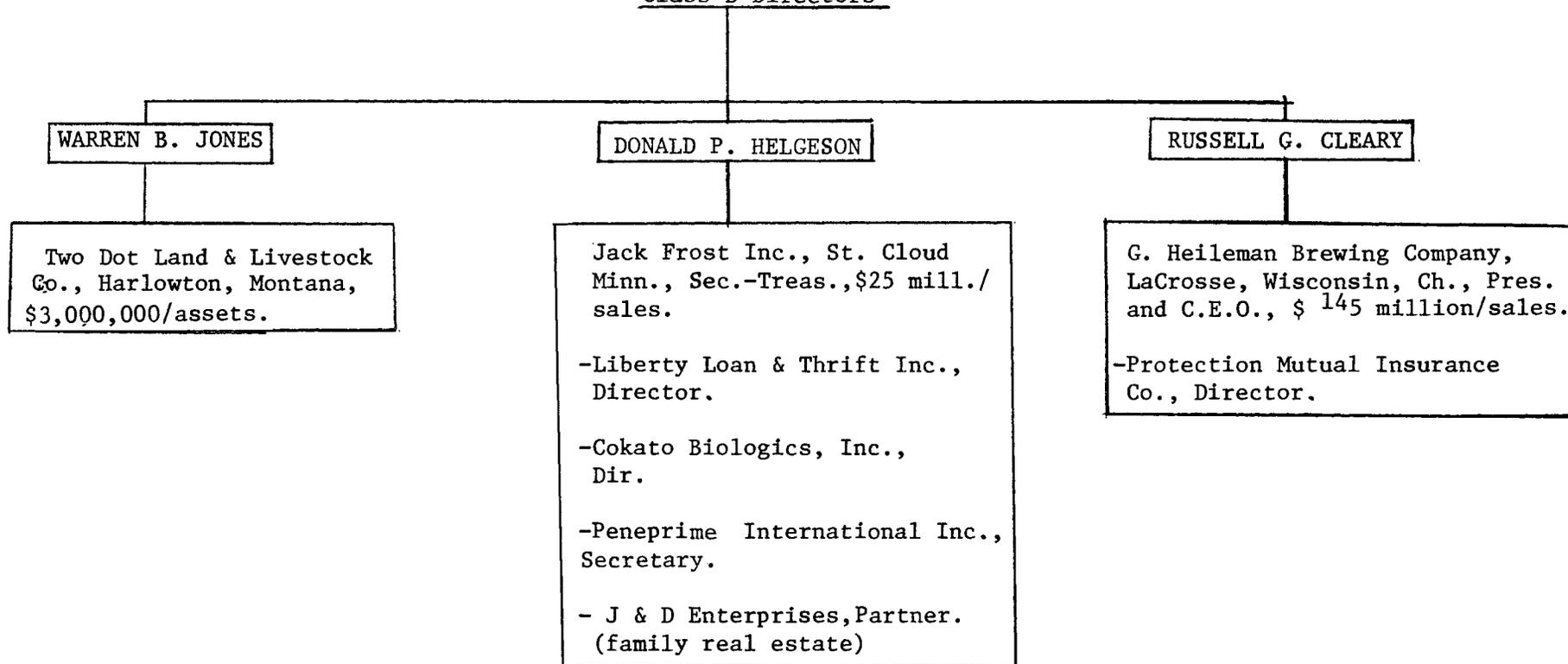
TOM K. SMITH

Monsanto Company, St. Louis,
Missouri, Group Vice-President,
and Director, Corporate
Administration Committee,
\$3.49 billion/sales.

-Monsanto Commercial Products
Company, Managing Director.

-Clayton Federal Savings &
Loan Association, Director.

Chart 9-B

District NineFEDERAL RESERVE BANK OF MINNEAPOLISClass B Directors

District Ten

Chart 10-B

FEDERAL RESERVE BANK OF KANSAS CITYClass B Directors

DONALD J. HALL

Hallmark Cards, Inc., Kansas City, Mo., President.

-Business Men's Assurance Co., Director,

-Commerce Bank and Trust Company, (former director, Jan. 14, 1958 to Dec. 18, 1973), \$539.9 million, Rank: 177. This is part of Commerce Bancshares, Inc., \$1.601 billion/assets, Holding Company Rank: 51.

-First National Bank of Lawrence, (former director, May 8, 1963 to December 18, 1973.) \$42.6 million, Rank: 2304.

FRANK C. LOVE

Kerr-McGee Corporation, Oklahoma City, Okla., (former President), currently director, \$1.55 billion/sales.

-Crowe, Dunlevy, Thweatt, Swinford, Johnson and Burdick, Of Counsel.

-Fidelity National Bank, N.A. (former director and former member, Executive Committee) \$277 million, Rank: 340. This is part of Fidelity Corporation of Oklahoma, \$315 million/assets.

-Citizens Bank of Ada, Okla., (former director) \$14.9 million.

ALAN R. SLEEPER

Livestock & Ranching, Alden, Kansas.

-Ark Manufacturing Co., Director.

-People's Savings and Loan, (Sterling) Director.

--Served two three-year terms on Kansas State Banking Board, 1963-69.

Chart 11-B

District ElevenFEDERAL RESERVE BANK OF DALLASClass B Directors

STEWART ORTON

Foley's Inc., Houston, Texas
 President, \$100 million/assets,
 (Division of Federated Dept.
 Stores, \$3.27 billion/sales)

-Spring Branch Bank, (Director
 from June 14, 1971 to
 December 31, 1973) \$99 million.
 Rank: 904.

GERALD D. HINES

Gerald D. Hines Interests,
 Houston, Texas, Owner,
 \$35 million/rent revenue.

-United Gas & Pipe Line
 Company, Director.

-Cousins Mortgage & Equity,
 Trustee. \$336 million/
 assets. REIT.

THOMAS W. HERRICK

Cattle and Investments, Amarillo,
 (Gaines Cattle Company,) Pres.
 (170,000 head capacity
 feed lots).

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCO

Chart 12-B

Class B Directors

CLAIR L. PECK

C. L. Peck Contractor,
Los Angeles, Calif.,
Chairman of the Board.
\$125 million/sales.

- Farmers Group Inc.
Director.
- Investment Company of
America, Director.
- Amcap Fund, Inc., Dir.
- Northrop Corporation,
Director.
- Di Giorgio Corporation,
Director.

CHARLES R. DAHL

Crown Zellerbach Corporation,
San Francisco, Calif., Pres.
& C.E.O., \$1.7 billion/sales.

- St. Francisville Paper Co.,
Director. and President.
- Pacific Gas & Electric,
Director.
- Crown Simpson Corp., Pres.
& Director.

MALCOLM T. STAMPER

The Boeing Company, President,
Seattle, Washington, \$3.73 billion/
sales.

- Nordstrom, Inc., Director.

CLASS C DIRECTORS—THE PUBLIC INTEREST RE-DEFINED

The public interest—as differentiated from the interests of the lenders in Class A and the borrowers in Class B—is represented, according to the Federal Reserve Act, by the three Class C directors on each district board. The Class C directors may not be “officers, directors, employees or stockholders of any bank.”

Through the years, officials of the Federal Reserve have consistently reiterated the intent that this class of director should represent the “public”.

In his analysis of the boards, published in 1972, former Federal Reserve Board Governor Andrew Brimmer stated: “The three Class C directors are appointed by the Board of Governors as representatives of the public interest as a whole.”

Testifying before the Financial Institutions Subcommittee on January 21, 1976, Federal Reserve Board Chairman Arthur Burns once again agreed that the Class C directors be considered “public” members.

The Act is clear. The intent is clear. The statements of the Federal Reserve are clear. The end results, however, are less clear that the “public”—as broadly defined—has any substantial representation in the Class C directorships.

Some 29 of the 36 directors in the Class C categories at the 12 district banks are executives or directors of corporations—most of them sizeable institutions.

Not only are the corporate ties heavy throughout Class C, there is also a substantial number of former directors of commercial banks serving under the coloration of “public” members. At least 16 are present or former directors or officers of financial institutions.⁶

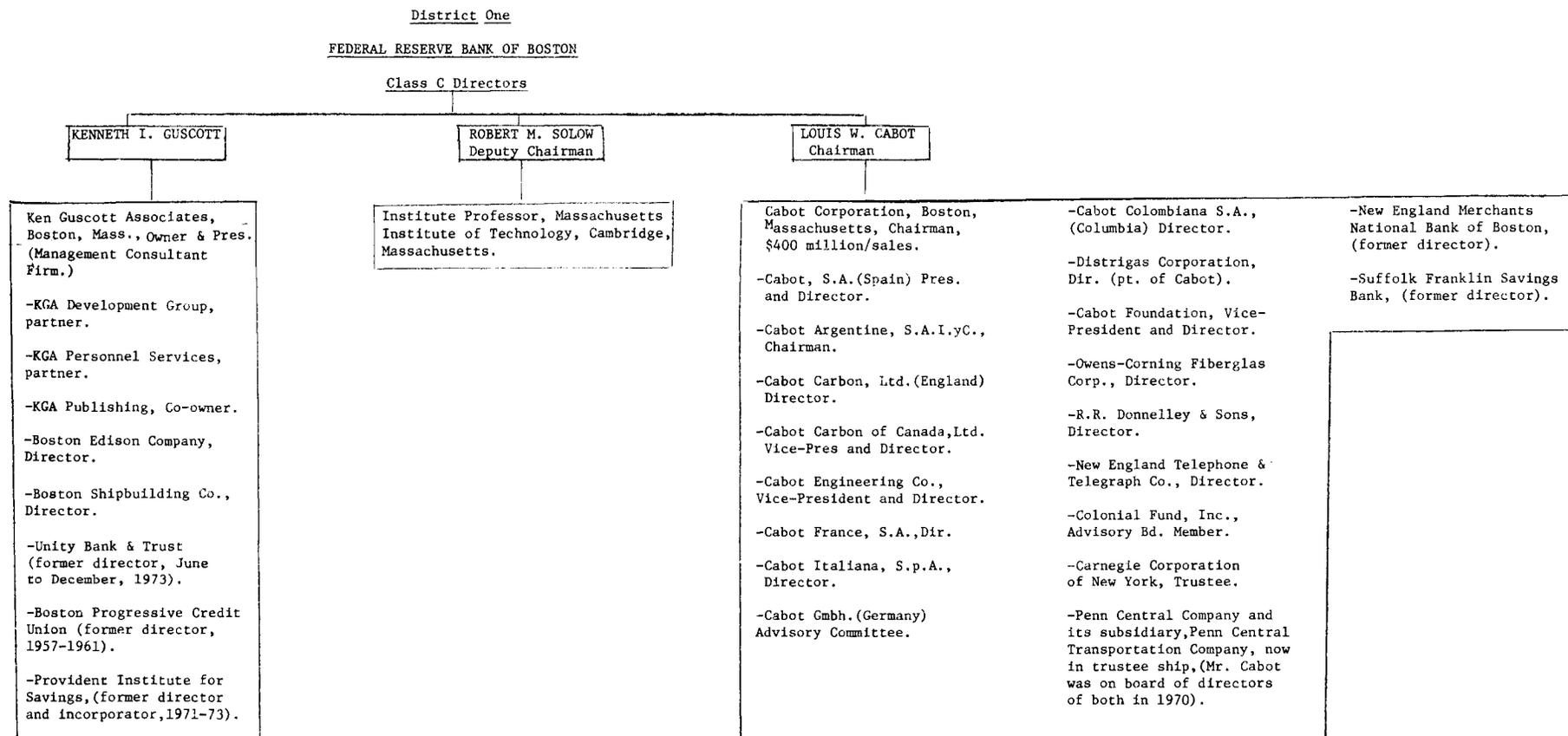
In at least one instance—in the New York Federal Reserve Bank (Chart 2-C)—one of the Class C directors is a partner in a major New York law firm which is counsel to First National City Corporation—the nation’s largest multi-bank holding company. *Polk’s World Bank Directory* indicates that the firm is also counsel to a number of foreign banks doing business in the United States. Yet this director is one of the 36 public representatives on the Federal Reserve banks.

The Class C directors do include six people from the academic world—one working professor; the retired president of a west coast think tank; and four university presidents. The Federal Reserve’s definition of “public” does not include representatives of labor, consumer organizations, or small farmers. And, as previously noted, the “public”, as defined by the Federal Reserve, does not include women.

This survey reveals no substantive differences between the make-up of the Class B and Class C directorships despite the clear intent of the Federal Reserve Act. As can be seen in Charts 1-C through 12-C which follow, Class C directors—like Class B directors—are, for the most part, corporate executives and ex-bankers:

⁶ The chairman of the Federal Reserve district bank is chosen from the Class C directors by the Board of Governors in Washington. The Federal Reserve Act specifies that the chairman shall be a person of “tested banking experience”. In the case of 6 of the 12 chairmen of the Federal Reserve district banks, our research has uncovered no “tested banking experience” in the directors’ backgrounds.

Chart 1-C



District TwoFEDERAL RESERVE BANK OF NEW YORKClass C Directors

ALAN PIFER

Carnegie Corporation of New York,
N.Y., President, \$320 million/assets.

-American Ditchley Foundation,
Trustee

ROBERT H. KNIGHT
Deputy Chairman

Shearman & Sterling, Partner,
(law firm), New York, N.Y.

-Owens-Corning Fiberglas,
Director.

-Pechiney Ugine Kuhlmann
Corporation, Director.

-Howmet Corporation, Dir.
(Subs. of Pechiney, Ugine
above).

-Howmet Turbines Components
Corporation, Director, (Subs.)

-Howmet Aluminum Corporation,
Director, (Subs.)

-United Technologies Corporation,
General Counsel to the board of
directors.

(Shearman & Sterling is counsel
for First National City Corporation,
\$57.8 billion/assets; Holding
Company Rank: 1.)

[Some of the banks listing
Shearman and Sterling as their
counsel in Polk's World Bank
Directory are:

- The Bank of Nova Scotia
Trust Company of New York;
- The Canadian Bank of
Commerce Trust Co., (N.Y.);
- The Fuji Bank and Trust
Company, N.Y.C.]

FRANK R. MILLIKEN
Chairman

Kennecott Copper Corporation,
New York, N.Y., President,
\$1.6 billion/sales.

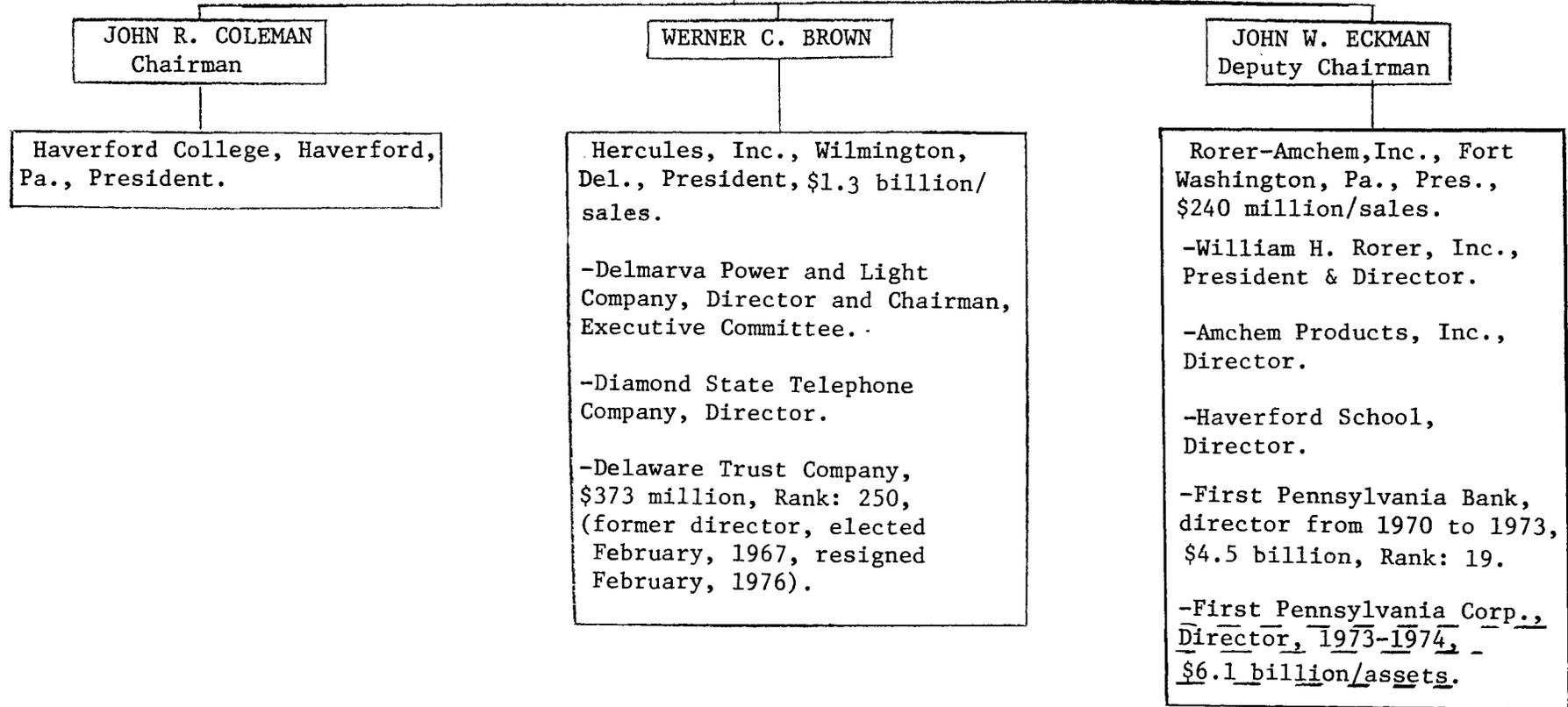
-Peabody Coal Company, Dir.,
(subs. of Kennecott).

-Chase Brass & Copper, Dir.,
(subs.)

-Quebec Iron & Titanium
Corporation, Director. (subs.)

-Proctor & Gamble Company,
Director.

Chart 3-C

District ThreeFEDERAL RESERVE BANK OF PHILADELPHIAClass C Directors

District Four

Chart 4-C

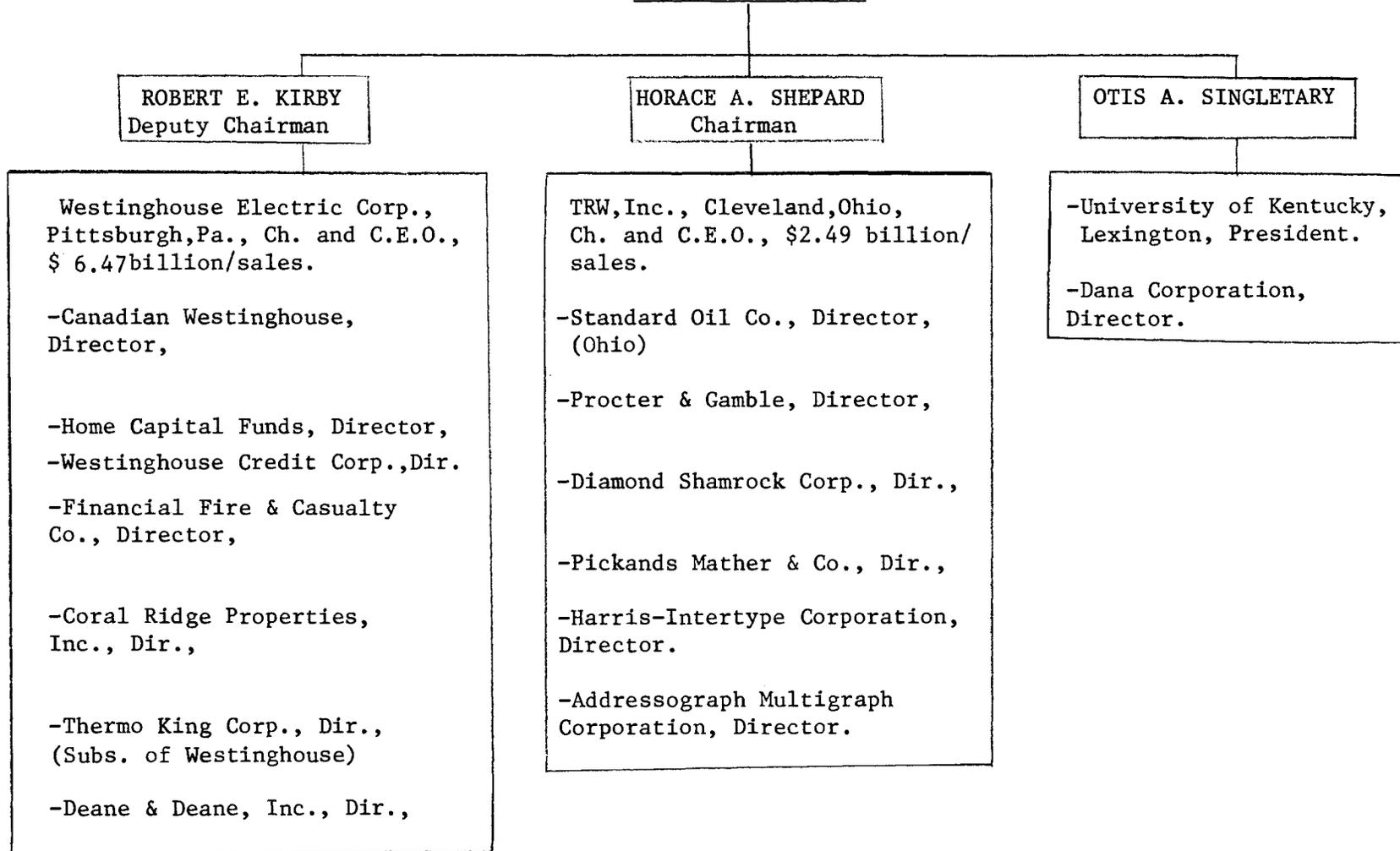
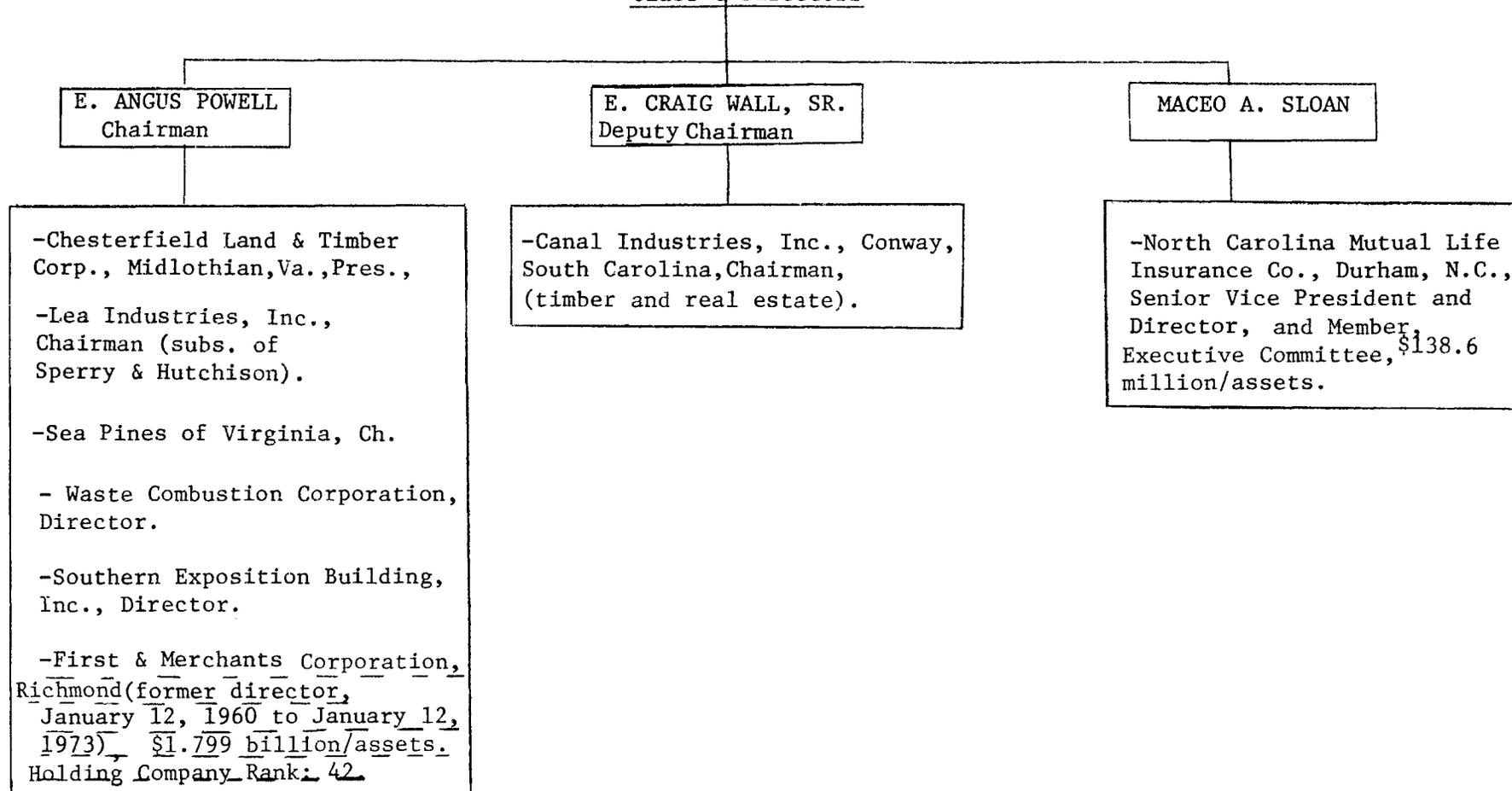
FEDERAL RESERVE BANK OF CLEVELANDClass C Directors

Chart 5-C

District FiveFEDERAL RESERVE BANK OF RICHMONDClass C Directors

District Six

Chart 6-C

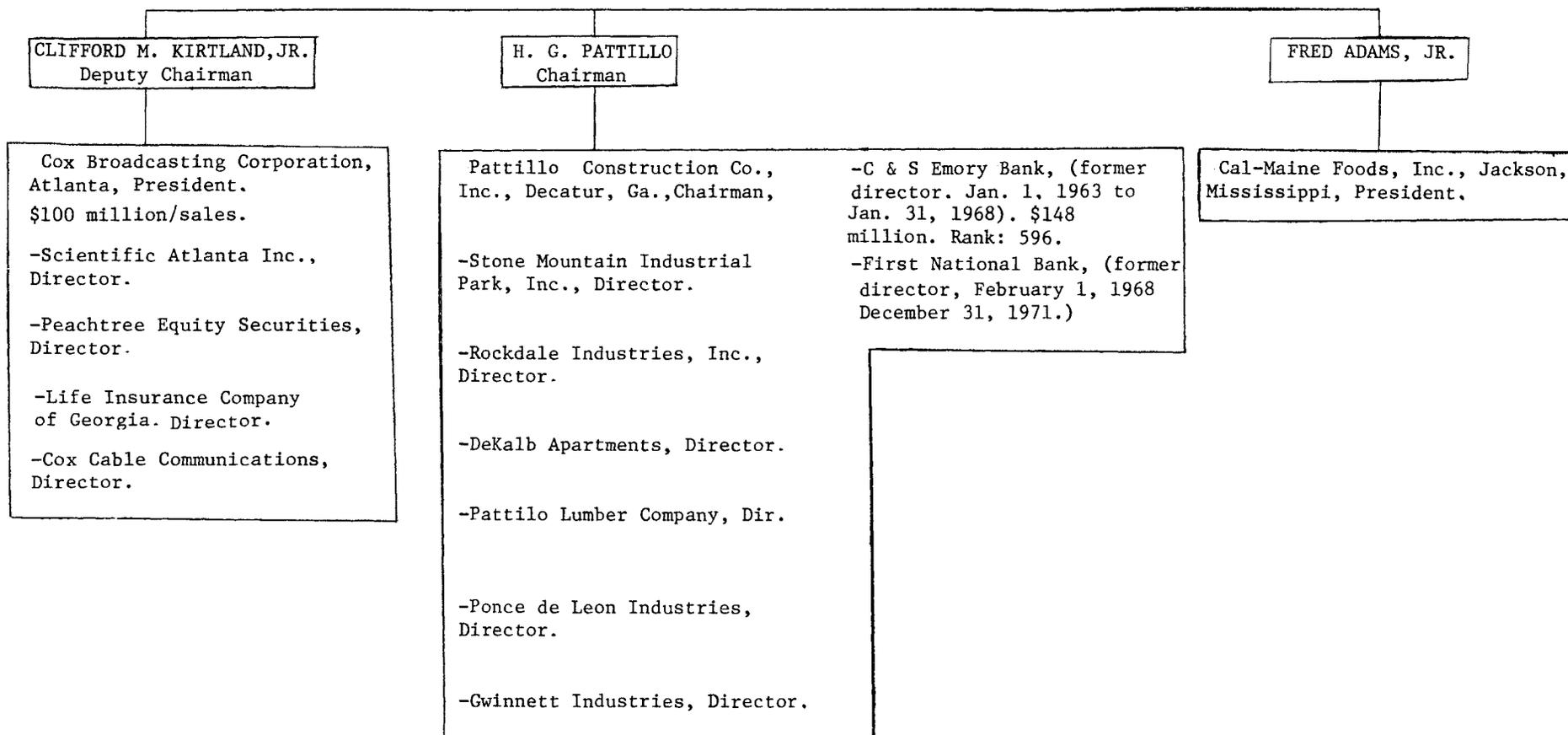
FEDERAL RESERVE BANK OF ATLANTAClass C Directors

Chart 7-C

District SevenFEDERAL RESERVE BANK OF CHICAGOClass C Directors

ROBERT H. STROTZ
Deputy Chairman

Northwestern University,
Evanston , Illinois, President,

-Norfolk & Western Railroad
Company, Director.

