MONETARY CONTROL

HEARINGS

BEFORE THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

H.R. 7

A BILL TO FACILITATE THE IMPLEMENTATION OF MONETARY POLICY AND TO PROMOTE COMPETITIVE EQUALITY AMONG DEPOSITORY INSTITUTIONS

JANUARY 22, 24; FEBRUARY 13, 15, 28; MARCH 2 AND 5, 1979

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MONETARY CONTROL

MONDAY, JANUARY 22, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in room 2128, Rayburn House Office Building, Hon. Henry S. Reuss (chairman) presiding.

Present: Representatives Reuss, St Germain, Annunzio, Mitchell, Neal, LaFalce, Spellman, AuCoin, Evans of Indiana, Cavanaugh, Oakar, Vento, Barnard, Watkins, Lowry, Wylie, Leach, Bethune, Campbell, Ritter, and Hinson.

Chairman REUSS. Good morning.

The House Committee on Banking, Finance and Urban Affairs will be in order for hearings on H.R. 7, the Monetary Control Act of 1979.

The bill is designed primarily to help the Federal Reserve gain better control over the money supply, an essential element in the current battle against inflation.

[The text of H.R. 7 follows:]

96TH CONGRESS
1ST SESSION

H. R. 7

To facilitate the implementation of monetary policy and to promote competitive equality among depository institutions.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 15, 1979

Mr. REUSS introduced the following bill which was referred to the Committee on Banking, Finance, and Urban Affairs

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A BILL

To facilitate the implementation of monetary policy and to promote competitive equality among depository institutions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Monetary Control Act of 1979".

REPORTING REQUIREMENTS

SEC. 2. Section 11(a) of the Federal Reserve Act (12 U.S.C. 248(a)) is amended (1) by inserting "(1)" immediately after "(a)", and (2) by adding at the end thereof the following new paragraph:

"(2) To require any depository institution specified in this paragraph to make, at such intervals as the Board may prescribe, such reports of its liabilities and assets as the Board may determine to be necessary to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates. Such reports shall be made (A) directly to the Board in the case of member banks and in the case of other depository institutions for all liabilities specified in sections 19(b)(1)(A) through 19(b)(1)(D) of this Act, and (B) to the Board through the (i) Federal Deposit Insurance Corporation in the case of insured State nonmember banks, (ii) National Credit Union Administration in the case of insured credit unions, (iii) Federal Home Loan Bank Board in the case of any institution insured by the Federal Savings and Loan Insurance Corporation or which is a member as defined in section 2 of the Federal Home Loan Bank Act, and (iv) such State officer or agency as the Board may designate in the case of any other type of bank, savings and loan association, or credit union. The Board shall endeavor to avoid unnecessary burdens on reporting institutions and the duplication of other reporting requirements, and any data therefrom shall be made readily available to the Board. The Board may classify depository institutions for the purposes of this paragraph, and may impose different requirements on each such class."

RESERVE REQUIREMENTS

SEC. 3. (a) Section 19(b) of the Federal Reserve Act is amended to read as follows:

"(b) RESERVE REQUIREMENTS.—

"(1) DEFINITIONS AND RULES.—The following definitions and rules are applicable for the purposes of this subsection:

"(A) The term 'category A deposits' means, with respect to any depository institution, the total amount of demand deposits, savings deposits subject to automatic transfers, and deposits subject to negotiable or other payment order of withdrawal, or to any similar instrument used to make payments or transfers, in that institution.

"(B) The term 'category B deposits' means, with respect to any bank, the total amount of time deposits with initial maturities of less than one hundred and eighty days in that bank.

"(C) The term 'category C deposits' means, with respect to any bank, the total amount of savings deposits (other than those referred to in subparagraph (A)) in that bank.

"(D) The term 'category D deposits' means, with respect to any bank, the total amount of time deposits with initial maturities of not less than one hundred eighty days in that bank.

"(E) A reference to net deposits of any given category in any given institution refers to the amount by which the institution's total deposits of that category exceed its exemption for that category.

"(F) Except as provided in paragraphs (9) and (10), no reserve ratio outside the limits specified for any given category may be imposed with respect to any deposits in that category.

"(G) The term 'bank' means any institution which is neither a nonmember savings bank nor a nonmember mutual savings bank as defined in sections 3(f) and 3(g) of the Federal Deposit Insurance Act, and is either an insured bank as defined in section 3(h) of the Federal Deposit Insurance Act or a bank which is eligible under section 5 of that Act to make application to become an insured bank.

"(H) The term 'savings institution' means—

"(i) a nonmember savings bank or a nonmember mutual savings bank which either is an insured bank as defined in section 3(h) of the Federal Deposit Insurance

Act or is eligible under section 5 of that Act to make application to become an insured bank;

"(ii) an institution which either is an insured institution as defined in section 401(a) of the National Housing Act or is eligible under section 403 of that Act to make application to become an insured institution; or

"(iii) a credit union whose member accounts are insured pursuant to section 201(a) of the Federal Credit Union Act, or which is eligible to make application for such insurance pursuant to section 201(b) of that Act.

"(I) The term 'depository institution' means a bank as defined in subparagraph (G) or a savings institution as defined in subparagraph (H).

"(J) This subsection does not affect the authority of the Board to impose conditions and requirements on member banks under section 25 of this Act (12 U.S.C. §§ 601–604(a)).

"(K) This subsection confers authority on the Board to impose or change reserve requirements for the sole purpose of enabling the Board to implement monetary policy.

"(L) Any reference in this Act to member banks with respect to any requirement or authority relating to reserves required by this subsection shall be deemed to apply to all depository institutions which are actually required to maintain reserves under this subsection.

"(2) AMOUNT OF CATEGORY A EXEMPTIONS.—During the period beginning on the effective date of section 3 of the Monetary Control Act of 1979 and ending at the close of the first calendar year which begins after that date, the category A exemption shall be $50,000,000. For each calendar year thereafter, the category A exemption shall be fixed by the Board prior to the beginning of that year at an amount determined by the Board to be such that if a category A exemption in that amount had been in effect during the previous year, the ratio of the total of category A deposits in all depository institutions with net category A deposits greater than zero to the total of all category A deposits would have been the same as it would have been on December 31, 1977, if this paragraph had then been in effect and the category A exemption had been $50,000,000.

"(3) CATEGORY B, C, AND D EXEMPTIONS.—During the period beginning on the effective date of section 2 of the Monetary Control Act of 1979 and ending at the close of the first calendar year which begins after that date, the total amount of the category B, C, and D exemptions for any bank shall be $50,000,000. For each calendar year thereafter, such amount shall be fixed by the Board prior to the beginning of that year at an amount determined by the Board to be such that if total category B, C, and D exemptions per bank in that amount had been in effect at the beginning of the previous year, the ratio of the total category B, C, and D deposits in all banks with net category B, C, and D deposits greater than zero to the total of all category B, C, and D deposits would have been the same as it would have been on December 31, 1977, if this paragraph had been in effect and the category B, C, and D exemptions for any given bank had totalled $50,000,000. For any given bank at any given time, the category B, C, and D exemptions shall be apportioned among the three categories in the same proportions that the bank's deposits in the respective categories bear to the total of its deposits in the three categories.

"(4) ADMINISTRATIVE EXEMPTION.—(A) The administrative agency designated in subparagraph (B) shall, on or before the effective date of this paragraph and on or before the first day of each calendar year thereafter, exempt from the requirements otherwise imposed by paragraphs (5) through (8) any depository institution which such agency determines would, even if not exempted pursuant to this paragraph, probably not have net category A deposits, net category B deposits, net category C deposits, or net category D deposits greater than zero between the last date on which such exemption is authorized to be made and the commencement of the succeeding calendar year. During any period for which it has been so exempted, no depository institution shall be required to maintain any reserves under paragraph (5), (6), (7), or (8).

"(B) AGENCY AUTHORITY.—Exemptions pursuant to subparagraph (A) shall be made by the Federal Deposit Insurance Corporation in the case of insured nonmember banks, by the Federal Savings and Loan Insurance Corporation in the case of any institution insured by that corporation, by the National Credit Union Administration in the case of any credit union whose member accounts are insured pursuant to section 210(a) of the Federal Credit Union Act, and by the Board in the case of all other depository institutions.

"(5) Category a reserve requirements.—Every depository institution not exempted pursuant to paragraph (4) shall maintain reserves against its net category A deposits as the Board may direct—

"(A) in the ratio of 9.5 per centum, or

"(B) in such ratio not greater than 10 per centum or less than 8 per centum as the Board may prescribe, or

"(C) in such ratio as the Board may prescribe pursuant to paragraph (10).

"(6) Category b reserve requirements.—Every bank not exempted pursuant to paragraph (4) shall maintain reserves against its net category B deposits as the Board may direct—

"(A) in the ratio of 8 per centum, or

"(B) in such ratio not greater than 8 per centum and not less than 3 per centum as the Board may prescribe, or

"(C) in such ratio as the Board may prescribe pursuant to paragraph (10).

"(7) Category c reserve requirements.—Every bank not exempted pursuant to paragraph (4) shall maintain reserves against its net category C deposits as the Board may direct—

"(A) in the ratio of 3 per centum, or

"(B) in such ratio not greater than 3 per centum and not less than 1 per centum as the Board may prescribe, or

"(C) in such ratio as the Board may prescribe pursuant to paragraph (10).

"(8) CATEGORY D RESERVE REQUIREMENTS.—Every bank not exempted pursuant to paragraph (4) shall maintain reserves against its net category D deposits as the Board may direct—

"(A) in the ratio of 1 per centum, or

"(B) in such ratio not greater than 3 per centum and not less than 1 per centum as the Board may prescribe, or

"(C) in such ratio as the Board may prescribe pursuant to paragraph (10).

"(9) RESERVES RELATED TO FOREIGN OBLIGATIONS OR ASSETS.—Foreign branches and subsidiaries of nonmember banks shall maintain reserves to the same extent required by the Board of foreign branches and subsidiaries of member banks. In addition to any reserves otherwise required to be maintained pursuant to this subsection, any bank shall maintain reserves in such ratios as the Board may prescribe against—

"(A) net balances owed by domestic offices of such bank in the United States to its directly

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related foreign offices and to nonrelated foreign banks,

"(B) loans to United States residents made by overseas offices of such bank if such bank has one or more offices in the United States, and

"(C) assets (including participations) held by foreign offices of a bank in the United States which were acquired from its domestic offices (other than assets representing credit extended to persons not resident of the United States).

"(10) AUTHORITY IN EXTRAORDINARY CIRCUMSTANCES.—Upon a finding by at least five members of the Board, after consultation with appropriate Committees of Congress, that extraordinary circumstances require such action, the Board may impose reserve requirements outside the limits otherwise prescribed by this subsection for a period not exceeding thirty days but which may be extended for further periods not exceeding thirty days each by such affirmative action by the Board in each instance. The Board shall promptly transmit to the Congress a report of any exercise of its authority under this paragraph and the reasons for such exercise.

"(11) During any period in which the required reserves of any depository institution under this subsection are greater than zero, and such institution is maintaining such reserves in accordance with subsection (c), it shall be entitled to all the privileges of membership in the Federal Reserve System except that, if it is not otherwise a member, it may not hold stock in, or vote for any director of, a Federal Reserve bank.

"(12) Any depository institution in which category A deposits are held shall be entitled to the same discount and borrowing privileges as member banks.

"(13) TRANSITIONAL ADJUSTMENTS.—

"(A) With respect to any institution that is not a member of the Federal Reserve System on August 1, 1978, the required reserves imposed pursuant to paragraphs (5) through (8) on the effective date of such paragraphs shall be reduced by 75 per centum during the first year that begins after such effective date, 50 per centum during the second year, and 25 per centum during the third year.

"(B) With respect to any bank that is a member of the Federal Reserve System on August 1, 1978, the amount of required reserves imposed pursuant to paragraphs (5) through (8) on the effective date of such paragraphs that exceeds the amount of required reserves maintained by the member institution during the reserve computation period immediately preceding the effective date of such paragraphs may, at the discretion of the Board and in accordance with such rules and regulations as it may adopt, be reduced by 75 per centum during the first year that begins after such effective date, 50 per centum during the second year, and 25 per centum during the third year.

"(C) In order to provide for an orderly transition period, the Board shall implement the reserve requirements imposed by paragraphs (5) through (8) for member banks in not more than twenty-four months after the effective date of such paragraphs.

"(D) Effective at the close of the third calendar year which begins after the effective date of this paragraph, this paragraph is repealed, but such repeal shall not affect any liability imposed or incurred prior to such period.".

(b) Section 19(a) of the Federal Reserve Act (12 U.S.C. 461) is amended (1) by changing "member bank" to read "depository institution" each place it appears therein, and (2) by adding at the end thereof the following: "The Board shall exercise its authority to define the term 'deposit' when applicable to nonmember depository institutions after consultation with the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration.".

AUTHORITY OF STATE BANK SUPERVISORS

SEC. 4. Nothing in this Act or in the amendments made by this Act shall be construed in derogation of the authority of any officer or agency of State over any institution organized or existing under the laws of such State.

COMPOSITION OF RESERVES

SEC. 5. Section 19(c) of the Federal Reserve Act (12 U.S.C. 461(c)) is amended to read as follows:

"(c) Reserves held by any depository institution to meet the requirements imposed pursuant to subsection (b) of this section shall be in the form of—

"(1) balances maintained for such purposes by such institution in the Federal Reserve bank of which it is a member or at which it maintains an account, and vault cash. The Board may, by regulation or order, limit the proportion of required reserves which may be maintained in the form of vault cash, but such proportion shall be identical for all institutions; and

"(2) balances maintained by a nonmember institution in a member or nonmember institution that maintains reserve balances at a Federal Reserve bank or balances in a Federal Home Loan Bank, but only if such depository institution or Federal Home Loan Bank maintains such funds in the form of balances in a Federal Reserve bank of which it is a member or at which it maintains an account. Balances received by a depository institution from another depository institution that are used to satisfy the reserve requirements imposed on such depository institution by this section shall not be subject to the reserve requirements of this section imposed on such depository institution and shall not be subject to assessment imposed on such depository institution pursuant to section 7 of the Federal Deposit Insurance Act (12 U.S.C. 1817) or section 404 of the National Housing Act (12 U.S.C. 1727).".

ABOLITION OF PENALTY RATE

SEC. 6. Section 10(b) of the Federal Reserve Act (12 U.S.C. 347b) is amended by striking all after the first sentence thereof.

PRICING OF SERVICES

SEC. 7. (a) The Federal Reserve Act is amended by inserting after section 11 the following new section:

"SEC. 11A. (a) Not later than July 1, 1979, the Federal Reserve System shall have prepared and shall publish for public comment a set of pricing principles in accordance with this section and a proposed schedule of fees for Federal Reserve bank services.

"(b) The Federal Reserve bank services to banks which shall be covered by the schedule of fees under subsection (a) are—

"(1) currency and coin services;

"(2) check clearing and collection services;

"(3) wire transfer services;

"(4) automated clearinghouse services;

"(5) settlement services;

"(6) securities safekeeping services;

"(7) any new payment services which the Federal Reserve System provides, including but not limited to payment services to effectuate the electronic transfer of funds; and

"(8) any other services which the Board so decides to cover.

"(c) The schedule of fees prescribed pursuant to this section shall be based on the following principles:

"(1) All Federal Reserve bank services covered by the fee schedule shall be priced explicitly and competitively.

"(2) All Federal Reserve bank services covered by the fee schedule shall be available to nonmembers and such services shall be priced at the same fee schedule applicable to member banks, except nonmembers shall be subject to any other terms that the Board may determine are applicable to member banks.

"(3) Over the long run prices shall be established on the basis of all direct and indirect costs actually incurred in providing the services priced, including overhead, and an allocation of imputed costs that take into account the taxes that would have been paid and the return on capital that would have been provided had the services been furnished by a private business firm, except where the Board determines that the public interest requires a departure from this principle, after giving due regard to competitive factors and the provision of an adequate level of services nationwide.".

EFFECTIVE DATES

SEC. 8. (a) The amendment made by section 2 of this Act shall take effect on the first day of the sixth calendar month which begins after the date of enactment.

(b) The amendments made by section 3 and section 5 of this Act shall take effect on July 1, 1979, or such earlier date as may be designated by the Board of Governors of the Federal Reserve System.

Chairman REUSS. The Federal Reserve argues that it must have a high percentage of the Nation's bank deposits subject to reserve requirements in order to carry out monetary policy effectively. In recent years, the amount of reserves under the Federal Reserve's control has been dwindling as banks pulled out of the Federal Reserve System in increasing numbers because of the cost of membership.

H.R. 7 represents evolutionary rather than revolutionary change. Its passage would allow a phased reduction in the level of required reserves. It would also significantly simplify and rationalize the present structure of required reserves, enhancing the conduct of monetary policy and promoting equitable competition among financial institutions.

The bill would assure that 68 percent of the Nation's bank deposits will at all times be subject to reserve requirements. It achieves this by subjecting all banks with more than $50 million in checking account deposits or $50 million in time and savings deposits to reserve requirements. In practice, since vault cash would count toward meeting reserve requirements, most banks with less than $200 million in total deposits would have no need to post reserves with the Federal Reserve. The $50 million exemptions will be indexed to assure that banks exempted by this legislation from having to hold reserves will continue to remain exempt, unless they grow faster than other banks and achieve the size at which reserve requirements take effect.

Under this proposal, some 232 large banks which are not now members of the Federal Reserve would have to begin posting reserves. However, a great many more small- and medium-sized member banks—some 4,664—would be freed of their present need to post reserves.

Altogether, 95 percent of the Nation's 14,618 banks would be completely free of the need to hold reserves with the Federal Reserve.

At the same time, member banks which would continue to be subject to required reserves would have their reserve requirements substantially reduced. Instead of a maximum of 16.25 percent on checking account deposits, they would have to hold initially only 9.5 percent—within an 8- to 10-percent band. A typical $300 million deposit bank, for instance, would have its reserve requirements reduced by some $7 million, money which it could put out in loans.

In addition to providing the level of required reserves the Federal Reserve says is needed for purposes of monetary control, the bill achieves competitive equality among all banks of comparable size, in terms of reserve requirements. No longer will the burden of maintaining required reserves, idle reserves on which the banks earn no interest, fall only upon those banks which choose to be members of the Federal Reserve System.

Under this legislation, all commercial banks would be entitled to borrow from the Federal Reserve, whether members or not. Thrift institutions which have transactions accounts—savings accounts on which checks can be drawn—also would be entitled to borrow from the Federal Reserve. The Federal Reserve, which now provides free services such as check clearing to member banks, would begin charging for such services.

The Monetary Control Act of 1979 would improve management of the Nation's money supply in two ways in addition to meeting the Fed's position on the requirement of reserves:

First, it would authorize the Federal Reserve to obtain more timely and complete information on deposits in the Nation's banks and savings institutions. Currently, only Federal Reserve member banks—38 percent of the Nation's banks with 72 percent of the deposits—report on a regular basis. This leaves the Fed with inadequate information on the size of the money supply.

Second, it replaces a hodgepodge of reserve ratios with more uniform ratios. Currently, member banks are subject to reserve ratios ranging from 7 to 16.25 percent on checking accounts, depending upon the size of the bank; and between 1 and 8 percent on savings and time deposits. Thus, when the Federal Reserve takes action to raise or lower reserves, it cannot accurately predict the effect on the money supply because the money is shifting around among deposits with widely different required reserve ratios.

Under the proposed legislation, reserve ratios would be set at 9.5 percent for checking accounts, including savings accounts from which funds can be drawn by check or by automatic transfer to checking accounts; 3 percent on savings deposits; 1 percent on long-term certificates of deposit, and 8 percent on short-term certificates of deposit. The Federal Reserve could alter these ratios within limited ranges, but only for the purpose of monetary control.

A substantially similar bill was approved by the House Banking Committee September 19, 1978, by a vote of 22 to 14. H.R. 7 contains three changes from that legislation:

First, it includes automatic transfer accounts at commercial banks in the same category of reserve requirements as checking accounts, since both are part of the Nation's basic medium of exchange.

Second, it also includes in this category savings accounts at thrift institutions on which checks can be written, since these are also part of the medium of exchange, a change which, because of the $50 million exemption, affects few if any thrift institutions, but recognizes the potential growth of such accounts.

Third, it provides lower reserves on passbook savings accounts, since these do not represent ready money, offset by slightly higher ratios on checking accounts.

The objectives of this legislation cannot be met in a completely cost-free way. Some proposals for stopping the erosion of required reserves, caused by dwindling Fed membership, would have induced banks to stay with the Fed by paying interest on reserves. Such interest payments could run into billions of dollars. Since the Congress is determined to keep the deficit under control, such proposals are unacceptable. H.R. 7 would achieve its goals in a fiscally prudent manner. The cost, according to administration estimates, would be $172 million a year.

I am delighted, incidentally, to welcome our present members and particularly to welcome new members, Michael E. Lowry of Washington, Edwin R. Bethune of Arkansas, Carroll A. Campbell, Jr., of South Carolina, Don Ritter of Pennsylvania, and Jon Hinson of Mississippi. The freshman class deserves all sorts of praise for having such a splendid attendance record.

Today we welcome our first witness, the Honorable Robert Carswell, Deputy Secretary of the Department of the Treasury, on behalf of the administration.

Secretary Carswell, we are most honored to have you with us. You may now proceed.

STATEMENT OF HON. ROBERT CARSWELL, DEPUTY SECRETARY, DEPARTMENT OF THE TREASURY

Mr. CARSWELL. Thank you, sir.

I am pleased to present the views of the administration on H.R. 7. We support the efforts of the Congress to deal with the question of mandatory universal reserves for depository institutions at this time.

In mid-1977 the administration requested the introduction of S. 1664, which approached this question in a somewhat different way and we gave general support to other approaches in the last Congress. We hope the Congress will be able to act on this matter early in this session. Many plans have been put forward to deal with this problem. Rather than discussing them in detail, I would like to consider the principles that we believe should govern this undertaking.

They are, first, improvement of the tools available to the Federal Reserve in the implementation of monetary policy; second, reducing competitive inequities among depository institutions engaged in the same or similar lines of business; and third, restraining the negative impact of any changes on the Federal budget in this period when the administration and the Congress are striving to squeeze down the deficit.

These objectives are best served in our view by imposing mandatory reserve requirements on all institutions holding similar deposit balances. Since reserve requirements are important to the effective formulation and implementation of monetary policy, their coverage should not be contingent upon voluntary or induced membership in the Federal Reserve System. They should be regarded as a price and a necessary component of participation in the monetary system, rather than a result of decisions about the choice of a regulator, the value of access to the discount window, or a nice balancing of the costs of maintaining reserves against the benefits of membership.

Moreover, to the extent that all institutions that maintain transaction balances have the same level of reserves, the link between the aggregate amount of reserves and the money supply is made more firm.

For these reasons, this bill takes a constructive step in severing the connection between reserves and Federal Reserve membership and by focusing instead on the type of balance involved. Extending reserve requirements to thrifts for transaction accounts is a timely shift toward competitive equality and a more equitable distribution of the reserve burden. The adverse impact on thrifts is relatively small because their transaction balances are small at this time. Of course, it is not possible to achieve full equality of treatment with this step.

There are many small depository institutions that with some justification will resist a reserve obligation on the ground that the adverse impact on their earnings is too great and their participation, while theoretically correct, may not in practice be necessary to the effective conduct of monetary policy. Total reserves in excess of vault cash of the smaller banks would, in any event, constitute only a small proportion of the total reserves. Accordingly, some exemption from universal reserves for small institutions may therefore be appropriate, but we hope that the exemption would be less generous than that proposed in this bill.

In effect, H.R. 7 ratifies the status quo by insuring that the slightly less than 72 percent of commercial bank deposits currently subject to reserve requirements remain subject to reserve requirements. Equity prompts expanded coverage, which also might lower reserve ratios. It would also provide a larger reserve base for us in monetary policy implementation while still leaving the vast majority of small depository institutions unaffected.

The reporting requirements contained in the bill provide important supplementary monetary coverage of all depository institutions not required to hold reserves. The report forms and statistics should be brief and rely as much as possible on existing information flows. The paperwork of all institutions, particularly the smaller ones, should be kept to a minimum.

Finally, we do not think that the concept of universal reserves is inconsistent with the principles of the dual banking system. That system recognizes that when there is an overriding Federal interest in an issue, the ground rules should be established by the Federal Government.

That is the case, for example, with bank holding companies. It is also the case with monetary policy. So long as reserves have a role to play in this process, all banks similarly situated should have the same burden to the extent practicable. Surely the Federal Government has no responsibility to insure the viability of State supervision by making it financially unattractive for a bank to be a member of the Federal Reserve.

The strength of the dual banking system comes from the choice it offers on supervision and examination. That choice remains unchanged by this bill. Moreover, the availability of Federal Reserve services to all banks at nondiscriminatory rates will make it easier for a larger bank to be a nonmember.

In the last Congress, the administration indicated that if the Congress decided that the holding of reserves should continue to be voluntary, then the administration would support legislation to reduce the financial burden of membership through the payment of interest on reserves. For all the reasons I have noted, we very much prefer the approach of required reserves as it is embodied in this bill.

In testimony before the Senate Banking Committee last June and August and in a letter to this committee in September, the administration stated that it would accept a revenue loss of $200 to $300 million after tax recoveries to deal with this problem. Then in an October letter to the Senate Banking Committee, with the budget outlook tightening, we indicated that a revenue loss at the lower end of that range or perhaps below it was preferable.

In the current budget environment, a solution to the membership problem involving a revenue loss under $200 million net of tax recoveries is essential. We understand that the committee staff estimates that the net cost of implementing H.R. 7 would be approximately $170 million. While this expense does not exceed the limit of acceptability, these next few years will be ones of budget stringency. Accordingly, we would encourage exploration of proposals that involve lower costs.

In any calculation of the total annual cost of the membership solution, the Congress should focus on the fiscal 1980 budget impact. There are several elements in the revenue and cost figures that make the near term financial results of various membership solutions a matter of special concern.

In determining the after-tax revenue loss for most proposals, estimates of tax recaptures that may take several years are used. These deferred tax effects might leave a disproportionate aftertax shortfall in the first year of most annual loss projections. Similarly, most proposals assume income of about $410 million from the explicit pricing of Federal Reserve services to reduce the annual net revenue loss the proposals will generate. Yet not all the revenue will be available in fiscal 1980. It will take time to develop and institute prices on some services.

Finally, most membership proposals contain provisions, as in this bill, to phase in reserve requirements on depository institutions that are not now Federal Reserve members and to impose any increased requirements on existing members over a 4-year period. At the same time, the proposals mandate that any change in reserve ratios, including the moderate lowering in H.R. 7, be effected within 2 years.

We are concerned that the time gap between a lowering of ratios and the accumulation of new reserve balances may increase the net revenue loss in the early years. Accordingly, our support of H.R. 7 is premised on the assumption that the Federal Reserve will fully offset any revenue loss during the transition years. Chairman Miller has advised me that the Board of Governors has agreed to this approach.

Mr. Chairman, the staff of the Federal Reserve and the Treasury have been working on more refined methods of estimating the revenue loss for this bill and I would like to submit for the record in the next week those revised estimates.

[Subsequently the following information was submitted for the record by Mr. Carswell:]

Estimated Revenue Effects of H.R. 7
Fiscal Years 1980-84

($ millions)

	Fiscal Years				
	1980	1981	1982	1983	1984
Reduction in Federal Reserve earnings due to reduction in reserve requirements for member banks, at 10/79 projected membership levels, phased in over 2 years beginning 10/79 1/	-521	-1,131	-1,228	-1,332	-1,445
Increase in Federal Reserve earnings from extension of reserve requirements to nonmembers, phased in over 4 years beginning 10/79 1/	33	71	115	166	180
Increase in Federal Reserve earnings from charges for Federal Reserve services, phased in over 2 years beginning 10/79 2/	271	535	579	630	682
Net change in Federal Reserve earnings before tax recovery	-217	-525	-534	-536	-583
Income tax offset 3/	69	155	218	236	257
Net revenue effect before offset for membership attrition under present Federal reserve requirements	-148	-370	-316	-300	-326
Offset due to loss in Federal Reserve earnings caused by membership attrition under present Federal reserve requirements (adjusted for tax offset) 4/	31	103	169	236	313
Net revenue effect	-117	-267	-147	-64	-13

U.S. Treasury
Board of Governors of the Federal Reserve System

Footnotes to table

1/ Assumes: (1) between 12/77 and 9/79 member bank deposit attrition continues at the average of the nation for the period 1975-77 (i.e., the member bank share of total commercial bank deposits declines 1.7 percentage points per year); (2) total commercial bank deposits increase at an average annual rate of 8.5 per cent each year after 1977; and (3) the average return on the Federal Reserve portfolio is 6.5 per cent per year from 10/79 through 9/84.

2/ Assumes: (1) full charging for Federal Reserve services, if fully implemented at the end of 1977, would have generated $410 million; and (2) Federal Reserve revenue from such charges grows proportionally to the growth in deposits assumed in footnote 1.

3/ Recovery of the loss of Treasury revenue from the decline in Federal Reserve earnings assumes: (1) additional commercial bank earnings are taxed at an average marginal rate of 35 per cent; (2) the lagged additional dividends paid to commercial bank stockholders from the higher commercial bank after-tax earnings increases total tax recovery 2-1/2 percentage points per year until the total tax recovery reaches 45 per cent of the additional commercial bank earnings in four years; and (3) 45 per cent of each year's tax liability is paid in the fiscal year incurred and 55 per cent is paid in the next fiscal year.

4/ Assumes: (1) if H.R. 7 is not enacted, the attrition of member bank deposits would accelerate to a rate midway between that experienced in New England and that of the nation during the 1975-77 period; (2) total commercial bank deposit growth and Federal Reserve portfolio return are as indicated in footnote 1; and (3) the tax offset to higher earnings of member banks no longer subject to required reserves is as indicated in footnote 3.

Mr. CARSWELL. Section 7 of H.R. 7 would require the Federal Reserve to price its services and make them available to all depository institutions, whether or not they are members or hold reserves. Once access to System services is no longer required as an inducement to membership, the more general availability of Federal Reserve services should benefit the banking system as a whole.

Moreover, requiring that the Federal Reserve price services on a basis involving full allocation of cost with appropriate allowances for costs unique to private organizations, such as capital and taxes, should allow other vendors to compete with the System more effectively. Hopefully market systems will then become important in establishing the prices of these services and the relative roles of the competing vendors.

H.R. 7, like its predecessor H.R. 14072, would index the exemption from reserve requirements based on deposit growth. We do not favor this provision. The exemption results from the structure of the current system under which many small banks are nonmembers and thus maintain no reserves at the Federal Reserve and others very low reserve requirements.

We should seek to eliminate the disparate treatment of large and small banks over time. If the exemption is not indexed, the growth of the deposit base over the years will gradually reduce the scope of the exemption and will further the objective of competitive equity in the banking systems.

I would like to note for the record that the Comptroller of the Currency is in basic agreement with the general direction taken by H.R. 7. While the Comptroller feels strongly that ultimately reserve requirements should be imposed equally against comparable liabilities for all depository institutions, it is his position that H.R. 7 represents a workable solution to the problem of assuring the Federal Reserve of adequate control over the monetary aggregates.

This concludes my formal testimony, Mr. Chairman, and I would be pleased to answer any questions that the committee may have.

Chairman REUSS. Thank you for an absolutely first-rate presentation, Mr. Secretary.

I want at this time to acknowledge the presence of the chairmen of two subcommittees which are intimately concerned with this matter, Mr. Fernand J. St Germain, chairman of the Financial Institutions Supervision Subcommittee, and Mr. Parren J. Mitchell, chairman of the Domestic Monetary Policy Subcommittee. Through the matter of bank regulation and through the matter of monetary policy, both these subcommittees are intimately involved; both subcommittees have taken leadership in the last year investigating this issue, and I trust that leadership continues.

We will now examine under the 5-minute rule.

Secretary Carswell, I take it the administration's position is one of full support for H.R. 7 with the two exceptions, those exceptions being: First, that in order to minimize the loss of revenues, the administration would prefer that the two $50 million exemptions be somewhat reduced so as to reduce or eliminate the revenue loss; and second, and somewhat to the same effect, the administration would prefer to eliminate the indexing provision, which in effect says that as long as a bank simply grows proportionately with other institutions, it will not by its growth find itself posting compulsory reserves.

Is that a fair statement, that those are the two points that you feel need improvement?

Mr. CARSWELL. That is a fair statement, Mr. Chairman.

Chairman REUSS. I would have a couple of questions about each one.

With respect to the first point, namely lose less revenue, how would you suggest we go about that? We could go about it I should think by a variety of means: First, reduce the $50 million; second, raise the reserve requirements. Either/or, some combination thereof would, I suppose, result arithmetically in whatever result the administration wants.

Do you have a preference?

Mr. CARSWELL. I think that is correct. Those are the alternatives. The purpose for the exemption is to avoid too much of a dislocation in the present competitive system in the banking area now and the exact level at which the exemption is set is, I suppose, a function of how much the System can be changed at one time.

I would think it ought to be possible, based on the runs in your committee print, to lower that exemption somewhat without having an unacceptable effect on the levels of competition with smaller banks.

I suppose alternatively one could raise reserve requirements which would then raise revenue from all the banks that remained in the System. That would in a sense further the competitive advantage of those banks that are out and I would suppose that would move, generally speaking, in the wrong direction, so the reduction of expense is probably preferable.

We would not have a strong feeling on that. It is a question of what, all things considered, is the best way for the process to move.

Chairman REUSS. Thank you for that answer.

Does the administration intend to make a more detailed arithmetical proposal on that, or are you simply saying that you would view it with pleasure if the committee or the Congress reduces the present $50 million somehow or other so as to lose less revenue at the banks?

Mr. CARSWELL. I do not think we would propose to go any farther than what I just said. As you know, Senator Proxmire approaches the bill both ways, with a higher exemption and lower reserve ratios. There is plenty of room for differing views. I am not sure our specific view will add anything to the debate.

Chairman REUSS. I think you have made it clear.

On your second point, that you do not like the indexing arrangement, you addressed yourself to that point in your testimony and said on page 5 of your written statement that you do not care for indexing because "We should seek to eliminate the disparate treatment of large and small banks over time."

There is of course in this bill disparate treatment. All banks get $50 million of deposits on which they are home free, they are not required to post sterile, noninterest-yielding reserves on those. And that does involve a valid judgment.

Is it the administration's position that smaller banks not be treated ever in a favored way over larger banks?

I say that because it is the view of the authors of this legislation that such favored treatment is in the public interest. We do not want to see this country become one like the United Kingdom where you have only five big banks. We note that under our corporation income tax laws, benefits of a special nature are given small business; that is to say, the first $25,000 of income is taxed at a lower rate than income over that amount.

It is the view of this committee that there is a difference, that small banks should be encouraged to maintain correspondent banking relations, they should be encouraged to grow but that at a certain level—and here we did take $50 million times two out of the blue, so to speak—banks should be asked to sink or swim on their own.

Is there a philosophical difference between the administration and those of this committee who believe in disparate treatment, as you have suggested?

Mr. CARSWELL. I do not think there is any basic philosophical difference. I suppose if one wanted to be a purist about it, there is not any real reason why anybody who runs banks should not have the same rules applied to him. But the fact is that small banks do not have the relative economies of size that larger banks have. They may have some other disadvantages too. And I think that has been recognized, as you say, both in the tax laws and in other areas of banking laws.

On the other hand, I guess the basic question is: How small is small?

A $50 million exemption on transaction balances can apply to a pretty big bank by anybody's objective standards. The smaller bank, the really small bank, can go one-tenth of that, without any particular difficulty. So when you get to a $50 million bank and another $50 million on top of that for the time and savings exemptions, you are talking about a bank with very large balances by some people's ideas of objective standards.

Now I would suppose that that is where the debate lies, where that break ought to be, not that there is not a special problem for smaller banks.

Chairman REUSS. So we are not talking principle, we are talking price?

Mr. CARSWELL. I think that is right.

Chairman REUSS. My time is up. Mr. Leach, welcome to the august upper row.

Mr. LEACH. To be sure I feel out of place. I just have one question.

On page 3 of your testimony you maintain that mandated reserves are not inconsistent with the dual banking system. Does it not seem likely that nonmember banks, when they are required to maintain reserves, will also leave their State banking systems and therefore to some degree jeopardize the current dual banking arrangement?

In that regard, do you have estimates or have you surveyed the banks that potentially would be affected to ask their judgment whether they would leave the State banking system if subject to mandated reserves?

Mr. CARSWELL. I know obviously that is the argument, that if you had to be a member of the Fed, that it might be to the advantage of a bank that is now a State bank to turn to a national charter and thereby have one regulator instead of two. And that is no doubt what could happen.

No, we have not surveyed it. I do not know whether the Fed has or not. We really do not have any mechanism to survey the 15,000 banks in this country in the Treasury Department; we are not in touch with them directly.

I think it is fair to say that the dual banking system relies for its strength on the fact that State regulation does offer something different from what the Comptroller offers and that would be in the areas of powers and its general approach to local problems. That will still be present, whether or not they are members of the Fed; I suppose that is what the dual banking system is all about.

The reverse of the argument that I presented in the statement is that you are asking the Federal Government to in effect pay these people for staying out, because we do now in the present system. That is, we make it unattractive to be a member of the Fed today, and that is a crazy way to build your monetary base. We would think that the rational way is as the bill suggests and then, if the dual banking system has the strengths that we all think it has, it would not be seriously affected by this move because the State supervision system will continue to have exactly the same kind of advantages that it has today for some.

Mr. LEACH. I sympathize with your concerns and I think your arguments for changing the current system are strong. However, I think it is a bit glib to say that the dual banking system will not be affected when you have no real assurance.

Second, I think it would be responsible to survey in some manner the banks that might be affected. A survey could be more the Federal Reserve's role than Treasury's. However, from my discussions with Iowa bankers, the primary reason for staying with the State banking system is economic and not one of local control. Therefore it would appear to me to be very much a matter of conjecture that economic incentives will not disrupt the current balance.

My only concern is that before we take a substantial step, and this is a step that I think all of us want to seriously consider, we know from a first-hand point of view what the ramifications are going to be. I am not sure that either the Treasury or the Fed at this time is in a position to say definitively what they will be. I wonder if steps are being taken to try to ascertain that in advance.

Mr. CARSWELL. As I said, we are not conducting any survey, we are really not in a position to.

Mr. LEACH. Thank you. I have no further questions.

Chairman REUSS. Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. Carswell, I think that one of the important questions that has to be addressed here, because I suspect this legislation, whether it be in the form it is now or an amended fashion, is going to face a rockier road now than it did in the last Congress. I do not think there should be any doubt about that.

I feel that the members of this committee will have to be convinced of the necessity of the legislation, to wit: Is it absolutely necessary for the conduct of monetary policy that this legislation be adopted and with the trend toward financial institutions leaving the Federal Reserve System be reversed?

Second and honestly, perhaps you can address the next question this morning or in reply in written comment, it is my understanding that, on the Senate side, legislation will be introduced that would exempt from reserve requirements the savings accounts of the smaller people, so to speak, because traditionally we know that these funds do not move. They go in there, we have people who have still accounts, passbook accounts in financial institutions, primarily commercials that are paying them 4, 4¼, or 4½ percent. So these are not the type of funds that move around a great deal.

My understanding is that the legislation may well be proposed in the Senate which would impose reserve requirements on transaction accounts and on commercial type certificates of deposit. This approach would appear to alleviate the burden that might well be suffered by a great many smaller institutions.

I personally have been very impressed by the situation at one of my financial institutions in Rhode Island that converted a few years back from being a dual financial institution—as you know, we have some unusual situations in Rhode Island—it was both a savings bank as well as a commercial bank. And that charter dated back an untold number of years. They still are one of the leading institutions in Rhode Island, as far as home mortgage financing is concerned. When they converted, over 80,000 people in Rhode Island became stockholders. A reduction in their income, which under this legislation would be quite substantial despite the changes that have been made since last year, would adversely affect not people with deep pockets but just savers, ordinary working people. I find that argument is a compelling one. So I say to you, there are two questions that are going—that I would like answered.

First, can we be convinced and assured of the fact that membership in the Fed is an absolute requirement for the proper conduct of monetary policy?

And second, if that be the case, is it also necessary that the requirements attach themselves to the traditional savings accounts as opposed to limiting themselves to transaction accounts in commercial certificates of deposit?

I think, Secretary Carswell, you realize that after our work together in the last Congress, which was very pleasant, that I by no means grieve or shed too many elephant tears for the commercial banking system. By the same token, I feel we have to look at the realities of life.

Mr. CARSWELL. I think this committee has already heard in the last Congress from a number of people who have addressed these questions and of course there are those who say that in order to conduct monetary policy, you do not need reserves at all, you can do it through market operations. And in that sense I do not suppose it is possible for anyone to assure you that it is 100 percent necessary for the Fed to have required reserves.

On the other hand, we have conducted monetary policy now since the start of the Federal Reserve System with a required reserve base and it has been relatively successful. All our statistics and our experience are with that approach.

I would suppose that to shift now to an approach where there is no required reserve base, which is a theoretical possibility, would involve taking risks and consequences that I do not see any reason to take. Further, it would involve a very significant diminution in the revenues of the United States.

The fact is that the required reserves do provide income for the Fed; that is they, the Fed, use that money, and the earnings on the funds, those required reserves, come to the U.S. Treasury, and the amounts have been relatively large in recent years. That is a price that is built into the banking system and to give up those reserves, in effect to give them back to the banks at this juncture in your budgetary and appropriation policy considerations, would seem to me to be unwise as well.

So I would think that it is pretty clear that we ought to continue, the Fed ought to continue to conduct its monetary policy from a required reserve base and that base ought to be as high as possible. Now if you accept that, then a further point I suppose is relevant; that is, that it is easier, more simple and understandable to conduct monetary policy from a reserve base if you know what that base is, if it is settled, if it does not shift. It is constantly shifting now, both because we have a rather complex structure of reserve requirements—the schedule of reserves that banks are required to keep—and also because people keep leaving the System. They leave the System because it is too expensive and that in turn inhibits the Fed from changing reserve requirements and hence we lose the flexibility in the conduct of our monetary policy which we could otherwise obtain.