-Dereco, Inc., Director.

-U. S. Gypsum Co., Dir.

-Illinois Tool Works,
Director.

-Peoples Gas Company,
Director.

LEO H. SCHOENHOFEN

Marcor Inc., Chicago, Ill.,
Chairman of Board, \$4.67 billion/
sales.

-Abbott Laboratories, Director.

-Honeywell, Inc., Director.

-Mobil Oil Corporation, Dir.

-United States Gypsum, Co.,
Director.

-Pillsbury Company, Director.

PETER B. CLARK
Chairman

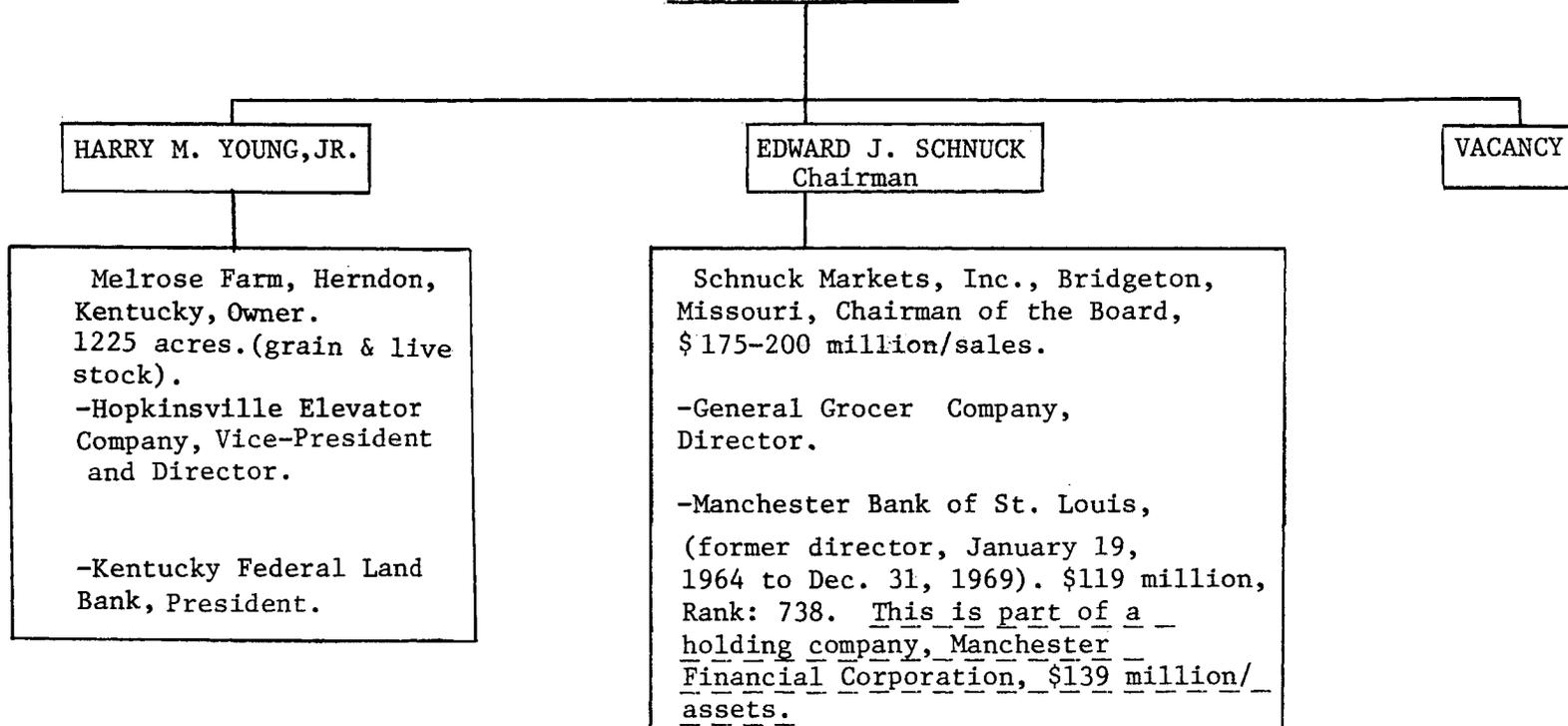
The Evening News Association,
Detroit, Mich., Chairman of
Board and President, \$75 million/
assets.

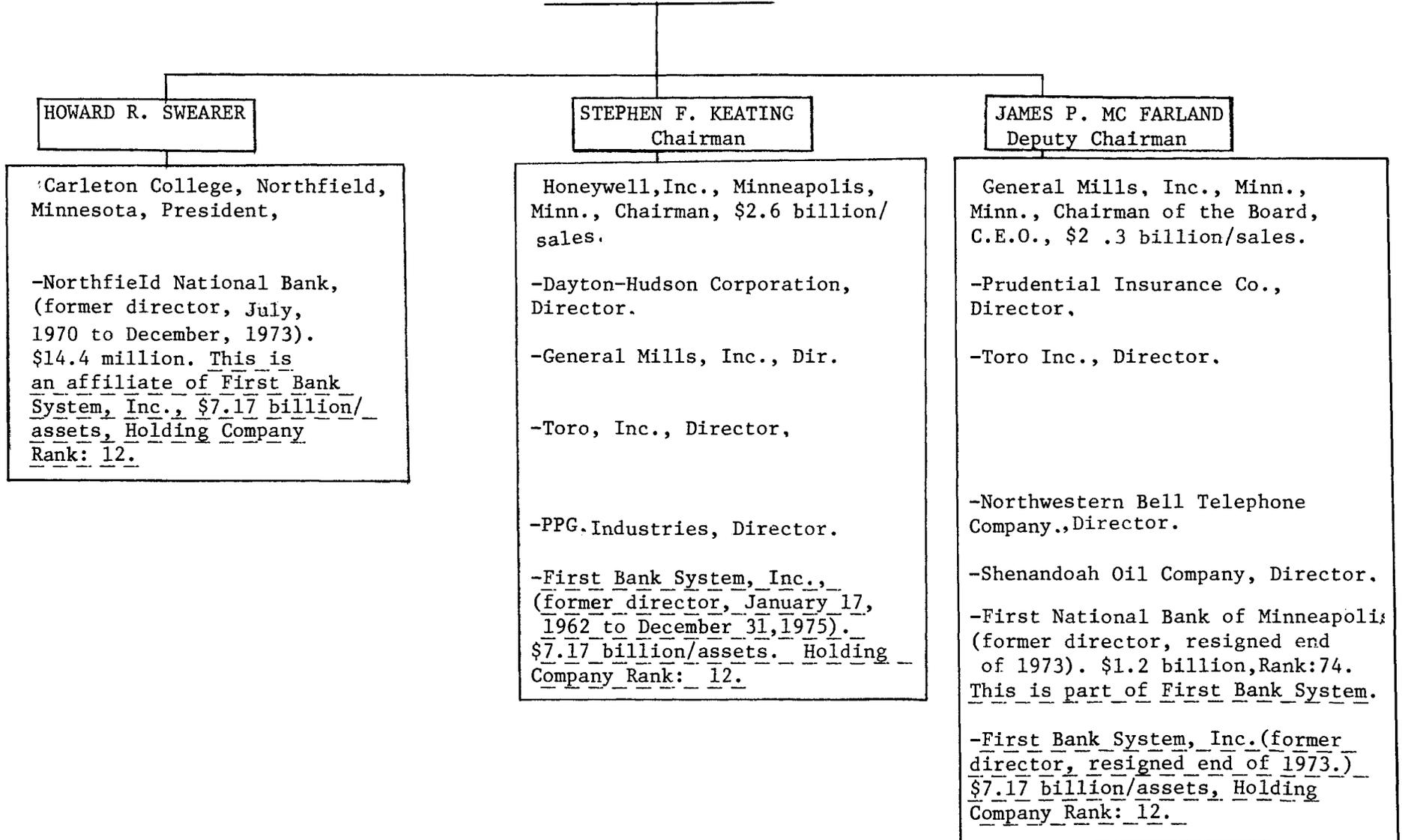
-Universal Communications
Corp., Director, (wholly-owned
subsidiary of the Evening News
Association.)

-Commercial Marine Terminal,
Director.

District Eight

Chart 8-C

FEDERAL RESERVE BANK OF ST. LOUISClass C Directors

District NineFEDERAL RESERVE BANK OF MINNEAPOLISClass C Directors

District Ten

Chart 10-C

FEDERAL RESERVE BANK OF KANSAS CITYClass C Directors

ROBERT T. PERSON
Chairman

Public Service Co. of
Colorado, Denver, Colo.,
Ch. and Pres., \$363 million/
revenue.

-Cheyenne Light, Fuel
and Power Co., Pres.
& Dir.

-Western Slope Gas,
Chairman.

-1480 Welton Inc.,
Pres. & Dir.

-Green & Clear Lakes
Company, Pres. & Dir.

-Fuelco, Pres. & Dir.

JOSEPH H. WILLIAMS

The Williams Companies,
Tulsa, Okla., President,
\$993 million/sales.

-American Petroleum Institute,
Director.

-Parker Drilling Co.
Director.

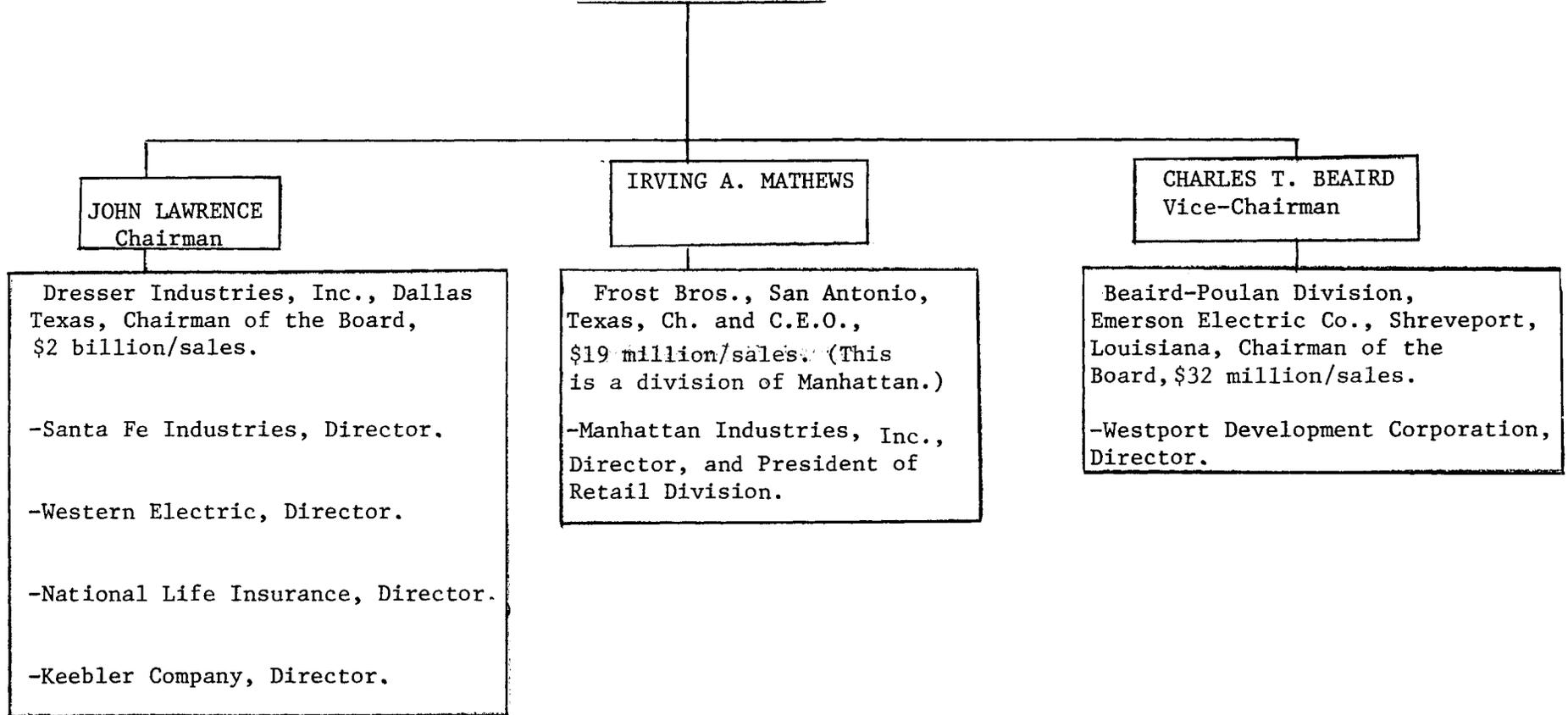
-Home Federal Savings &
Loan Association, Tulsa,
(former director, July,
1970 to July, 1971).

HAROLD W. ANDERSEN
Deputy Chairman

Omaha World-Herald Company,
Omaha, Nebraska. President.
Sunday circ: 277,000.

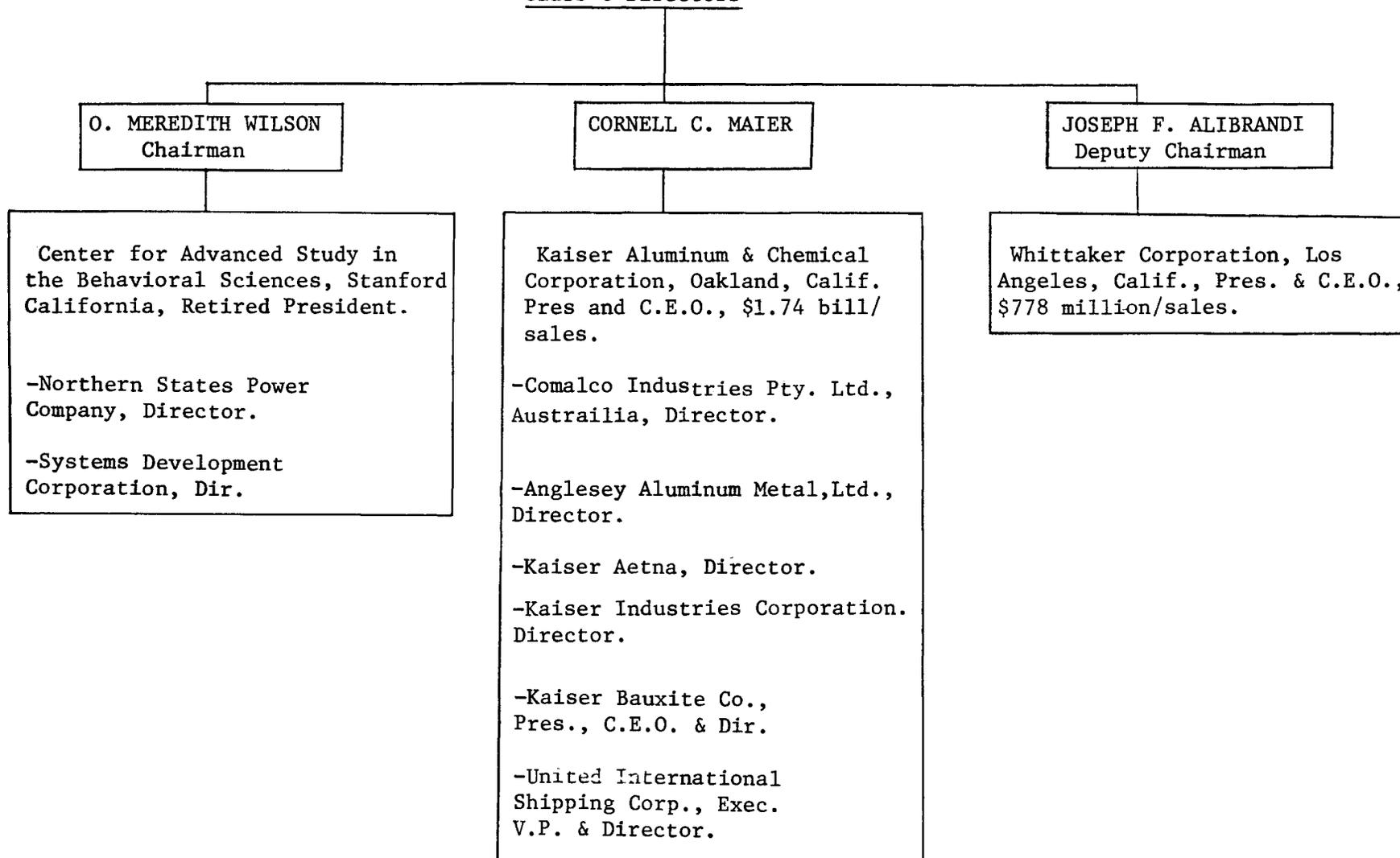
-Peter Kiewit Sons, Inc.,
Director.

Chart 11-C

District ElevenFEDERAL RESERVE BANK OF DALLASClass C Directors

District Twelve

Chart 12-C

FEDERAL RESERVE BANK OF SAN FRANCISCOClass C Directors

SECONDARY INTERLOCKS

This study focused on only the direct links of the Federal Reserve directors to the banking and corporate community and has not attempted to detail all of the massive conflicts which could occur through secondary interlocks. Many of the directors of the Federal Reserve Banks are chief operating officers and chairmen of companies whose boards, in turn, have major links among other industrial and financial giants.

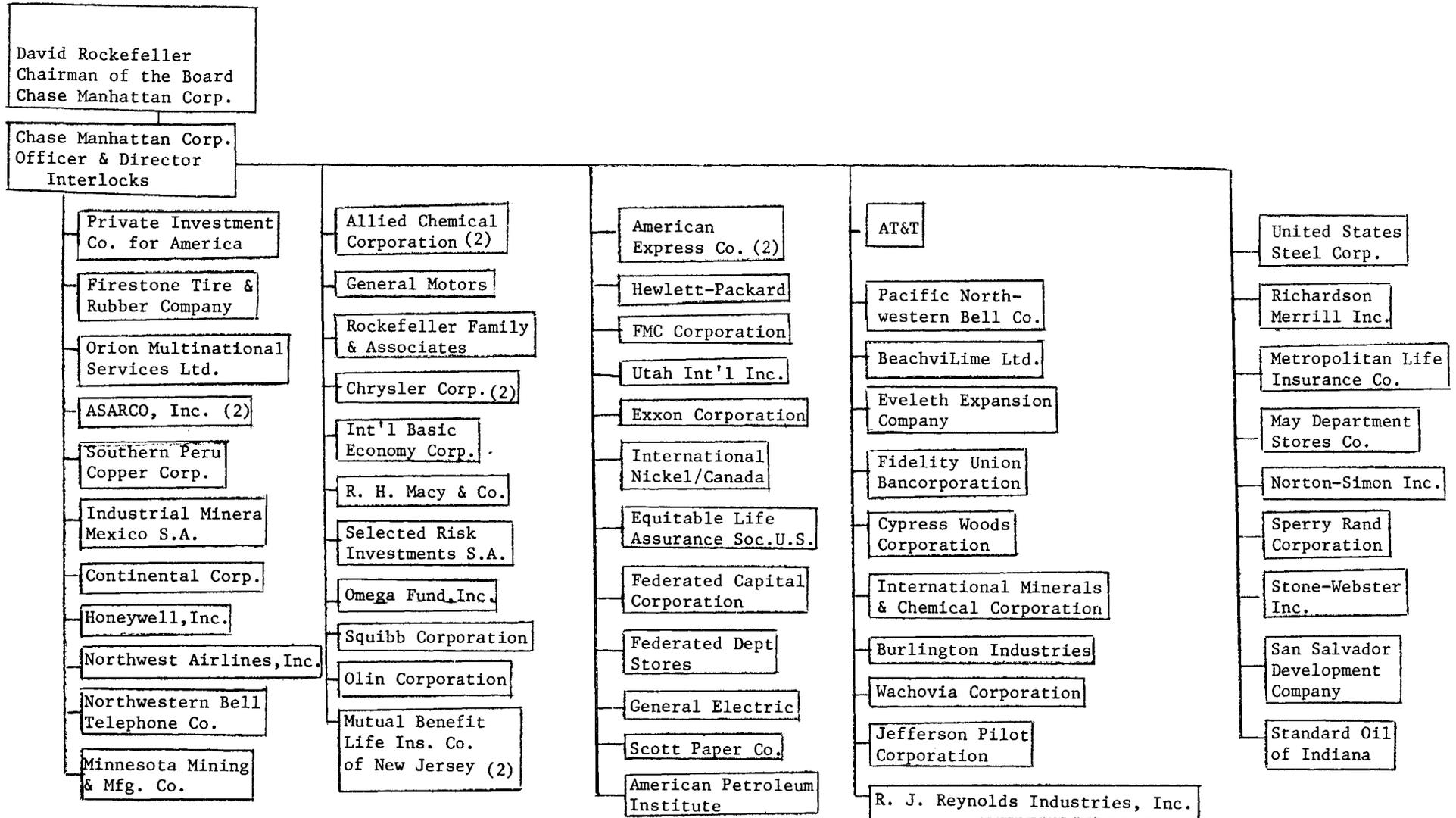
For example, a Class C—"public interest" director—on the Cleveland Federal Reserve District Bank, Robert E. Kirby, is chairman and chief executive officer of the Westinghouse Electric Corporation, which has interlocks with such financial corporations as Pittsburgh National Bank; Citibank; Citicorp; the New York Stock Exchange; Bank of America; Manufacturers Hanover Trust Company; Hanover International Banking Corporation; Kuhn, Loeb and Company; and CIT Financial Corporation.

Is Mr. Kirby's assignment as a "public" representative affected by the fact that he regularly sits down with and reports to a board honeycombed with directors who govern some of the bigger financial corporations? And do these financial institutions use this relationship with Mr. Kirby to influence Federal Reserve policies at the Cleveland Bank?

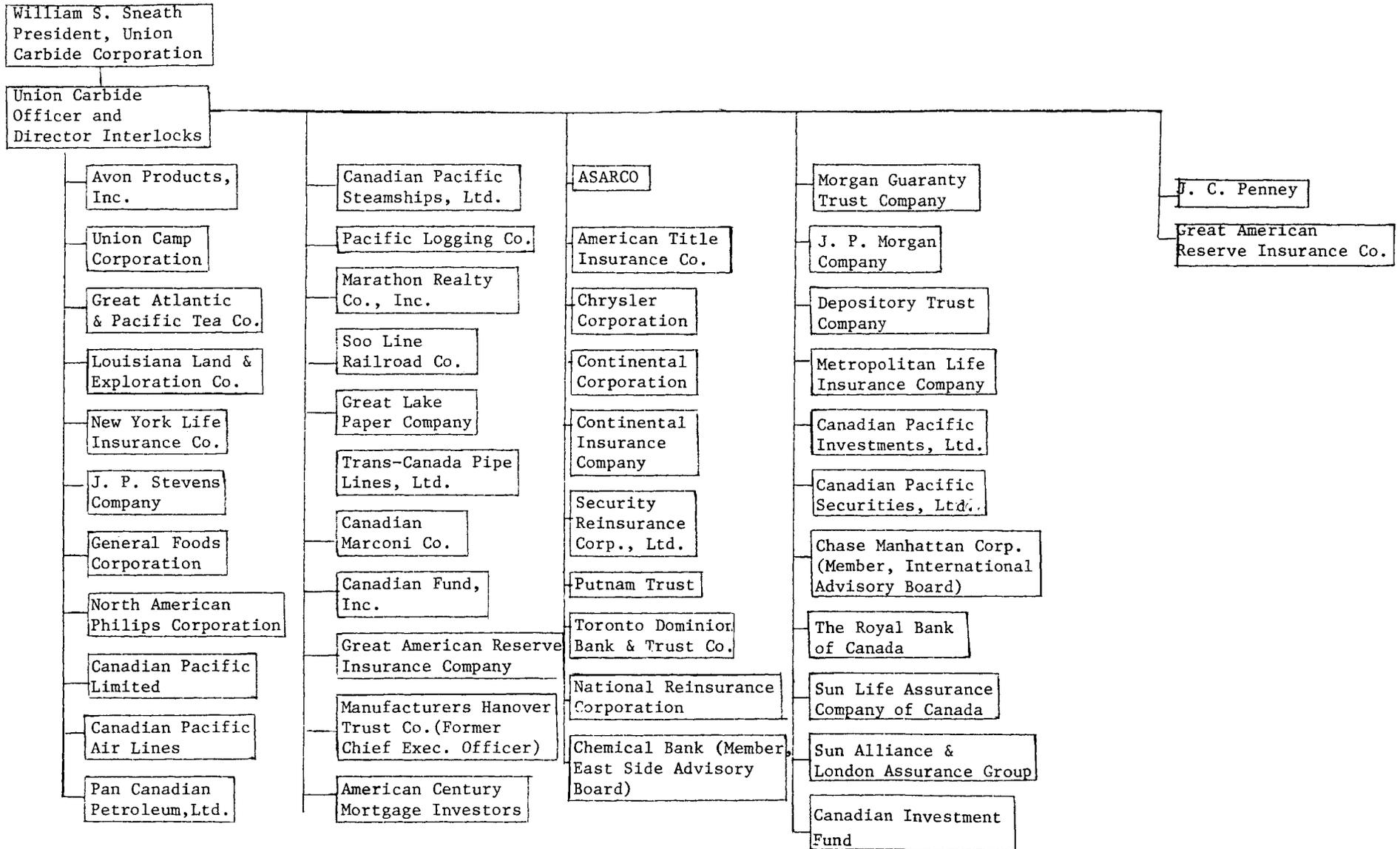
These "secondary" interlocks are vividly demonstrated by the make-up of the board of directors of the New York Federal Reserve bank. At least seven of the nine directors of the New York Federal Reserve bank are chief executive officers or chairmen of boards of companies interlocked with virtually every facet of Corporate America and the financial community.