I think where we come out is that it is necessary, as a practical matter, to have a reserve requirement system in this country and that that system ought to be as stable and predictable as possible, and that is the way this bill approaches it.

Now there can be obviously plenty of room for modifications and changes in the mix and you are suggesting that it would be preferable to lower or exempt the reserve requirements on one component; namely, savings deposits.

I would suppose that is partially recognized now by the fact that H.R. 7 does have the reserve requirement at 3 percent, which is significantly below what the requirement is on transaction balances. And I think that is done philosophically at least to recognize that there is a difference in the types of deposits. Whether that requirement should go to zero or not I would suppose is an open question.

Traditionally we have always had some level, some type of reserves on savings accounts, savings deposits, but I suppose it is not impossible to think of a system where it could be lower. I would think the balance suggested in the bill, which is, incidentally, the same balance suggested on this point at least in Senator Proxmire's bill which was introduced last week in the Senate, is probably a pretty fair level. But I am not really familiar with the institution you are talking about, so I do not know exactly what the dollars and cents effects would be.

Mr. St Germain. I can say it is significant.

Thank you, Mr. Secretary.

Chairman Reuss. Thank you, Mr. St Germain.

Mr. Annunzio.

Mr. Annunzio. Thank you, Mr. Chairman.

Mr. Secretary, I am concerned that the cost of this legislation may not justify the proposed benefits. I have not been convinced that the Federal Reserve System can do an effective job of controlling monetary supply, even with passage of this legislation. The system seems to have set on one of the two courses to pursue with monetary policy. When they do not work, they just continue to plow along with the same programs, I guess, under the rationale that eventually they will get lucky.

I want to make it clear I am not talking about the efforts of the current Federal Reserve Board Chairman, because I think he inherited this monetary mess we are in. Given the track record of the Federal Reserve Board, how can I justify to my taxpayers an expenditure that may range as high as $300 million or as low as $170 million, at a time when we are trying to cut spending and not add to it? How can we justify that with the taxpayers?

Mr. Carswell. Mr. Annunzio, I can only say that the President feels at least as strongly as you do about the necessity of being tightfisted with expenditures in our Federal Government, and I emphasize in my statement that we would prefer to see that cost down.

I should also say that we will be submitting for the record here a more refined analysis of what those costs will be as best we can estimate them. I think they are a little lower probably than the numbers that have been considered heretofore. I think we have done more work on it and refined the assumptions, but the fact is that there still, as you rightfully point out, will be a considerable loss in revenue by anybody's standards and justifying that loss depends on how important you think it is that we give the Fed the maximum tools to conduct monetary policy.

I think it is important that they have those tools. I think we also should not forget that there is no reason to think that attrition from the Federal Reserve System will not continue if we do not do something here and that will also result in a loss in revenue to the Treasury, whether or not we help the Fed to conduct its monetary policy better.

I would suppose that that is shortsighted, too, that is, to keep a system going now which has demonstrated that it is losing members because the members find that they can get the services that the Fed gives them elsewhere cheaper and hence they flee from the System.

If the rate continues, it would not be surprising in 5 years if we lost something approaching 20 percent of the present membership. And I think on the whole that would be very unfortunate both from the standpoint of a cohesive banking system and from the standpoint of the conduct of our monetary policy.

I am not sure I agree with some of the characterizations of the way that the Fed has conducted monetary policy in the past that you have made but, on the other hand, it is going to make it a lot harder for them if they continue to lose members at the rate they are losing them now.

Mr. ANNUNZIO. In general, what you are saying and merely trying to clear the air because I know I will blast them on the question, what you are saying, if $300 million is too much, $170 million is too much, that if we have to revise your figures, if we spend $100 million, we save the Federal Reserve System, then the amount of money that we are spending is justified. Is that about what you are saying?

Mr. CARSWELL. Yes, sir.

Mr. ANNUNZIO. Thank you.

Now, Mr. Secretary, couldn't we solve the problem of the Federal Reserve membership losses by requiring all commercial banking institutions to place reserves with the Federal Reserve Board and then the Board would charge the financial institutions for any services rendered by the System, such as wire transfers, discount window services, currency and coin distribution? The amount of interest that would be paid on these reserves would not be a set amount, but would be determined by the amount generated by the sale of banking services by the Fed.

At the end of the year, the Federal Reserve Board would add up the income, just like any businessman, from selling these services, deduct its cost of operation and then the rest of the moneys would be paid out to the member banks in the form of dividends.

It might be that a bank would receive a 1-percent-interest dividend or it could receive a 15- or 20-percent dividend, but in no case would the taxpayer be directly or through the subterfuge that you can raise the pay, responsible for any of the interest payments.

I would like to get some of your thoughts on that plan that I propose; it is not refined or complete, but it is something to throw out, that we are in the business of selling services. In your own department, if I were to look at your budget, I could see maybe five or six consulting firms that you hire to make a study; we have all kinds of companies in this country that are selling services.

I think that the Government ought to embark upon a program of getting paid for some of the services that it renders.

Mr. CARSWELL. Well, I think you are suggesting a formalized approach to see that it would break even, whatever we do now, that is starting from the base now that banks would neither gain nor lose.

I don't know quite how that will fit with the smaller banks that, under H.R. 7, would be required, in effect, to have reserves up, and even if they got a dividend back, I am not sure they would come out as well as they are now. The exemption insures them, in effect, of the most favorable type treatment.

Mr. ANNUNZIO. I know, Mr. Secretary, you realize the thrust of my question is not to worry about the bankers because if you read the financial pages they are the only people showing a profit today. I am worrying about the taxpayers.

Mr. CARSWELL. Well, you and I don't have any difference of opinion that if this thing could come in at break even, we would be in favor of it.

Mr. Annunzio. My time is up. I have one more question. I will ask that at the next go-around.

Thank you very much.

Chairman Reuss. Thank you, Mr. Annunzio.

Mr. Bethune.

Mr. Bethune. Mr. Secretary, you seem to say in your report, page 3, that the strength of the dual system comes from the choice it offers on supervision and examination, which seems to me about the very least that you could say for that system or any dual system.

I wonder, do you recognize that the system has any other strengths?

Mr. Carswell. I understand the philosophy for the dual banking system, the thoughts behind it; they are concentrated on the idea that banking has benefited in the past from diversity and will continue to do so and that the dual banking system permits diversity, particularly at the local levels in the banking system and it does that because State supervisors may be in a position better to accommodate innovation and the problems of localities are less than with a more monolithic Fed system, and I would have supposed that that is the heart of what the advantages are.

The issue here is whether, when we make the cost of Federal Reserve membership more neutral that that will lead people to forgo the advantages of possible diversity and innovative approach at the local levels and thereby weaken the System.

I would have supposed that the issue then gets to be how much is the Federal Government going to be prepared to subsidize that dual banking system because, in effect, that is what will happen. That is happening now. The reason people are not assuming their Federal Reserve responsibilities by remaining members is that it costs money and they can avoid it by staying out.

If every bank is required to assume the same responsibilities as a member bank, that is equitable, I suppose, overall, and if the dual banking system has the strength, as I think you and I would agree it does, then that shouldn't adversely affect them.

Mr. Annunzio. If it should attract people to leave the dual system—institutions to leave the dual system, then would we lose forever the benefits of that system or would you imagine that the Federal Government then could replace that by beefing up the services and rapport that now exist in the System and would that not in turn cost additional money?

Mr. Carswell. I think you have to look at it in a number of different ways. In a sense it depends on where you start. Today the dual banking system, by percentage, is stronger, I would suppose we would agree, because the percentage of banks that are now State-chartered as opposed to federally chartered is up and that is because, in part, of the withdrawal from the Federal Reserve System.

Now, it just depends on what you think the proper level is. After all, Fed membership is down now from 88 percent in 1941 to 72 percent now. So part of that has accrued, I suppose, to a stronger dual banking system.

Now, whether that occurred because they were fleeing the financial responsibilities of being a Fed member or because the State supervisors ran a better show than the Fed supervisors, I guess none of us really knows, but the shift has been in that direction and I am not sure, if one made the Federal Reserve membership neutral, which is essentially what the proposal is here, that is, so nobody would lose by being either in or out, that would necessarily mean that people would flee the dual banking system; if the dual banking system has the advantages, as I certainly think it has in some areas, there won't be any significant diminution.

Mr. ANNUNZIO. Thank you.

Chairman REUSS. Mr. Mitchell.

Mr. MITCHELL. Thank you, Mr. Chairman.

I realize that this is a hearing on H.R. 7, but I want to make a brief comment on the statement made by Mr. Annunzio regarding the peculiar ways in which the Federal Reserve occasionally acts.

Today, I issued a press release with regard to a half billion dollar loss that the American taxpayers have sustained as a result of the Federal Reserve's intervention in the foreign exchange market.

Last year I spoke about this on the floor, suggesting that our intervention in foreign exchange markets has not been beneficial to us. Now we have a half billion dollar loss to our economy resulting from that intervention.

[The press release referred to by Mr. Mitchell follows:]

PRESS RELEASE OF REPRESENTATIVE PARREN J. MITCHELL

[For release on Monday, Jan. 22, 1979, 10 p.m. e.s.t.]

Representative Parren J. Mitchell (D. Md.), Chairman of the Domestic Monetary Policy Subcommittee of the House Banking, Finance and Urban Affairs Committee, charged today, "The Federal Reserve System lost $506 million last year by speculating in the foreign exchange market." The loss, which was largely due to past foreign exchange operations "increased our budget deficit dollar for dollar, and no enduring benefit resulted from this tremendous half billion dollar cost," Mitchell said. He called the House's attention to the loss in a floor statement "because the Federal Reserve undertook massive new foreign exchange commitments in 1978, and continues to intervene in foreign exchange markets even now."

"Had the Federal Reserve not lost the $506 million", Mitchell stated, "it would have been remitted to the Treasury, which could have used the money to cover budgetary expenses, so "the U.S. budget deficit was half a billion dollars larger than it needed to be."

"The most important reason that the Federal Reserve should stop this practice," Chairman Mitchell said, "is that it wasted half a billion dollars. Half a billion goes a long way, and it shouldn't be lost gambling in foreign exchange markets. I can think of lots of ways to spend that money which would be of far greater benefit to Americans."

Mitchell attributed the loss to the Federal Reserve's efforts to shore up the dollar. "The Federal Reserve tries to keep the dollar from falling, so it borrows and sells foreign currencies," Mitchell explained. "This is supposed to increase the demand for dollars temporarily and shore up the price of the dollar," Mitchell said. "However, even in the short run, such intervention can prove counterproductive by arousing unnecessary fears and speculative selling of the dollar."

According to Mitchell, the effort is not worthwhile. "The dollar was not saved by the Federal Reserve's intervention in foreign exchange markets last year," Mitchell said. "What stopped the slide of the dollar last fall was the promise of slower money growth backed up as it was by an unprecedented one percentage point rise in the discount rate. I believe that if the Federal Reserve had achieved its money supply growth targets all along, the dollar would not have needed defending to begin with."

Mitchell stressed that borrowing and selling foreign currencies for dollars cannot permanently affect the price of the dollar. "All that the Federal Reserve can hope to accomplish by speculating in foreign exchange markets is to make the dollar stronger now at the risk at making it weaker later," he said. "It has no enduring purpose and should be stopped. We can use the money the Federal Reserve loses on foreign exchange operations in much more beneficial ways."

Mr. MITCHELL. I just wanted to follow up on Mr. Annunzio's illustration of the kind of strange behavior that sometimes occurs within the Federal Reserve.

To return to H.R. 7, the question has been raised, whether we should allow the Federal Reserve to pay interest on bank reserves without allowing banks to pay interest on their demand deposit liabilities. I want to get your thinking on that Mr. Carswell.

Do you think we should provide for Federal Reserve payments of interest on bank reserves without allowing the banks to pay interest on their demand deposit liabilities?

Mr. CARSWELL. The administration supported last year the NOW account bill which would permit commercial banks to pay interest on their demand deposits and coupled that with a proposal to pay interest on reserves. In other words, it did make the coupling that you are talking about.

I think we have come to view that the H.R. 7 approach is a better approach, that those two need not be linked and, indeed, if we could avoid paying interest, that is, the Fed paying interest on reserves, that is to the good. It will make the System considerably more complex and costly to the Treasury and the Federal Government.

I think we would prefer to see that linkage not take place. On the other hand, we have no problems at all about the NOW account approach. That is, this administration has supported NOW accounts, continues to support NOW accounts and if the Congress is willing to enact nationwide NOW accounts now we would certainly support that.

Mr. MITCHELL. Then the lack of a section in H.R. 7 on paying interest on demand deposits is only because you want the bill kept fairly clean, without any entanglements in terms of NOW-type accounts, correct?

Mr. CARSWELL. That is correct. I don't think there is any necessary linkage here. This problem can be addressed without that linkage.

Mr. MITCHELL. I too am interested in the cost of implementing H.R. 7. You have indicated that the low figure now is about $170 million to implement H.R. 7. You have indicated you are putting a paper together, which I assume you will share with this committee, regarding ways in which we can reduce the cost of implementation. I look forward to reading it. At this point, could you give me one or two general ideas you might have in terms of reducing the cost of this bill's implementation?

Mr. CARSWELL. As we discussed before, there really are two approaches. One is to lower the exemption. That is a $50 million exemption in the bill below which no reserves need be kept. You could lower that to $45 million, $40 million, whatever a break-even point would be. Alternatively, one could change the reserve schedule and instead of paying the interest on those reserves at the level or levels that are now there, they could be raised, so that instead of the 9 percent now required on transaction accounts, it could go, I suppose, to 10 percent, and that would make the bill break even.

Mr. MITCHELL. Which of the two options do you prefer?

Mr. CARSWELL. I think we would prefer lowering the exemption rather than raising the reserves, the reason being that by raising the reserve requirement ratio, in fact you make the people who are in pay more and you add to the favored position of the people who are out, who have the exemption.

I think that is moving clearly in the wrong direction. I suppose to the extent it is possible to have every bank competing on an equal basis, that is the favorable approach.

Mr. MITCHELL. I have no further questions, Mr. Chairman.

Chairman REUSS. Mr. Campbell.

Mr. CAMPBELL. Mr. Carswell, speaking of the $170 million loss, you have, through the Federal Reserve, proposed a scheme of charges addressing a number of things but you have not addressed the charge on check floats and I wonder if you would address this and give us the benefit of your comments on it?

Mr. CARSWELL. Well, that one area of benefits that the Fed and others get out of the System, depending on how money flows, I have never really been clear how one can be sure about the pricing of flows. The Fed runs studies every now and then and they have never been too precise in where those benefits lie to the extent that you can switch the benefits around and allow for delayed payments and so on. Obviously that is important and it is a necessary component of any pricing schedule that the Fed will later put in for services. We have just had this problem in our tax and loan accounts where the Treasury has just shifted to a system whereby the banks now pay us interest on excess funds that we keep in the banking system.

That hadn't been done until Congress authorized it at the last session. And the float problem has been very difficult there. We now have an assumed float in that pricing. I assume for the pricing of some services, the Fed will have to do the same. I just really don't know how they intend to do it on different services.

Mr. CAMPBELL. I have seen some figures on this on the float being approximately $5 billion with about $500 million in an interest level. Is that a figure somewhere in the ballpark of one of your estimates?

Mr. CARSWELL. I honestly don't know. The use of money today is probably around 10 percent in Federal funds but in the past it hasn't been that high. That is why your statistics get difficult. The cost of a float will vary with the interest rate.

Mr. CAMPBELL. Let me switch to another area. We have talked basically of H.R. 7. Let us look at a couple of the other proposals that have come along that have been addressed by other members. Basically the proposals of permitting banks to invest reserves in Treasury securities, or the Brooke proposal of a certificate of deposit, some of these types of alternatives that have been suggested, I would like to know whether the Treasury Department has analyzed these proposals and what your position on them is?

Mr. CARSWELL. As they have been proffered, we have looked at them.

I don't think we have submitted to this committee or on the Senate side detailed responses on all the proposals. I think it is fair to say we think this one is the preferred course because it is far less complicated, and in the long run far less expensive than any of the others.

Mr. CAMPBELL. Let us take one of them then. Let us speak of the Treasury securities. I would like to know what your specific analysis of that one proposal was.

Mr. CARSWELL. That proposal basically is that a member bank should be allowed to keep its reserve balances in Treasury securities and that it receives the interest on those Treasury securities.

Now, today, those reserve balances are kept in Treasury securities in effect by the Fed, but the Fed gets the interest so that the United States gets the interest and the proposal would simply shift that interest to the banks. That will cost a lot of money. Even if you do it on a cutdown basis, dollar for dollar, only some percentage of it, but whatever happens, the allowing of the banks to have the interest from reserve invested in Treasury securities will be very expensive. It will also complicate the Fed's conduct of monetary policy.

Mr. CAMPBELL. I understand that, but in assuming a payment on Treasury securities, one has to also assume the required reserve is in itself a tax, looking at it that way. Would you look at it that way?

Mr. CARSWELL. I don't think there is any question that in effect the present system of reserves is the price that banks pay for being allowed the privilege of being banks.

That is being allowed to use other people's money for their inventory.

Chairman REUSS. Mrs. Spellman.

Mrs. SPELLMAN. Mr. Secretary, if we are for the first time now going to impose reserve requirements on checking accounts in thrift institutions, do you think perhaps it would be desirable that we allow them a large enough exemption to stipulate their innovative approaches into the transactions of business?

As we understand it, $50 million is based on some data of December 1977, virtually exempts all.

Mr. CARSWELL. I suppose that is correct.

I am not sure, Mr. Chairman, whether the staff ever figured out—there was talk that maybe two of them were affected at the $50 million level.

Chairman REUSS. Two or three, I believe.

Mr. CARSWELL. Maybe a couple who would be affected even at the $50 million level, but all the rest would not. Hence it would follow that shifts I suppose in the other institutions from savings accounts of whatever kind, or certificate of deposit into transaction balances, wouldn't adversely affect the thrifts because that aggregate amount would still remain below the $50 million level.

Thrifts, on the whole, as everyone on this committee knows, have not been offering transaction accounts except in New England, so it is hard to tell how that will proceed across the country, although the trend certainly seems to be on.

I think the point is, if they do go into the same business that a commercial bank is in, they probably ought to compete on the same basis as the commercial banks have to compete.

There isn't any particular reason why at this point we ought to build in a subsidy for thrift competition in that area with the commercial banks, but I think on the whole we would think the $50 million exemption would have the effect, or whatever exemption you do pick, it could be lower than $50 million, would have the effect of encouraging the thrifts to go forward with transaction accounts at least in the beginning without incurring unacceptable costs.

Chairman REUSS. Mr. AuCoin.

Mr. AUCOIN. Thank you, Mr. Chairman.

Mr. Secretary, I haven't made up my own mind as to what the best method is of solving the problem. I think we all recognize what H.R. 7 addresses. I have a number of questions and in the time I have available I would like to pose a few of them, if I may.

First of all, what is more important in order to give the Fed a handle over monetary policy it must have? The size of membership of institutions or the total amount of funds?

Mr. CARSWELL. My personal opinion would be the dollars.

Mr. AUCOIN. It is my understanding that H.R. 7 in fact would give the Fed fewer dollars, but more participating institutions. Is that not correct?

Mr. CARSWELL. In a sense that is correct.

Mr. AUCOIN. It is a question of dollars. It is either true or it is false.

Mr. CARSWELL. It is just a question of who puts the dollars up. There are a number of banks who have opted out of the Federal Reserve System that are really very large and should have been in the System and some of their dollars will be brought back in, whereas the people who are now in the System, because of the exemption levels, will not be affected by the——

Mr. AUCOIN. What I am talking about are the ground rules H.R. 7 would lay down as to who has to participate and who doesn't. Isn't it true under H.R. 7 you would have fewer dollars, but a larger number of participating institutions, isn't that correct?

Mr. CARSWELL. It depends on what you mean by participating. If you are counting the exemptions—that is the banks that are members, that are required to be in the Federal Reserve System—that is put up reserves—but are out because of exemptions, then I think the aggregate number is less under H.R. 7.

Mr. AUCOIN. The aggregate number of what, dollars?

Mr. CARSWELL. Banks that participate in the sense of having to put up reserves as opposed to being subject to it.

Mr. AUCOIN. Let us talk about dollars held in reserve by however many participating institutions there are. Aren't there fewer dollars under H.R. 7?

Mr. CARSWELL. Yes.

Mr. AUCOIN. You have just said the most important objective in terms of managing monetary policy is having a larger number of dollars to be able to manage. How is this bill a help to the Fed?

Mr. CARSWELL. It will stabilize it.

Mr. AUCOIN. How would it stabilize it if you give them fewer dollars to manipulate and to manage in affecting monetary policy? My understanding, going into this, was that this is a tool that must be used by the Fed to have a sound, stable, effective monetary policy.

If you restrict the amount of money they manage, how do you accomplish that end?

Mr. CARSWELL. I can't deny that I would prefer to have all those levels up and that is the cost question.

Mr. AuCOIN. What good is this bill then?

Mr. CARSWELL. This bill will stabilize——

Mr. AuCOIN. How does it stabilize if you are restricting the amount of funds?

Mr. CARSWELL. From now on it will be required that you be in the system and those people won't be able to opt out.

Mr. AuCOIN. What good does that do if the actual number of dollars that are manageable by the Fed is less than it is today?

Mr. CARSWELL. It depends on how you look at it. The number of dollars that are owned by the banks subject to the system will be higher but because they are lowering the average reserve requirements, the number that are actually kept by the Fed in the aggregate are lower, but the number of dollars that are available to the Fed that are trapped in the system is higher and it is that aggregate number that is trapped in the system that the Fed looks at, and, by raising or lowering the reserves from then on, it just ought to work better.

The reserve requirements are being brought down now as a price for getting this new system in. If that isn't necessary, as far as I am concerned—I have been saying, I guess, to several members here—those requirements can stay up; that would be acceptable, but I don't think it is acceptable to a reorganization of the system.

I think you have to bring those reserve requirements down a little.

Mr. AuCOIN. Then if I understand you correctly—I don't want to use all my time on this one question because I have another.

If I understand you correctly, somehow fewer dollars held in reserves by participating institutions—and my time has apparently expired—fewer dollars held in reserve by the Fed is somehow going to make it more effective to manage monetary policy.

Let me just ask you one final quick question, with the expiration of my time.

You have indicated three goals. One, the improvement of tools available to the Fed in the implementation of monetary policy, a laudable goal, we all agree.

Second, reducing competitive inequities among depository institutions and then, three, of course, the restraining of the negative impact of any changes on the budget.

That latter point, of course, is price, whatever it is. The price that has to be paid for the first two objectives.

Am I clear in understanding that it is the position of the administration that those first two objectives, the price of obtaining those first two objectives, is not worthwhile if it exceeds the $200 million?

Mr. CARSWELL. That is what we would prefer.

Mr. AuCOIN. If any price above $200 million is the result, then as far as you are concerned, legislation accomplishing those two objectives which you named is not worth it on a cost/benefit basis.

Mr. CARSWELL. That is what I said in my testimony. Obviously it is up to the President, if the Congress thought it was worth more, whether he would think that was worth a veto. I am not saying that because that is the President's decision but, based on where we are now, we would not think——

Mr. AuCoin. You are prepared to give the Fed no further tools and not to address the problem if the price period for addressing that problem exceeds $200 million?

Mr. Carswell. We will assist the Fed in every way we can and we are willing to see some expenditure of resources in order to arrest what we think is a deteriorating situation. We think this level ought to do it.

Mr. AuCoin. If the Secretary could give me any additional information to clarify your first answer, I would be very grateful for that information.

Mr. Carswell. I would be glad to submit something for the record, sir.

[In response to the request of Congressman AuCoin for additional information, Mr. Carswell furnished the following response:]

Response From Mr. Carswell

The arrangements contemplated by H.R. 7 would assist the conduct of monetary policy, despite an estimated $12.2 billion reduction in the volume of commercial bank reserves held at the Federal Reserve, for a number of reasons.

First, they would stabilize the percentage of total deposits subject to reserves at a minimum of 68 percent of total commercial bank deposits. We estimate that the Federal Reserve has lost a total of $1.4 billion of reserves over the last five years due to member bank withdrawals from the System. H.R. 7 would stem this attrition by establishing universal required reserves for all banks above the $50 million transaction balance and $50 million time deposit exemption levels. In the absence of timely action, the loss of reserves will continue, exacerbating the effect of continued leakage of reservable deposits into exempt institutions.

Second, H.R. 7 would insure that all of the larger banks playing an important role in the monetary system remain subject to reserves.

Third, the more uniform reserve percentages at which requirements are set in H.R. 7 should make the Federal Reserve's task of predicting results of open market operations more certain.

Fourth, the Federal Reserve would be able to raise reserve requirements when necessary for monetary restraint without the fear that reserve holders would withdraw their funds by surrendering their membership in the System.

Of course, as I indicated in my testimony, we would prefer the broader coverage of deposits subject to reserves that would result from a lower exemption level and the elimination of the indexing feature attached to the exemption. The Federal Reserve's suggestion of paying interest on the exempt amounts and making them part of the reserve base would have a similar effect.

Chairman Reuss. Ms. Oakar?

Ms. Oakar. Thank you, Mr. Chairman.

Mr. Secretary, I would like to know if you would agree that to implement the bill it would cost about $170 million?

You mentioned that as being the staff's estimate. Does the administration have an estimate?

Mr. Carswell. We and the Fed have been trying to put together a more refined estimate than that. That is a very rough estimate.

Ms. Oakar. How rough?

Mr. Carswell. Well, it isn't right in any one year because tax revenues—if this bill gives a bank, as it will give some, added income, because it doesn't have to put reserves up in the same amount, that income then will become subject to taxes and the bank will pay taxes on that average income, but we will get some tax recapture, but that won't come in the same year as the reduction in reserves so it complicates the estimating problem.

We are in the process of agreeing or trying to agree with the Fed on what a more refined estimate for the next 5 years would be.

I have a draft of it here. I am hesitant to submit it today, but we will submit it for the record and hopefully Chairman Miller will have it when he testifies here on Wednesday. The numbers are somewhat lower. A little bit lower on the average though in some years they might be higher because of the mismatch between the tax and the reserves.

Ms. OAKAR. It is clear you don't agree with our estimate.

Mr. CARSWELL. As a ballpark estimate, it is pretty good. However, it isn't right as to any one year but, as an average figure, it is in the ball park.

[At the request of Ms. Oakar, Mr. Carswell furnished the following response:]

RESPONSE FROM MR. CARSWELL

In response to the Committee's request for the assumptions used in projecting the net revenue effect of H.R. 7 in the next five years, a statement of the assumptions is attached to the enclosed Chart I. The chart contains a revised estimate of the revenues effect in the 1980–84 period from that submitted to the Committee by Chairman Miller of the Federal Reserve Board during his testimony. A miscalculation was discovered in one of the reserve figures for prior years on which the 1980–84 projections are based. The new chart contains the revised reserve and related numbers including those for the net revenue effect.

REVENUE LOSS FROM PAST DECLINE IN FEDERAL RESERVE MEMBERSHIP

Chart II shows the net revenue loss from the decline in Federal Reserve membership during the last five years. It is based on an average annual loss of member bank deposits during those years.

FEDERAL RESERVE EARNINGS PROJECTION IN THE 1980 BUDGET

Chart III provides the assumptions used in projecting Federal Reserve receipts for the Administration's 1980 budget. The projections of receipts appear on page 298 of the "Budget of the United States Government" and are as follows:

Fiscal year:	*Millions*
1978 (actual)	$6,641
1979 (estimate)	7,600
1980 (estimate)	8,600
1981 (estimate)	9,200
1982 (estimate)	9,700

Chart I

Estimated Revenue Effects of H.R. 7

Fiscal Years 1980-84

($ millions)

	Fiscal Years				
	1980	1981	1982	1983	1984
Reduction in Federal Reserve earnings due to reduction in reserve requirements for member banks, at October 1979 projected membership levels, phased in over 2 years beginning October 1979	-524	-1,138	-1,234	-1,339	-1,453
Increase in Federal Reserve earnings from extension of reserve requirements to nonmembers, phased in over 4 years beginning October 1979	42	90	146	212	230
Increase in Federal Reserve earnings from charges for Federal Reserve services, phased in over 2 years beginning October 1979	271	535	579	630	682
Net change in Federal Reserve earnings before tax recovery	-211	-513	-509	-497	-541
Income tax offset	67	151	210	221	238
Net revenue effect before offset for membership attrition under present Federal Reserve requirements	-144	-362	-299	-276	-303
Offset due to loss in Federal Reserve earnings caused by membership attrition under present Federal Reserve requirements (adjusted for tax offset)	30	99	163	227	301
Net revenue effect	-114	-263	-136	-49	-2

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Assumptions Underlying Revenue Estimates of H.R. 7

1. Reduction in Federal Reserve earnings due to attrition in member bank reserves:

   (a) between December 1977 and September 1979 member bank deposit attrition continues at the average of the nation for the period 1974-77 (i.e., the member bank share of total commercial bank deposits declines 1.4 percentage points per year);

   (b) total commercial bank deposits increase at an average annual rate of 8.5 percent each year after 1977; and

   (c) the average return on the Federal Reserve portfolio is 6.5 percent per year from October 1979 through September 1984.

2. Increase in Federal Reserve earnings from charges for services:

   (a) full charging for Federal Reserve services, if fully implemented at the end of 1977, would have generated $410 million; and

   (b) Federal Reserve revenue from such charges grows proportionally to the growth in deposits.

3. Recovery of the loss of Treasury revenue from the decline in Federal Reserve earnings:

   (a) additional commercial bank earnings are taxed at an average marginal rate of 35 percent;

   (b) the lagged additional dividends paid to commercial bank stockholders from the higher commercial bank after-tax earnings increases total tax recovery 2-1/2 percentage points per year until the total tax recovery reaches 45 percent of the additional commercial bank earnings in four years.

4. Offset due to loss in Federal Reserve earnings caused by membership attrition under present Federal Reserve requirements:

   (a) if H.R. 7 is not enacted, the attrition of member bank deposits after 1979 would accelerate to a rate midway between that experienced in New England (4.6%) and that of the nation (1.4%);

   (b) total commercial bank deposit growth and Federal Reserve portfolio return are as indicated in assumption 1; and

   (c) the tax offset to higher earnings of member banks no longer subject to required reserves is as indicated in assumption 3.

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Chart II

Estimated Revenue Loss from Attrition in Federal Reserve
Membership Since June 1972

Fiscal Years 1973-77

($ millions)

	Fiscal Years				
	1973	1974	1975	1976	1977
Reduction in Federal Reserve earnings	7	23	34	58	91
Income tax offset	-3	-8	-14	-24	-37
Net revenue loss	4	15	20	34	54

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Chart III

The estimates of Federal Reserve Board earnings for the Administration's 1980 budget are based on the historical relationship between earnings, nominal income levels, and interest rates. The forecasts for nominal GNP and interest rates are those used in the budget, as follows:

	Calendar Years				
	1980	1981	1982	1983	1984
Nominal GNP ($ billions) .	2,565	2,825	3,090	3,336	3,546
Interest rate, 91-day Treasury bills (percent)	7.6%	6.6	5.4	4.4	3.7

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Ms. OAKAR. Some assets have higher risks than others. I wonder if you would comment on section 6, which repeals the requirement to charge a higher discount rate on risky assets—section 6, which repeals the requirement to charge a higher discount rate?

Mr. CARSWELL. You mean the abolition of the penalty rate?

Ms. OAKAR. Yes.

Mr. CARSWELL. As we understand it, the Fed doesn't think it is necessary and I don't think we have any particular view on it. They are able to police the discount system now without that penalty rate, I believe. I don't know that I have anything to add to it.

Ms. OAKAR. You see no problems?

Mr. CARSWELL. I really defer to the Fed on that.

Ms. OAKAR. I guess that is all, Mr. Chairman.

Chairman REUSS. Mr. Vento.

Mr. VENTO. Mr. Carswell, I am very pleased to see you here this morning because the discussion of this has been, I think, always concentrated on what the banks were going to get in terms of interest on deposits without an eye on what the relative impact of the measure might be. At least that is the impression I have gotten over the past year of listening to some of the discussions.

Mr. CARSWELL. We have been trying to watch it.

Mr. VENTO. What has the revenue loss been perhaps over the last 5 years? If we have gone from 81 percent of the money subject to a Federal monetary control, to 72 percent today, this in essence establishes the floor at 68 percent, which is indexed apparently if it goes along the lines it did last time. I suggest there has been a revenue loss over last year in terms of membership and also I get the impression there is an audience of people, bankers, watching, patiently staying in the Fed, hoping there would be some either reduction in terms of the deposits that they have, or some compensating factors that would affect them.

It involves a situation where States have continued to make chartering with the States much more attractive and continue to do so much to the loss to the Fed, for instance, in their role of regulating banks.

I would like to know what the losses are and I am very pleased that you have suggested there ought to be a close look at the loss of revenue in terms of looking at the offsetting factors, such as tax offsets which are in essence making it $172 million as opposed to $382 million, as well as charging for services.

Many banks will not use those services if they are charged for them. Some of them are not as competitive and that may pose some new problems for us to try to address, but we ought to have an idea what the revenue loss has been.

I think that will help buttress the argument for taking some action in this area. I think it is very clear that we have to do something in this vein.

I go along the lines that Congressman Annunzio suggested earlier in terms of this being a much greater loss in terms of what the impact may very well be, and I think we ought to be very careful about that particular type of thing.

I really have no questions. This is really more in the line of a comment.

Chairman REUSS. Mr. Barnard?

Mr. BARNARD. Mr. Carswell, I want to also add my appreciation for your being here today and commenting on this legislation.

For a number of years many of us have been concerned about the control of monetary policy and the seeming inadequacies we have been going through and doing as good a job with it as we should have.

Is it the Treasury's view that this bill will solve this problem to a significant degree? Is it supporting the legislation because it is just a hope that it might solve the problem?

Mr. CARSWELL. I think we feel it will solve the problem of the membership drain and the loss of revenue and the attendant difficulties that the Fed has in calculating the monetary base. It will solve those problems. There will continue to be problems, obviously, in the conduct of monetary policy because our system is changing. Our system of monetary policy now is obviously concentrated on bank reserves whereas the money supply includes a good deal more than that and so I think the Fed will continue to have estimating problems and so on. It won't solve it all, but it will be a constructive step toward a better system than we now have and we would enthusiastically support it as that.

Mr. BARNARD. Do you think some additional measures should be incorporated in this legislation to hopefully help the Fed in that regard?

Mr. CARSWELL. I would have to rely on the Fed, whether they are ready to suggest anything or not. As you know, Senator Proxmire has suggested a commission to study the money aggregates and report back, to see whether additional steps should be taken.

I have no problems with this area being studied more. I think, in terms of specific suggestions, we will complicate this bill significantly if we plunge off into other areas now. This is a relatively definable problem and I think we think it ought to be addressed promptly now without complicating it with a number of other issues.

Mr. BARNARD. The title of the bill is the Monetary Control Act of 1979. It has been changed from the Federal Reserve Act Amendments of 1978, so it looks to me as if the Treasury and the Fed and others interested in monetary control would have some other provisions that they could add that would help us in this, that we ought to get them in this bill along with the membership.

This may be a repetitious question, but how do you feel about the Fed's position on paying interest on reserves? Did you answer that previously?

Mr. CARSWELL. Indirectly, but not directly.

Mr. BARNARD. Well, let me ask you that question.

Mr. CARSWELL. Do you mean the legislation they have written?

Mr. BARNARD. I haven't seen the latest letter, but I refer to their position not to have an exemption on reserves, but that they would pay interest on reserves.

Chairman REUSS. If the gentleman would yield.

I was the recipient of a copy of this recent letter by Chairman Miller of the Fed. What the Fed would like to see is this bill amended so that on deposits in the two categories below $50 million the Fed would have the right to compel reserves on amounts between $10 million and $50 million—under $10 million would remain free—and on that $10 million to $50 million pay a rate of interest equal to the rate of return on it.

Mr. CARSWELL. I think we are neutral. It has pluses and minuses.

As the Chairman points out in his letter, this will bring more money—this addresses in a sense what Mr. AuCoin talked about—it will bring more money directly under their control, and in that sense will increase their ability to deal with the monetary base; it will be there; it won't vary by going to other nonmember banks; and that will be helpful.

On the other hand, it does bring back into the plan this business of paying interest on reserves, and I think that in the long term could expand; and it is a precedent that we are not all that enthusiastic about.

There are monetary reasons for having those dollars on deposit at the Fed, and it would make the new system a little bit more effective, and hence that is a real plus.

Mr. BARNARD. Do you think that has a great impact on monetary control though?

Mr. CARSWELL. I really would prefer you ask Chairman Miller that. I have talked to him briefly about it, but only briefly. I have read their letter and our people have studied it, and I think we come out that it would have some marginal plus, but whether it would be the make or break of their bill, I think nobody would testify.

Chairman REUSS. Mr. Watkins?

Mr. WATKINS. Mr. Carswell, welcome back. Would you please send the document Mr. AuCoin asked for to me? I am trying to find an answer to that particular question also.

Probably the most frequently expressed concern raised by a lot of people is the jeopardy this places upon the dual banking system. What is your answer to that?

Mr. CARSWELL. I think our view is that logically it ought not place the dual banking system in jeopardy. The dual banking system has been thriving now for more than 100 years, and this bill does not directly impact that; it makes it neutral as to whether or not one has to assume the burdens of membership in the Federal Reserve System. It doesn't penalize one for being a State bank, as opposed to a national bank, and in that sense it is neutral.

To the extent that may lead some banks to feel the benefit of a State charter is no longer quite as attractive as it was before, I guess it could weaken it, but we would not on balance think that our system—that is the problem of the Fed Reserve membership—ought to continue to be skewered by this business of making it more attractive not to be a member of the Fed than to be a member. That is the difficulty today. That is why people are moving out of the Fed and are becoming members of State banks.

Mr. WATKINS. I don't know if that will help me or not, but it is very difficult, as a question, to try to satisfy a lot of people on, regarding financial institutions.

Perhaps something I am also pushing for is to try to find some concrete reasoning.

Mr. Chairman, I have no other questions at this time.

Chairman REUSS. Mr. Lowry.

Mr. LOWRY. I have no questions.

Chairman REUSS. I was very much interested in the point raised by Mr. AuCoin and Mr. Watkins. As Deputy Secretary of the Treasury, you are concerned with our income tax system.

Has anybody suggested this, to your knowledge, that our income tax system should be amended so that anybody who didn't want to pay his income tax could simply file a statement with the Treasury and thus legally avoid paying an income tax?

Mr. CARSWELL. I don't think that seriously has been suggested.

Mr. LOWRY. If I may just ask the next question—I saw in your statement—referring to the rationale behind reserve requirements—and I am quoting: "Reserve requirements should be regarded as a price and a necessary component of participation in the monetary system." That is very much like a tax, is it not?

Mr. CARSWELL. Yes, sir.

Chairman REUSS. Does it make any more sense than to say that banks that prefer not to pay this fee for taking part in our monetary system can by their own action exempt themselves, than to say taxpayers who don't like the income tax can opt out if they don't like it?

Mr. CARSWELL. I think logically it does not. That is one of the reasons why we are for this approach.

Chairman REUSS. I feel a little unhappy, because I guess my explanation of H.R. 7 wasn't fully adequate.

Let me again state what H.R. 7 tries to do and to see whether you agree with the statement.

It is true that H.R. 7, in order to make the burden of holding reserves less onerous on banks, lowers reserve requirements, but it is also true that H.R. 7 makes them more nearly uniform; and, second, by applying to all banks, State and national, H.R. 7 would make the new structure of reserve requirements such as to arrest the erosion of deposit coverage which is now occurring. That is my rationale for the bill, namely, get rid of the ability of individual banks to sabotage the monetary system by opting out from under it, but at the same time make the burdens of being a good fellow less onerous—that is my idea of what it does. Does the Treasury have a different view of it?

Mr. CARSWELL. I think that summarizes it accurately.

Chairman REUSS. It is a fact, is it not, that after the introduction of this bill, it has been said, in effect, that Congress under H.R. 7 doesn't allow any easy riders here, that from now on people who take part in the monetary system must pay the necessary price.

It is a fact that the mere introduction of that bill last August has not arrested the erosion, is it not?

Mr. CARSWELL. Someone pointed out there apparently are some banks who have not withdrawn from the Federal Reserve System pending the outcome of your committee's or the Congress action in this area, but some have.

If the committee doesn't act, I don't think there is any real doubt that the outmigration will commence again.

Chairman REUSS. My figures are—even with pendency of this legislation—since last August, 39 banks have opted out of the System, to wit: 10 in August, 10 in September, 7 in October, 4 in November, and 8 in December.

Are those figures accurate, as far as you know?

Mr. CARSWELL. As far as I know, they are, but I think they would be higher but for the pendency of the bill.

Chairman REUSS. On the question that you raised—and I think it is a reasonable point—that this country and this Congress and this administration can do what it can to bring budget deficits under control—to narrow and ultimately to eliminate them—I now can refer, it being after 10 o'clock, to the budget, and particularly to pages 24 and 63 thereof, which pages—specifically page 24—show that it is the intention of the administration to get out of a budget deficit position in fiscal year 1982.

Then, on page 63, it shows that the earnings of the Federal Reserve, which are turned over to the Treasury, are $6.6 billion in 1978—that is actual—and then estimated gross deposits into the Treasury of—or estimated earnings—of $7.6 billion in 1979, $8.6 billion in 1980, $9.2 billion in 1981 and $9.7 billion in 1982.

If we allow erosion from the Federal Reserve to go on, or if we enact legislation which substantially diminishes the return the Federal Reserve realizes, we are going to knock into a cocked hat that orderly progression toward getting this country out of a budget deficit position and into the black ink, are we not?

Mr. CARSWELL. Yes, those are receipts to the Federal Treasury, just as are taxes, and if that progression is disturbed, obviously it will adversely affect the balance of the budget in the years ahead.