Tabular charts A through G depict the interlocks of the major business, banking or law firms on which seven New York directors serve as major officers or partners:

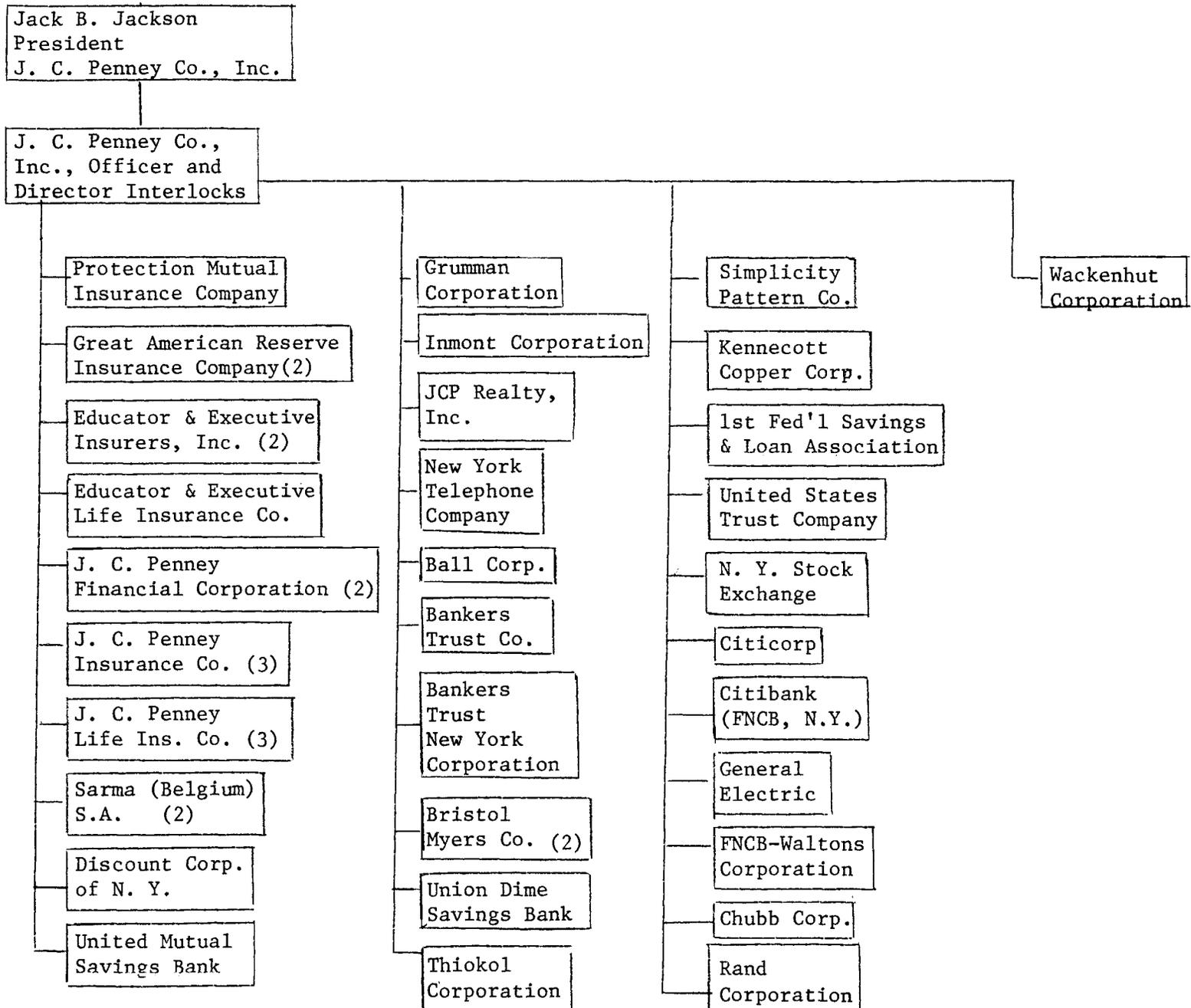
Tabular Chart A



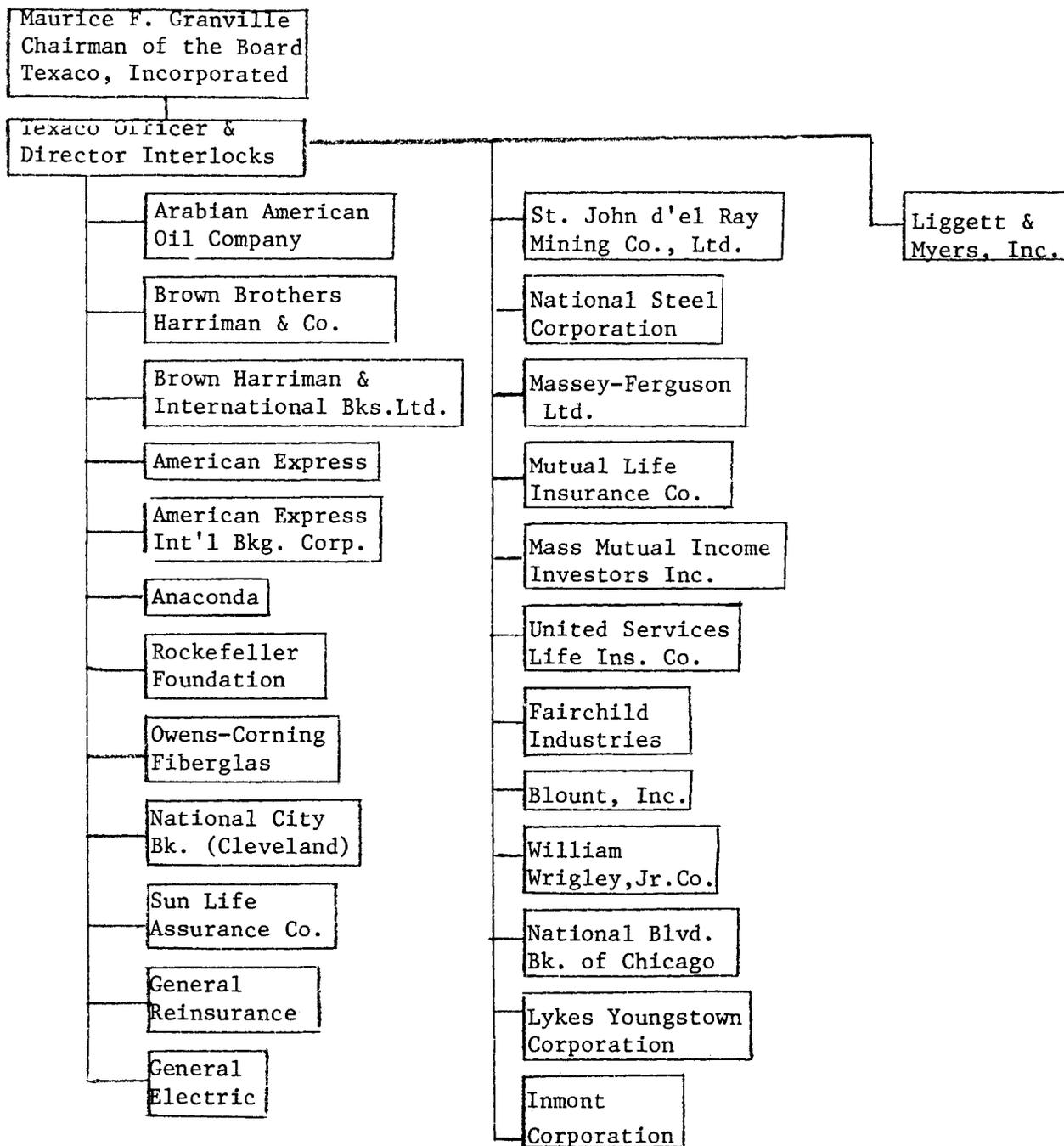
Tabular Chart B



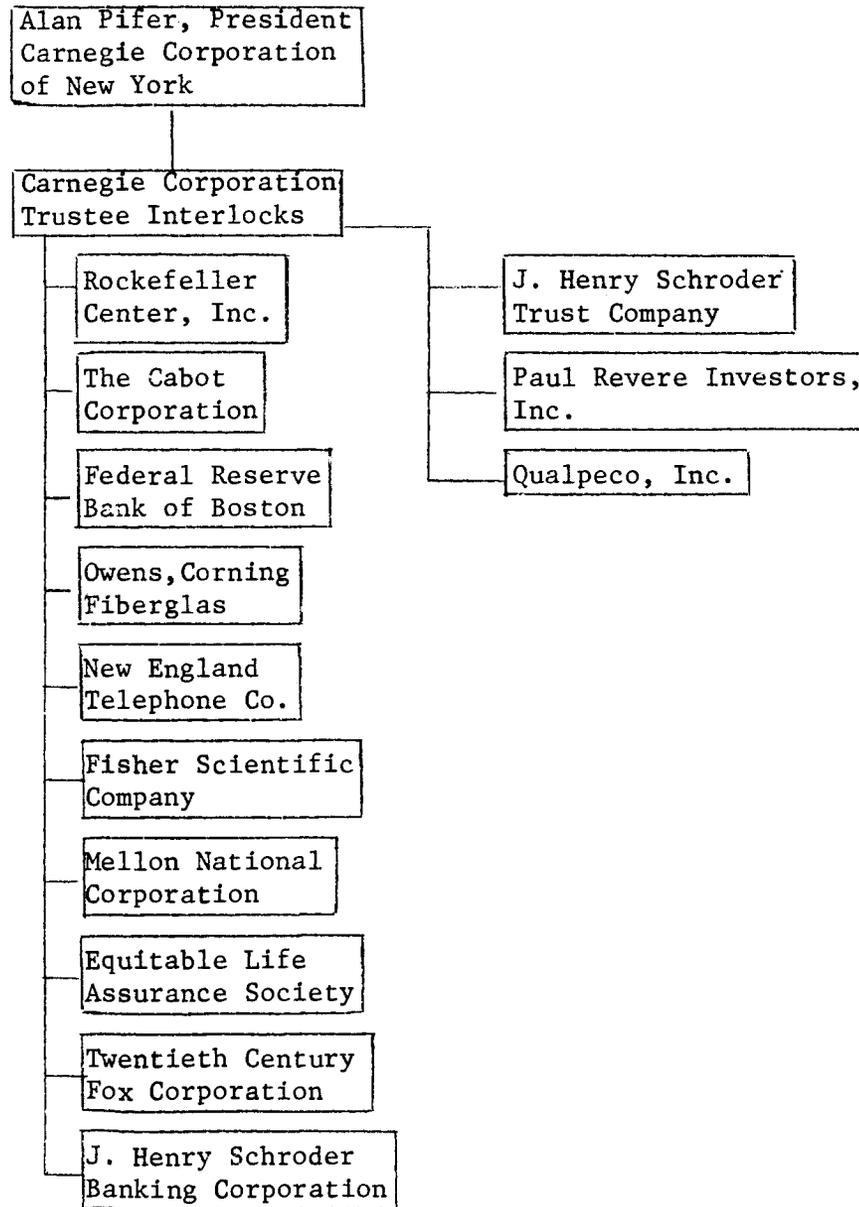
Tabular Chart C



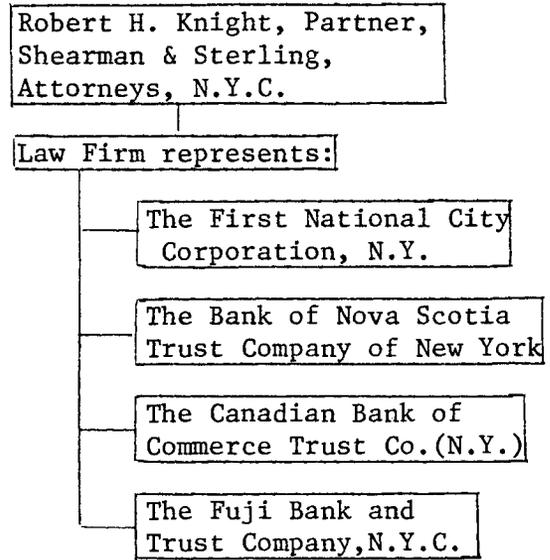
Tabular Chart D



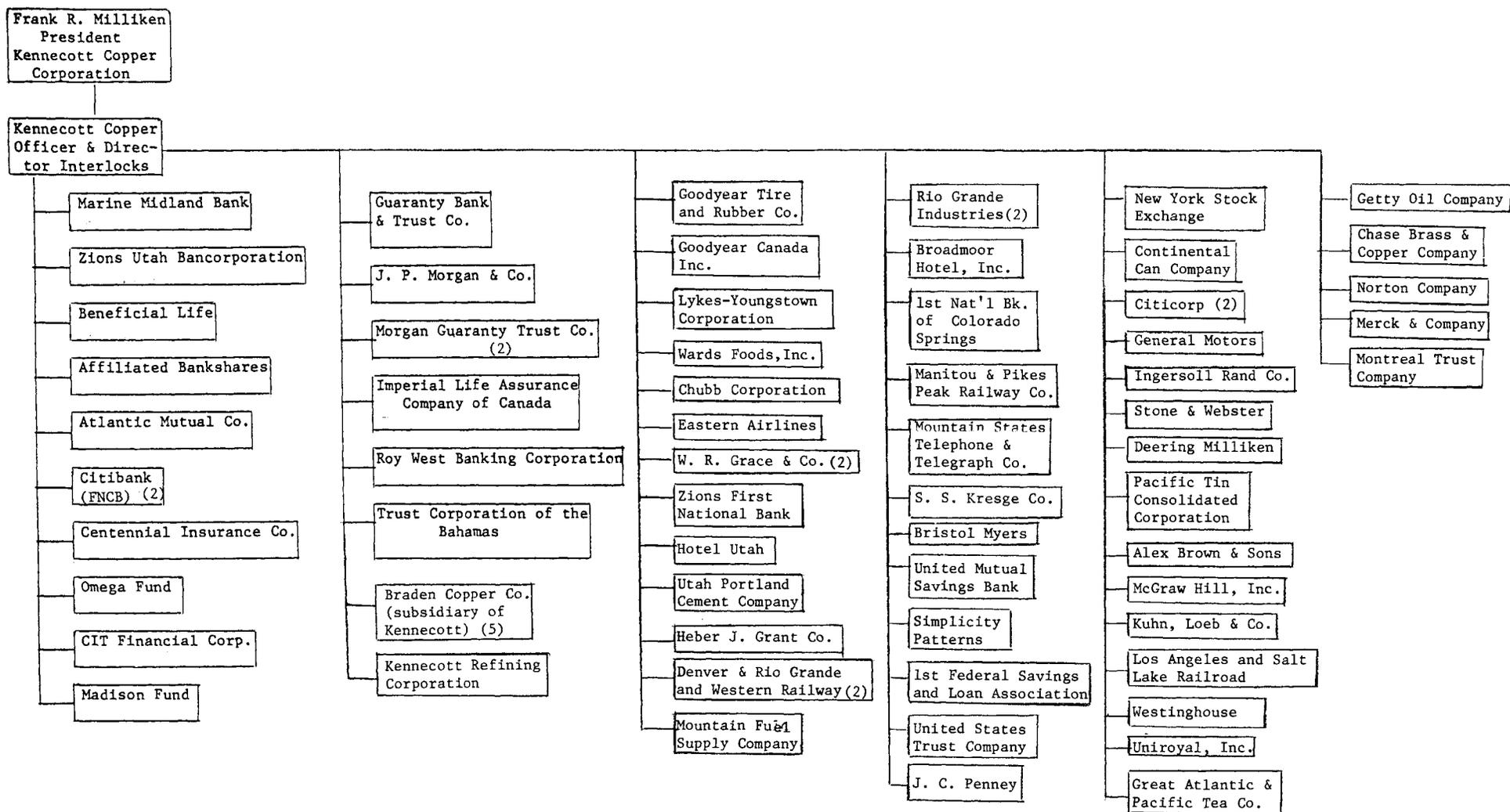
Tabular Chart E



Tabular Chart F



Tabular Chart G



The tabular charts clearly show that substantial segments of corporate/banking power have a channel of communication and influence into the Federal Reserve Bank of New York—easily the most important of the district banks, with substantial roles in monetary policy and international operations of the entire Federal Reserve System.

While these secondary links spread out through the twelve district banks like an international cobweb, this study does not determine the extent to which these links influence Federal Reserve directors. However, they are, at a minimum, additional evidence of the dominance of big corporations and big banking institutions in the backgrounds and the day-to-day lives of the great majority of Federal Reserve directors.

THE PUBLIC RELATIONS-LOBBYING FACTOR

The heavy domination of big corporate and banking names, and the inclusion of trade association leaders among the Federal Reserve directors, gives the System an unusual degree of political clout in their home areas as well as on the national scene.

In many cases, these officials are dominant figures in their areas, and they bring to the Federal Reserve boards the prestige and power associated with the biggest of the big business community. When the Federal Reserve finds its policies under attack, and when suggestions are made for structural change in the system, the fact that these district boards are honey-combed with the powerful does no damage to the Federal Reserve's defense.

Writing for the FINE study, Dr. Mayer of the University of California noted:

Another important function of the directors, one not set out in the law, is to generate public support for the Federal Reserve. Directors and former directors defend the Federal Reserve's actions to their communities and they have occasionally been used for lobbying. This gives the Fed political strength.

A 1975 study of the expense vouchers of Federal Reserve district banks revealed relatively heavy expenditures for entertainment, dinners and other functions, including joint meetings between the Federal Reserve district banks and the commercial bankers associations. The same expense reports contain a substantial number of outlays for dues and fees to various private organizations—at least some of which apparently fall within the "public relations" area.⁷

At the national level, some of the activities of the Federal Reserve directors are masked behind their corporate shields, and it is often difficult to distinguish the lobbying generated by the Federal Reserve banks from that of the corporate-banking lobby.

Last year's battle over proposals to require regular audits of Federal Reserve activities by the General Accounting Office is a good illustration of the manner in which the clout of the Federal Reserve directors is brought to bear on legislative matters.

Throughout 1975, directors of Federal Reserve district banks flooded the Congress with letters urging the defeat of the audit legislation. For example, Malcolm T. Stamper told the Congress he was opposing the legislation "in my

⁷ "The Federal Reserve System: Accountability or Waste?", Staff Report of the Subcommittee on Domestic Monetary Policy, Committee on Banking, Currency and Housing, U.S. House of Representatives, 94th Congress, 1st Session, July, 1975, 41 Pages.

capacity as president of the Boeing Company and as Chairman of the Seattle Federal Reserve" branch. Since that time Mr. Stamper has been promoted. He is now a class B director at the San Francisco Federal Reserve Bank.

Crown Zellerbach was another major corporation which lobbied against the audit bill. Its president—Charles Dahl—is another Class B director on the Federal Reserve Bank in San Francisco.

Similar letters opposing the audit bill came from Dresser Industries, an energy industry manufacturing conglomerate, whose chairman was a Class C director of the Federal Reserve District Bank of Dallas.

This was the pattern across the country, with the Federal Reserve calling on its corporate-banking directors to lead the lobbying campaign. In some cases, former directors were enlisted in the battle. At least one of these former directors—from the Federal Reserve branch in El Paso, Texas—informed the Banking Committee of attempts by the president of the Federal Reserve Bank of Dallas to have him join the letter-writing campaign.

This type of lobbying activity is not limited to the audit proposals, but is available to the Federal Reserve on a wide range of banking, regulatory and legislative issues. In addition, these boards of prestigious businessmen serve as an on-going public relations front for the entire System.

This kind of activity extends into big business lobbying groups, where the Federal Reserve directors maintain heavy membership. One of these is the Business Roundtable, a lobbying group that includes the biggest of the big corporations in this country. Among its 164 corporate members are the big three of the auto industry, the three largest banks in the country, seven of the largest oil companies and the granddaddy of big utilities—AT&T. Forty of the member companies contribute one of their top officers to a policy-making committee.

Not surprisingly, this lobbying organization has participated with Dr. Burns and the Federal Reserve System in efforts to stop a G.A.O. audit. In 1973, the Business Roundtable—at the request of Dr. Burns—wired its members and asked them to help repel the bill. When lobbying pressure mounted against the new audit proposal in 1975, a study was conducted by the late Wright Patman which revealed the close relationship between the private lobbying organization and our supposedly "public" Federal Reserve System.⁸ The study showed that 45 of the 164 member corporations are represented on the board of directors of the Federal Reserve district banks and branches. Eighteen of the corporations represented on the 40-member policy committee of the Business Roundtable are also represented on the boards of the district banks and branches.

Another big business organization—the United States Chamber of Commerce—also has substantial interlocks with the Federal Reserve. The Chamber—which often lobbies on banking and Federal Reserve legislation—has a 52-member policy committee on banking, monetary and fiscal affairs. Thirty-one of these members are officers or directors of banks and 8 have director interlocks with the Federal Reserve System.

One of the members of the Chamber of Commerce's board of directors—Archie K. Davis, the retired chairman of the Wachovia Bank and Trust

⁸ See the remarks of Congressman Wright Patman in the *Congressional Records* of November 17, 1975, Page H 11296; February 11, 1976, Page H 946 and February 23, 1976, Page H 1227.

Company, N.A. of North Carolina—formerly served as president of the American Bankers Association and as a director of the Charlotte branch of the Federal Reserve Bank of Richmond.

Federal Reserve directors also crop up among the membership of such lobbying organizations as the National Association of Manufacturers, the American Petroleum Institute, the American Iron and Steel Institute, the Highway Users Federation, the Transportation Association of America; and the American Gas Association.

BANK POLITICS AND THE FEDERAL RESERVE DIRECTORS

While the Act limits the direct participation of bankers on the district boards to the three Class A directors, the banking industry—in reality—creeps in at all three levels.

Fourteen of the 72 Class B and Class C directors, for example, were bankers at the time of their election to the Federal Reserve banks and had to resign from their commercial bank directorships to qualify. At least five other Class B and Class C directors had been commercial bank directors in prior years.

The same is true of the branch boards. As mentioned earlier, these boards are divided into two categories of varying sizes, with the board of directors of the district banks appointing a majority and the Board of Governors in Washington the remaining members. Federal Reserve policy calls for the Board of Governors to name non-bankers to their positions, making these appointments roughly equivalent to the Class B and Class C categories on the district banks.

Yet, fifteen of the sixty-eight branch directors named by the Board of Governors were directors of commercial banks at the time of their appointment and had to resign these directorships to qualify. Two other branch directors had served on commercial bank boards in prior years.

Throughout the System—district and branch boards combined—one in five of the seats intended to be populated by non-bankers and public members ends up being filled by former bankers only recently removed from the narrow confines of the industry.

Even more questionable than the limited range of views thus represented is a suggestion of the revolving door approach that has long plagued Federal regulatory agencies.

Resignations from commercial bank boards of directors to legitimize the Federal Reserve appointment apparently are understood, in some cases, to be only temporary, with the commercial bank position readily available again when the Federal Reserve service is completed.

This is what happened, for example, on a recent appointment to the Birmingham branch of the Atlanta Federal Reserve Bank. The following letter from a commercial banker to a newly-appointed Federal Reserve official makes the revolving door nature of the appointment all too clear.

THE FIRST NATIONAL BANK OF BIRMINGHAM,
Birmingham, Ala., December 18, 1974.

Mr. HAROLD B. BLACH, JR.,
Birmingham, Ala.

DEAR HAROLD: I reported to the Executive Committee on December 17, 1974 your letter of December 9, 1974 in which you advised of the necessity for you to resign from our Branch Advisory Board because of your appointment as a director of the Birmingham Branch of the Federal Reserve Bank of Atlanta. The Committee regretfully accepted the resignation with the understanding that the same was to be effective January 1, 1975.

On behalf of the officers and the Board of Directors I wish to thank you for all of your assistance and time and we certainly regret the loss of your membership, but feel that you deserve the appointment which you have received and know that you will profit from the same. When your term does expire, we certainly wish to know so that we will have the opportunity to re-appoint you to the Board on which you served so well.

Sincerely,

R. H. WOODROW, JR.,
Chairman of the Board and Chief Executive Officer.

Interestingly enough, the signer of the letter—R. H. Woodrow, Jr.—accepted an appointment on the board of the Birmingham branch the following year and now sits side by side on that board with his former colleague.

The case of Thomas I. Storrs reveals still another aspect of the revolving door.

Mr. Storrs was an employee of the Richmond Federal Reserve Bank from 1934 to 1960. He served as vice-president in charge of research from 1956 to 1959 and then became vice-president in charge of the Charlotte branch later in 1959.

In 1960—after 26 years as a Federal Reserve employee—Mr. Storrs decided to move into the commercial banking industry, where today he serves as chief executive officer of the North Carolina National Bank and president of the holding company, NCNB Corporation, in Charlotte. Even after becoming a banker, Mr. Storrs did not relinquish his ties with the Federal Reserve, serving until January of this year as a member of the 12-person Federal Advisory Council to the Federal Reserve System—a group which confers with the Board of Governors “on economic and banking matters and (makes) recommendations regarding the affairs of the Federal Reserve System.” And it is the board of directors of Mr. Storrs’ former employer—the Richmond Federal Reserve Bank—which so generously named him to the Federal Advisory Council.

BANK DOMINATION AND BANK EXAMINATION

The inordinate input by special interests would be a troublesome problem in any public agency, but the situation becomes more serious as the Federal Reserve banks take on greater regulatory powers.

Particularly significant is the growing role of the district banks in the regulation of bank holding companies. By law, the Federal Reserve was given exclusive jurisdiction in the regulation of bank holding companies and, as previously noted, much of this jurisdiction has been delegated by the Federal Reserve Board in Washington to the various Federal Reserve banks.

Initially all applications under the Holding Company Act were sent to the Board of Governors for approval. Beginning in 1974, however, the Board delegated a considerable portion of its authority to the district banks. The district banks receive all applications, process them initially, and in many cases can approve or deny permission for formation of acquisitions, or changes in

holding companies⁹: In a recent response to a questionnaire from the House Banking, Currency and Housing Committee, the Board of Governors discussed the Federal Reserve's procedures for reviewing holding company operations. The response stated:

In practice, the Federal Reserve relies on the examination reports of the primary regulators for detailed analysis of the condition of subsidiary banks of bank holding companies. There is no prescribed policy as to frequency of examination or inspection of parent holding companies; however, usually the *Reserve Banks* try to inspect multi-bank holding companies and large one-bank holding companies with non-banking activities at least once every three years and more often if circumstances warrant. . . . Indeed certain holding companies are inspected annually. As a result of the adverse impact certain nonbank subsidiaries have had on the parent holding companies and its banking subsidiaries, inspections may include a review of some non-bank subsidiaries, principally mortgage companies.

The primary source of information on holding companies is included in an annual report forwarded to the Board of Governors by the district bank. Other information may be required, as the response to the questionnaire states:

Also, when believed desirable, the *Reserve Bank* may request reports to shareholders, reports to the Securities and Exchange Commission, and periodic abbreviated balance sheets and special reports. For those companies which are more expansion-oriented, additional financial information is requested and analyzed in conjunction with regulatory applications filed pursuant to Sections 3 and 4 of the Bank Holding Company Act. In problem situations, meetings are held with officers and/or directors of the holding company and, if applicable, subsidiary banks' primary regulators may be contacted.

The district banks, it is clear, have a major role in overseeing the operations of bank holding companies.

An example of the potential problems in regulating bank holding companies is presented by the Hamilton National Bank failure.

Hamilton Bancshares, Inc. was formed in 1971 with Hamilton National Bank in Chattanooga, Tennessee, as the lead bank. By 1975, the firm controlled 18 banks in Tennessee and Georgia, and operated several subsidiaries, the most important of which was Hamilton Mortgage Company in Atlanta. The main bank—Hamilton National—was declared insolvent in February 1976, and the holding company and its subsidiaries declared bankruptcy shortly thereafter.

In five years, a bank which had survived the Depression and helped other banks in Tennessee do likewise, went from a sound and well-managed institution to a bankrupt operation.