Mr. WYLIE. Will the gentleman yield at that point?

Chairman REUSS. Yes.

Mr. WYLIE. Thank you.

I apologize for being late—but on page 4 of your testimony you say that you understand that the net cost of fully implementing H.R. 7 would be approximately $170 million. Is there any line item cost for out-Fed membership in the budget?

Mr. CARSWELL. In this bill?

Mr. WYLIE. Yes.

Mr. CARSWELL. There is none.

Mr. WYLIE. If we passed this bill, according to your testimony, this would be an additional cost?

Mr. CARSWELL. There is a line item for contingencies and OMB has decided this would be one of the items it would be appropriate to handle in that contingent figure, the reason being that that $170 million is not an accurate figure for 1980, or indeed for any year; it is a ballpark average of what the cost would be for some years, average cost. The 1980 figure—because of the phaseins—in all likelihood, no matter how it works, will be significantly lower than that, and whatever that number is, would be appropriate to come out of the contingent line in the document that the chairman has.

Mr. WYLIE. Do you know offhand how much that contingent line is?

Mr. CARSWELL. No, I don't. We went round and round with them as to how they should handle this, and this was their conclusion; so it isn't something that we didn't think about; that was the way it is handled in the budget document.

Mr. WYLIE. Thank you, Mr. Chairman.

Chairman REUSS. Reclaiming my time, briefly, if the Congress refuses—in my judgment, this would be irresponsible, but someday

Congress could commit an irresponsible act—if Congress refuses to act on legislation to prevent erosion of the monetary power of this country, the fact is, is it not, that the projected budget deficit in years and years to come would be enlarged by a sum much greater than the $170 million which is our current best estimate of the cost of this bill due to erosion?

Mr. CARSWELL. That is unquestionably true. If erosion does continue, if we should get—as some people have forecast—as much as 20 percent erosion over the next 5 years in the Federal Reserve System, that would be very expensive for the U.S. Treasury. It would also significantly complicate the condition of monetary policy and errors in monetary policy. Because the tools don't work the way they are supposed to work, it can also be very expensive; it can lead to consequences that are unintended but in the long run are very expensive in terms of production loss in recessions that need not have happened.

Chairman REUSS. So if the Congress wants to encourage inflation and assure the continuation of a budget deficit, what Congress should do is do nothing; is that a fair statement?

Mr. CARSWELL. I think that would be the way to proceed, rather than to be constructive, yes.

Chairman REUSS. Mr. AuCoin?

Mr. AUCOIN. Mr. Chairman, not wanting to increase the size of the deficit or to increase inflation, I do want to ask a couple of additional questions that really bear on the subject of revenue. Again, I am openminded to this approach and other possible approaches to solve the problem. I think there are other approaches.

The Fed originally had other ideas and there may be others, but it seems to me from the questioning so far that this whole question of revenue and deficits and so forth are paramount in members' minds. I think it is worth exploring that aspect of this legislation or any other legislation.

I think, Mr. Secretary, you would agree that the purpose of the Federal Reserve requirements is exclusively to give the Fed the ability to manage a sound monetary policy, and if that is so, it would seem to me that any revenue that is gained as a corollary, is a happening that takes place as a result of its initial purpose, that is, to have the reserves there to help give the Fed that tool on the monetary fund.

Would you agree or disagree with the statement?

Mr. CARSWELL. Frankly, I haven't read the legislative history of the original Federal Reserve Act. I would assume that you are right, that when that act was passed there was no intention by those who enacted it that the Fed would make a lot of money for the U.S. Treasury, rather, that it was to conduct monetary policy and that the reserve system was part of that intention, and I think probably that continued as amendments were made, to make that——

Mr. ST GERMAIN. Will the gentleman yield?

Mr. AUCOIN. Yes.

Mr. ST GERMAIN. Since Senator Aldridge from Rhode Island was the gentleman who was intimately involved in the formulation of the Fed originally, the original purpose of the Fed was to see to it that money was provided to country banks in harvest time and at planting time so they could fulfill the needs of their constituencies and see to it that we would have a strong agricultural economy. That is what really put that Fed bill through, as I read the history of the Fed.

Mr. CARSWELL. I read part of it; I cannot remember anything specifically on this point.

Mr. AuCOIN. Let me reclaim my time long enough to suggest to you that—forgetting the history of it, whatever the history may be—is it not true the essential purpose of giving the Fed the power for it to have reserve requirements is to give it a tool to manage a sound monetary policy, and whether on the fiscal side or revenue side is a secondary factor, it is important but it is secondary to the initial purpose of the reserve requirement, is it not?

Mr. CARSWELL. I have to agree that the primary purpose is clear. It was to get a firm monetary policy.

As the chairman just pointed out, $6.6 billion worth of revenue is, I am afraid, no longer a secondary consideration; it is very important to the U.S. Budget balance.

Mr. AuCOIN. This is not a revenue-raising piece of legislation; it is a piece of legislation designed to give the Fed the ability to run a sound monetary policy?

Mr. CARSWELL. H.R. 7, that is right.

Mr. AuCOIN. The fundamental purposes we are dealing with here are tools for the Fed to run that monetary policy. The revenue is important but it is a secondary consideration; would you agree with that?

Mr. CARSWELL. It is secondary, in the sense that we want to solve the monetary problem; but we don't want to lose a significant amount of revenue in the process.

Mr. AuCOIN. Let me ask you about that revenue. Is it the position of the Treasury that those reserves are possessed by the Treasury, or by the Fed, or owned? In other words, are they the Fed's moneys or someone else's moneys that the Fed manages in order to accomplish its purposes and its mandate of running a monetary policy?

Mr. CARSWELL. They are moneys of the members of the Federal Reserve System that are kept on deposit at the Fed.

Mr. AuCOIN. If the position of the Treasury is that support of such proposals as NOW account legislation and payment of interest on those kinds of accounts, why doesn't it make sense then to provide payment of interest on those reserves that do belong to the member institutions?

Mr. CARSWELL. That was the approach that Chairman Burns pursued, as you know, last year.

Mr. AuCOIN. I am just saying, if the principle is there, why doesn't the principle apply here?

Mr. CARSWELL. I think it is a logical approach to the subject. I do think there is another theme that runs through, now, at least, the required reserves, and that is that the business of banking has elements of privilege to it. That is recognized around the world. It is not a business that is open to entry for everyone. It does involve the use of other people's money, and that is a privilege, and most governments around the world, one way or another, have required those who have that privilege to pay a price for it.

Mr. AuCoin. Why should there be an exemption for institutions who enjoy that privilege, who happen to have deposits of less than $50 million?

Mr. Carswell. In theory, as I said to the chairman, there should not be.

Because of our philosophy about small banks and the difficulties they may have in competing with those who have the advantages of size, we are prepared to modify that principle. But if you want to be geometric about it, I would suppose there is no difference, there shouldn't be any difference.

Mr. AuCoin. I have no further questions.

Chairman Reuss. Mr. Wylie?

Mr. Wylie. Thank you, Mr. Chairman.

I wanted to follow up on an observation you made there as you were closing a little while ago. Last year we were told—I think this is fair—by the Chairman of the Federal Reserve Board that the real importance of a bill like H.R. 7, or the one which was reported out of this full committee last year, is to somehow stop the decline in Fed membership so that the Federal Reserve Board could more efficiently conduct monetary policy.

Is that a fair appraisal of the primary importance of this——

Mr. Carswell. That is the theory and general intent, yes.

Mr. Wylie. Mr. Reuss, the chairman, made the observation a little while ago that we are all interested—and I think Mr. AuCoin followed up on this—in balancing the budget, stopping deficit spending, and carrying the analogy a little further about the decline of Fed membership, and the loss in revenues, and the loss of money to the Federal Treasury, we have another reason for stopping the decline in Fed membership, and that is the loss of tax revenues.

Mr. Carswell. That is correct.

Mr. Wylie. Or revenues.

Now, could we not satisfy that from a philosophical standpoint, could we not satisfy that requirement by not requiring Fed membership of anyone since it is unfair for some, since they are in the Federal Reserve System and have to pay a tax in effect, and the others get off scot free and get a lot of free services? By just saying we would not require Fed membership of anyone but we will impose a tax on the departments of all the financial institutions equally across the board and make up the difference?

Mr. Carswell. I suppose in theory one could.

Mr. Wylie. But you would not suggest that?

Mr. Carswell. I would not. We have a system now that has worked reasonably well, and I hate to tear up that system and try a new system, the outcome of which we are not clear about, because what that would mean is that the Fed—to follow the theory through—that would mean the Fed would conduct monetary policy without any required reserve base. And while theoretically that may be possible—and some have testified to this committee that it would be possible—I would suggest that that involves risk that there is no particular reason to take.

Mr. Wylie. That comes precisely to my next point. There have been those who testified before this committee that really all we need is section 2 of the bill, that if we have a reporting requirement to the Fed, that you can still conduct monetary policy without membership, but you do not think that is possible.

Mr. CARSWELL. I did not say—I said in theory that may be possible. I really do not have any personal opinion as to whether it really would. I do think that there is no reason to make that jump and introduce the uncertainties that are involved in that conclusion to a system which is already working with some difficulty. In other words, you are plunging into an unknown for reasons which are not particularly persuasive to me.

Mr. WYLIE. Would you impose reserve requirements on certificates of deposit and repurchase agreements, those sorts of instruments?

Mr. CARSWELL. That is a complex question and I really do not feel qualified to answer that yes or no now. We have been looking at that, the Fed has been looking at it for some time, as you know, and it is a difficult problem. I am not prepared to give you a recommendation on that now. I think in the future we may.

Mr. WYLIE. Did you say early on whether you are in favor of H.R. 7 in its present form?

Mr. CARSWELL. Yes, with two qualifications: One on the review side and one on the indexing; but otherwise, yes.

Mr. WYLIE. Thank you very much.

Thank you, Mr. Chairman.

Chairman REUSS. I thank the gentleman. As one of the authors of H.R. 7, I would want to make something moderately clear: The purpose of H.R. 7, in my mind, is not to maintain membership in the Fed. The bill does nothing, for instance, to compel a State bank to become or not to become a member. The purpose of H.R. 7 is to insure adequate monetary control by making those who take part in the Nation's monetary system, whether they be banks or credit unions, savings and loans, or mutual savings banks, contribute to that monetary control by being amenable, with certain exemptions, to boosting reserves.

Indeed, if somebody at some future time wanted to make membership in the Federal Reserve voluntary not only for State banks as it is now, but for national banks, I, speaking for myself, would not necessarily be horrified and oppose it, because I do not think the important thing is the size of the Federal Reserve's organization, but the surefootedness of the Fed's ability to control the Nation's monetary supply.

Obviously, as who knows better than yourselves, who have watched this very closely in recent years, the Fed's control has not been as surefooted as one would like to have had it, and in my judgment the optional character of reserves has been one of the reasons why it has not been. And we hope in as unabrasive a way as possible to make that control surer. But I would emphasize that the purpose of H.R. 7 is not to compel people who do not want to join the Fed, to join it, because I believe that should remain a voluntary system.

Mr. WYLIE. Would the gentleman yield?

Chairman REUSS. Yes.

Mr. WYLIE. I think that a very appropriate observation. And I would ask, has the Treasury Department prepared any sort of an analysis—and I expect that your answer might be no—on how this might impact on individual State economies? Part of the reason for my question there is that the State bank supervisor feels it very important that State banks not be required to join the Fed at any time, and your bill does not require anyone to join the Fed at any time, but does this not maintain a kind of a giant loophole through which banks can say, "We don't want to become Fed members"?

And maybe in some cases they would prefer to be members of the State system. And in many cases, large State nonmember banks are not members of the Fed, which has an impact on your conduct of monetary policy, if you follow through logically with what you say that Fed membership is pretty important to the conduct of monetary policy.

Mr. CARSWELL. No, I agree with the chairman that the—the chairman of this committee, not the Chairman of the Fed—that the membership issue is not the issue. The issue is that the deposit balances are part of the Fed's universe for conducting monetary policy. And whether you are a member of the Fed when you are required to put up reserves on your deposits is not the issue, it is that you are required.

Chairman REUSS. I will recognize the gentleman Mr. Ritter in just a second. I did, however, want to ask one question related to Mr. Wylie's question. At the same time from the human standpoint, you can understand, can you not, as I do, that the State bank regulators' noses are somewhat out of joint at any measure which enunciates the national interest in banking, because to the extent that H.R. 7 would reduce the number of national banks who opt to reorganize as State banks and then resign from the Fed, the effect of the bill would be to diminish the future empire of the State banking regulators. Therefore, one could not expect them to be enthusiastic about this, unless they were philosopher kings who looked at the national interest more than their own empires and that is, in public life, a rare phenomenon.

Would you not agree that if you were a State bank regulator you might be casting around for reasons to oppose this bill?

Mr. CARSWELL. Well, my empire was increased, as you pointed out, in the last 3 months by some 40 banks, probably, people who left the Fed System.

Chairman REUSS. Thank you. Mr. Ritter.

Mr. RITTER. Yes, thank you, Mr. Chairman.

Being somewhat new to this committee, I guess the next question qualifies as educational. Mr. Carswell, you have made a strong case for the erosion of Fed revenues with the continued erosion of membership. But in the last 10 years, 452 banks have left the Federal Reserve System, by your own account, and 39 withdrawals have occurred recently and yet the collections of revenue are $6.6 billion in this past fiscal year. One wonders, just from an educational point of view, whether the erosion of membership caused an erosion of revenues, and one also wonders whether the projections for the upcoming years of $7.6 billion up to $9.7 billion in 1982—do those figures take into account current rates of membership erosion? I am trying to get a handle on what the revenue situation is like with respect to the membership situation.

Mr. CARSWELL. Federal revenue is affected by a number of different factors. I suppose the largest single factor that affects Fed revenue is the level of interest rates. You have heard Congressman Mitchell point out that the Fed might sustain foreign exchange losses. That affects revenue too. There are a number of things that have happened to the Fed through the years that affect revenues.

Mr. RITTER. You have made mention that you would fear the loss of Fed revenues because of erosion of Fed membership?

Mr. CARSWELL. Yes. The erosion of membership has unquestionably meant that the Fed—which last year earned $6.6 billion—would have earned more, had the people who opted out remained in the System. I suppose we can go back and do the calculation of how much more the Fed would have earned in 1978, were the 452 or 92, whatever it is that have left the System in the last 10 years, were they still in it.

That calculation can be made. If you like, we can make that. I cannot answer your second question, which is, what assumption the revenue estimators made at OMB in order to get that $7.7 billion for next year or 2 years from now. I just do not know. I can find that out for you and submit it for the record, but I do not happen to know that.

[In response to the question of Mr. Ritter, see Mr. Carswell's previous response to Ms. Oakar's question.]

Mr. RITTER. As the gentleman from Oregon pointed out, it is a real side benefit, this revenue collection, as far as the duties and the responsibilities of the Federal Reserve are concerned; this is a "plumb" into the Federal Treasury, the way it sounds.

Mr. CARSWELL. It is a direct benefit, I do not even regard it as side any more; those amounts are very significant now to the revenue side of our budget.

Mr. RITTER. But not related to the original responsibilities of the Federal Reserve?

Mr. CARSWELL. I hesitated a little bit on that because I am just not sure. I have not read the legislative history closely enough to be sure of that, whether anybody thought of that at the time. It certainly was not the primary reason. I think that is clear.

Mr. RITTER. Thank you, Mr. Carswell.

Chairman REUSS. Are there further questions?

We want to give everyone a full opportunity. Any further questioners?

[No response.]

Chairman REUSS. If not, thank you, Secretary Carswell, for a very helpful, responsive and full discourse with us this morning. We will now stand in adjournment until 9 o'clock this Wednesday morning at this place, when we will hear from Chairman Miller of the Federal Reserve.

The testimony of Mr. McKinney of the Federal Home Loan Bank Board which was scheduled for tomorrow will not be heard because Mr. McKinney has elected to write the committee a letter containing his testimony, and if it should become necessary to hear him later on, that will be done.

[The letter follows:]

Federal Home Loan Bank Board

1700 G Street, N.W.
Washington, D.C. 20552

Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

ROBERT H. McKINNEY
Chairman

January 23, 1979

The Honorable Henry S. Reuss
Chairman
Committee on Banking, Finance
and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I appreciate your request for our comments on H.R. 7, the Monetary Control Act of 1979. This is designed to deal with the problem of the erosion of membership in the Federal Reserve System and the resulting reduced number of depository institutions that are subject to reserve requirements. The Federal Reserve System has expressed repeated concern that this could decrease the effectiveness of monetary policy in promoting general economic stability, reducing inflationary pressures, and dealing with the problem of the U.S. dollar in world markets. We agree that, if reserve requirements are considered mandatory to the effective implementation of monetary policy, then it is essential to have a solution to the problem of the diminishing number of depository institutions subject to reserve requirements. We therefore support the efforts of Congress and the Federal Reserve Board to deal with this critical issue.

The Bank Board is aware that there are a number of alternative approaches to dealing with this problem.

H.R.7 would effectively impose reserve requirements only upon large depository institutions and not pay interest on such required reserves. It would do this by requiring reserves only against transaction accounts of over $50 million and then index this exemption so that it would rise gradually through time. This bill would still cover the bulk of transaction accounts although not quite the same percentage that the Federal Reserve System would prefer. Nonetheless, H.R. 7 would deal with the erosion of depository institutions from reserve requirements by making such requirements compulsory for all depository institutions with respect to their transaction accounts above the exemption level. This bill would also prescribe reserve requirements upon three other categories of accounts, namely short-term time deposits, total savings deposits other than those deemed to be transaction accounts, and total time deposits with initial maturities of not less than 180 days. Since reserve requirements on these accounts would be imposed only upon commercial banks, the Bank Board has no comments upon this provision of the bill.

The Bank Board supports any approach that would deal effectively with the declining proportion of transaction accounts subject to reserve requirements by the Federal Reserve Board. We agree that H.R. 7 is certainly one such effective approach since reserve requirements would not be contingent upon voluntary membership in the Federal Reserve System. H.R. 7 would ensure that a reasonable proportion of transaction accounts at depository institutions would remain subject to reserve requirements, although it would do so without permitting the payment of interest on reserves.

No savings and loan associations would be subject to reserve requirements in the foreseeable future, under provisions of the bill. If NOW accounts are permitted on a nationwide basis for S&Ls, a provision which we strongly endorse and one which we believe should be added to this bill, some S&Ls would soon become subject to reserve requirements.

Data which we have seen indicate that a number of mutual savings banks could well become subject to reserve requirements even with a $50 million exemption, although such reserve requirements might be met for a number of years through vault cash rather than through reserves held at Federal Reserve banks. To summarize, H.R. 7 would exempt the bulk of commercial banks and even a higher percentage of thrift institutions from reserve requirements but would, nonetheless, make a fairly high percentage of transaction accounts subject to reserve requirements by virtue of including the large depository institutions that hold the bulk of accounts. We could support these provisions.

In commenting on this bill, we are mindful that it carries with it a major structural change by establishing authority to impose reserve requirements against thrift institution deposits. Although the exemption levels in H.R. 7 are high and are indexed, political reality indicates that, once the principle of reserve requirements against thrift institution deposits is implemented, it is always possible that the exemption level or the indexing of this exemption could be altered so that more thrift institutions are affected. The Bank Board recognizes this fact of life because of the important need of having an effective monetary policy and reserves judgement on any such possibilities until such time as they come under consideration.

Specific Comments on H.R. 7

Definition of Transaction Accounts

The significance of this bill depends upon the definition of transaction accounts. The bill defines such accounts as "the total amount of demand deposits, savings subject to automatic transfers, and deposits subject to negotiable or other payment order withdrawal, or to any similar instrument used to make payment or transfers." There is some ambiguity to the phrase "any similar instrument used to make payment or transfers." Since the interpretation of this might have an important impact on the measurement of transaction accounts subject to reserve requirements, it is imperative that the Bank Board have a more defined role in the definition of transaction accounts rather than merely being consulted by the Federal Reserve Board.

Reserve Levels

With respect to reserve requirements on transaction accounts in excess of the exemption, these would be set within the narrow range of 8 to 10 percent as prescribed by the Federal Reserve Board, except under certain extraordinary circumstances. The range of 8 to 10 percent would generally be below reserve requirements presently required on checking accounts but would be above that required for NOW accounts. It appears to us that this range of reserve requirements has been set more with respect to the impact on commercial bank profits and Federal Reserve earnings returned to the Treasury Department than from the point of view of carrying out an effective monetary policy. No compelling argument has been made with respect to what is a desirable level of reserve requirements. The argument has been made that, if reserve requirements are too low, unintended variations in reserves could lead to unintended fluctuations in monetary aggregates and, hence, produce less effective control of monetary aggregates by the Federal Reserve System. It is not clear, however, why a reserve requirement under 8 percent might still not be adequate. The Bank

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Board also believes that if and when savings and loan associations become subject to reserve requirements, the Bank Board should at least have a consultative role with respect to the proper level of reserve requirements. The Bank Board would also take this position with respect to mutual savings banks that are members of the Federal Home Loan Bank System and/or are federally chartered.

Depository Institution Access

H.R. 7 would permit any depository institution holding transaction balances, regardless of whether or not there are reserve requirements, to the same discount and borrowing privileges from the Federal Reserve as member banks. If thrift institutions are subject to reserve requirements, we can understand the need for direct access to the discount window of the Federal Reserve System in order to meet temporary reserve deficiencies. However, if the level of transaction accounts is not high enough to bring into play reserve requirements, the discount mechanism provides a partial duplication with the Bank System advances mechanism. The advances mechanism is much broader and can provide both the types of borrowings that would be permissible under the Federal Reserve discount window as well as longer-term borrowings. We do not see any compelling need for this particular duplication.

Fees for Services

H.R. 7 also requires that the Federal Reserve System shall have a schedule of fees for its services. Such services are to be available to non-members at the same price applicable to member banks. Prices are to reflect all direct and indirect costs incurred in providing the services priced, including an allocation of imputed costs that takes into account taxes that would have been paid and the return on capital that would have been provided had the services been furnished by a private business firm. However, the Federal Reserve Board could disregard this latter condition if it determines that the public interest requires a departure from it, after giving due regard to competitive factors and the provision of an adequate level of services nationwide. The Bank Board supports the market pricing principles but is concerned that this particular provision might constitute a significant loophole. While the Federal Reserve Board should have some latitude in special cases in departing from this pricing principle, the latitude should be carefully considered.

<u>Access to Services</u>

The Bank Board would like to note also the fact that there is some ambiguity as to whether H.R. 7 allows direct access by thrift institutions to Federal Reserve bank services. It appears that the intention of H.R. 7 is to permit such direct access but, as a technical matter, we suggest that amendments to Sections 13 and 16 of the Federal Reserve Act be added to H.R. 7 to clarify this access.

In conclusion, while there are a number of relatively important considerations of a technical nature which we have raised herein and about which we have specific concerns, on the whole we support the primary objectives of H.R. 7. In addition, we favor a solution that has the minimum negative impact on the Federal Budget during this critical fiscal period.

As I have stated to you earlier, I would appreciate the opportunity to offer further comment on this bill after I have had the chance to study the position of the Federal Reserve Board, the Administration, and of other affected parties.

Sincerely,

Chairman

Chairman REUSS. See you at 9 o'clock Wednesday morning, and we now stand in adjournment.

[Whereupon, at 11:45 a.m., the committee adjourned, to reconvene at 9 a.m., Wednesday, January 24, 1979.]

MONETARY CONTROL

WEDNESDAY, JANUARY 24, 1978

House of Representatives,
Committee on Banking, Finance and Urban Affairs,
Washington, D.C.

The committee met, pursuant to notice, at 2:30 p.m., in room 2128, Rayburn House Office Building, Hon. Henry S. Reuss (chairman) presiding.

Present: Representatives Reuss, Ashley, St Germain, Gonzalez, Hanley, Blanchard, Spellman, AuCoin, D'Amours, Evans of Indiana, Lundine, Cavanaugh, Oakar, Barnard, Watkins, Lowry, Stanton, Wylie, Hyde, Leach, Evans of Delaware, Green, Paul, Bethune, Campbell, Ritter, and Hinson.

Chairman Reuss. The House Committee on Banking, Finance and Urban Affairs will be in order for its continued hearings on H.R. 7, the Monetary Control Act of 1979.

We are most pleased to welcome the Chairman of the Federal Reserve Board, G. William Miller, to the continuation of our hearings on H.R. 7, the Monetary Control Act of 1979.

On Monday, we heard Deputy Secretary of the Treasury, Robert Carswell, who testified that the Treasury fully supports H.R. 7, except that it would prefer to reduce the size of the $50 million exemptions as a way of reducing the loss to the Treasury, and it would like to eliminate the indexing provision which is designed to assure that banks exempted from reserve requirements under our bill will continue to remain exempt in future years.

Now, Chairman Miller, we are pleased to hear from you. We appreciate that you made available to us yesterday the statement you will offer today, with attachments. Under the rule and without objection, they will be admitted into the record and you may now proceed in your own way.

Mr. Stanton. I have no opening statement but I do have quite a bit of comment on this legislation. I wonder if I can get an additional 5 minutes when the time comes around?

Chairman Reuss. You may have it.

STATEMENT OF HON. G. WILLIAM MILLER, CHAIRMAN, BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM

Mr. Miller. Mr. Chairman, I would like to thank you for your welcome. I am particularly pleased to be starting this second year of my stewardship at the Federal Reserve. It is not quite 12 months that I have been in office, but I feel last year was an active year in working with this committee, and I am looking forward to working with you and the members of this committee in the 96th Congress.

I do welcome the new members of the committee. My hope is that they will, among their duties, find that their interface with the Federal Reserve proves us to be responsive to their concerns and interests. We look forward to being available to assist them in becoming acquainted with the issues they consider to be important.

We are discussing today landmark legislation. It is legislation that addresses issues as important to the financial system of this Nation as any we have seen since the thirties. The issues relate to change—changes in our society and in our financial structure. We are dealing with many changes: Demographic, social, the shift from a rural to an urban society, technological revolution—all of which indicate evolution in the way in which we do business and handle our affairs, including our financial affairs.

With this changing world comes the question of how we can assure that we have an effective and efficient monetary system, responsive to the needs of the future, and not merely an antiquated vehicle that is incapable of dealing with the new world. We must assure, in the evolution of institutions, that we provide an environment for fair competition, so that we can strengthen the financial system and give it the vitality it needs to adapt.

With the risks that are involved in the world in which we live, we need increasingly to reassure ourselves as to the safety and soundness of our financial institutions. The response to change is, in part, the question before this committee, and I must say that changes are not being suggested because there is any defect in the system we have; it was well conceived. The founders of the Federal Reserve and those who have structured our financial system built it well, and it has served our Nation well for a long time. But the genius of the American political system is that it is flexible and adaptive and can reexamine institutions as changes come about and move to strengthen institutions to deal with changes. It is this process of strengthening and reevaluation that is, it seems to me, before this committee. It is this ability to adapt—this lack of rigidity that otherwise would compel one to live only in the past—that makes it possible for us to meet the needs of a growing nation in a complex world.

The issue here is not a new one. It has had a gestation period of several years, during which we have all dealt with the phenomenon of change in our financial system, change in the membership of the Federal Reserve. This has allowed time for these issues to sharpen and to ripen so that, in my view, the time for action is this year. I commend this committee for its willingness to give priority to this matter. The time to come to grips with and resolve the issues that have been developed is here this year.

This is the year when there can be a resolution of the issues, and I believe that this committee—the leadership of this committee, the members of this committee and the staff of this committee—is particularly well equipped, because of your background and interests to deal with the issues and to fashion a responsible solution which will provide the foundation for a strong financial system able to meet the challenges ahead.

It is imperative that we provide a solution, because there is a high risk in doing nothing. If we do nothing, not only will we impair the effectiveness of our monetary system and the effectiveness of monetary policy to deal with the great issues of inflation and growth and employment, but we will also accelerate the loss of revenue to the Treasury. If we do nothing, certainly there shall be a continuing decline in membership, and a continuing decline in the earnings of the Federal Reserve and the revenue that is transferred to the Treasury.

But we also must not be so propelled toward a solution that we overlook the legitimate concerns of the various institutions that will be affected. So I think we have to move promptly on something this important which has been gestating so long; on the other hand, we should be admonished to do so with prudence and to find a sound solution so that we do not disrupt the natural evolution of institutions that have served our Nation well, but must serve better in the future.

Mr. Chairman, H.R. 7, which you introduced, is, in my view—and in the view of the Federal Reserve Board—a constructive proposal for dealing with this issue. We are dealing with certain needs that I would like to outline briefly. Then I would like to mention some of the effects on constituencies and then, perhaps, some of the adjustments we think might further strengthen the proposal so that it does the best job in responding to the challenge.

The first need we have deals with monetary policy. The charts that are attached to the formal testimony that has been presented to you show what you already know; that is, that there has been a sharp decline in the number of banks that are members of the Federal Reserve and in the percentage of bank deposits that are subject to Federal Reserve requirements. Chart II shows that there has been a steady decline in deposits covered by the Federal Reserve System, from about 85 percent in the early sixties, to only about 72 percent today. This decline has been accelerating in recent years. Other charts—I won't burden you with their particulars—show that the decline has been even more rapid in New England, where the introduction of NOW accounts accentuated the considerations which influence banks to leave the System.

The reason banks leave the System is because of the burden of membership. The System in which we have been operating requires member banks to maintain sterile reserves which earn no interest, and it is the loss of earnings capacity of those reserves that has caused many banks—operating in a highly competitive environment, with new kinds of financial instruments and institutions offering them new kinds of competition—to reexamine the benefits and the burdens of membership. Many have weighed the burdens as being too great and have been leaving the System.

The aggregate burden to members, based on 1977 data would run to around $650 million a year. Chart III shows the breakdown of this burden among sizes of banks. The burden in terms of dollars falls most heavily on the larger institutions, but the burden as a percent of earnings falls most heavily on small institutions. Since they are the ones most affected and their competitiveness is most impaired by membership, we have had a particularly serious decline in the membership of smaller institutions. In recent years, however, medium sized and even larger institutions unfortunately have also been leaving the Federal Reserve System.

What does all this mean? Is it important?

In our view it is. Chart I is an attempt to demonstrate the relevance of reserve requirement coverage of deposits by the Federal Reserve. To the degree that deposits are outside the Federal Reserve System, there is a greater amount of unpredictability, of variability, in predicting money aggregates and, therefore, in conducting monetary policy. This chart shows that at the present time, with a little less than 30 percent of deposits not covered by the Federal Reserve, there can be a range of unpredictability of 6 or 7 percentage points, so that indeed a very wide band of error can exist as we try to implement monetary policy and determine the effects on aggregates. Hence, as we have noted, it has been very difficult for the Federal Reserve to predict with certainty how its monetary policy will work out month to month in assuring the proper rate of growth of the aggregates that will support anti-inflation policies while maintaining moderate growth.

This chart points out only the slippage between reserves and deposits that takes place as a result of shifts of deposits between members and nonmembers. There is further slippage because of the various gradations of reserves. If deposits move from small banks to larger banks, the reserve requirement goes up because of the graduated scale; and vice versa. There is also slippage when funds move from one class of deposit to another, since those movements are not predictable. Add to this the slippage that results from deposits moving from members to nonmembers and we have serious problems.

It is for this reason that we are concerned.

H.R. 7 certainly goes a long way, in our view, to solving this problem. It stabilizes the deposits that would be subject to Federal Reserve requirements now and in the future. It does address the burden on small institutions by providing an exemption so that the deposits that would be covered would be principally those in the larger institutions.

We do feel that, with the complexity of our monetary system, there is a benefit from carrying that coverage to an even further degree. It is for that reason, Mr. Chairman, that we have suggested in our statement and submitted to you a proposal to include in revised legislation a provision for an earnings participation account at the Federal Reserve to be held against deposits exempted under H.R. 7, which would increase covered deposits. But because that earnings participation account would be an asset, participating in the earnings of the Federal Reserve, there would still be some protection of the earnings capacity of smaller institutions. So our revisions would accomplish two goals: Expand the deposits in the System for purposes of predictability and control of the monetary system; protect the earnings benefit of smaller institutions under the exemption level of H.R. 7 since the earnings on their earnings participation account would be approximately equivalent to what they might earn from liquid assets held in market instrument.

We, therefore, will be referring from time to time to the Federal Reserve Board's proposed modification of H.R. 7—Mod 7—and urge, Mr. Chairman and members of the committee, that Mod 7 be considered a very high priority, a constructive addition, to an already constructive proposal.

When we look over the issues before us as to the need for this legislation, we are aware of the issue of fairness. When the Federal Reserve System was first established, commercial banks were, indeed the principal—and virtually the only—source of depository/transaction services in this country. With the development of many other institutions, this is increasingly less so; thrift institutions, credit unions and savings and loans, offering competitive financial services, have arisen. This means that as the burden of membership, of sterile reserves, continues on member banks—and as new forms of depository services not subject to those requirements arise, the gap in competitive equality grows.

If reserve requirements are looked upon as a form of tax, then it is a peculiar tax system that taxes only some members in the arena and leaves others exempt. It is almost as if, in our personal income tax system in the United States, we were to tax only certain people and not others. It seems to us that the time has come to recognize the unfairness of that approach, and, to the extent there must be a tax, to be sure it is applied equally to all institutions of like kind. We do have a concept in the United States, which is not unfamiliar to any of us, and that is that we do recognize, not a difference in kind of institution, but a difference in size of institution. In our personal income tax, we do have exemptions and lower rates for lower income, and it would be logical, as the chairman has proposed in H.R. 7—even if covering all depository institutions—to have an exemption based on size but not on function. This proposal is an appropriate one.

There is also a need to deal with the membership issue because of the safety and soundness of financial institutions. One of the provisions of H.R. 7 is to make available the discount window, the borrowing facility of the Federal Reserve, to all financial institutions in the purview of this new legislation. That is a favorable development; it assures that in times of liquidity needs—either because of the effects of monetary policy, sudden shifts in deposits, or for whatever reason—there is a sure and safe means of adjusting portfolios—and it assures that there is that liquidity in the System that is necessary for it to adjust well to changing requirements.

There is also a recognition in this legislation that the payments mechanism itself needs to have the central bank as an ultimate source of assurance that payments will be handled without risk to the parties to a transaction. To the extent that large clearing banks are outside of the Federal Reserve, there is less assurance of complete safety in the payments system. To the extent that institutions are in the Federal Reserve System, the availability of this backup assures there will not be any disruption, any unavailability of funds, in the payments system due to some sudden problem of liquidity or difficulty in the financial affairs of a clearing bank outside the System.

I might add that a fourth need, in looking at this problem, is to be sure we do not impair—particularly in these times of austerity—the income to the Treasury. All of the suggestions for change are made in the light of the reality that this is not the time to reduce significantly the revenue availability to the Treasury.

Any proposal which tries to reduce the burden of membership in the Federal Reserve through a more equitable and uniform system does have a cost. That cost must be minimized if we are to meet our responsibilities. I want to emphasize again, however, that if we do not make changes, then revenue is going to be lost anyway, because banks are going to be leaving the System.

At the appropriate time today I will have available a schedule that both the Federal Reserve and Treasury have calculated as the net costs of H.R. 7 over the next 5 years. The proposal we make, as a modification, for establishing an earnings participation account, would not change those figures. To the extent that we have further deposits maintained with the Federal Reserve, we would invest them; and these earnings would be passed back to the institutions so there would be no net change in costs. It would merely assure more deposits would be covered.

Any such system must be a practical system. We are here today to design from scratch a modified financial system. I am sure each of us could define an ideal, but that ideal would not have to take account of the interests that existing institutions have in the environment in which they have developed and been allowed to develop and in which they have been allowed to grow.

We do not live in a world in which there are no constituencies; we live in a world where there are constituencies. It is for this reason we should recognize that H.R. 7 does not design the ideal system but the system which is most ideal within the constraints within which we must all live in being fair to institutions as they have developed.

In particular, let me talk about the constituencies. The constituencies of member banks should be benefited by this legislation because the inequitable burden that has fallen on member banks will be reduced. Nonmember banks will be subject to reserve requirements, but because of the structure of the exemption and the levels of reserve requirements, the burden will be modest in relation to the public benefit of solving this problem. Only a relatively few of nonmember banks would actually be required to deposit nonearning balances with the Federal Reserve.

In terms of the national interest, therefore, a great body of nonmember banks would be sheltered from any change. Only those large institutions, who should be required to compete fairly with other comparable institutions, would be affected, but they themselves should recognize the beneficial effect. They should be interested in a stable, sound monetary system, which is their best assurance for growth and a fair share of the market in the future.

We come to thrift institutions. Very few of them will be affected by this legislation because of the exemptions, which recognize merely their participation as to transactions accounts and balances. They are required to compete in the same way that other institutions are required to compete as they grow and begin to acquire powers beyond what existed in the past. That certainly is an equitable proposition, one in which the thrifts should recognize their self-interest. By having a known, stable system, with the monetary issue resolved, for decades to come, they will know under what conditions they will be able to prosper and grow within their fields of interest.

Those who are purists would argue that if we wanted an ideal system we should endeavor to apply the same reserve requirements to the savings and time deposits of thrifts as we do to banks, but here we come to a practical constraint. Those deposits have been built up over time, as a result of different institutional concepts and charters, and to change the ground rules in so big an area at this time would probably not be a practical solution. I think we should recognize that and, instead of seeking the ideal, seek the practical in that regard.

As to the other constituencies, I think there is a concern among State bank supervisors that such a change in the System might in some way impair upon their responsibilities within the dual banking system. I would be happy to discuss this at length, but it seems to me that is not a likely course of events. The fact is that we do propose a new creative environment, not to change the options that various banks have as to taking State or national charters. If that were the only consideration today, the 1,100 State member banks would all take out national charters instead of having State charters. So it seems to me the evidence shows that there are many reasons why banks have been willing both to maintain reserves and to maintain State charters, and I see nothing in this legislation that would change banks' decisions.

Finally, there is the constituency of the Treasury. The Treasury and the Federal Reserve are in agreement as to the effect this proposal would have on Treasury revenues, and we are in agreement that if this bill should be passed, the Federal Reserve would make available from its accumulated surplus—accumulated over 65 years—reimbursement to the Treasury for the effect on its revenues over the next 3 years. There should be no significant impact on the Federal deficit thereafter, because this legislation will offset the losses that would take place in its absence from the attrition of membership.

Mr. Chairman, I could go into more detail about all of these subjects. With your permission, I hope that the prepared statement, which I know each member has had a chance to review, and the attachments, will be made a part of the record. I have tried to approach the issues from a different point of view, to put in perspective for this committee—for this Congress—what we are trying to accomplish. I certainly appreciate the opportunity to give these viewpoints, and would welcome the opportunity to elaborate in answer to questions of this committee.

Thank you.

[Text resumes on p. 303.]

[Mr. Miller's prepared statement, with attachments, on behalf of the Board of Governors of the Federal Reserve System, follows:]

Proposals to Facilitate the Implementation

of Monetary Policy and to Promote Competitive

Equality Among Depository Institutions

Statement by

G. William Miller

Chairman, Board of Governors of the Federal Reserve System

before the

Committee on Banking, Finance and Urban Affairs

House of Representatives

Mr. Chairman, members of the Committee, the nation's financial system has been undergoing rapid change in recent years, altering the competitive environment in banking and other financial markets and complicating the Federal Reserve's ability to implement monetary policy. Nonmember depository institutions have been growing much more rapidly than member banks. Transactions-type deposit accounts have become more widespread at thrift institutions. And, in general, competition among depository institutions and between those institutions and the open market has become much more intense.

This competition promotes efficiency in the financial system, and banks have been re-assessing their costs and operations. Many, as a result, have become less willing to bear the high cost of cash reserve requirements associated with being a member of the Federal Reserve System. Thus, there has been a steady--and in recent years accelerating--decline in the proportion of bank deposits, especially transaction deposits, subject to Federal reserve requirements. Moreover, the continued development of new transactions-type deposits at nonbank depository institutions will further worsen this situation.

DEVELOPMENTS WEAKEN MONETARY CONTROL

It is essential that the Federal Reserve maintain adequate control over the monetary aggregates if the nation is to succeed in its efforts to curb inflation, sustain economic growth, and maintain the value of the dollar in international exchange markets. The attrition in deposits subject to reserve requirements set by the Federal Reserve weakens the linkage between member bank reserves and the monetary aggregates. As a larger and larger fraction of deposits at banks becomes subject to the diverse reserve requirements set by the 50 states rather than by the Federal Reserve, and as more transactions balances reside at thrift institutions, the relationship between the money supply and reserves controlled by the Federal Reserve will become less and less predictable. Open market operations, the basic tool of monetary policy, therefore are becoming less precise in their application.

Our staff has attempted to assess the extent to which growth of deposits outside the Federal Reserve System would weaken the relationship between reserves and money. Their tentative results are shown in Chart I, which depicts the greater range of short-run variability in M-1 and M-2, with a given level of bank reserves, that would develop as the per cent of deposits held outside the Federal Reserve rises. As more and more deposits are held outside the System, this chart suggests that control of money through the reserve base becomes increasingly uncertain.

USE OF RESERVE REQUIREMENTS HAS BEEN RESTRICTED

With the proportion of banks subject to Federal reserve requirements declining, the ability of the central bank to use changes in reserve requirements as a tool of monetary policy has been increasingly undermined. Changes in reserve ratios not only affect a smaller proportion of deposits today than in the past, but the Board also must weigh the potential impact of its actions on the membership problem--and hence on its ability to maintain monetary control over the longer run--each time it deliberates on the uses of this tool. Such concerns inhibit the Board's freedom of action to conduct monetary policy. If reserve requirements were applied universally, as is proposed in H.R. 7, adjustments in reserve ratios to affect the availability of credit throughout the country, or to influence banks' efforts concerning particular types of deposits, may again become a more viable monetary instrument. Moreover, while open market operations in U.S. Government securities provide the Federal Reserve with a powerful policy instrument, it is possible that conditions could develop in the future--such as a less active market for U.S. Government securities in a period of reduced Federal budgetary deficits--where more flexible adjustment of reserve requirements might be a desirable adjunct in efforts to control the monetary aggregates.