⁹ These delegations are usually contingent on certain conditions but many of the terms used in the restrictions are left undefined and considerable latitude for discretion is placed in the hands of the district bank. Under the Bank Holding Company Act, the Federal Reserve banks may:

- Extend the filing time for registration statements;
- Extend the time by which a bank holding company must divest itself of non-banking organization interests;
- Extend the time in which a bank holding company must divest itself of its interests in a non-banking organization acquired in satisfaction of a debt;
- Require reports to determine whether a holding company is complying with the law;
- Request more information before allowing a bank holding company to complete a proposed transaction;
- Permit an acquisition in less than the required 45 days if "exigent circumstances" are evident;
- Permit de novo activities for a bank holding company and permit this in less than the required 45 days;
- Approve the formation of a bank holding company;
- Approve the acquisition of additional shares in a bank;
- Approve the acquisition of a new bank if "the applicant has a proven record of furnishing its subsidiaries special services, management, capital funds and general guidance";
- Grant a 90-day extension for filing an annual report plus an additional 90 days after that;
- Approve retention of shares of bank stock acquired in a fiduciary capacity if it will divest itself of such stock in two years;
- Permit the merger of two bank holding companies;
- Approve acquisition of a finance company or industrial bank;
- And, in towns of 5,000 or less population, allow a bank holding company to acquire an insurance brokerage.

The holding company was regulated by the Federal Reserve System, primarily through the Atlanta Reserve bank. Even though the Board of Governors in January, 1973 questioned the holding company's practice of removing its subsidiary banks from membership in the Federal Reserve System and even though the Atlanta Reserve bank knew that the two subsidiary banks needed additional capital (the holding company said that it was correcting the problem), the Atlanta bank approved two new acquisitions in May and June 1974.

In the fall of that year, the Comptroller of the Currency's staff¹⁰ discovered a substantial number of bad loans from Hamilton's mortgage subsidiary on the books of Hamilton National bank. Subsequent corrective actions apparently failed and in 1976 Hamilton National Bank was sold to the First Tennessee National Corporation—the largest bank holding company in the State.

In view of their systemwide responsibility concerning holding companies, it is significant that the directors of the Federal Reserve district banks and their branches have substantial ties to bank holding companies. Thirty-two of the 100 largest multi-bank holding companies have representation on district banks or branches (either a current or former officer or director).

Seventy-nine directors have either current or prior service with bank holding companies or their subsidiaries—14 Class A, 6 Class B, 8 Class C, and 51 branch directors. Seventy-one holding companies, controlling 687 banks, are connected to the district banks and branches—some, several times, i.e., Southeast Banking Corporation of Florida; First Bank Systems, Inc. of Minneapolis; Commerce Bancshares, Inc. of Kansas City; Fidelity Corporation of Oklahoma; U.S. Bancshares, Inc. of Dallas; Austin Bancshares Corporation of Texas; and the Bank of America. One director is connected with six bank holding companies.

Among the holding companies represented on the boards of the district banks by current or former officers or directors, six were on the "problem list" published by the *New York Times* on January 22 of this year. These firms are:

- Chase Manhattan Corporation, New York Federal Reserve District Bank, (Class A Director—David Rockefeller);
- Security New York State Corporation, New York Federal Reserve District Bank, (Buffalo Branch, Bank-appointed Director—J. Wallace Ely);
- Marine Midland Banks, New York Federal Reserve District Bank, (Buffalo Branch, Bank-appointed Director—Daniel G. Ransom);
- First Pennsylvania Corporation, Philadelphia Federal Reserve District Bank, (Class C Director—John W. Eckman);¹¹
- First & Merchants Corporation, Richmond Federal Reserve District Bank, (Class C Director—E. Angus Powell); and
- Citizens and Southern National Bank, Atlanta Federal Reserve District Bank (Class C Director—H. G. Pattillo).

The substantive role of the district banks in the supervision and regulation of commercial banks, of course, is not limited to the holding companies. The examination process for state member banks falls squarely under the jurisdiction of the district banks . . . a fact that heightens the potential for conflicts of interest in a banker-oriented board.

¹⁰ The Comptroller of the Currency is the supervisory agency for national banks. Six members of the holding company were national banks.

¹¹ In addition, the President and Chief Operating Officer of this problem bank holding company is the Philadelphia Federal Reserve District Bank's representative to the 12-member Federal Advisory Council to the Federal Reserve System.

In their response to the FINE questionnaire of the Banking, Currency and Housing Committee, the Federal Reserve reveals the latitude given the employees and boards of the district banks in the examination process:

While questionable matters may be discussed with officials of the *Reserve Bank*, the examiner exercises, within the general guidelines established by the *Reserve Bank* officials, his discretion in determining the matters to be cited in the report of examination. Minor problems corrected during the examination are detailed in the examiner's work papers but seldom appear in the report.

At another point in the same response, it was stated:

Although operating within the realm of the general policies and practices established by the Board, examiners for the *Reserve Banks* have latitude in the methods and procedures followed in conducting an examination. Procedures followed may vary in the banks examined depending on such factors as size and volume of operations, number of branches, quality of assets and overall general condition at the previous examination.

In view of the regulatory structure of the Federal Reserve System—and the increasing delegations of authority to district banks in this area—it is difficult, if not impossible, for the bank directors on the district and branch boards to avoid real or potential conflict of interest situations. It is true that internal regulations of the System prohibit a director from passing directly on a regulatory or supervisory matter involving his own bank, but this does not wipe out the fact that the directors do have ongoing policy-making, information gathering, and administrative roles in the examination and supervisory process.¹² It is highly questionable whether these roles can be separated—even with well-meaning if haphazardly constructed internal protections—from the directors' present, future and past banking interests.

THE CLUB SYSTEM

While Corporate America has wide representation—through director interlocks—with all twelve banks in the Federal Reserve System, analysis of each district bank and cross-checking one district bank with the others reveals not only the narrow pool of talent but the “club” nature of the system.

This “club” approach leads the Federal Reserve to consistently dip into the same pools—the same companies, the same universities, the same bank holding companies—to fill directorships. This is particularly true in connection with those positions where the Board of Governors and/or the district banks have the right of appointment—the Class C directorships on the district boards and the various branch director positions.

The following charts detail the appointments to the 25 branches of the district banks:

¹² As noted earlier, when a “significant” policy issue is raised in a merger or bank holding company application, the district bank cannot make a final decision. Such requests automatically go to the Board of Governors in Washington. Under a recent modification of its regulations, the Board of Governors gave its Secretary the power to act in such cases *contingent upon the district bank's approval*. Thus, the district bank still retains considerable power in this area. Other authority delegated to the Secretary, which requires *district bank* approval, includes permission: for a bank to create a foreign branch; for a bank holding company to acquire a foreign company or a company which finances exports; for an Edge Act corporation to exceed size limits specified in regulations; and for a bank holding company to acquire voting shares of a foreign company. [Emphasis added.]

District Two
FEDERAL RESERVE BANK OF NEW YORK
Buffalo Branch
Directors Appointed By Federal Reserve Bank

J. WALLACE ELY

Security New York State Corporation, Rochester, N.Y., Chairman, \$938 million/assets, Holding Company Rank: 90.

- Security Trust Company, President, \$431 million, Rank: 214.
- Sybron Corporation, Director
- Richardson Corporation, Dir.
- Rochester Gas & Electric Corporation, Director.
- Rochester Telephone Corporation, Director.
- Neisner Brothers, Director.
- Page Airways, Director.
- Goulds Pumps, Director.
- Association of Bank Holding Companies, Member.

DANIEL G. RANSOM

The William Hengerer Co., Buffalo, New York, President, (This is a division of Associated Dry Goods.) \$1.3 billion/sales.

- Marine-Midland Bank-Western, Buffalo, New York, Director, \$1.5 billion; Rank: 56. This is part of Marine Midland Banks, \$11 billion/assets; Holding Company Rank: 8.

CHARLES
A. MARKS

Alden State Bank, Alden, New York, President, \$16.9 mill

- Kirch-Trumbull Corporation, Director.

- Neeland's Dairy, Director.

- Erie-Niagara Counties Bankers Association, various offices (1947-1950).

AVERY H.
FONDA

Liberty National Bank and Trust Company, Buffalo, N.Y., President, \$505 million, Rank: 189.

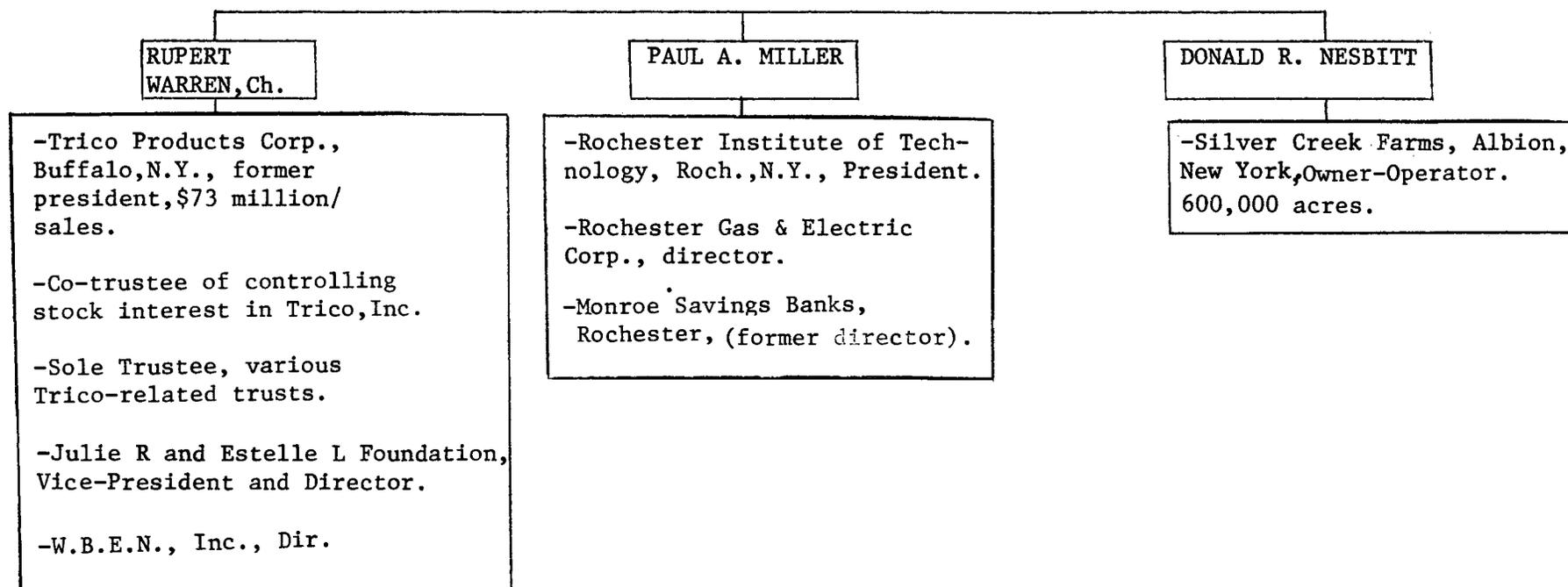
- United Bank Corporation of New York, Vice-Chairman, Director, and Member, Executive Committee, (controls Liberty National Bank listed above), \$1.47 billion, Holding Company Rank: 62.

- U.B.C. Leasing of New York, Inc., Director.

- MET Development Corporation, Director.

- New York State Bankers Association, Chairman, Group One, 1972-1973.

- North Carolina Bankers Association, President, Group Ten, (1958-59).

District TwoFEDERAL RESERVE BANK OF NEW YORKBuffalo BranchDirectors Appointed By Board of Governors

District FourFEDERAL RESERVE BANK OF CLEVELANDCincinnati Branch
Directors Appointed by Federal Reserve BankJOSEPH F. RIPPE

The Provident Bank, Cinn., Ohio, President, \$396 million, Rank: 233. (This is a wholly-owned subsidiary of American Financial Corporation, a financial holding company).

-First Savings and Loan of Norwood, Ohio, Director.

-Western Paper Goods Company, Director.

--Member, Ohio Bank Board since 1969.

JOE D. BLOUNT

National Bank of Cynthiana, Kentucky, President, \$29.4 million, Rank: 3,436.

ROBERT A. KERR

Winters National Corporation, Dayton, Ohio, President, \$837.5 million/assets, Holding Company Rank: 95.

-Winters National Bank and Trust Company, Chairman and President, \$576 million, Rank: 172.

-American Diversified Enterprises, Director.

-Elder-Beerman Stores, Inc., Director.

-Irving Trust Company, New York, (former senior vice-president).

-Member, National Advisory Committee on Banking Policies and Practices to the Comptroller of the Currency.

LAWRENCE C. HAWKINS

University of Cincinnati, Vice-President.

-Avondale Community Dev. Corp., Director.

District FourFEDERAL RESERVE BANK OF CLEVELANDCincinnati BranchDirectors Appointed by Board of Governors

CLAIR F. VOUGH

Productivity Research Int'l.,
Inc., Lexington, Ky., Chairman,
(Management Consulting Firm).

Mr. Vough was Vice-Pres.,
I.B.M. when he went on
board.

LAWRENCE H. ROGERS II
Chairman

Taft Broadcasting Co., Cinn.
Ohio, President, and Director,
\$90 million/sales.

-Hanna-Barbera Productions,
Director,

-Jack Rhodes Productions,
Director,

-Hanna-Barbera Productions,
Inc., Vice-chairman.

-Cardinal Fund, Director.

-Cinemobie Systems, Inc.
Vice-Chairman.

-Cincinnati Financial Corp.,
Director,

-Inter-Ocean Insurance Co.,
Director, (subs. of Cin.
Fin'l Corp.)

-Knowledge Communications Fund,
Director.

-Cine Artists International,
Director.

-Family Leisure Centers,
Inc., Dir.

- Guarantee National Bank,
Huntington, W. Va., (Former
director, 1953 to 1959)
\$59.5 million; Rank:1556.

MARTIN B. FRIEDMAN

Formica Corporation, Cinn.,
Ohio, President, (Subsidiary
of American Cyanamid,
\$1.8 billion/sales.)

-Formica International, Ltd.,
London, Director.

District FourFEDERAL RESERVE BANK OF CLEVELANDPittsburgh Branch
Directors Appointed by Federal Reserve Bank

MALCOLM E. LAMBING, JR.

First Nat'l Bk. of Penna.,
Erie, Pres. & C.E.O., \$361
million, Rank: 257.

-Pennsylvania Bankers
Association, Chairman,
Trust Investment Comm.

RICHARD D. EDWARDS

Union Nat'l Bk., Pittsburgh,
Pa., Pres., \$820 million,
Rank: 123.

-Member, Third District
Regional Advisory Committee,
Comptroller of the Currency,
(1974).

R. BURT GOOKIN

H.J. Heinz Co., Pitts.,
Pa., Vice-Ch., & C.E.O.,
\$1.66 billion/sales.

-H. J. Heinz Co. of Canada,
Ltd., Director.

-Bank of America, N.Y.,
Director, (subsidiary of
BankAmerica Corporation,
\$60 billion/assets.)

-Westinghouse Electric,
Director.

WILLIAM E.
MIDKIFF, III.

First Steuben Bancorp,
Inc., Steubenville,
Chairman, \$110 million/
assets.

-First National Bk. &
Trust Co., Chairman
and Chief Executive Off
\$104 million, Rank: 853.

-Ohio Bankers Association,
Member, Public Affairs
Committee, 1972-1976.

-American Bankers
Association, Bank Invest-
ments Committee, 1976,
Member.

District FourFEDERAL RESERVE BANK OF CLEVELANDPittsburgh BranchDirectors Appointed by Board of Governors

G. JACKSON TANKERSLEY
Chairman

Consolidated Natural Gas Co.,
Pittsburgh, Pa., President,
\$861 million/revenue.

-Consolidated Natural Gas
Services Co., Pres. & Dir.

-Midland Ross Corporation,
Director.

-Higbee Company, Director,

-First Union Real Estate
Equity & Mortgage
Investments, Director.

-B.F. Goodrich, Director.

-Copperweld Corp., Dir.

-Cleveland Trust Company,
(Director from Jan. 9, 1969
to March 1, 1974), \$3.1 billion,
Rank: 25. Part of Clevetrust,
\$4 billion/assets. Holding
Company Rank: 18.

-Owensboro National Bank,
(Director from 1958 to
1966).

ARNOLD R. WEBER

Carnegie-Mellon University,
Pitts., Provost; Graduate School
of Industrial Administration,
Dean.

-ALCOA, Director.

-Standard Shares, Inc., Dir.,

-Ticor Mortgage Insurance Co.,
Director,

WILLIAM H. KNOELL

Cyclops Corporation, Pitts.,
Pa., President, \$652 million/
sales.

-American Sterilizer Co.,
Director.

-Mesaba-Cliffs Mining Company,
(former director).

-Dickerson Enterprises, Inc.,
(former director).

-Carnegie-Mellon University,
Trustee.

District FiveFEDERAL RESERVE BANK OF RICHMONDBaltimore BranchDirectors Appointed by Federal Reserve Bank

J. STEVENSON PECK

Union Trust Bancorp,
Baltimore, Chairman,
\$856.9 million/assets.

-Union Trust Company of
Maryland, Chairman,
\$700 million, Rank:142.

-Union Tidewater Financial
Company, Chairman (Subs.
Union Trust Bancorp.)

-Union Home Loan Corporation,
Chairman, (Subs. of Union
Trust Bancorp.)

-Landmark Financial
Services, Chairman.

-Maryland Bankers Association:
Chairman, Budget Committee,
(1970);
Member, various committees.

LACY I. RICE, JR.

Old National Bank of
Martinsburg, West
Virginia, President,
\$39 million, Rank: 2,504.

-Suburban National Bank
of Martinsburg, President,
\$2.5 million.

-Rice Hannis, Rice,
(law firm) partner.

-Mr. Rice is listed
as "Counsel to"
Old National Bank.

-firm is listed
as "Counsel to"
Suburban.

J. PIERRE BERNARD

Annapolis Banking and
Trust Company, Annapolis,
Maryland, Chairman of the
Board, \$62 million, Rank: 1,482.

-Mercantile Bankshares Corp.,
multi-bank holding company,
Vice-Chairman, \$707 million/
assets.

-Annapolis Broadcasting
Corporation, Director.

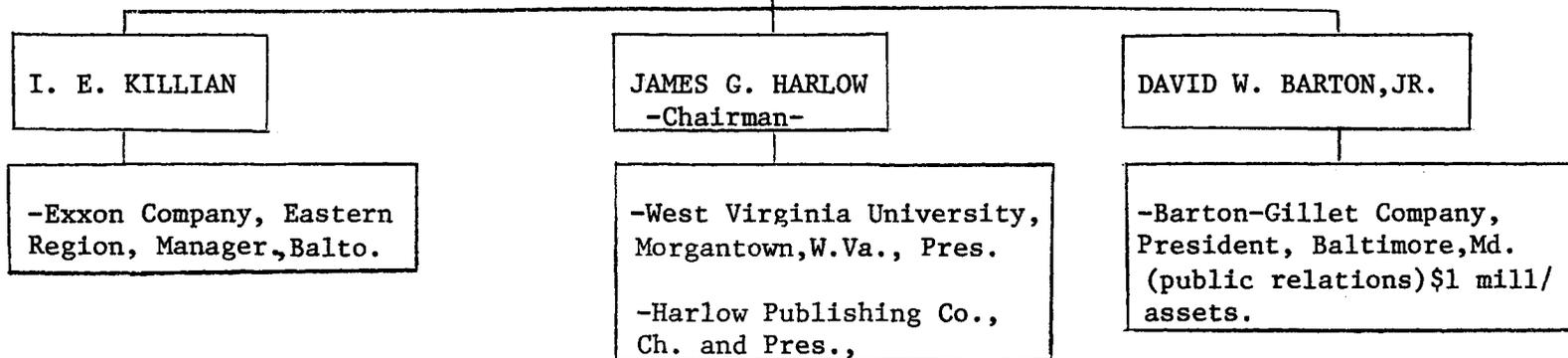
-Maryland Bankers Association,
past President.

CATHERINE B. DOEHLER

Chesapeake Financial
Corporation, Baltimore,
Senior Vice-President,
\$1 million/net worth.

- Security Savings and
Loan, Vice-President
and Director.

-Mortgage Corporation
of American, Vice-
President and Treasurer.

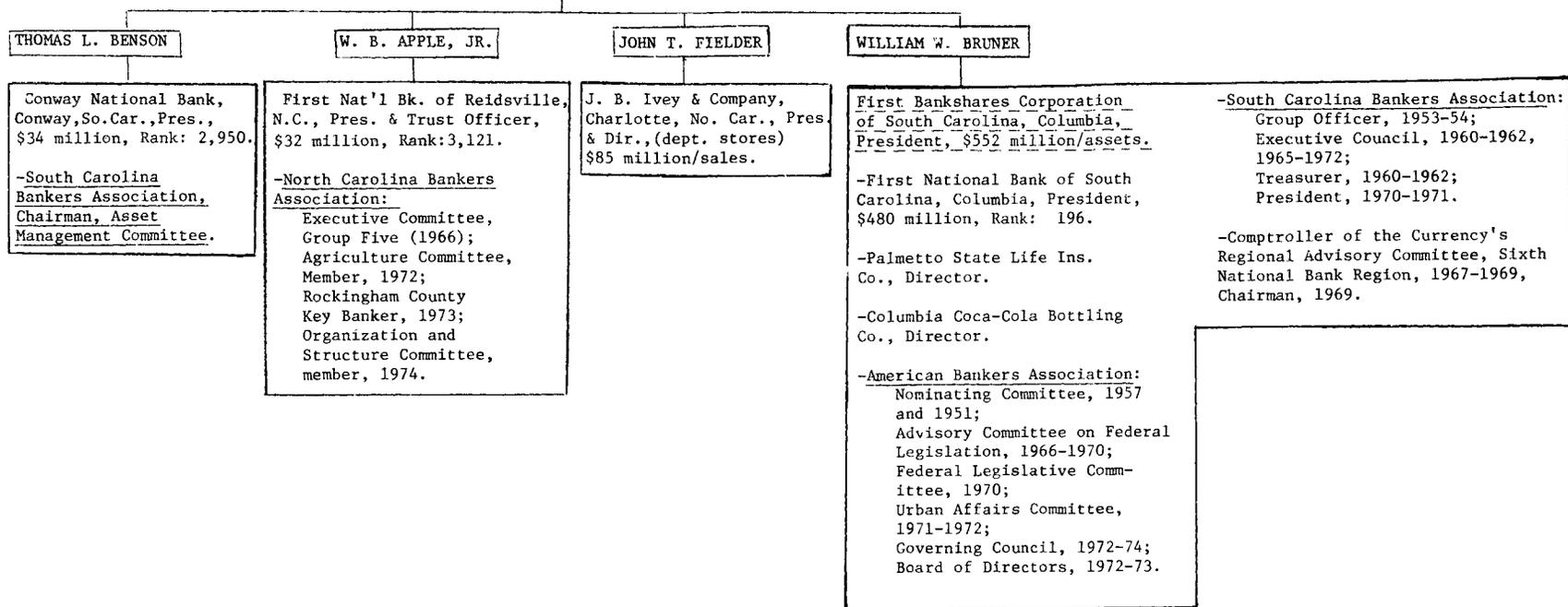
District FiveFEDERAL RESERVE BANK OF RICHMONDBaltimore Branch
Directors Appointed by Board of Governors

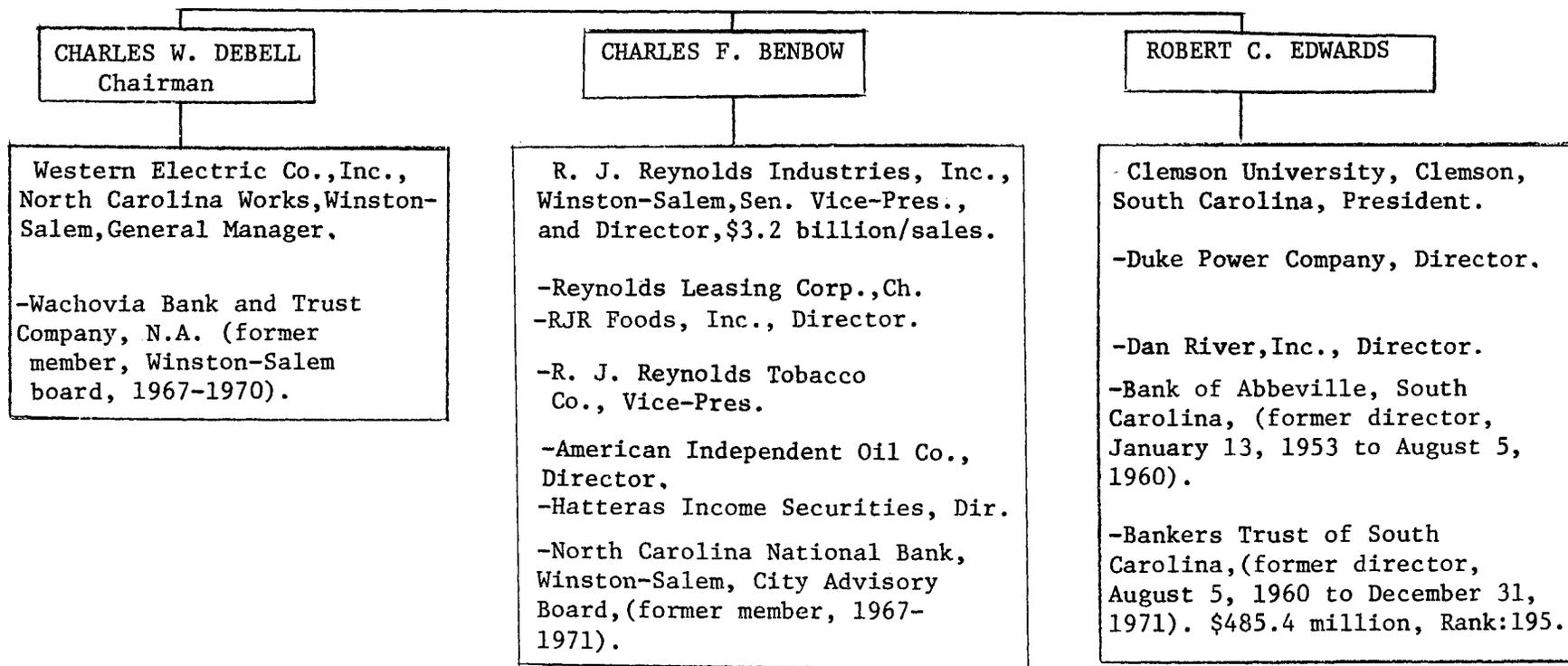
District Five

FEDERAL RESERVE BANK OF RICHMOND

Charlotte Branch

Directors Appointed by Federal Reserve Bank



District FiveFEDERAL RESERVE BANK OF RICHMONDCharlotte BranchDirectors Appointed by Board of Governors

District SixFEDERAL RESERVE BANK OF ATLANTABirmingham BranchDirectors Appointed by Federal Reserve Bank

CLARENCE L. TURNIPSEED

First National Bank, Brewton,
Alabama, President, \$35 million,
Rank: 2,885.

-Alabama Bankers Association,
Group Chairman.

JOHN MAPLES, JR.

Union Bank & Trust Co., Mont-
gomery, Alabama, Exec. Vice-Pres.
\$187 million, Rank: 425.

D.C. WADSWORTH, JR.

American National Bank
of Gadsden, Ala., Pres.,
\$49.5 million, Rank: 1,952.

ROBERT H. WOODROW, JR.

First Nat'l Bk. of
Birmingham, Ala., Ch. &
C.E.O., \$949 million,
Rank: 101.

-Alabama Bancorp.,
Director, \$1.75 billion
assets, Holding Co.
Rank: 44.

-Royal Crown Cola Co.,
Director.

-Hardie-Tynes Mfg. Co.,
Director.