... AS HAS BEEN THE DISCOUNT WINDOW

The effectiveness of the Federal Reserve's administration of the discount window also has been potentially compromised by recent developments. Membership attrition and the growth of transactions balances at nonbank depository institutions have resulted in a shrinking proportion of the financial system having immediate access to the discount window on a day-to-day basis.

The discount window, as the "lender of last resort," provides the payments system with a basic liquidity backup by assuring member banks the funds to meet their obligations. But, if the proportion of institutions having access to this facility continues to decline, individual institutions could be forced to make abrupt adjustments in their lending or portfolio policies, because they could not turn to the window to cushion temporarily the impacts of restrictive monetary policies. Risks that liquidity squeezes would result in bank failures could also increase. Thus, the Federal Reserve may find that its ability to limit growth in money and credit in order to curb inflation was being unduly impeded because the safety valve provided by the discount window was gradually losing its effective coverage.

... AND THE PAYMENTS SYSTEM FACES DETERIORATION

The growth of transactions balances at institutions that do not have access to Federal Reserve clearing services also could lead to a deterioration of the quality of the nation's payments system. Reserve balances held at Federal Reserve Banks are the foundation of the payments mechanism, because these balances are used for making payments and settling accounts between banks. Nonmember deposits at correspondent banks can serve the same purpose, but as more and more of the deposits used for settlement purposes are held outside the Federal Reserve, the banking system becomes more exposed to the risk that such funds might be immobilized if a large correspondent bank outside the Federal Reserve experienced substantial operating difficulties or liquidity problems. A liquidity crisis affecting such a large clearing bank could have widespread damaging effects on the banking system as a whole because smaller banks might become unable to use their clearing balances in the ordinary course of business. The Federal Reserve, of course, is not subject to liquidity risk and therefore serves, as Congress intended, as a completely safe foundation for the payments mechanism.

In sum, the major functions of the Federal Reserve System--to conduct monetary policy in the public interest, to provide backup liquidity and flexibility to the financial system, and to assure a safe and efficient payments mechanism--all have been undermined by recent developments. These developments include, as I've noted earlier, attrition in Federal Reserve membership and the spreading of third-party payment powers to nonbank institutions.

DECLINE IN SYSTEM MEMBERSHIP

For more than 25 years there has been a continual decline in the proportion of commercial banks belonging to the Federal Reserve. The downward trend in the number of member banks has been accompanied by a decline in the proportion of bank deposits subject to Federal reserve requirements, as may be seen from Chart II. As of mid-1978, member banks held less than 72 per cent of total commercial bank deposits, down about 9 percentage points since 1970. Thus, more than one-fourth of commercial bank deposits--and over three-fifths of all banks--are outside the Federal Reserve System.

DUE TO THE EXCESSIVE COST OF MEMBERSHIP

The basic reason for the decline in membership is the financial burden that membership entails. Most nonmember banks and thrift institutions may hold their required reserves in the form of earning

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assets or in the form of deposits (such as correspondent balances) that would be held in the normal course of business. Member banks, by contrast, must keep their required reserves entirely in non-earning form.

The cost burden of Federal Reserve membership thus consists of the earnings that member banks forego because of the extra amount of non-earning assets that they are required to hold. Of course, member banks are provided with services by Reserve Banks, but the value of these services is insufficient to close the earnings gap between member and nonmember banks.

The Board staff estimates that the aggregate cost burden to member banks of Federal Reserve membership exceeds $650 million annually, based on data for 1977, or about 9 per cent of member bank profits before income tax. The burden of membership is not distributed equally across all sizes of member banks. According to staff estimates, shown in the lower panel of Chart III, the relative burden is greatest for small banks--exceeding 20 per cent of profits for banks with less than $10 million in deposits. Further reductions of reserve requirements within existing statutory limits would do little to eliminate the burden for most classes of banks, especially for the smaller banks.

INEQUITY OF COST BURDEN BORNE BY MEMBER BANKS

The current regulatory structure is arbitrary and unfair because it forces member banks to bear the full burden of reserve requirements. Only member banks must maintain sterile reserve balances, while nonmember banks, which compete with members in the same markets for loans and deposits, and thrift institutions, which increasingly are competing in the same markets, do not face similar requirements. Thus, members are at a competitive disadvantage relative to other depository institutions. Among the major countries in the free world, only in the United States has this legislated inequity been imposed on the commercial banking system. It is no wonder that member banks continue to withdraw from the Federal Reserve.

SPREAD OF THIRD-PARTY PAYMENT POWERS

At the same time, the spread of third-party powers to thrift institutions is further increasing the proportion of transactions balances outside the control of the Federal Reserve. Commercial banks' virtual monopoly on transactions accounts, maintained in the past because of their ability to offer demand deposits, is being eroded. Moreover, recent financial innovations have led to widespread use of interest-bearing transactions accounts at both nonbank depository insitutions and commercial banks. These developments have increased both the costs and competitive pressures on banks, no doubt compelling members to reevaluate the costs and benefits of membership and thus playing a significant role in membership withdrawals.

The payments innovations since 1970 are well know to this Committee, and include limited pre-authorized "bill-payer" transfers as well as telephone transfers from savings accounts at banks and savings and loan associtions, NOW accounts at practically all depository institutions in New England, credit union share drafts, automatic transfers from savings deposits, and the use of electronic terminals to make immediate transfers to and from savings accounts.

Growth of these transactions-related interest-bearing deposits has been most dramatic in recent years. For example, NOW accounts in New England have grown from practically zero in 1974 to 8 per cent of household deposit balances in mid-1978, as shown in Chart IV, and one-third of these NOW deposits are at thrift institutions. The intense competition engendered by the introduction of NOW accounts has been accompanied by an acceleration of member bank attrition in New England to a rate well beyond that of the nation, as shown in Chart V. This increase in member bank withdrawals is clearly not just coincidental.

There is no sign that the intense competition will abate. As shown in Chart VI, savings accounts authorized for automatic transfer have grown rapidly at commercial banks across the country since their introduction November 1; and in New York, NOW accounts, which were authorized November 10 for all depository institutions in the State, have been increasing vigorously. In addition, the Federal Home Loan Bank Board has announced its intention to authorize savings and loan associations to offer Payment Order Accounts, or POAs, which are interest-bearing deposits that can serve many of the same functions as NOWs.

These developments have caused the distinctions among banks and thrifts with respect to the "moneyness" of their deposits to become increasingly blurred and have prompted the Federal Reserve to reevaluate its existing measures of the monetary aggregates and to consider possible readjustments to reflect the changing institutional environment. The most basic measure of transactions balances, M-1, clearly should include more than just currency and commercial bank demand deposits. And, the broader aggregates may be redefined to emphasize distinctions by type or function of deposit rather than by the institution in which the deposit is held. Changing the money measures to reflect economic reality, including the wider role played by depository institutions other than member banks in the monetary system, would be complemented by legislation for universal reserve requirements.

LEGISLATIVE PROPOSALS POINT IN THE RIGHT DIRECTION

The Monetary Control Act of 1979, H.R. 7, introduced by the Chairman of this Committee, represents a constructive approach to improving monetary control and reducing the inequities in markets in which depository institutions are competing.

This bill proposes universal reserve requirements by establishing a reasonable set of reserve ratios applicable to all deposits at commercial banks and to transactions balances at thrift institutions. The definition of transactions accounts includes not only demand deposits, but also the growing number of new third-party payments accounts. Such an approach puts all depository institutions on an equal competitive basis in the market for transactions deposits and helps assure the continuation of a reserve structure needed for the efficient conduct of monetary policy.

Under this legislation all commercial banks and thrift institutions with transactions accounts would have access to the Federal Reserve discount window. The Federal Reserve could then act as a "lender of last resort" to a broader class of depository institutions and thereby enhance the overall safety and soundness of the depository system, as well as providing more flexibility to financial institutions to respond to changing monetary policy. The bill also gives all depository institutions access to Federal Reserve services. With the application of an appropriate pricing schedule for such services, this action should improve the efficiency of the payments mechanism which underlies all of the nation's economic transactions. But I should emphasize that open access to System services, desirable as it may be, is only practicable if the so-called membership problem is resolved, as H.R. 7 does in principle. Without resolution of the membership problem, open access at an explicit price set for all institutions would only exacerbate the problem and lead to even greater reduction in the Federal Reserve's deposit coverage, since services would be available to nonmembers without bearing the burden of reserves.

BUT CERTAIN MODIFICATIONS OF H.R. 7 ARE NECESSARY

The various features of H.R. 7 redress much of the growing competitive inequity among financial institutions and provide a potentially improved framework for enhancing the implementation of monetary policy. However, as drafted, certain provisions of this legislation compromise the improvement in monetary control that universal reserve requirements could foster.

First, the exemption from any reserve requirement of the first $50 million of transactions balances and the first $50 million of other deposits reduces somewhat from present levels the proportion of deposits subject to Federal reserve requirements. More importantly, though, the rather complex procedure for indexing the exemption would mean that the proportion of deposits subject to direct Federal Reserve control could not increase over time. Hence, the Board believes that the bill needs to be modified, and it has a proposal which will both enhance monetary control and preserve for all institutions the earnings protection of the exemption contained in the bill, without increasing the cost to the Treasury from that associated with H.R. 7.

PARTICIPATION IN FEDERAL RESERVE EARNINGS FOR EXEMPTED DEPOSITS

The Board's proposed modification involves establishment of an "Earnings Participation Account" at the Federal Reserve to be held against deposits exempted by H.R. 7 from reserve requirements. To reduce the record-keeping burden, small institutions could be excluded from having to hold this account. This exclusion could amount to the first $10 million of transactions deposits at each institution and $10 million of other deposits at each commercial bank.

For banks, with respect to all deposits, and for other depository institutions, with respect to transactions deposits, their Earnings Participation Account would be held against deposits above the $10 million exclusion and up to the amount of the $50 million exemption in H.R. 7. The size of this Earnings Participation Account for each deposit category would equal the reserve ratio applicable to deposits in that category times the amount of deposit liabilities between $10 million and $50 million. To the extent that an institution holds vault cash in excess of its required reserves on nonexempt deposits, the size of the Earnings Participation Account would be reduced correspondingly. This provision reduces the possibility that institutions would build up their excess reserves, which would tend to increase the slippage between reserves and deposits and thereby diminish monetary control.

Chart VII compares the impacts of the Board's proposal with H.R. 7 and with the current reserve system. As can be seen in the upper left-hand panel, the Board's modification has the advantage of greatly increasing the proportion of commercial bank transactions deposits covered by an account at the Federal Reserve--from the present 73 per cent to 94 per cent. This would be accomplished even though the $10 million exclusion would mean that 45 per cent of all commercial banks, as well as virtually all thrifts, would not be required to hold any account at the Federal Reserve. At the same time, as shown in the right-hand upper panel, the number of banks holding non-earning reserve balances at Federal Reserve Banks would be as low as under H.R. 7. The number would be sharply reduced from the current level of 5,664 to an estimated 656. Finally, the bottom panel indicates that the effect on bank earnings would be virtually the same under either H.R. 7 or the bill as modified by the Board's proposal. The difference would be that under our proposal, banks would hold some assets in the form of the Earnings Participation Account rather than as market investments or loans.

The return on this account would be equivalent to the average return on the Federal Reserve's portfolio, which includes both short- and long-term securities. Some years this return might be higher than banks would earn on other assets--which are likely to be a combination of loans and liquid instruments--and some years less. On average, over time, there should be little difference.

I would like to underline the advantage of bringing transactions-type deposits at thrifts under reserve requirements in this manner. It will be several years, at least, before any significant number of thrift institutions would actually have to hold non-earning reserves at the Fed. Currently, no savings and loan association or credit union has transactions deposits in excess of the $50 million exemption. Only 8 mutual savings banks have transaction accounts in excess of the exemption, and each has vault cash considerably in excess of the reserve requirement that would apply to such deposits.

Attachment A presents a listing of individual member and nonmember commercial banks and MSB's similar to that shown on pages 17 to 65 of the Committee print, Description of the Monetary Control Bill. An asterisk in the far right column indicates that it is a bank added to the list by the Board's proposal--that is, it has deposits above the excluded level but below the exempted level. These added banks would hold an Earnings Participation Account at the Federal Reserve but they would not hold any non-earning required reserves balance at Reserve Banks because their deposits are below the exempted level. Banks without an asterisk were on the committee list before, and their non-earning reserve balance is affected exactly the same as in H.R. 7. Column 4--entitled EPA--shows the amount of the Earnings Participation Account each institution would hold. If this column is zero, the bank at the end of 1977 had sufficient vault cash in excess of its required reserves so that it would have had no Earnings Participation Account.

Thus, the additional institutions brought under Federal Reserve control would keep the earnings benefit of the exemption level proposed by H.R. 7, since they would participate in the Federal Reserve's earnings on the balances that they would be required to maintain in the Earnings Participation Account. Moreover, the cost to the Treasury would be no different under the Board's proposal than under the proposed bill. Under the Board's plan, the Federal Reserve would earn additional interest on the greater amount of balances that would be held at Reserve Banks, thereby offsetting the cost of the depository institutions' Earnings Participation Account.

In sum, the Board proposal would have the clear advantage of expanding significantly the coverage subject to reserve requirements, thereby enhancing the implementation of monetary policy. At the same time, it would sustain the earnings benefits of the exemption level for all depository institutions--at no additional cost to the Treasury. Finally, exclusion of the first $10 million of transactions-type deposits and $10 million of other deposits from the earnings participation requirement would reduce the record-keeping burden of the proposal, with relatively modest policy impact.

Attachment B provides language for a series of amendments to H.R. 7 that would implement the Board's proposed modification.

Another modification proposed by the Board concerns affiliated institutions. Providing an exemption from required reserves of $100 million in deposits gives an incentive to banks to form new, affiliated commercial banking entities in lieu of branch offices in order to avoid the requirement to hold sterile reserves. A bank as large as $100 million would already enjoy many of the economies of scale associated with larger banking operations. Thus, the cost of creating new banks would be small relative to the benefit of avoiding reserve requirements. To eliminate this potential loophole, the Board proposes that affiliated commercial banks be limited to a total exemption equal to the number of such institutions as of August 1, 1978 times the exemption levels specified in the bill. Such an amendment to H.R. 7 as it would be applied to the Board's proposal is presented in Attachment C. Additional more technical amendments to clarify reporting requirements and to conform other provisions of the Federal Reserve Act are also attached for the Committee's consideration.

Mr. Chairman, I want to thank you for the opportunity to present the Federal Reserve's view on the Monetary Control Act of 1979 this afternoon. This bill deals constructively with issues of crucial importance to the long-run viability of the nation's central bank and to the health of our financial system. The problems are difficult, but considerable progress has been made in recent months toward achieving a solution that promotes the public interest.

Chart I

Effect of Member Bank Attrition On Short-Run Predictability of Monetary Aggregates

Absolute Range of Unpredictable Variability in Two-month Growth Rates

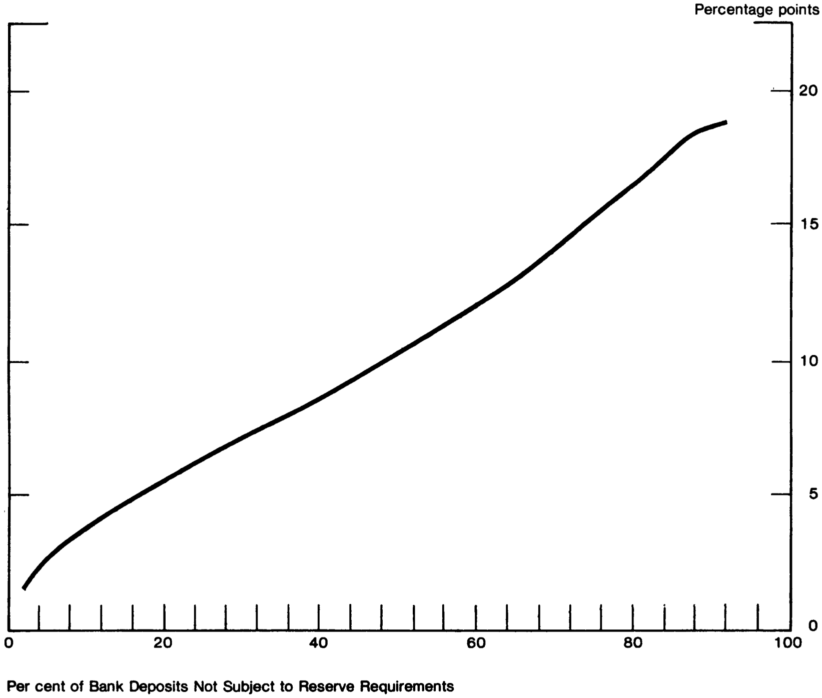


Chart II

Percentage of U.S. Commercial Banks and Deposits in the Federal Reserve System

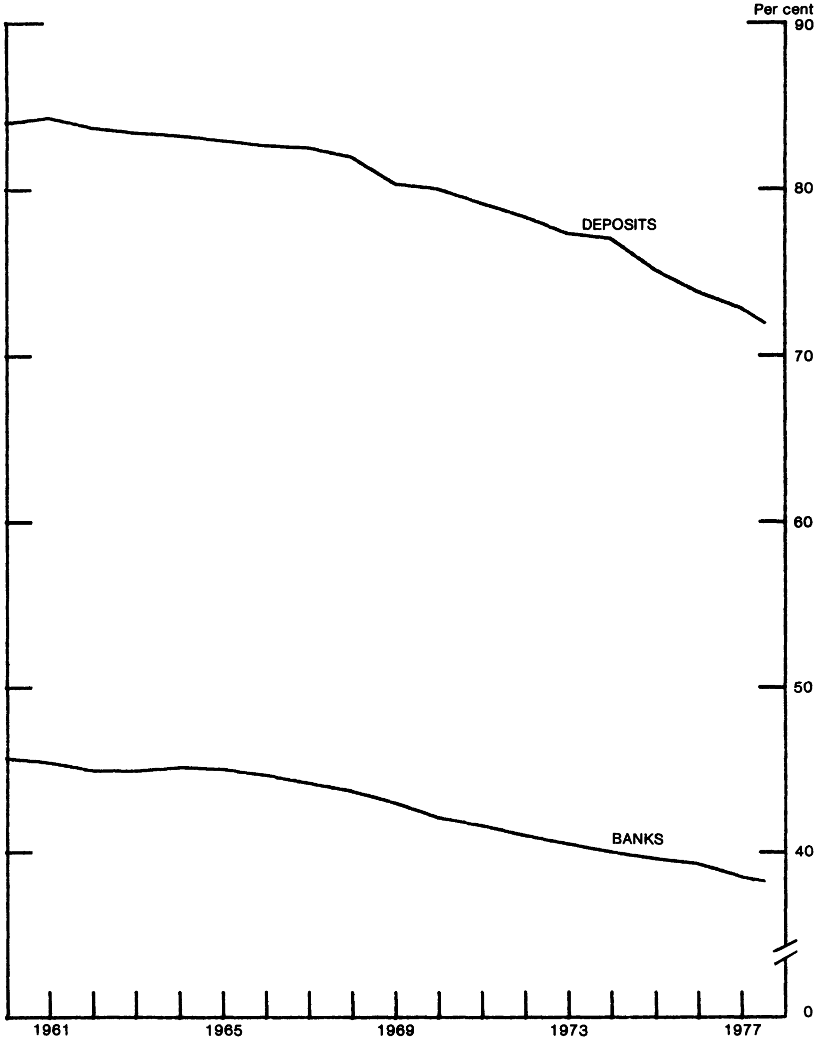
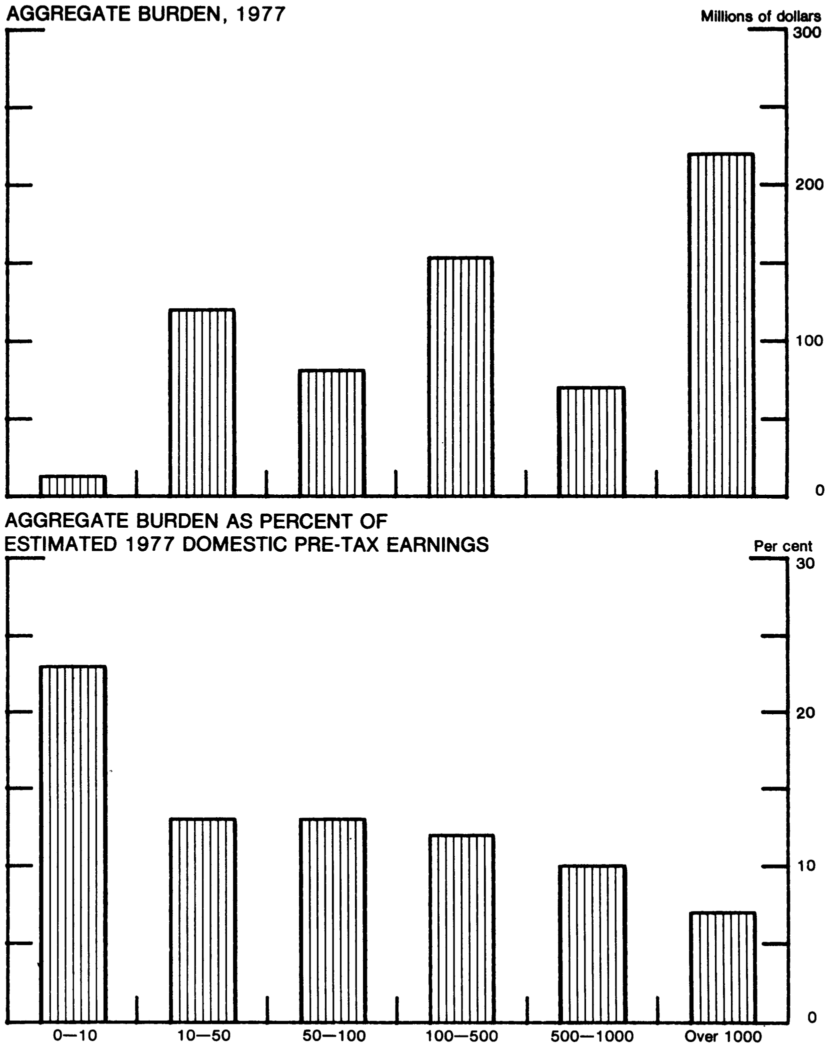