-Goodall-Brown Dry
Goods, Director.

-Alabama Bankers
Association, Executive
Vice-President, 1974-5.

District SixFEDERAL RESERVE BANK OF ATLANTABirmingham Branch
Directors Appointed by Board of Governors

WILLIAM H. MARTIN III

Martin Industries, Sheffield, Ala., Exec. Vice President, \$ 25 million / sales.

-Cincinnati, New Orleans & Texas Pacific R.R., Director.

-Associated Industries of Alabama, Director.

-Martin Supply Company, Director.

-Indian Springs Corporation, Director.

-Central Bank of Alabama, N.A. (Director, 1969-1975) \$386 million, Rank: 242.

This is subsidiary of Central Bancshares of the South, Inc., \$1,069 billion/ assets. Holding Company Rank: 85.

-Shoals National Bank, (former director, March 1975 to Dec. 8, 1975) \$13.1 million.

HAROLD B. BLACH, JR.
Chairman

J. Blach & Sons, Inc., Birmingham, Alabama, President, \$6 million/ assets.

-First Federal Savings & Loan, Director.

-Mid-South Co., Director.

-First National Bank of Birmingham, (former member, Advisory Board of Southern Area, resigned 12/31/74). \$949 million, Rank: 101.

This is subsidiary of Alabama Bancorporation, \$1.75 billion/ assets, Holding Company Rank: 44.

FRANK P. SAMFORD, JR.

Liberty National Life Ins. Co., Birmingham, Alabama, Chairman of the Board, \$1.08 billion/assets.

-Golden Flake, Inc., Director.

-South Central Bell, Director.

-Alabama Great Southern R.R., Director.

-The Southern Company, Director.

-Saunders Leasing Company, Director.

-Birmingham Trust National Bank, (Director, 1962-1972), \$622 million, Rank: 156. This is subsidiary of Southern Bancorporation, \$1.226 billion/assets. Holding Company Rank: 77.

District Six

FEDERAL RESERVE BANK OF ATLANTA

Jacksonville (Fla) Branch
Directors Appointed by Federal Reserve Bank

MAC DONNELL TYRE

Sun First National Bank of Orlando, Fla., Chairman, \$309 million, Rank: 314.

-Sun Bank of East Orlando, N.A., Chairman and Director, \$32.5 million, Rank: 3,076.

-Sun Bank of St. Cloud, Director, \$18.9 million.

-Sun Banks of Florida, Vice-President & Director, \$1.702 billion/assets, Holding Company Rank: 47.

-Gulf Life Holding Company, Director.

-Florida Bankers Association, Chairman, Banking Division, 1974; Chairman, 1975 Convention.

-American Bankers Association: Research and Planning Executive Council, Member, 1972-1974.

RICHARD A. COOPER

Ellis First National Bank of New Port Richey, Fla., Chairman, \$75 million, Rank: 1,208.

-Ellis Security Bank, New Port Richey, Chairman, \$46 million, Rank: 2,134.

-Ellis First National Bank of Hudson, Chairman, \$3.3 million.

-Ellis Banking Corporation, Director, \$717 million/assets. This is a multi-bank holding company which includes above banks among others.

-Ellis First National Bank of Dade City, Director. \$22 million.

-Florida Bankers Association, Chairman, Group One., 1960.

CHAUNCEY W. LEVER

Florida National Banks of Florida, Jacksonville, Florida, Chairman, \$1.547 billion, Holding Company Rank: 54.

-Florida First National Bank, President, Director and Chief Executive Officer, \$327 million, Rank: 294. (subs. of FNB above)

-Florida Bank at Lauderdale, Director \$18 million.

-Florida National Bank at Lake Shore, Director.

-Citizens' Bank of Bunnell, Director, \$9 million/deposits.

-Wesley Manor, Inc., Director.

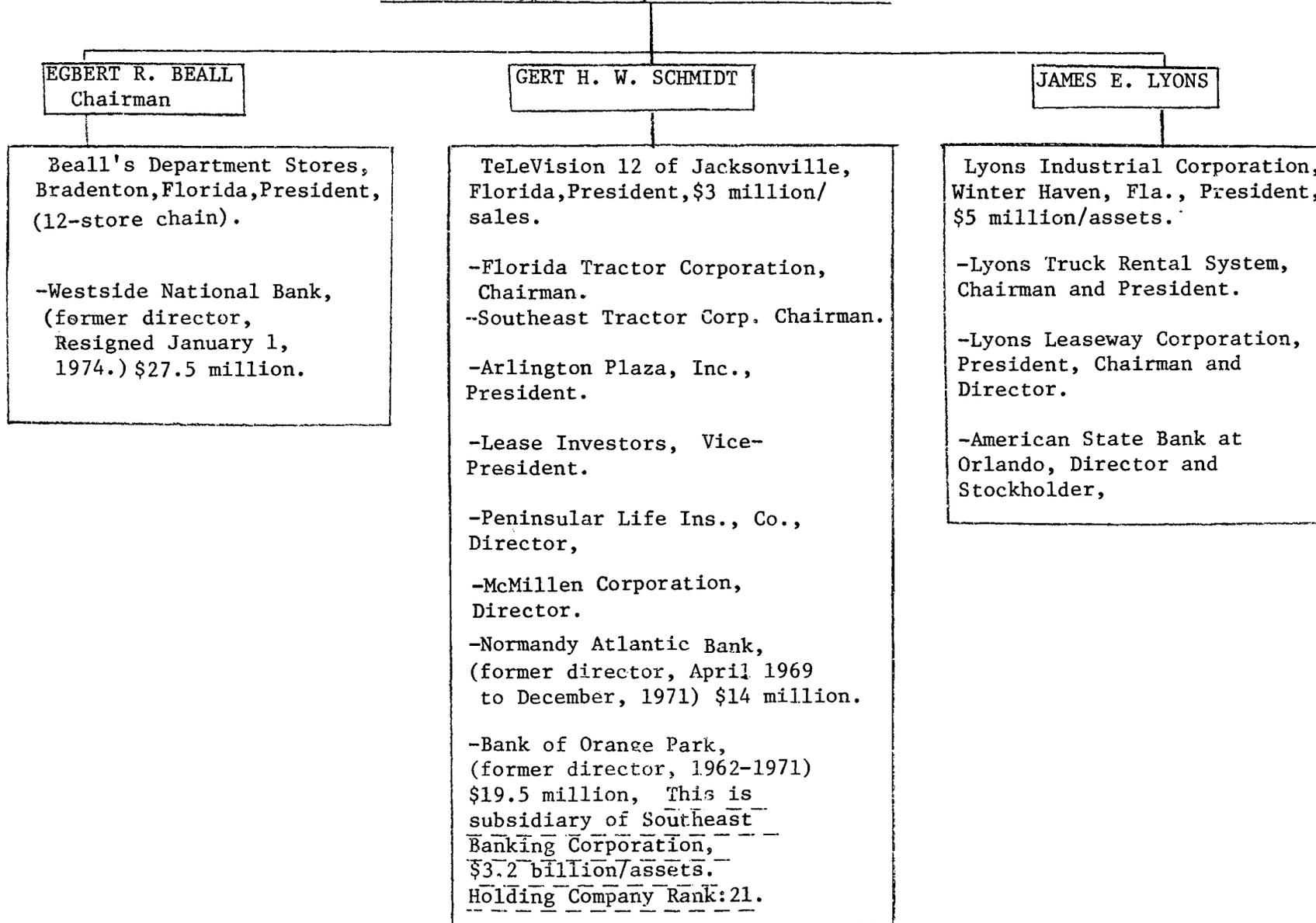
-Florida Bankers Association: Paperless Entries Payments Committee, Member; Economic Committee, former Chairman.

JOHN T. CANNON, III

Barnett Bank of Cocoa, N.A., Cocoa, Florida, President, \$51 million, Rank: 1,865. This is subsidiary of Barnett Banks of Florida, \$2.21 billion, Holding Company Rank: 32.

-Florida Bankers Education Foundation (Trustee 1969 to present; Chairman, 1973).

-Florida Bankers Association: Mortgage Credit Committee, 1967-1970, past chairman and past member; Credit Division, Chairman, 1971.

District SixFEDERAL RESERVE BANK OF ATLANTAJacksonville (Fla) Branch
Directors Appointed by Board of Governors

District Six

FEDERAL RESERVE BANK OF ATLANTA

Miami Branch

Directors Appointed by Federal Reserve Bank

MICHAEL J. FRANCO

City National Bank Corporation, President and Director, \$525 million/assets.

-City National Bank of Miami, Chairman and Director, \$268 million, Rank: 348. This is part of holding company.

-City National Bank of Miami Beach, Director, \$99.8 million, Rank: 900. This is part of holding company.

-City National Bank of Coral Gables, Director, \$42.9 million, Rank: 2282. This is part of holding company.

-City National Bank of Hallandale, Director, \$50.7 million, Rank: 1898. This is part of holding company.

Dade County Bankers Association, President, 1952.

-Florida Bankers Association:
Vice-Chairman, Group IV, 1954-5;
Chairman, Group V, 1956;
Executive Council, Member, 1957.

-Comptroller of the Currency, Regional Advisory Committee, Sixth National Bank Region, 1972.

HARRY HOOD BASSETT

Southeast Banking Corporation, Miami, Florida, Chairman, \$3.2 billion/assets, Holding Company Rank: 21.

-Southeast First National Bank of Miami, Chairman, \$1.35 billion, Rank: 65. This is part of holding company.

-Maule Industries, Inc., Director.

-Wometco Enterprises, Inc., Director.

-Eastern Airlines, Inc., Director.

-American Bankers Association, Payments System Policy Committee, Member.

-Association of Registered Bank Holding Companies, Vice-President, Director, and Member of Executive Committee.

-Member, Federal Advisory Council to the Federal Reserve System, December, 1970 to December, 1971, and December, 1972 to December, 1973.

THOMAS F. FLEMING, Jr.

First Bancshares of Florida, Inc., Boca Raton, Chairman, \$550 million/assets.

-First Bank and Trust Company of Boca Raton, Chairman, \$130 million, Rank: 681. This is anchor bank of holding company.

-University National Bank, Chairman, \$33 million, Rank: 3016, This is part of holding company.

-Southeast Banking Corporation, Mr. Fleming founded and was president, 1967-1969.

-First National Bank of Miami, (former director, 1966 to 1969) part of Southeast.

-Mr. Fleming died, early 1976.

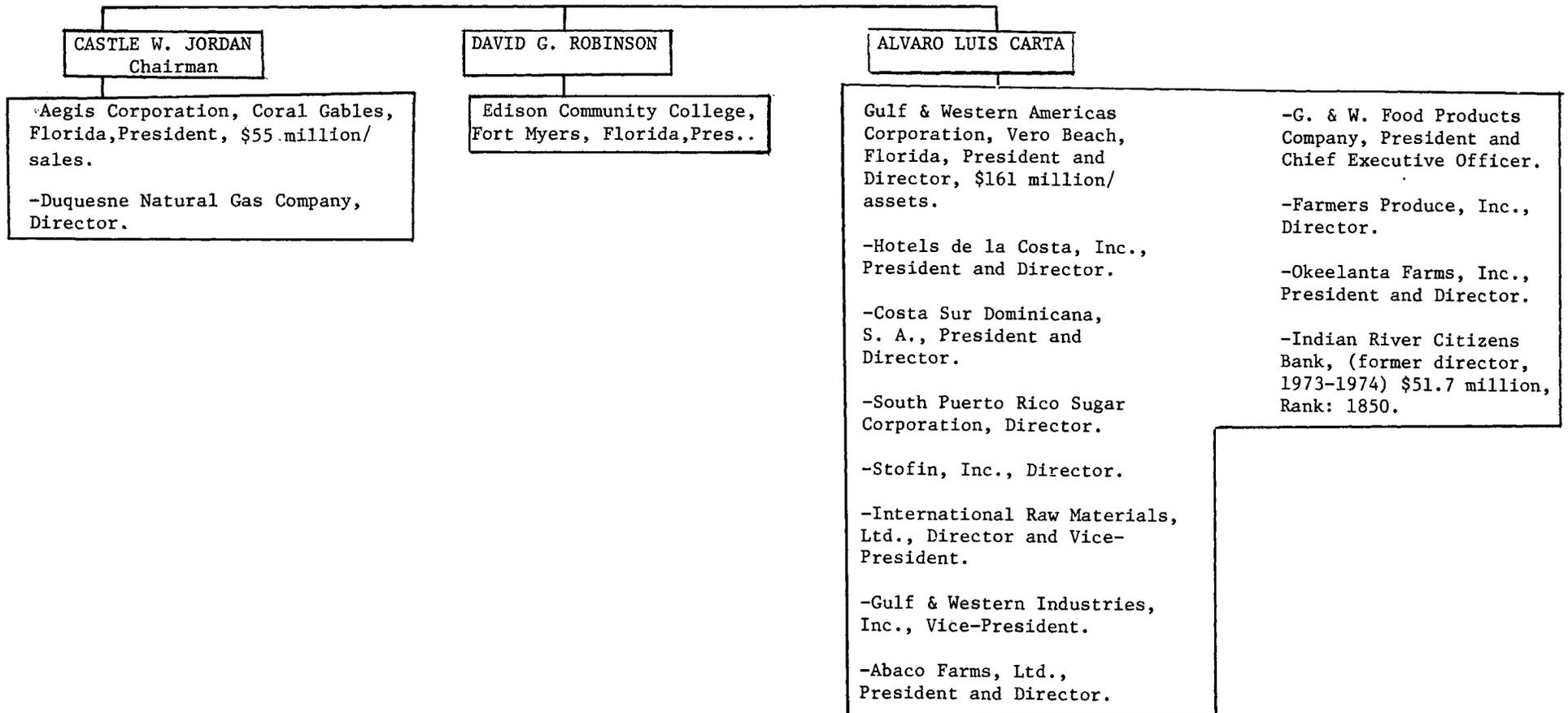
JEAN MCARTHUR DAVIS

McArthur Dairy, Inc., Miami, President, \$12 million/assets.

-T. G. Lee Foods, Inc. Secretary.

-McArthur Farms, Inc., Director.

-Southeast First National Bank of Miami, Director, \$1.35 billion, Rank: 65. This is part of Southeast Banking Corporation, \$3.2 billion/assets. Holding Company Rank: 21.

District SixFEDERAL RESERVE BANK OF ATLANTAMiami BranchDirectors Appointed by Board of Governors

District SixFEDERAL RESERVE BANK OF ATLANTANashville BranchDirectors Appointed by Federal Reserve Bank

T. SCOTT FILLEBROWN, JR.

First AmTenn Corporation,
Nashville, Tennessee,
President, \$1.482 billion/
assets, Holding Company
Rank: 61.

-First American National
Bank, Vice-Chairman,
\$1.0 billion, Rank: 83.
This is part of holding
company.

-Whitson Timber Company,
Director.

-Tennessee Wholesale
Drug, Director.

-Betty Machine Company,
Director.

-Tennessee Bankers Association,
Federal Legislative Committee,
Member.

-American Bankers Association:
Executive Council,
Member;
Bank Investments
Division, Chairman;

FRED R. LAWSON

Tennessee National Bancshares,
Maryville, President, \$72 million/
assets.

-Blount National Bank of Maryville,
President, \$69.7 million, Rank: 1311.
This is part of holding company.

-Merchants and Farmers Bank,
Director, \$6.9 million. This is
part of holding company.

-Tipton Investment, Inc.,
Director.

-Cumberland Mineral Company,
Director.

-Chilhowee, Inc., Director.

-Tennessee Bankers Association,
Chairman, Federal Legislative
Committee.

-American Bankers Association,
Government Relations Committee,
Member.

-Association of Registered
Bank Holding Companies, Secretary.

--Tennessee Banking Board,
Vice-Chairman.

W. M. JOHNSON

First National Bank,
Sparta, President,
\$29.9 million, Rank: 3371

-Sparta First Federal
Savings and Loan, Director.

-Burley Stabilization Board,
Member.

-Tennessee Bankers Association,
Director for Middle Tennessee,
1972.

-American Bankers Association,
Tennessee Vice-President,
1969-1970.

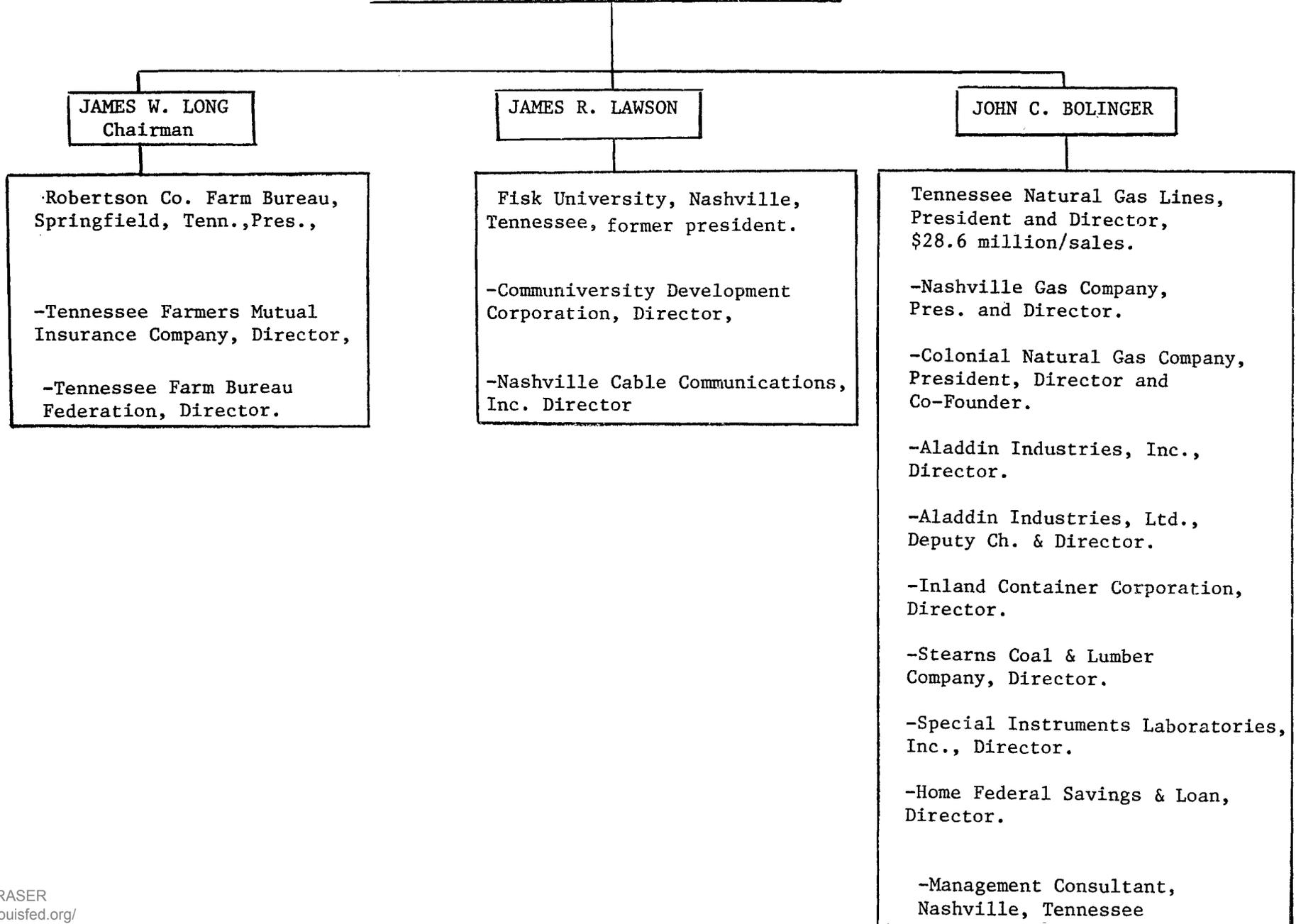
JOHN W. ANDERSEN

First National Bank of
Sullivan County, Kingsport,
Tennessee, President and
Chief Executive Officer,
\$151 million, Rank: 580.

-United Inter-Mountain
Telephone Company, Director.

-H. A. T. Company (Real
Estate Holding Company)
Director.

-Tennessee Bankers Association:
State Legislation Committee,
Member;
Correspondent Bank Committee,
Member.

District SixFEDERAL RESERVE BANK OF ATLANTANashville BranchDirectors Appointed by Board of Governors

District SixFEDERAL RESERVE BANK OF ATLANTANew Orleans Branch
Directors Appointed by Federal Reserve BankMARTIN C. MILER

Hibernia Corporation, -
New Orleans, Louisiana, -
Chairman, President and
Chief Executive Officer, -
\$697 million/assets. -

-The Hibernia National
Bank, Chairman, President
and Chief Executive
Officer, \$579 million,
Rank: 171. This is part
of holding company. -

-Association of Registered
Bank Holding Companies,
Member.

CHARLES W. MC COY

Louisiana National Bank,
Baton Rouge, Louisiana,
Chairman and President,
\$391 million, Rank: 236.

-Jefferson Pilot
Corporation, Director.

-Jefferson-Standard
Life Insurance Company,
Director.

-Gulf South Research
Corporation, Director.

-Louisiana Bankers Association,
Chairman, Legislative Comm.
1968-1969 and 1973.

-American Bankers Association:
Marketing/Savings Division,
Vice-President, 1968-69
and President, 1969-1970;
Banking Policies and
Practices Committee, Member;
Urban and Community Affairs
Committee, Executive Committee,
Member;

American Bankers Association
(Continued):

Marketing Division, Executive
Committee Member;
Administrative Committee,
member of Executive Committee,
1965-1968;
Bank Management, Organization,
and Public Relations Committees,
former member.

R. B. LAMPTON

First National Bank of
Jackson, Mississippi,
President, \$619 million,
Rank: 158.

-First Capital Corporation,
Treas. & Dir., \$714 million/
assets. This is holding -
company for bank. -

-Entex, Inc., Director.

-Mississippi Bankers
Association, President,
1974-1975.

-American Bankers Association,
State Coordinator for Savings
Bond Committee since 1972.

WILMORE W. WHITMORE

First National Bank of
Houma, Louisiana,
President and Chief
Executive Officer,
\$103 million, Rank: 867.

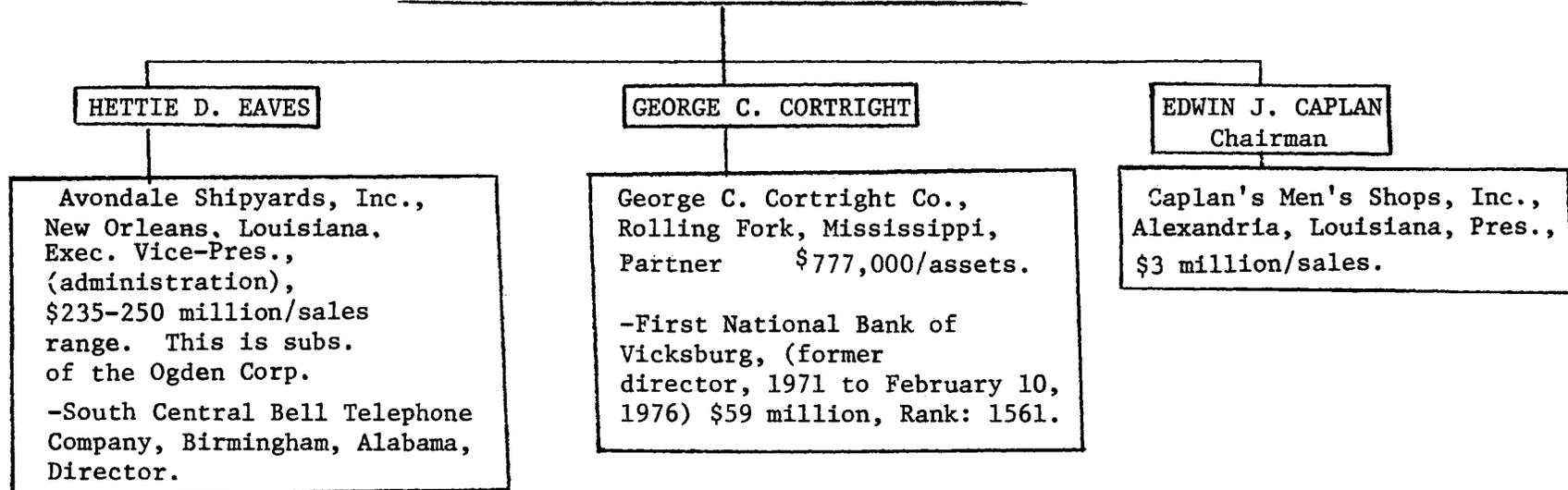
-Allied Enterprises, Inc.,
Director, Secretary-
Treasurer.

-Louisiana Bankers Association:
Federal Affairs Committee,
Member, 1975-1976;
Legislative Committee, 1974-76;
Contact Banker for 1975-1976
for a Member of Congress.

-Louisiana Bankers Political
Education Council, South Central
District Director, 1975-1976.

-Louisiana Independent Association
of Banks, Director 1974-1976, and
President, 1973-1974.

-Comptroller of the Currency
Regional Advisory Committee for
the 8th Region, Member, 1974-76.

District SixFEDERAL RESERVE BANK OF ATLANTANew Orleans BranchDirectors Appointed by Board of Governors

District SevenFEDERAL RESERVE BANK OF CHICAGODetroit BranchDirectors Appointed by Federal Reserve Bank

ROBERT M. SURDAM

National Detroit Corporation,
Detroit, Chairman, \$7.3 billion/
assets, Holding Company Rank: 11.

-National Bank of Detroit,
 Chairman, \$5.9 billion, Rank: 17.
This is subsidiary of NDC.

-International Bank of Detroit,
 Director, (Subsidiary of
 Nat'l Bank of Detroit.

-Western American Bank (Europe)
 Ltd, Director, (Affiliate of
 Nat'l Bank of Detroit).

-Bundy Corporation, Director.

-Burroughs Corporation, Director.

-Parke, Davis & Company, Director.
 (subs. of Warner-Lambert).

-American Bankers Association,
Government Borrowing Committee,
Chairman.

HAROLD A. ELGAS

Gaylord State Bank, Gaylord,
 Michigan, President, \$39 million,
 Rank: 2511.

-Michigan Bankers Association:
 President, 1970-71;
 Executive Committee Member;
 Legislative Committee
 Member.

JOSEPH B. FOSTER

Mid-America Fidelity,
Ann Arbor, Chairman,
(In 1975, merged with American
Bankcorp, Inc., Director,
\$270 million/assets.

-Ann Arbor Bank, President,
 \$205 million, Rank: 447.
Bank is subsidiary of
Mid-America Fidelity.

-Michigan Bankers Association:
 President, 1966-1967;
 Executive Council Member,
 1965 to present;
 Legislative Committee Member,
 1959 to present.

-American Bankers Association:
 Executive Council Member,
 1969-1971;
 Government Relations Council
 Member, 1971 to present.

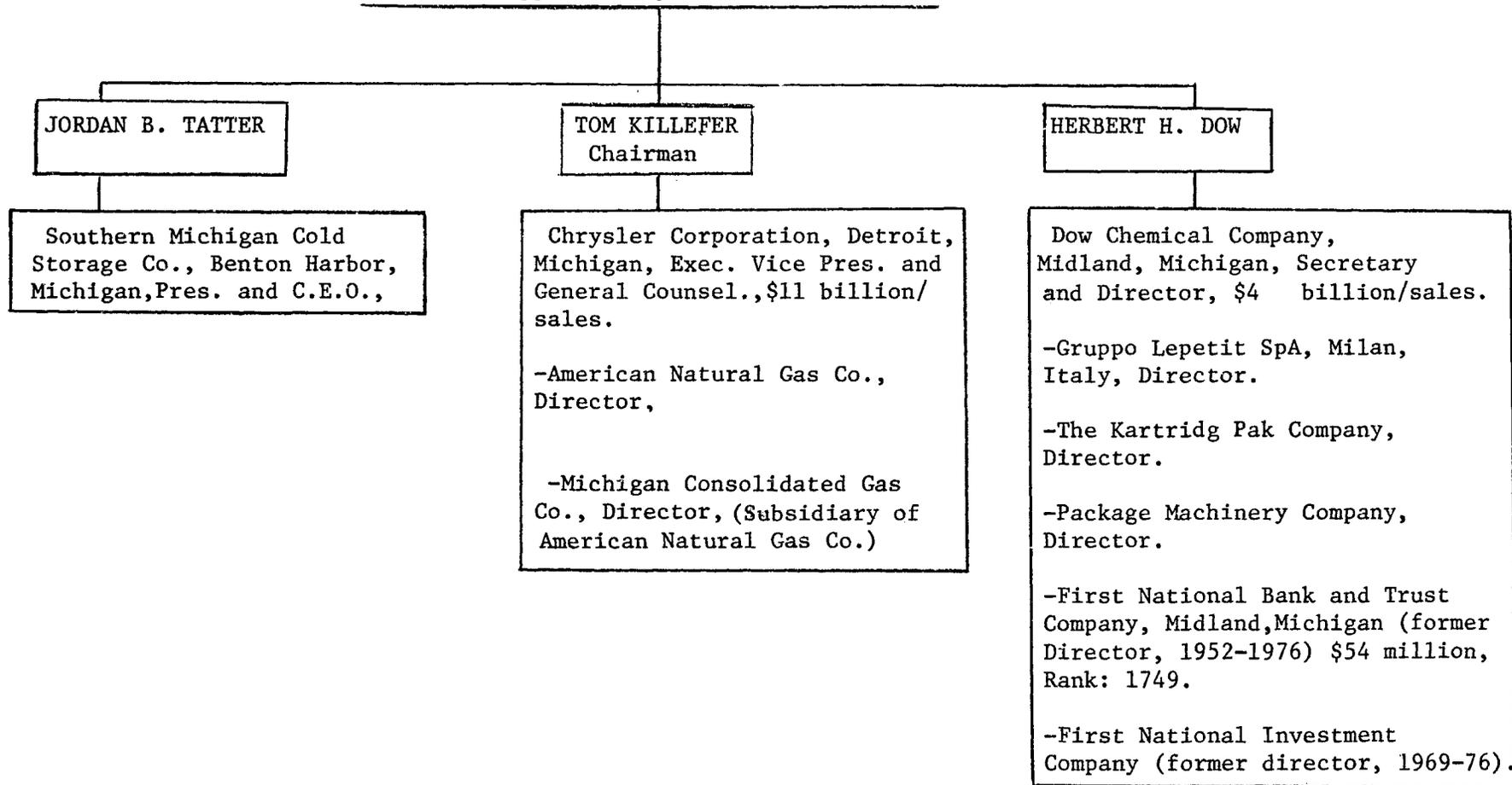
--Conference of State Bank
 Supervisors, State Representative
 1971 to present.

CHARLES R. MONTGOMERY

Michigan Consolidated Gas
 Company, President and
 Director, \$397 million/
 sales.

-American Natural Gas
 Company, Director (Parent
 of Michigan Consolidated).

-Michigan Consolidated Homes
 Limited Dividend Housing
 Corporation, Director.

District SevenFEDERAL RESERVE BANK OF CHICAGODetroit BranchDirectors Appointed by Board of Governors

District EightFEDERAL RESERVE BANK OF ST. LOUISLittle Rock BranchDirectors Appointed by Federal Reserve Bank

HERBERT H. MCADAMS, II

Union Nat'l Bk of Little Rock, Ark., Ch. and C.E.O., \$185.5 million, Rank: 485.

-Citizens Bank of Jonesboro, President and Chairman, \$74 million, Rank: 1225.

-Home Federal Savings and Loan Association, Chairman.

-Arkansas Bankers Assn.:
Chairman, Bank Mgt. Seminar, 1973-74;
Federal Government Relations Committee, Ex-Officio Member.

THOMAS E. HAYS, JR.

First Nat'l Bk. of Hope, Ark., President & C.E.O., \$25 million, Rank: 4108.

-Arkansas Bankers Assn:
President;
Treasurer, 1965;
Public Relations Comm., Ch., 1972;
Group Four, Ch. 1966;
Executive Council Member, 1968.

THOMAS G. VINSON

The Citizens Bank, Batesville, Ark., Exec. Vice-Pres., \$25.8 million, Rank: 3987.

-Bank of Evening Shade, Director, \$ 2.2 million.

-Arkansas Bankers Assn:
Chairman, Group II, 1960;
Executive Council 1963-1966;
Government Relations Committee, 1972.

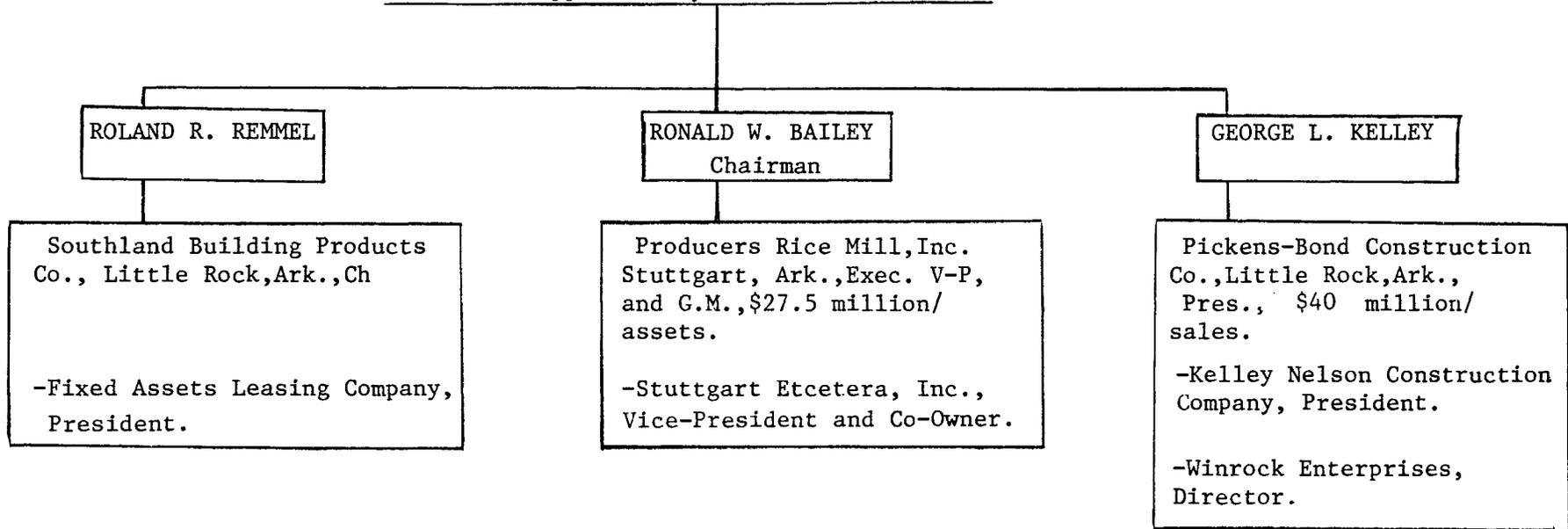
FIELD WASSON

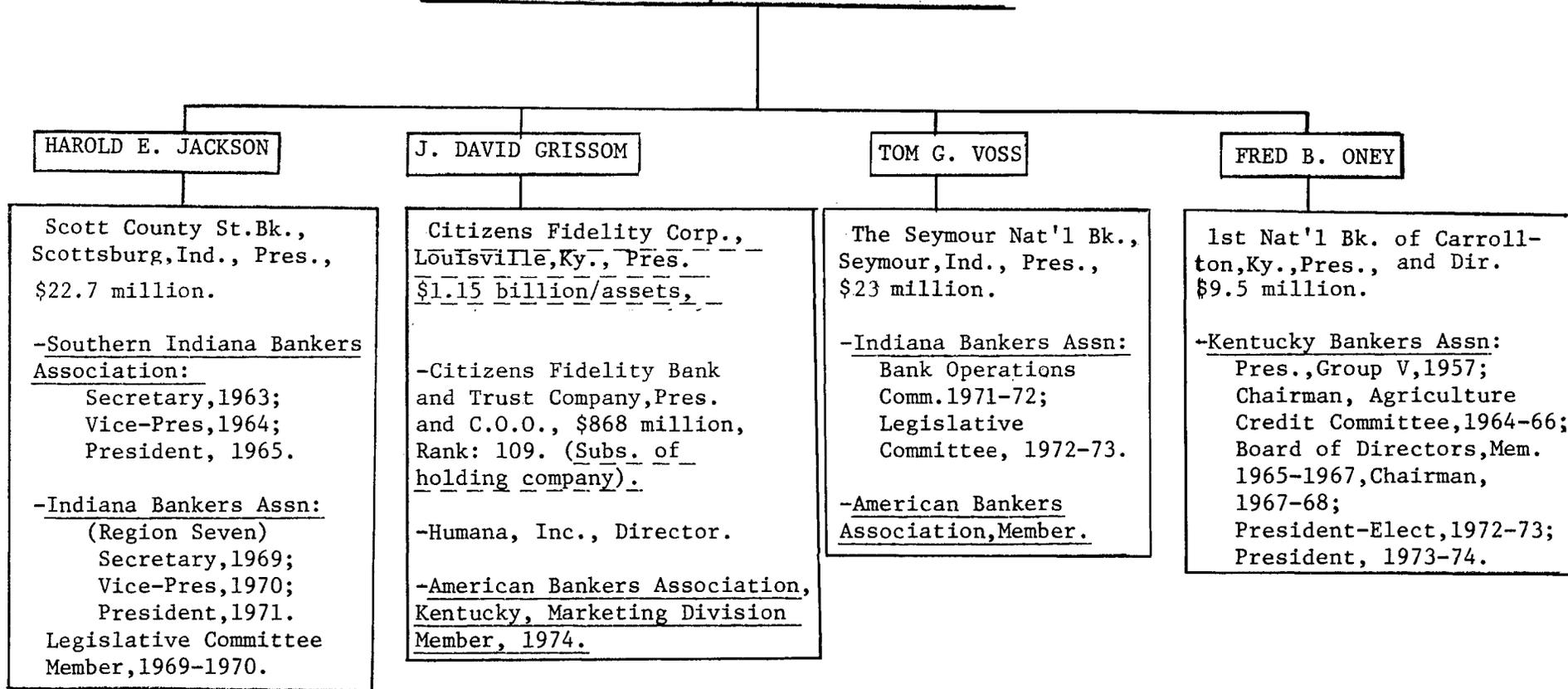
The First National Bank, Siloam Springs, Arkansas, President, \$21.9 million.

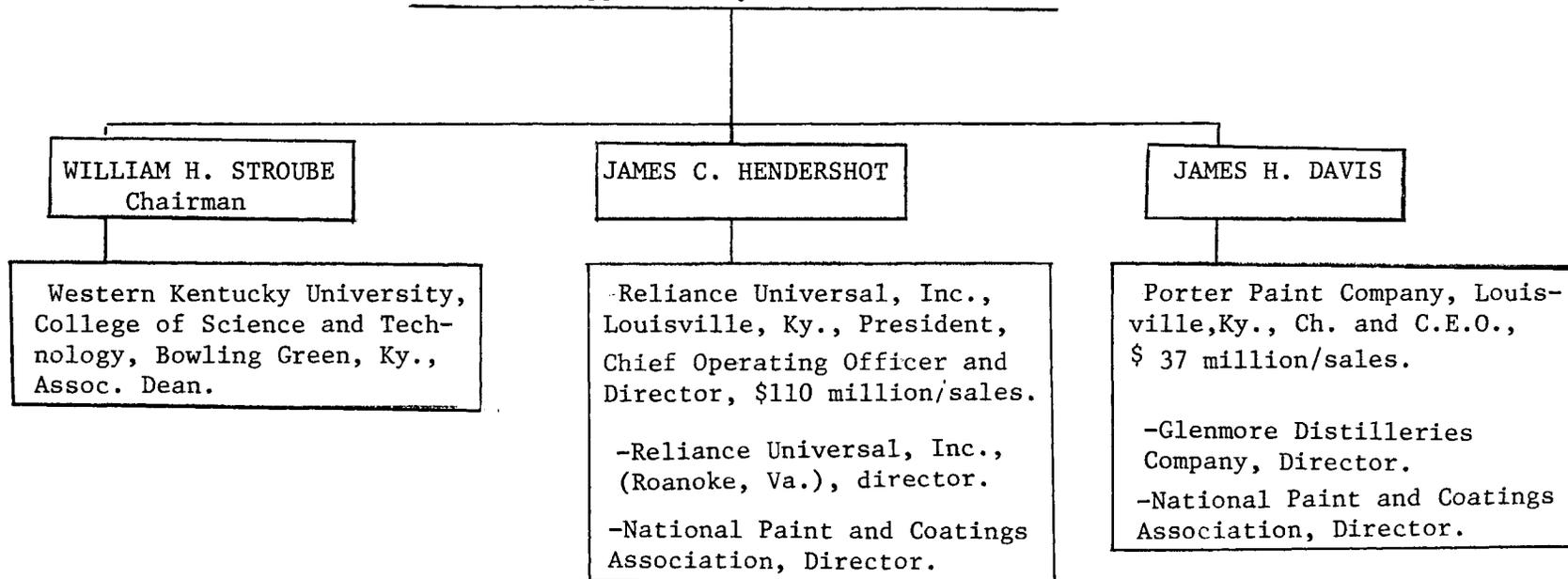
-Marion Wasson Ins. Agency, Secretary.

-Northwest Arkansas Bankers Association, Chairman, 1972.

-Arkansas Bankers Association, Chairman, Group Three, 1971.

District EightFEDERAL RESERVE BANK OF ST. LOUISLittle Rock BranchDirectors Appointed by Board of Governors

District EightFEDERAL RESERVE BANK OF ST. LOUISLouisville(Ky) BranchDirectors Appointed by Federal Reserve Bank

District EightFEDERAL RESERVE BANK OF ST. LOUISLouisville (Ky) Branch
Directors Appointed by Board of Governors

District EightFEDERAL RESERVE BANK OF ST. LOUISMemphis BranchDirectors Appointed by Federal Reserve Bank

WILLIAM M. CAMPBELL

1st Nat'l Bk. of Eastern Ark., Forrest City, Ark., Ch & CEO, \$36.9 million, Rank: 2702.

-Forrest City Broadcasting, Director.

-Clearview Corp., Director,

-Arkansas Bankers Association, Pres. 1968.

-American Bankers Assn:

V-P for Ark;
Small Business Credit Comm.
1965-68;
Executive Comm. Marketing/Savings Div, 1969-1971.

CHARLES S. YOUNGBLOOD

1st Columbus Nat'l Bk., Columbus, Miss., Pres. & C.F.O., \$55 million, Rank: 1725.

-Mississippi Bankers Association, Member, Bank Management Committee.

WILLIAM W. MITCHELL

1st Nat'l Bk. of Memphis, Tenn., Ch. & C.E.O., \$972.5 million, Rank: 96. This is part of holding Company.

-First Tennessee Nat'l Corporation, Director, \$1.68 billion/assets, Holding Company Rank: 48.

-First Memphis Realty Trust, Director. This is part of holding co.

-Tennessee Bankers Association, Pres. 1974.

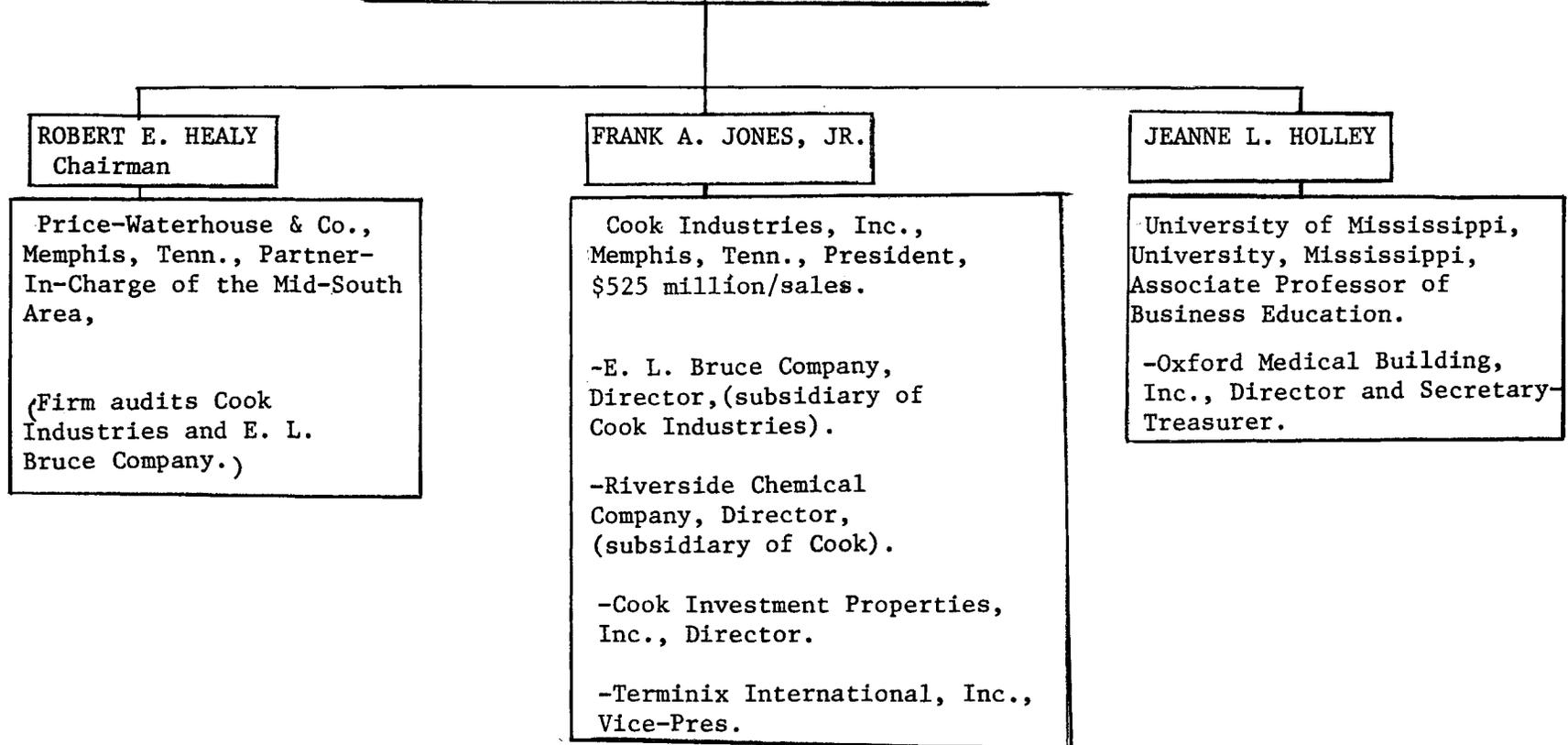
STALLINGS LIPFORD

First-Citizens Nat'l Bk., Dyersburg, Tenn., Pres., \$31 million, Rank: 3197.

-Rolling Acres, Partner.

-Tennessee Bankers Assn:
Executive Council Member, 1961-62;
Federal Legislative Comm. Member, 1966-67 and 1974-1975;

-Independent Bankers of Tennessee, Director, 1973-4.

District EightFEDERAL RESERVE BANK OF ST. LOUISMemphis BranchDirectors Appointed by Board of Governors

District NineFEDERAL RESERVE BANK OF MINNEAPOLISHelena (Mont.) BranchDirectors Appointed by Federal Reserve Bank

JOHN REICHEL

First National Bank, Great Falls, Montana, Pres. and Trust Officer, \$113.6 million, Rank: 774. This is affiliate of First Bank System, Inc., \$7.17 billion/assets. Holding Company Rank: 12.

-First National Bank in Bozeman, Montana, (former president). \$55 million, Rank: 1728. Affiliate of First Bank System, Inc.

-Montana Bankers Association, Agriculture Credit Conference, Chairman, 1962.

GEORGE H. SELOVER

Selover Buick-Jeep, Inc., Billings, Montana, Pres. and G. M.

-First National Bank and Trust Company, Director, (Billings), \$100.8 million, Rank: 890. (Part of Northwest Bancorporation, \$7.3 billion/assets. Holding Company Rank: 10.)

DONALD OLSSON

Ronan State Bank, Ronan, Montana, President, \$13.7 million. Owned by Olsson's Inc.

-Montana Bankers Association: President, Group III, 1970; Executive Committee, 1971-2; Legislative Committee, 1974.

-Montana Independent Bankers Association.

District NineFEDERAL RESERVE BANK OF MINNEAPOLISHelena (Mont) Branch
Directors Appointed by Board of Governors

JAMES C. GARLINGTON
Chairman

Garlington, Lohn & Robinson,
Missoula, Montana, Senior
Partner, (law firm) .

-Western Montana National
Bank, (former director,
1974), \$78.9 million,
Rank: 1141. This is
affiliate of First Bank
System, Inc., \$7.17 billion/
assets, Holding Company
Rank: 12.

REGINALD M. DAVIES

S Bar B Ranch, Chinook,
Montana, Sec-Treas.

-General Agriculture
Corporation, Director.

District Ten

FEDERAL RESERVE BANK OF KANSAS CITY

Denver Branch

Directors Appointed by Federal Reserve Bank

DALE R. HINMAN

The Greeley National Bank,
Greeley, Colorado, Chairman,
& Dir., \$84.5 million, Rank: 1067.
(part of Affiliated).

-Affiliated Bancshares of
Colorado, Dir. and Vice-Pres.,
\$839.8 million, Holding
Company Rank: 94.

-Cache National Bank of
Greeley, Dir. & Vice-Pres.,
\$15.3 million, Part of
Affiliated.

-Farmers National Bank of
Ault, Chairman, \$13.7 mill.
(Part of Affiliated).

-West Greeley National Bank
of Greeley, Director,
\$9.062 million, (Part of
Affiliated).

-Wyoming Gas Company,
Director.

-Colorado Bankers Association,
President.

-Wyoming Bankers Association,
Past President.

-American Bankers Association,
Past Vice-President for state
of Wyoming.

WILLIAM H. VERNON

Santa Fe National Bank,
Santa Fe, N.Mex., Ch. and
C.E.O., \$49 million, Rank: 1971.

-K-B Industries, Director.
(Dallas)

-New Mexico Bankers
Association:

Executive Council
Member, 1957-58;
Taxation Committee
Chairman, 1973;
Various Committees
1955 to present.

-American Bankers Association,
State Vice President for New
Mexico, 1971 thru 1973.

-Comptroller of the Currency,
Member, National Advisory
Committee on Banking Policy
and Practices, 1974-76;
Past Chairman, Regional
Advisory Committee, 12th
National Bank Region.

FELIX BUCHENROTH, JR.

The Jackson State Bank, (Wyoming)
President, \$37 million, Rank: 2646.

-Grand Teton Lodge Company,
Director.

-Member, Wyoming Bankers Association,
American Bankers Association, and
Independent Bankers Association.

District TenFEDERAL RESERVE BANK OF KANSAS CITYDenver BranchDirectors Appointed by Board of Governors

EDWARD R. LUCERO

Colorado Economic Development
Association, Denver, Colorado,
President and Chairman,
\$500,000/assets.

MAURICE B. MITCHELL
Chairman

University of Denver, Colorado,
Chancellor,

-TelePrompter Corporation, Director,

-Samsonite Corp., Director.
(Subsidiary of Beatrice
Foods).

-Outdoor Sports Industries, Director,

-Gale Industries, Director,

-First of Denver Mortgage Trust,
Trustee. REIT - \$137 million/assets.

-Empire Savings and Loan, (former
director, resigned, 1971)

District TenFEDERAL RESERVE BANK OF KANSAS CITYOklahoma City BranchDirectors Appointed by Federal Reserve Bank

HUGH C. JONES

The Bank of Woodward,
Oklahoma, Exec. Vice-
Pres., \$ 32.9 million,
Rank: 3051.

-Oklahoma Bankers
Association, Member,
Bank Structure
Committee.

-American Bankers Association,
Member, Governing Council.

V. M. THOMPSON, JR.

Utica Nat'l Bk. & Trust
Co., Tulsa, Okla., Pres.,
\$131 million, Rank: 671.
(This is part of Helmerich
& Payne, Inc. a diversified
holding company with
sales of \$58.17 million)

-Oklahoma Bankers Association:
Executive Council Member,
1954-55 and 1961-62;
Government Relations and
Research Committee,
Secretary, 1973-74.

J. A. MAURER

-Security National Bank &
Trust Co., Duncan, Okla,
Chairman, \$75.5 million, Rank: 1218.
(Owned by Security Corporation,
a one-bank holding company).

-Investors Trust Company,
Sec.-Treas. and Director

-Mack Oil Company,
President and Director.

-Jath Oil Company, President
and Director.

-Oklahoma Venture Corporation,
Director.

-Maurer Oil Company,
President & Director.

District TenFEDERAL RESERVE BANK OF KANSAS CITYOklahoma City Branch
Directors Appointed by Board of Governors

HARLEY CUSTER

Oklahoma Livestock Marketing
Association, Secretary
and General Manager.

-Oklahoma Cattlemen's Association,
Director.

-National Livestock Credit
Corporation, Director.

-National Livestock Feeder
Service Corp., Director.

-National Livestock
Commission Co., Director.

JAMES G. HARLOW, Jr.
Chairman

Oklahoma Gas & Electric, Oklahoma
City, Okla., President, \$227 million/
sales.

-Massachusetts Mutual Life Insurance,
Director.

-Village Bank, former director,
\$19.3 million.

-Fidelity Bank, N.A., former
director, \$277 million, Rank: 340.
This is part of holding company.

-Fidelity Corporation, (former
director), \$315 million/assets.

District TenFEDERAL RESERVE BANK OF KANSAS CITYOmaha (Nebraska) BranchDirectors Appointed by Federal Reserve Bank

F. PHILLIPS GILTNER

First National Bank of Omaha, Nebraska, President, \$280 million, Rank:337.

part of one-bank holding company.

-First National of Nebraska, Inc., Vice-President, Sec. and Treasurer, \$366 million/assets.

-Pamida, Inc., Director.

-Nebraska Bankers Association, Executive Committee Member, 1973-75.

-American Bankers Association, Executive Comm. of the Correspondent Bank Div, Member, 1972-1974.

-Comptroller of the Currency, Regional Advisory Committee, 10th Nat'l Bk Region, 1971-1974.

GLENN YAUSSE

The NBC Co., (holds Nat'l Bk. of Commerce Trust & Savings, Lincoln, Nebraska, Ch., \$242 million, Rank: 383.

-Kearney First National Company, Chairman, (holds 1st Nat'l Bk. in Kearney) \$49 mill., Rank: 1942.

-Grand Island Overland Co., Ch. (holds Overland Nat'l Bk. of Grand Island) \$44 mill., Rank: 2220.

-Fremont First National Company, Chairman, (holds First Nat'l Bk. of Fremont) \$40 million, Rank: 2452.

-North Platte State Company, Chairman (holds North Platte State Bank) \$17 million/assets.

-Fremont First State Co., Chairman, (holds First St. Bank of Fremont) \$13 million/assets.

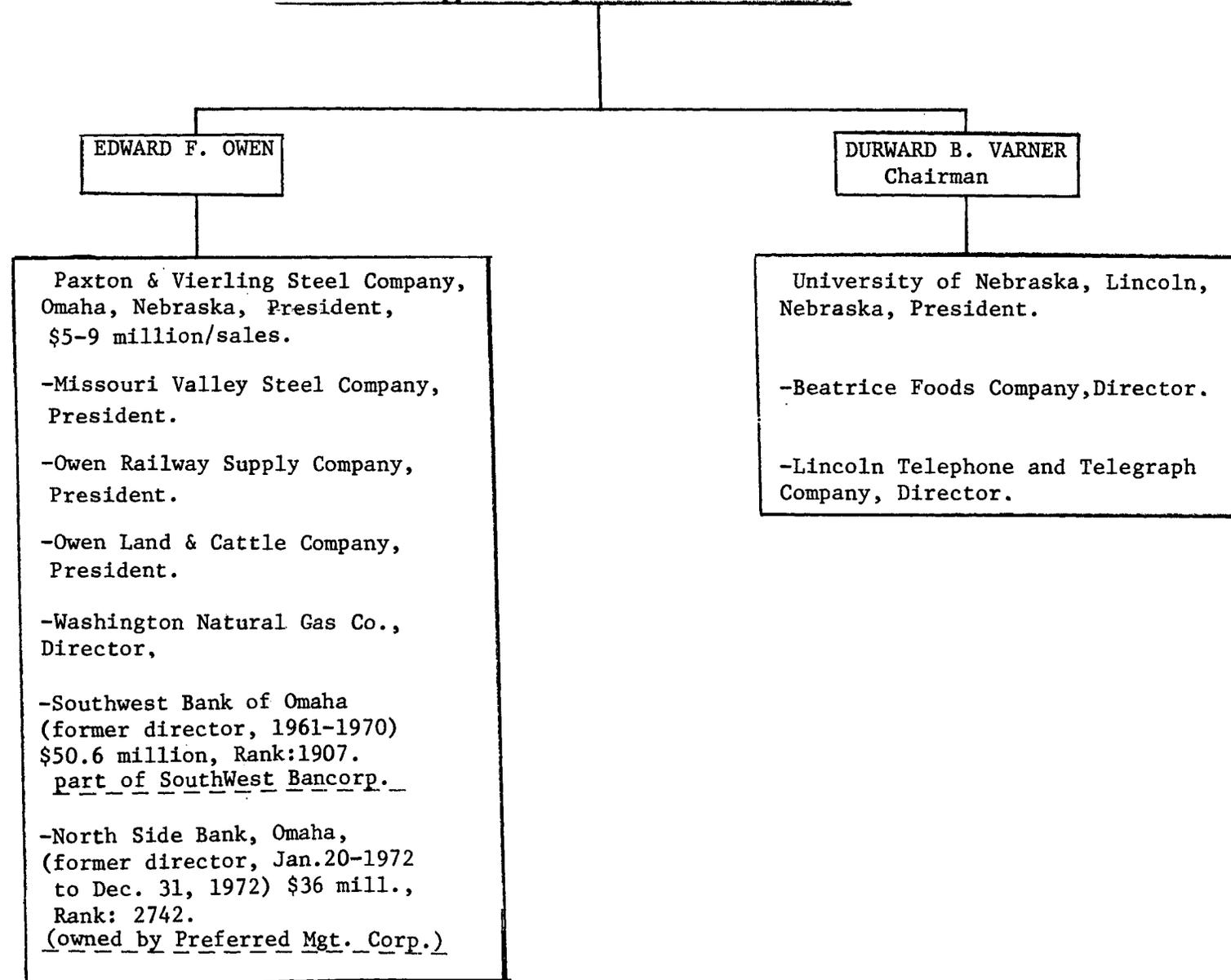
-Lincoln Bank South, Chairman, \$9.9 million.

ROY G. DINSDALE

Farmers National Bank of Central City, Nebraska, Chairman, \$ 9.4 million.

-biography lists Mr. Dinsdale as "director of 10 banks and several livestock and farming and other corporations" -- not listed.

-Nebraska Bankers Association, Member, Bank Study Committee.

District TenFEDERAL RESERVE BANK OF KANSAS CITYOmaha (Nebraska) Branch
Directors Appointed by Board of Governors

District ElevenFEDERAL RESERVE BANK OF DALLASEl Paso BranchDirectors Appointed by Federal Reserve Bank

C. J. KELLY

The First Nat'l Bk. of Midland, Texas, Ch., \$139 million, Rank: 273.

-First Nat'l Bk. of Brownwood, Director. \$43.8 million, Rank: 2246. Part of U.S. Bancshares, Inc., \$74 million/assets.

-First S&L Assoc. Midland, Director.
-First Nat'l Globe Data, Director.

--Was Assistant State Bank Examiner until accepting first position with FNB of Midland.

WAYNE STEWART

1st Nat'l Bk in Alamogordo, N. Mex., President, \$27.6 million, Rank: 3687.

-Alamogordo Industrial Development Corporation, President.

-New Mexico Bankers Assn, Member, and has served on various committees.

REED H. CHITTIM

1st Nat'l Bk. of Lea County, Hobbs, New Mexico, Pres. & Dir., \$76.6 mill, Rank: 1183.

-Seminole State Bank, Chairman, \$29 mill. Rank: 3472.

-Industrial Development Corporation of Lea Co., Director.

-Permian Basin Capital Corporation, Director.

-New Mexico Bankers Assn:
Investment Comm Member, 1972-73;
Taxation Comm. Member, 1970;
Resolutions Comm Member, 1971;
Chairman, Group 3, 1968-69.

ARNOLD B. PEINADO, JR.

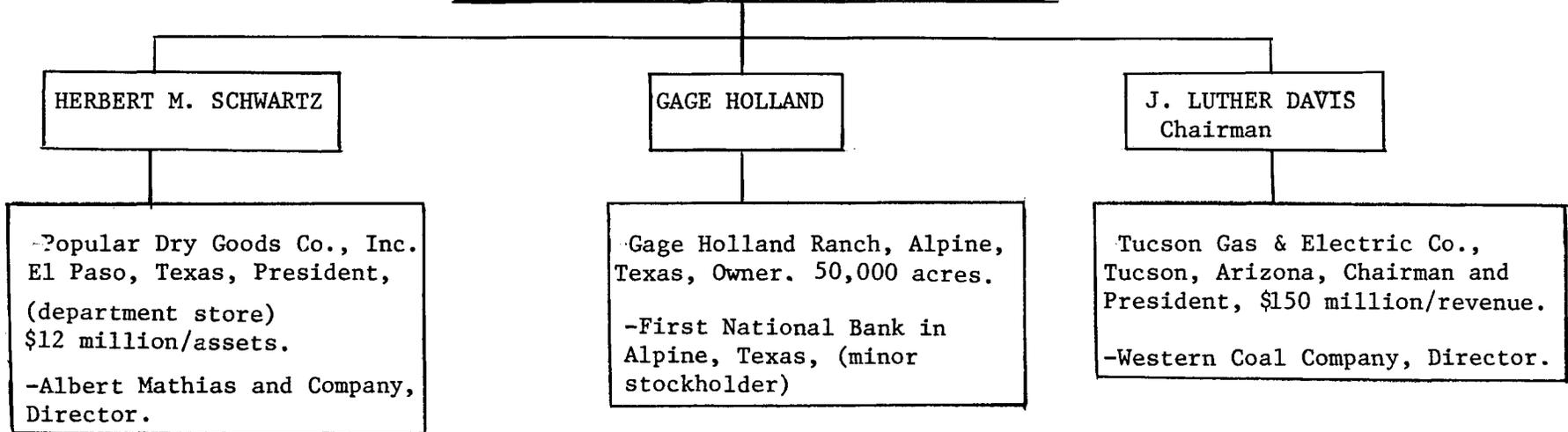
Peinado, Peinado & Navarro, Consulting Structural Engineers, El Paso, Texas, Pres. \$20 million of structures a year.

-A.V.C. Development, Partner.

New Mexico Bankers Association (Continued)

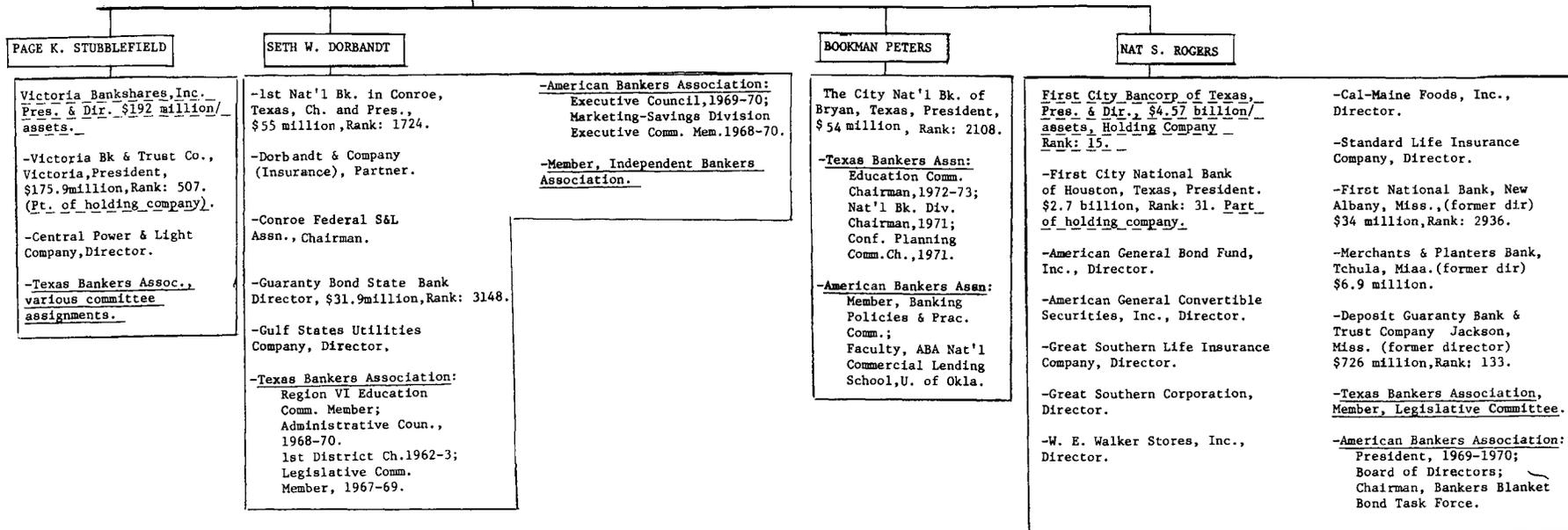
Credit Union Committee Member, 1964-65.

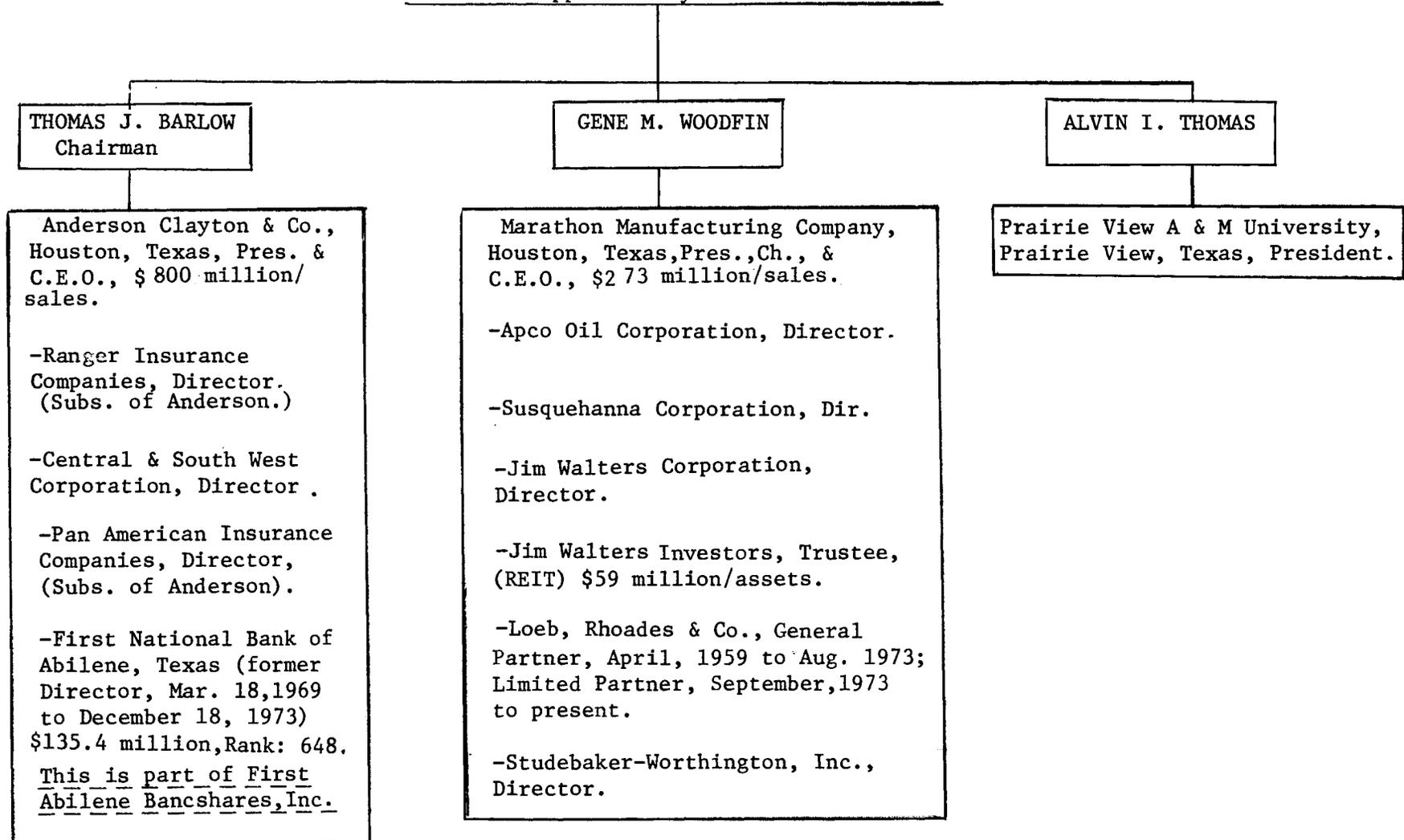
-Comptroller of the Currency Regional Advisory Committee 12th Nat'l Bank Region, 1968-1970.

District ElevenFEDERAL RESERVE BANK OF DALLASEl Paso BranchDirectors Appointed by Board of Governors

District Eleven
FEDERAL RESERVE BANK OF DALLAS

Houston Branch
Directors Appointed by Federal Reserve Bank



District ElevenFEDERAL RESERVE BANK OF DALLASHouston BranchDirectors Appointed by Board of Governors

District ElevenFEDERAL RESERVE BANK OF DALLASSan Antonio Branch
Directors Appointed by Federal Reserve Bank**BEN R. LOW**

First National Bank of
Kerrville, Texas,
President, \$45.4 million,
Rank: 2159.

-Giffen Industries, Inc.,
Director.

-Texas Bankers Association,
Legislative Committee, 1971.

LEON STONE

Austin Bancshares Corp.,
Austin, President & Dir.,
\$474 million/assets.

-The Austin National Bank,
President, \$403.7 million,
Rank: 229.

-First State Bank of Burnet,
Chairman, \$13.5 million.

-Lockhart State Bank, Director,
\$8.8 million.

-Hondo National Bank, Dir.,
\$17 million.

-Texas Bankers Association,
Vice-President.

-American Bankers Association,
Administrative Comm, Government
Relations Council, Member.

RICHARD W. CALVERT

National Bancshares Corp.
of Texas, President,
\$516 million/assets.

-National Bank of Commerce
of San Antonio, President,
\$402 million, Rank: 231.
(part of Nat'l Bancshares Corp.)

-Southwest Research Institute,
Vice-Chairman.

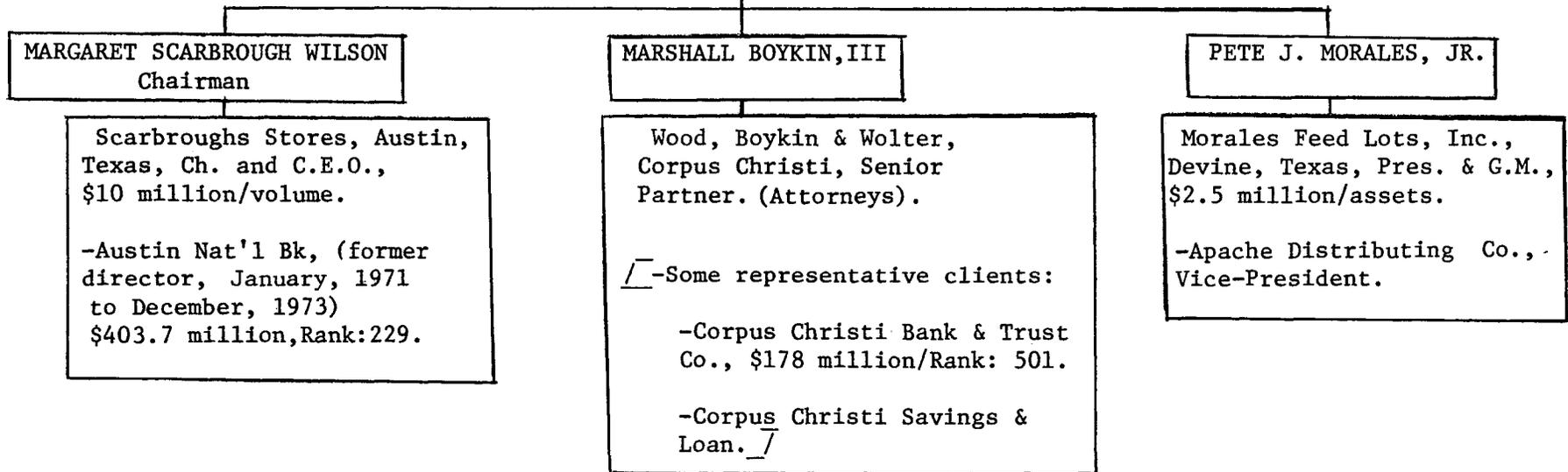
JOHN H. HOLCOMB

Progreso Haciendas Co.,
Holcomb Farms, Progreso,
Texas, Owner-Manager.
\$1 million/assets.

-Progreso Co-op Gin,
President.

-Rio Grande Valley Sugar
Growers, Inc., Vice-Pres.

-Valco Agricultural
Chemicals, Inc., Chairman.

District ElevenFEDERAL RESERVE BANK OF DALLASSan Antonio BranchDirectors Appointed by Board of Governors

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCOLos Angeles BranchDirectors Appointed by Federal Reserve Bank

LINUS E. SOUTHWICK

Valley National Bank,
Glendale, California,
President, \$63.6 million,
Rank: 1435.

-1st Nat'l Bk. of
Friend, Nebraska,
Vice-President,
\$9.7 million.

-Calif. Bankers Assn:
Pres., Group VII,
1952;
Dir. Group V, 1961-63;
Comm. on Legis. &
Taxation, Mem,
1964-1972;
Director, 1964-67.

-Western Independent
Bankers:
Exec. Council Mem.,
1964-69;
Vice-Pres., 1968.

-Independent Bankers Assn.
of Southern California:
Director, 1959-1965;
Pres. - 1964.

-American Bankers Assn,
Member, Exec. Council,
1970-1972.

-Comptroller of the Currency,
Regional Advisory Committee,
14th Nat'l Bank Region,
Member, 1967-1969.

ROBERT A. BARLEY

United California Bank,
Los Angeles, Calif., Pres.
\$7.3 billion, Rank: 14.
(Subs. of Western
Bancorporation) \$18 billion/
assets. Holding Company --
Rank: 18.

- United Calif. Bk. Int'l,
Director. (Subsidiary)

-Sixth & Spring Corp. Dir.
(Subsidiary).

-United Calif. Bk. Realty
Corp. Dir., (Subsidiary).

-United Calif. Overseas
Investment Corp. Dir. (Subs.)

-Western Bancorp Data
Processing Co., Dir. (Subs.)

-American Bankers Association,
Executive Committee Member,
1974-75.

RAYBURN S. DEZEMBER

American National Bank
Bakersfield, California,
Ch. and Pres. \$156 million,
Rank: 565.

-Bakersfield Ready Mix,
Inc., Chairman & Sec.

-Service Transport, Inc.
President.

-Comptroller of the Curr
Regional Advisory Council,
14th Nat'l Bank Region,
member, 1970-1972 and
Chairman, 1971.

W. GORDON FERGUSON

National Bank of Whittier,
Calif., President, \$37.4 mill.,
Rank: 2656.

-California Bankers Assn.,
Director.

-Independent Bankers of
Southern California,
Director, 1970-1973.

-Comptroller of the Currency,
National Advisory Council,
Member.

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCOLos Angeles BranchDirectors Appointed by Board of Governors

ARMANDO M. RODRIGUEZ

East Los Angeles College,
Los Angeles, Calif., Pres.

JOSEPH R. VAUGHAN
Chairman

Knudsen Corporation, Los
Angeles, California, Pres.,
\$165 million/sales.

HARVEY A. PROCTOR

Southern California Gas Company,
Los Angeles, California, Chairman,
\$789 million/sales.

Pacific Lighting Service Co.,
Ch. and Director.

-Pacific Lighting Exploration Company,
Director.

-Pacific Lighting Gas Development Co.,
Director.

-Pacific Lighting Alaska LNG Co.,
Pres. and Director.

-Pacific Lighting Corporation
(parent group) Group vice-president,
oil and gas.

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCOPortland BranchDirectors Appointed by Federal Reserve Bank

FRANK L. SERVOSS

Crater National Bank,
Medford, Oregon, Pres.,
\$31.7 million, Rank:3168.

-Belt Valley Bk.,
Montana, (former
director, January, 1949
to June, 1952.)

-Deer Lodge Bank And
Trust Co., (former dir.
June, 1952-June, 1961)

-Blaine Bank of Montana,
(former director, July,
1961 - November, 1965.)

JAMES H. STANARD

1st Nat'l Bk. of McMinnville,
Oregon, Exec. Vice-Pres.,
\$22.5 million.

-Oregon Bankers Association:
Exec. Council Member and
Treas., 1957; continuous
and numerous committee
assignments since.

-Oregon Independent Bankers
Association, One of organizers
and original members of board,
serving 1956 thru 1961,
President, 1960.

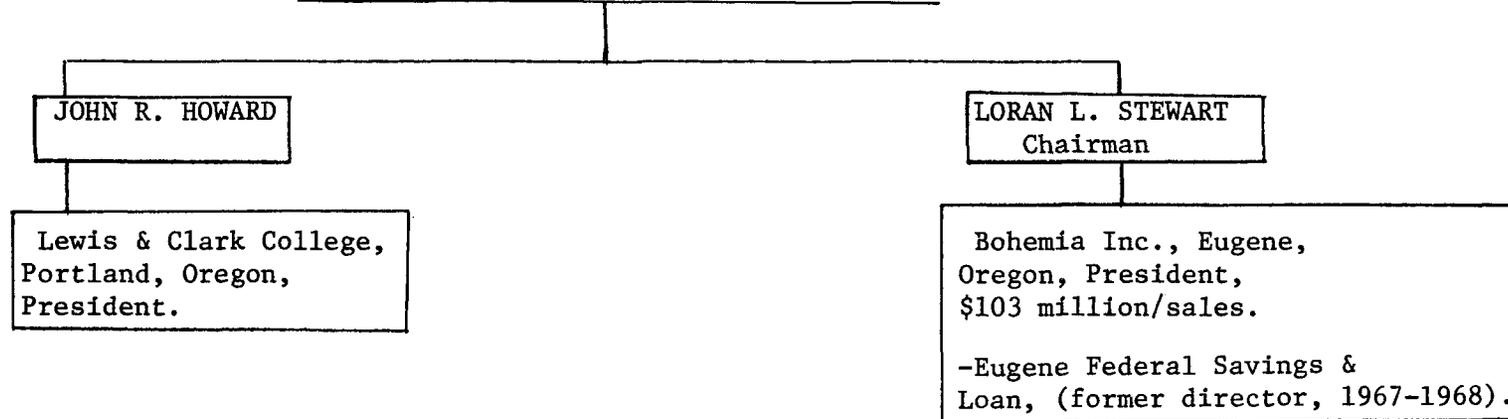
-Western Independent Bankers:
Exec. Council, 1955-1962;
Sec-Treas. 1958-61.

-Comptroller of the Currency,
Regional Advisory Committee,
13th National Bank Region,
1973-1974.

--Legislative Advisory
Committee on Oregon Banking
Law Revision, 1971-1972.

KEN SMITH

Confederated Tribes of the
Warm Springs Reservation,
Warm Springs, Oregon, General
Manager.

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCOPortland Branch
Directors Appointed by Board of Governors

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCOSalt Lake City Branch
Directors Appointed by Federal Reserve Bank

ROY W. SIMMONS

DAVID P. GARDNER

MARY S. JENSEN

Zions Utah Bancorporation, --
President and Director, --
Salt Lake City, \$770.5 mill/
assets. Holding Company
Rank: 100.

-Zions First National Bank,
President, \$621.9 million,
Rank: 157.

-Kennecott Copper Corporation,
Director.

-Rio Grande Industries, Dir.

-Denver and Rio Grande and
Western Railroad, Director.

-Braden Copper Company, Dir.

-Mountain Fuel Supply Co., Dir.

-Beneficial Life Insurance
Company, Director.

-Heber J. Grant Company,
Director.

-Utah Portland Cement
Company, Director.

-Ellison Ranching Company,
Director.

-Utah Bankers Association,
President, 1967.

-Regional Advisory Committee,
Comptroller of the Currency,
1966-1968.

--Utah State Bank
Commissioner, 1949-52.

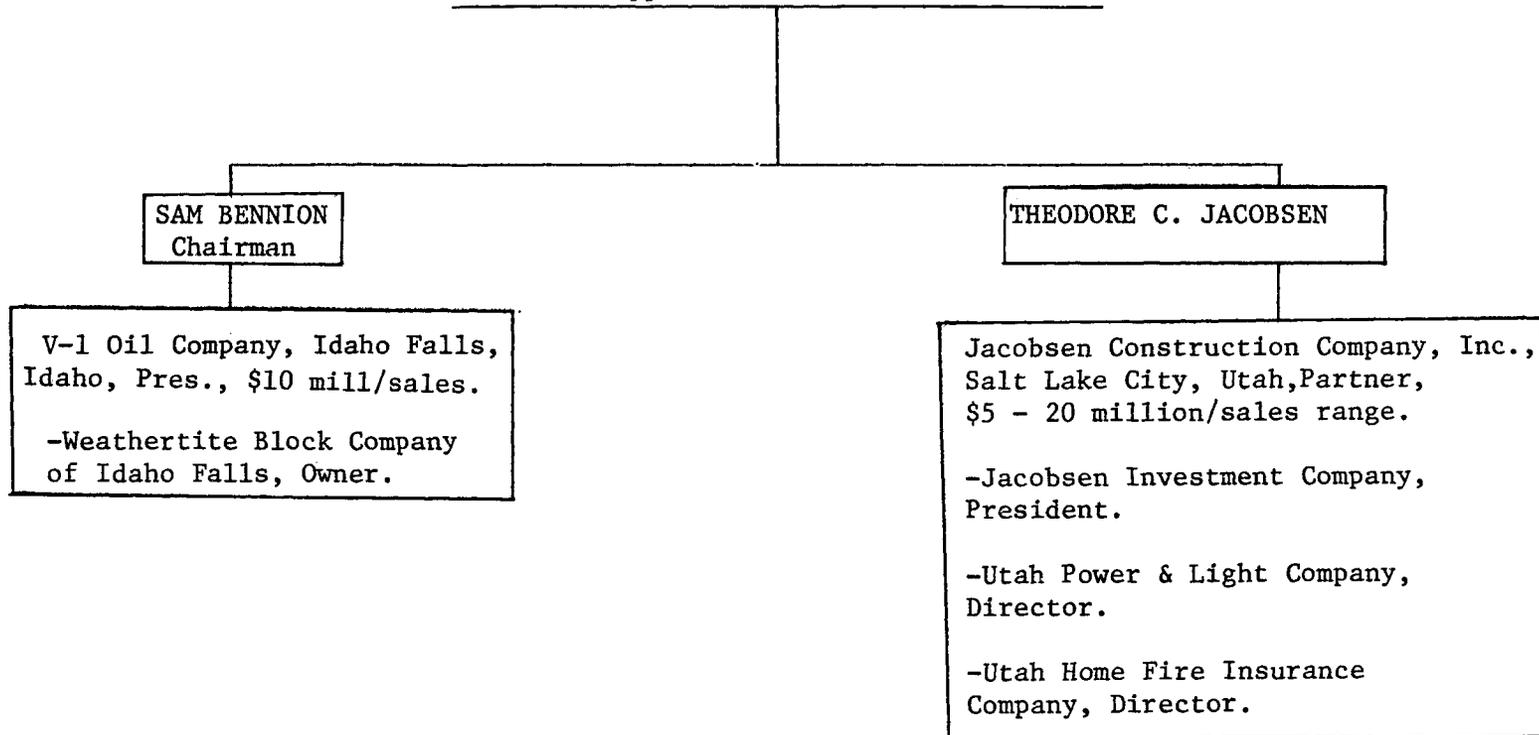
University of Utah, Salt Lake
City, Utah, President.

-Utah Power & Light, Director.

Idaho State Bank, Glenns
Ferry, Idaho, Chairman of
the Board, \$27.9 million,
Rank: 3636.

-Idaho Bankers Association,
Legislative Committee member,
1968.

-Member, Western Independent
Bankers; Independent Bankers
Association; and the American
Bankers Association.

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCOSalt Lake City BranchDirectors Appointed by Board of Governors

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCOSeattle BranchDirectors Appointed by Federal Reserve Bank

HARRY S. GOODFELLOW

Old National Bank of
Washington, Spokane,
Wash., Ch. and C.E.O.,
\$555 million, Rank: 176.
Part of holding co.

-Washington Bancshares,
Inc., Vice-Pres. & Dir.
\$631 million/assets.

-Bancshares Mortgage
Co., Director.

-Washington Securities,
Inc., Director.

-Washington Bankers Association:
Chairman, Lending Practices
Committee, 1962-63;
Treasurer, Group 3, 1970-71;
First Vice-Pres., 1972;
President, June 1973-74.

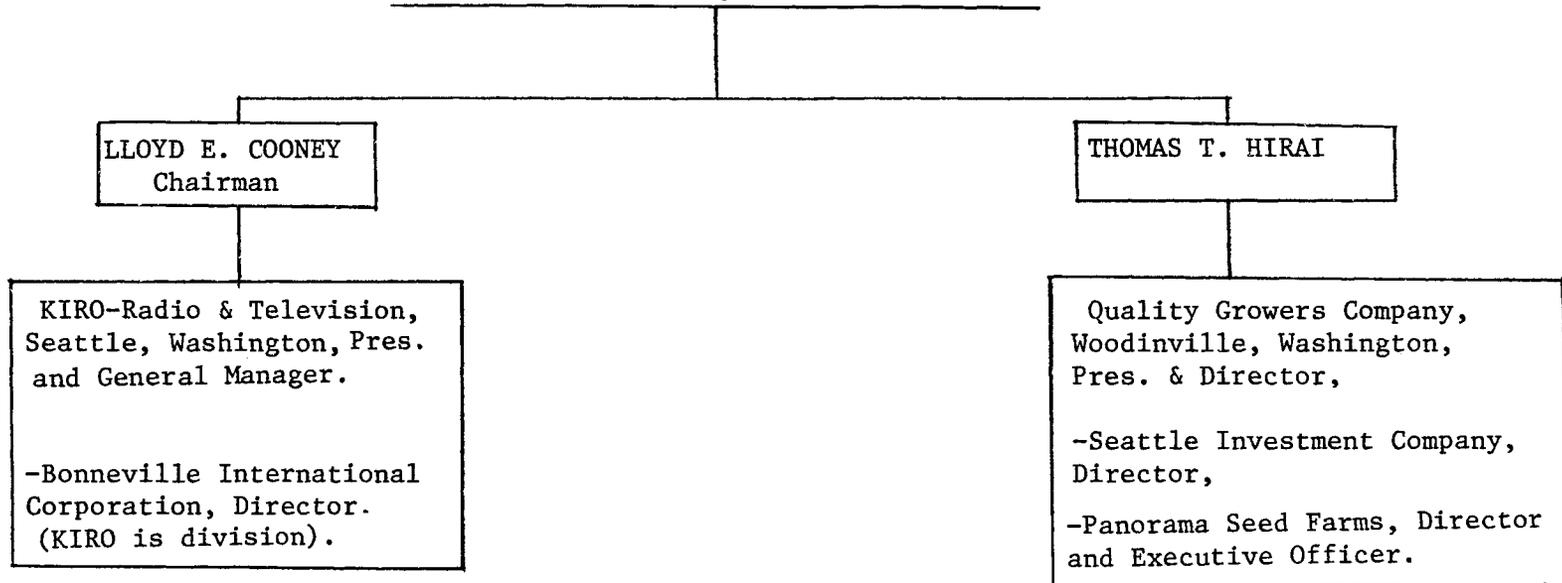
-American Bankers Association,
Vice-President for St. of
Washington, 1970-72.

RUFUS C. SMITH

The First National Bank of
Enumclaw, Washington, Ch.
\$ 30 million, Rank: 3345.

-Community Banks of Washington,
Trustee., 1970 thru 1975.

VACANCY

District TwelveFEDERAL RESERVE BANK OF SAN FRANCISCOSeattle Branch
Directors Appointed by Board of Governors

Intra-Mural Selection

The intramural nature of these branch appointments, for example, has given one company—the Rochester Gas and Electric Corporation—two of the seven positions on the Buffalo Branch of the New York Federal Reserve Bank. This is the way it happened:

—In January, 1974, the Federal Reserve Bank of New York appointed the chairman of the Security New York State Corporation to its Buffalo Branch board. He is also a director of the Rochester Gas & Electric Corporation. In January, 1975, the Board of Governors had an opening on the same Buffalo board and filled it with the president of the Rochester Institute of Technology. He also serves on the board of the Rochester Gas & Electric Corporation.

The club ties were also tightened at Cleveland, with both the district bank and the Board of Governors getting in on the act.

—In 1974, the Board of Governors appointed the chairman of the Westinghouse Electric Company to a Class C directorship at the Cleveland Federal Reserve Bank. In 1976, the Cleveland bank appointed the chief executive officer of the H. J. Heinz Company to its Pittsburgh branch. The chief executive officer of H. J. Heinz is a director of Westinghouse Electric;

—At the same branch of the Cleveland bank, the Board of Governors appointed, in January, 1975, the provost of the Carnegie Mellon University in Pittsburgh. When a vacancy on the same board occurred later that year, the Board of Governors, in August, appointed the president of the Cyclops Corporation—who also serves as a trustee at Carnegie Mellon University.

One of the clearest examples of the intramural nature of the boards of the district banks and branches occurs at the Federal Reserve Bank of Atlanta:

—In addition to the nine directors who serve on the Atlanta Reserve Bank board, there are five branches of the Atlanta bank with 35 directors—20 appointed by the Atlanta Bank and 15 appointed by the Board of Governors. Here, the combined process of election by the member banks, the appointments by the district banks, and the appointments by the Board of Governors produced five positions for emissaries from one holding company—the Southeast Banking Corporation of Florida, ranked 21st in the top 100 multi-bank holding companies in the United States.

- At the Jacksonville branch of the Atlanta Bank, the Board of Governors appointed a director in 1972 who then had to resign from the board of the Bank of Orange Park—a subsidiary of Southeast;
- One of the Class B directors at the Atlanta Bank—elected by the member banks—resigned his directorship on the board of the Pinellas Central Bank and Trust Company—a subsidiary of Southeast—upon his election to the board in 1973;
- And when the Federal Reserve System decided to establish a new branch of the Atlanta Bank at Miami, Florida, the Atlanta Bank decided to name to three of its four positions—the founder of Southeast, the chairman of Southeast, and a director of a bank subsidiary of Southeast.

Illustration 1 shows the ties of this bank holding company to the Atlanta Bank and its branches:

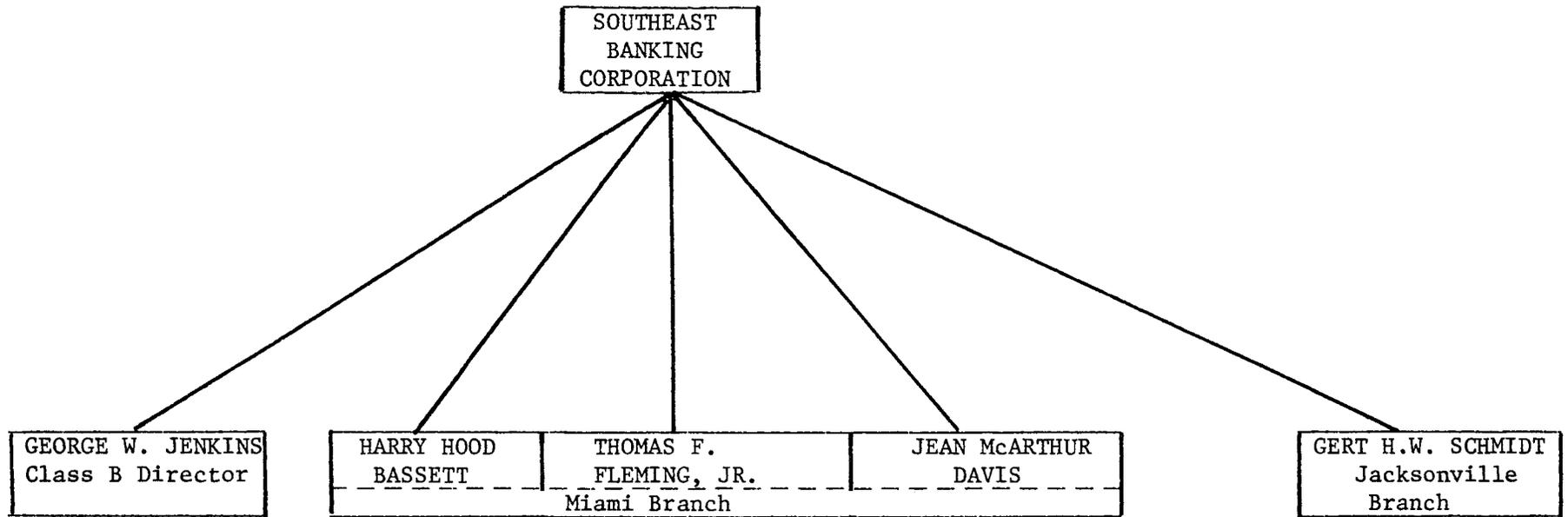


Illustration 1. Interlocks of Southeast Banking Corporation of Florida at Atlanta Bank.

The Minneapolis Federal Reserve Bank rivals the Atlanta Bank for domination by a multi-bank holding company—the First Bank Systems, Inc.—the 12th largest multi-bank holding company in the United States.

In addition to the nine directors on the Minneapolis board, there is a five member board at the Helena (Montana) branch. *All* of the Board of Governors' appointments to Class C positions at the Minneapolis bank come from First Bank Systems:

- The chairman of the Federal Reserve Bank of Minneapolis—who is also chairman of Honeywell, Inc.—had to resign from the holding company board when he was appointed in 1976;
- The deputy chairman of the Minneapolis Federal Reserve Bank—who is the chairman of General Mills—had to resign from the board of not only the holding company but from the board of one of its subsidiary banks when he was appointed in 1974; and
- The third Class C director at the Minneapolis bank—who is also the president of Carleton College in Northfield, Minnesota—had to resign from the board of a subsidiary bank of FirstBank Systems when he was chosen by the Board of Governors in 1974.

At the Helena branch, the Minneapolis Bank chose the president of two banks affiliated with FirstBank Systems and the Board of Governors, in 1975, chose as its appointment a Montana lawyer who served on the board of directors of yet another affiliate of FirstBank Systems.

In addition to the FirstBank Systems ties of all three Class C directors, there are additional tangles at the Minneapolis bank. The chairman of Honeywell—a Class C director—sits on the board of General Mills. The chairman of General Mills—also a Class C director—sits with the chairman of Honeywell on the board of Toro, Inc.

The story of Toro, FirstBank Systems and the Minneapolis Federal Reserve Bank unfolds in other areas:

- The president of Toro—David Lilly—served on the board of directors of the lead bank for FirstBank Systems from 1957 to 1968. He resigned this position in 1969 to become a Class C director at the Minneapolis bank. He served in this “public” position until 1973, the last two years as chairman of the Minneapolis Fed.
- When he completed his service at the Federal Reserve district bank, he rejoined the FirstBank Systems and the bank as a director.
- Three years later, the Federal Reserve called again, this time with a position in Washington as a member of the Board of Governors. To qualify for this position, Mr. Lilly had to once again resubmit his resignation from the now familiar FirstBank Systems.

Illustration 2 shows the interlocks of five of the “public” representatives at the Minneapolis bank:

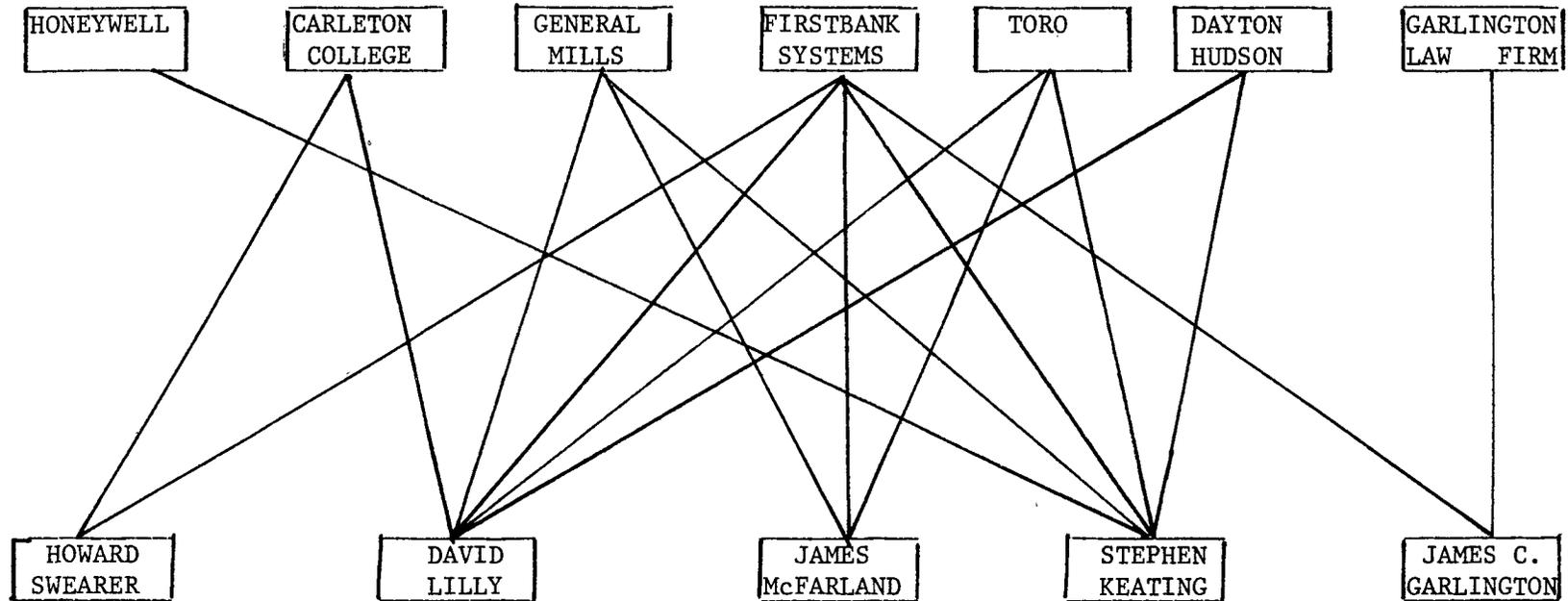


Illustration 2. Interlocks of Five of the "Public" Representatives at the Minneapolis Bank.

Some of these same closely knit ties are evident at other banks and branches:

—At the Detroit Branch of the Chicago Federal Reserve Bank, the Board of Governors in 1973 appointed the executive vice-president of the Chrysler Corporation. He is also a director of the American Natural Gas Company and its subsidiary—the Michigan Consolidated Gas Company. In 1976, the Chicago bank appointed the president of the Michigan Consolidated Gas Company to the Detroit board. He is also a director of the American Natural Gas Company.

—At the Louisville branch of the St. Louis Federal Reserve Bank, the Board of Governors had two openings to fill in 1972. They appointed the president of Reliance Universal of Louisville to begin service in April, 1972, and then, later that year—in October—appointed the chairman of the Porter Paint Company to fill another seat on the board. Both men are directors of the same trade association—the National Paint and Coatings Association.

—The double dip approach was also at work at the Kansas City Federal Reserve Bank. Here the member banks elected the president of Hallmark Cards to be a Class B director. He then resigned his position as a director of the Commerce Bank and Trust Company, a subsidiary of Commerce Bancshares, Inc., the 51st largest multi-bank holding company in the United States. This year—1976—the member banks elected the chairman of the holding company to a Class A directorship.

The same “club” process was apparent in other places in the Kansas City bank. In 1972, the member banks elected the president of the Kerr McGee Corporation to a Class B directorship. He then resigned his directorship on the board of the Fidelity National Bank of Oklahoma City, a subsidiary of the Fidelity Corporation of Oklahoma. In 1975, the Board of Governors appointed to the Oklahoma City branch of the Kansas City bank, the president of the Oklahoma Gas and Electric Company. This director then resigned from the boards of Fidelity Bank and its holding company, the Fidelity Corporation, to qualify.

—At the El Paso branch of the Dallas Federal Reserve Bank, the bank appointed the director of the First National Bank in Brownwood in Texas—a subsidiary of U.S. Bancshares—to its board in 1969. In 1975, the member banks elected—as a Class A director at the Dallas bank—another director of the First National Bank at Brownwood—also serving as a director of the Coleman Bank—both subsidiaries of U.S. Bancshares.

Inter-Mural

There are a number of common ties between the directors of the different Federal Reserve banks:

The common ties between the directors of the Boston and the New York Federal Reserve Banks are good examples of the intermural nature of Federal Reserve System selections.

- One Class B Director of the Boston Bank—Alfred W. Van Sinderen—sits on the board of the United Aircraft Corporation, a subsidiary of United Technologies Corporation. The counsel to the board of directors of United Technologies Corporation—Robert H. Knight—is a Class C Director on the New York Federal Reserve Bank.
- One Class C Director on the Boston Bank—Louis W. Cabot—sits on the board of Owens Corning Fiberglas Corporation. Serving on that board is the same Robert H. Knight.

- Boston's Mr. Cabot also serves as a trustee of the Carnegie Corporation of New York. The president of the Carnegie Corporation of New York is a Class C director at the New York Federal Reserve Bank.
- The Federal Reserve Bank of Cleveland this year appointed to its Pittsburgh branch a director of a New York subsidiary of Bank of America. The chairman of the Bank of America is a Class A director of the San Francisco Federal Reserve Bank.
- In April of 1970, the Federal Reserve Bank of San Francisco appointed to its Salt Lake City branch the president of Zions Utah Bancorporation. He also sits on the board of directors of Kennecott Copper. In 1973, the Board of Governors appointed to a Class C directorship at the New York Federal Reserve Bank, the president of Kennecott Copper.

The In-Bred Links

The Dana Tie: In 1972, the Board of Governors appointed the president of the University of Kentucky—Otis Singletary—to a Class C directorship on the Federal Reserve Bank of Cleveland. A year later, the member banks elected the chairman of the Dana Corporation to a Class B directorship on the Cleveland bank. While Dr. Singletary's 1972 biography reflects no corporate directorships, a check of the 1976 *Standard & Poor's Directory of Corporations* shows he has now joined his Federal Reserve colleague as a director of the Dana Corporation.

Father-Son: In 1972, the Board of Governors appointed the president of West Virginia University to serve on the board of the Baltimore branch of the Federal Reserve Bank of Richmond. In 1975, they named his son to the board of the Oklahoma City branch of the Federal Reserve Bank of Kansas City.

The Whittaker Corporation Link: In 1973, the Board of Governors named the president of the Whittaker Corporation in Los Angeles to a Class C directorship at the Federal Reserve Bank of San Francisco. In 1974, J. Dewey Daane left the Board of Governors in Washington after ten years of service. The 1976 *Standard & Poor's Directory* shows that J. Dewey Daane now serves on the board of the Whittaker Corporation.

The Union Carbide Addition: On January 1, 1973, the member banks elected Jack B. Jackson, the president of the J. C. Penney Company, to serve as a Class B director of the New York Federal Reserve Bank.

- In the biography Mr. Jackson submitted to the Board of Governors at that time, he lists only one additional corporate directorship—on the board of an insurance company in Dallas.
- In August, 1973, the member banks had to fill a vacancy on the New York bank and elected the president of the Union Carbide Corporation to sit as another Class B director on the board.
- On January 28, 1976, the New York bank submitted a list of revisions to the biographical sketches for their directors. Included under Mr. Jackson's name was the note, "Add: Director, Union Carbide Corporation".

CORPORATE INTERLOCKS WITH RESERVE BANKS

The Tables which follow illustrate the ties between giant corporations and the Federal Reserve banks and their branches.¹³ It is clearly evident, again, that the Federal Reserve System is dominated by a very small universe of private institutions.

Though Table 1 includes both the first and second 500 largest industrial corporations from the *Fortune Magazine* rankings, the first 500 predominate.

Tables 2 through 5 indicate that life insurance companies are very evident in Boston; utilities in the South, Midwest and the West Coast; retailing firms in the Boston-New York-Cleveland corridor; and transportation, especially railroads, is heavy in the West.

Table 6 suggests that multibank holding companies are especially prevalent in the South and the Minneapolis bank—areas of the country where holding company operations have developed rapidly. Twelve of the 35 problem banks on the list published in January of this year were in the South.

Many of the companies on these tables, as mentioned earlier, have multiple interlocks to the Federal Reserve System. FirstBank Systems; Southeast Banking Corporation; Federated Department Stores; Westinghouse Electric Corporation; Proctor & Gamble Company; Beatrice Foods Company; United Aircraft Corporation; Alcoa; Honeywell, Inc.; Kennecott-Copper; Owens-Corning Fiberglas Corporation; all have two or more director ties to district or branch banks.

In summary, the Federal Reserve directors are apparently representatives of a small elite group which dominates much of the economic life of this nation.

¹³ Six tables were developed using rankings from recognized sources:

- a. *Fortune Magazine's* rankings of the first and second 500 largest industrial corporations;
- b. *Fortune Magazine's* rankings of the 50 largest utilities; retailing firms; life insurance companies; and transportation companies;
- c. The *American Banker* rankings for the 100 largest multi-bank companies.

For these tables, a darkened square indicates that a director for the Bank or Branch also serves or served as an officer, director, or employee of the firm listed in the left-hand column. In the case of multi-interlocks with the same firm, the number of such interlocks appears in the center of the squares.

HOW THE DATA WAS ASSEMBLED

The primary source for the information on the backgrounds of the directors of the Federal Reserve Banks and their branches was biographies obtained from the Federal Reserve Board and various district banks. The biographies were supplemented with material from a number of corporate/banking directories.

To provide a single base period, the data collected is for the 267 directors on the boards as of January 1, 1976.

In addition to the 1976 file of biographies obtained from the Federal Reserve, the following sources were utilized:

Standard & Poor's Register/1976:

Volume One: Corporations

Volume Two: Directors and Executives

Martindale & Hubbell Law Directory, 1976

"Outside Director; Inside Counsel", 1974 Expanded Edition, *Law Journal Press*

Who's Who in America, 1974-75

Moody's Bank and Finance Manual, 1975

Polk's World Bank Directory, 1975

Directory of Corporate Affiliations, published by the National Register Publishing Company

The bank deposit figures and rankings were obtained from the *American Banker Directory* of all U.S. Banks With Deposits of \$25,000,000 or more. When a bank had deposits of less than \$25 million, those figures came from *Moody's Bank and Finance Manual* and *Polk's Directory*.

The multi-bank holding company asset figures and holding company rankings were obtained from the *American Banker* list of the 100 largest Multi-Bank Holding Companies in the United States. The assets of one-bank holding companies were obtained from *Moody's Bank and Finance Manual*. One-bank holding companies and multi-bank holding companies not in the top 100 are not ranked.

Sources on the duties and functions of the Federal Reserve Banks included:

Code of Federal Regulations, Title 12, 1975.

Federal Reserve System: Purpose and Functions, 1974, published by the Federal Reserve System.

Federal Reserve Act, compiled by the Board of Governors in its legal division, updated to December, 1975.

The study was originated by the late Representative Wright Patman. It was continued and expanded under the direction of Chairman Henry S. Reuss. Research was conducted by Margaret Rayhawk, Jeff Booth, Ray Mollenhoff and J. C. (Jake) Lewis of the Committee staff.

TABLE 6 continued.

INTERLOCKS OF FEDERAL RESERVE DISTRICT DIRECTORS WITH
 FIRMS LISTED IN TOP 100 MULTI-BANK HOLDING COMPANY CON-
 CERNS IN UNITED STATES AS LISTED BY THE AMERICAN BANKER,
 with rank of company, and city of interlock(s) noted.

FIRM	FEDERAL RESERVE DISTRICT																																						
	I - BOSTON	II - NEW YORK	Buffalo Branch	III - PHILADELPHIA	IV - CLEVELAND	Cincinnati Branch	Pittsburgh Branch	V - RICHMOND	Baltimore Branch	Charlotte Branch	VI - ATLANTA	Birmingham Branch	Jacksonville Branch	Miami Branch	Nashville Branch	New Orleans Branch	VII - CHICAGO	Detroit Branch	VIII - ST. LOUIS	Little Rock Branch	Louisville Branch	Memphis Branch	IX - MINNEAPOLIS	Helena Branch	X - KANSAS CITY	Denver Branch	Oklahoma City Branch	Omaha Branch	XI - DALLAS	El Paso Branch	Houston Branch	San Antonio Branch	XII - SAN FRANCISCO	Los Angeles Branch	Portland Branch	Salt Lake City Branch	Seattle Branch		
(1) - CITICORP		■																																					
(2) - CHASE MANHATTEN CORP.		■																																					
(6) - WESTERN BANCORP.																																							
(8) - MARINE MIDLAND BANKS, INC.			■																																				
(10) - NORTHWEST BANCORP																																							
(11) - NATIONAL DETROIT CORP.																	■																						
(12) - FIRST BANK SYSTEM, INC.																																							
(13) - FIRST INTERNATIONAL BANCSHARES																																							
(15) - FIRST CITY BANCORP. OF TEX.																																							
(18) - CLEVETRUST CORP.							■																																
(21) - SOUTHEAST BANKING CORP.																																							
(24) - CITIZENS & SOUTHERN N.B.																																							
(28) - LINCOLN FIRST BANKS, INC.																																							
(32) - BARNETT BANKS OF FLORIDA, INC.																																							
(38) - CBT CORP.		■																																					
(42) - FIRST & MERCHANTS CORP.																																							
(44) - ALABAMA BANCORP.																																							
(47) - SUN BANKS OF FLORIDA, INC.																																							
(48) - FIRST TENN. NAT. CORP.																																							
(51) - COMMERCE BANCSHARES, INC.																																							
(54) - FLORIDA NAT. BANKS OF FLORIDA, INC.																																							
(61) - FIRST AMTENN CORP.																																							
(62) - UNITED BANK CORP. OF N.Y.			■																																				
(63) - HUNTINGTON BANCSHARES, INC.																																							

76-556 O - 76 (Face p. 120) No. 9