Chart III

Estimated Burden of Federal Reserve Membership



Bank size class(total deposits, millions of dollars)

Chart IV

NOW Accounts as Percentage of Household Deposit Balances in New England

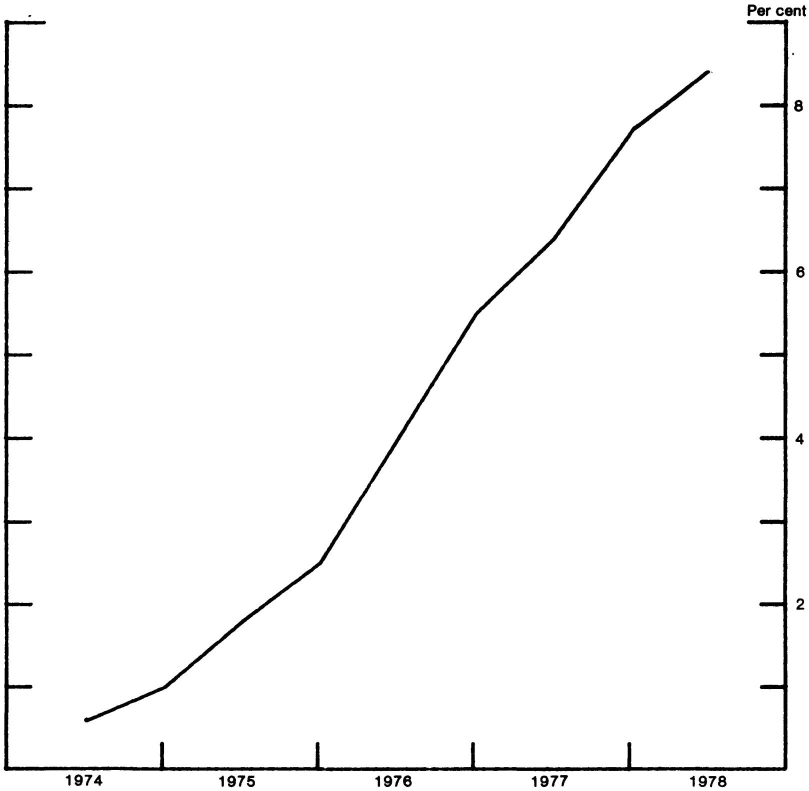


Chart V

Percentage of New England Commercial Banks and Deposits in the Federal Reserve System

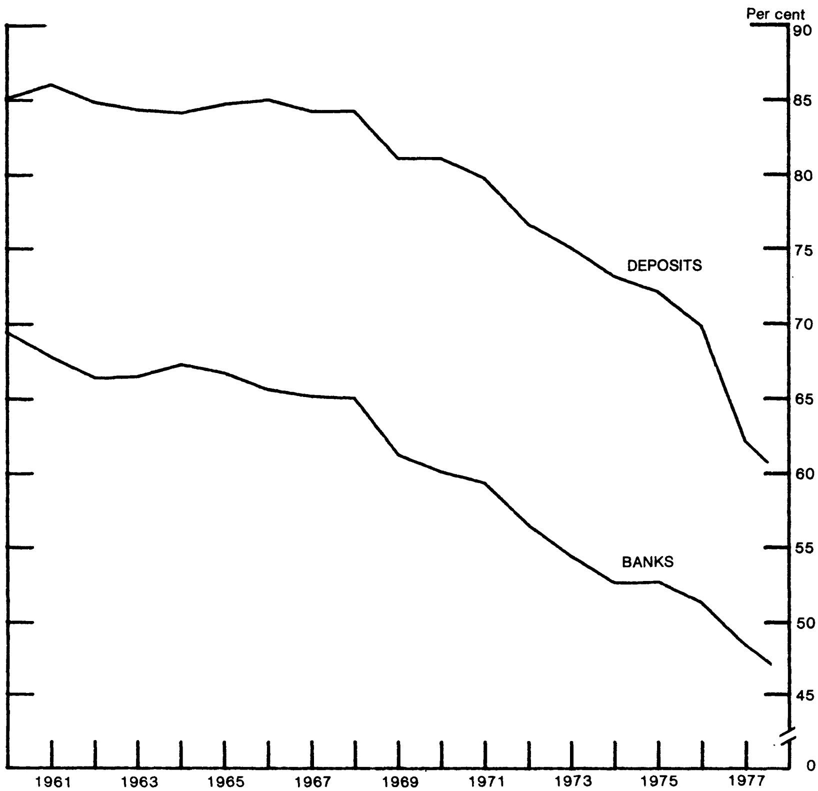
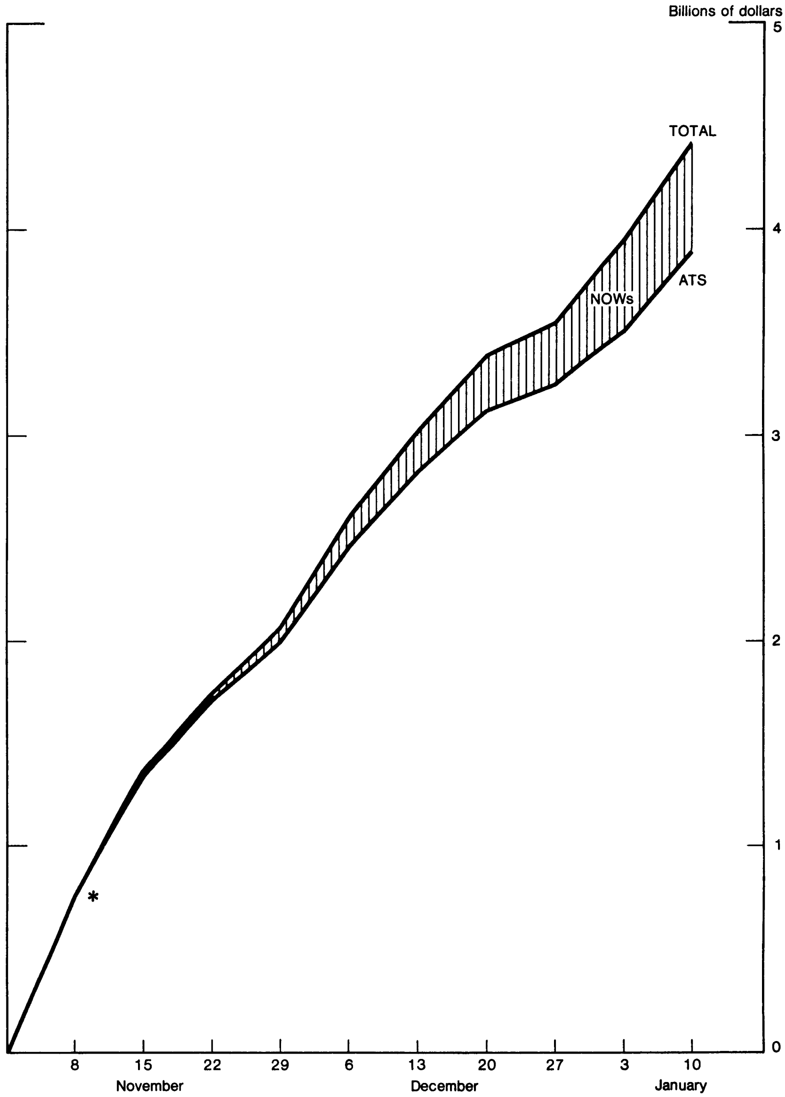


Chart VI

ATS Accounts Nationwide and NOW Accounts in New York State



* NOW account authorization not effective until November 10.

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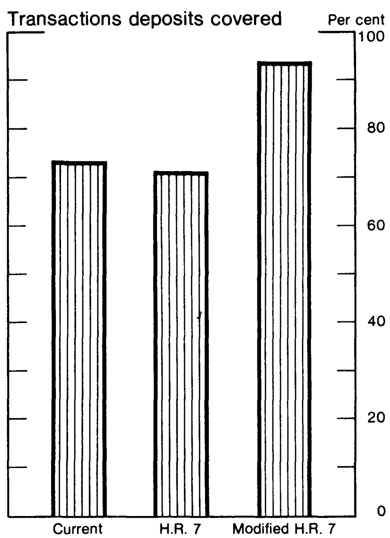
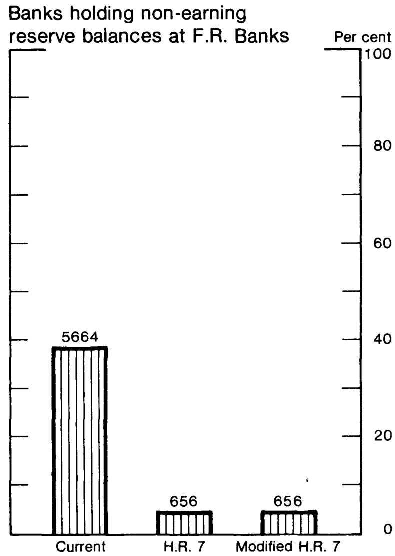
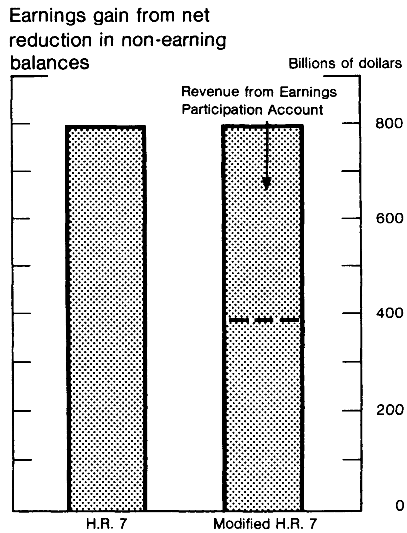
Chart VII

Effects of Proposals on Commercial Banks







Based on December 1977 deposits.

Attachment A

Benefit to Banks Covered by Modified H.R. 7

Key to Column Headings

(1)	TDEP	Total domestic deposits as of the end of 1977.
(2)	VLTCSH	Vault cash as of the end of 1977.
(3)	1977 REQBAL	Estimated amount of reserve balances as of the end of 1977 required by current law to be held at Federal Reserve Banks (i.e., required reserves minus vault cash).
(4)	NEW EPA	Amount that would have been held in Earnings Participation Account at the end of 1977 under modified H.R. 7.
(5)	NEW REQBAL	New required reserves minus vault cash that would have been held at the F.R. Banks under modified H.R. 7. (This amount is the same as under H.R. 7.)
(6)	DIF	Reduction in non-earnings required reserve balances at Federal Reserve Banks that would have been held under modified H.R. 7. A negative amount represents an increase. (This amount is the same as under H.R. 7.)
(7)	*	A bank covered by modified H.R. 7 but not by H.R. 7.

Examples for Member Banks

(A) The table shows that the first bank listed, Albertsville National Bank, had deposits of $21,933,000 in December 1977. Vault cash amounted to $366,000, and required non-earning balances at the Federal Reserve were $641,000.

Under modified H.R. 7, this bank, as of the end of 1977, would not have had to hold any non-interest earning balances at the Federal Reserve because neither its transactions-type deposits nor the sum of its other deposits was greater than $50 million. Albertsville National therefore would have saved the $641,000 it held in non-interest bearing reserve balances at the Federal Reserve at the end of 1977. This is the same savings as under H.R. 7.

Since its vault cash is in excess of required reserves (which would be zero), all vault cash would have been counted in lieu of the Earnings Participation Account. The Earnings Participation Account thus would have been zero because its vault cash was greater than the reserve ratios times the non-excluded deposits (deposits in excess of $10 million per account category).

(B) As of December 1977, Birmingham Trust National Bank had domestic deposits of $828,915,000, vault cash of $6,100,000 and sterile balances at the Federal Reserve Bank of $39,847,000. Because it had both transactions deposits and other deposits well in excess of the $50,000,000 exemptions, Birmingham Trust, under modified H.R. 7, would have had to meet reserve requirements with all of its vault cash and reserve balances of $27,342,000. The difference between the actual 1977 sterile balances and those under modified H.R. 7 result in a savings of $12,505,000--the same as under H.R. 7.

In this case, no vault cash would have been applied in lieu of the Earnings Participation Account because required reserve would have exceeded the bank's holdings of vault cash. Thus, the Earnings Participation Account of Birmingham Trust will equal the reserve ratio on transactions deposits (9.5 per cent) times $40 million plus the weighted reserve ratio on other deposits times $40 million, or $5,162,000.

Examples for Nonmember Banks

(A) The first nonmember bank listed is The Bank of Abbeville, which had total deposits, as of the end of 1977, of $23,421,000 and vault cash of $240,000. Under existing law, no nonmember bank has any Federal reserve requirements. Under modified H.R. 7, this bank would have continued to have no Federal reserve requirements because its transactions deposits and other deposits are well below the $50 million exemption level per account category. The same result would occur under H.R. 7.

Since vault cash of the Bank of Abbeville would have been in excess of required reserves (which are zero), all vault cash would have been counted in lieu of the Earnings Participation Account. Thus, this bank would have had no Earnings Participation Account because vault cash was greater than the reserve ratio times the non-excluded deposits.

(B) Central Bank of Birmingham had total deposits of $510,662,000 in December 1977. Vault cash was $3,050,000, and it had no Federal reserve requirements. Under the modified H.R. 7, required reserves would have been covered by its vault cash holdings plus $17,509,000 in sterile reserve balances. This results in a net increase in nonearnings reserve balances of $17,509,000, the same as under H.R. 7.

In this case, no vault cash would have been applied in lieu of the Earnings Participation Account because required reserves would have exceeded the bank's holdings of vault cash. Thus, the Central Bank of Birmingham would have maintained, under modified H.R. 7, an Earnings Participation Account of 9.5 per cent times $40 million in transaction balances plus the weighted average reserve ratios on $40 million of other deposits, or $5,459,000.

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6010020	ALBERTVILLE NATL BANK	ALBERTVILLE	AL	21933	366	641	0	0	641	*
6010040	FIRST NB OF ALEXANDER CITY	ALEXANDER CITY	AL	42342	1349	881	0	0	881	*
6010050	ALICEVILLE BK & TR CO	ALICEVILLE	AL	16979	251	506	0	0	506	*
6010090	ANNISTON NATIONAL BANK	ANNISTON	AL	57239	700	1829	729	0	1829	*
6010100	COMMERCIAL NB OF ANNISTON	ANNISTON	AL	58006	1039	1713	267	0	1713	*
6010110	FIRST NB OF ANNISTON	ANNISTON	AL	81102	1814	2074	723	0	2074	
6010180	FIRST AL BANK OF ATHENS NA	ATHENS	AL	36876	583	1482	144	0	1482	*
6010200	FIRST NB OF ATMORE	ATMORE	AL	32111	387	1034	0	0	1034	*
6010230	AUBURN NATIONAL BANK	AUBURN	AL	26805	320	875	0	0	875	*
6010240	CENTRAL BANK OF AUBURN NA	AUBURN	AL	22887	537	522	0	0	522	*
6010255	1ST AL BK OF BALDWIN CTY NA	BAY MINETTE	AL	23484	753	401	0	0	401	*
6010300	BIRMINGHAM TRUST NAT BK	BIRMINGHAM	AL	828915	6100	39847	5162	27342	12505	
6010308	CITY NB OF BIRMINGHAM	BIRMINGHAM	AL	109328	1216	4870	3314	0	4870	
6010320	FIRST NB OF BIRMINGHAM	BIRMINGHAM	AL	1120037	14329	58436	5363	41691	16745	
6010325	NATIONAL BANK OF COMMERCE	BIRMINGHAM	AL	23563	531	658	0	0	658	*
6010339	SOUTHERN NATIONAL BANK	BIRMINGHAM	AL	51975	732	2045	744	0	2045	*
6010360	NATIONAL BK OF BOAZ	BOAZ	AL	17487	240	516	0	0	516	*
6010410	FIRST NATIONAL BANK	BREWTON	AL	41640	373	1520	296	0	1520	*
6010455	FIRST NB OF BUTLER	BUTLER	AL	24604	508	378	0	0	378	*
6010460	CENTRAL STATE BANK	CALERA	AL	15260	225	406	0	0	406	*
6010480	CAMDEN NATIONAL BANK	CAMDEN	AL	20083	259	633	0	0	633	*
6010570	FIRST NAT BK OF CLANTON	CLANTON	AL	18557	263	562	0	0	562	*
6010580	PEOPLES SAVINGS BANK	CLANTON	AL	19740	327	640	0	0	640	*
6010630	FIRST NAT BK OF COLUMBIANA	COLUMBIANA	AL	25163	284	1087	0	0	1087	*
6010660	LEETH NAT BK OF CULLMAN	CULLMAN	AL	27662	673	764	0	0	764	*
6010670	PARKER BANK AND TRUST CO	CULLMAN	AL	18711	243	713	0	0	713	*
6010688	CENTRAL BANK OF ALABAMA NA	DECATUR	AL	511589	7452	20913	4944	10465	10448	
6010690	FIRST NAT BANK OF DECATUR	DECATUR	AL	64544	996	2833	1268	0	2833	*
6010735	CITY NATIONAL BANK OF DOTHAN	DOTHAN	AL	31591	688	1035	0	0	1035	*
6010740	FIRST ALABAMA BK OF DOTHAN	DOTHAN	AL	84933	1023	3209	2024	0	3209	
6010750	FIRST NAT BK OF DOTHAN	DOTHAN	AL	116332	3281	2301	724	0	2301	
6010825	FIRST NB OF EUFAULA	EUFAULA	AL	16235	439	211	0	0	211	*
6010850	FIRST NAT BK OF BALDWIN CTY	FAIRHOPE	AL	46304	619	1593	252	0	1593	*
6010890	FIRST NB OF FAYETTE	FAYETTE	AL	18242	698	180	0	0	190	*
6010910	FIRST NB OF FLORENCE	FLORENCE	AL	135004	2336	4698	3099	0	4698	
6010915	SHOALS NAT BK OF FLORENCE	FLORENCE	AL	21105	399	503	0	0	503	*
6010970	AMERICAN NB OF GADSDEN	GADSDEN	AL	61029	1443	1787	287	0	1787	*
6010985	1ST AL BK OF GADSDEN NA	GADSDEN	AL	38170	785	1165	0	0	1165	*
6011050	FIRST NB OF GREENVILLE	GREENVILLE	AL	46542	768	1441	0	0	1441	*
6011090	FIRST NB OF GUNTERSVILLE	GUNTERSVILLE	AL	39060	599	1212	5	0	1212	*
6011115	MARION COUNTY BANKING CO	HAMILTON	AL	32392	534	1398	108	0	1398	*
6011150	HEADLAND NATIONAL BANK	HEADLAND	AL	23771	240	762	0	0	762	*
6011163	AMERICAN NATIONAL BANK	HUNTSVILLE	AL	39452	785	1323	31	0	1323	*
6011170	1ST AL BK OF HUNTSVILLE NA	HUNTSVILLE	AL	155664	3812	4962	3314	0	4962	
6011180	HENDERSON NB OF HUNTSVILLE	HUNTSVILLE	AL	67626	1679	2072	587	0	2072	*
6011190	PEOPLES NB OF HUNTSVILLE	HUNTSVILLE	AL	38474	1122	861	0	0	861	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6011230	FIRST NB OF JACKSONVILLE	JACKSONVILLE	AL	17983	424	393	0	0	393	*
6011240	FIRST NAT BANK OF JASPER	JASPER	AL	78291	1965	2904	1006	0	2904	*
6011265	VALLEY NATIONAL BANK	LANETT	AL	23227	620	454	0	0	454	*
6011370	AMERICAN NAT BANK & TRUST CO	MOBILE	AL	155471	3092	6187	4390	0	6187	
6011380	FIRST NAT BANK OF MOBILE	MOBILE	AL	423921	8914	15980	5648	8086	7894	
6011390	MERCHANTS NAT BANK OF MOBILE	MOBILE	AL	449267	6743	20317	5366	11275	9042	
6011410	MONROE COUNTY BANK	MONROEVILLE	AL	22291	344	709	0	0	709	*
6011430	ALABAMA NB OF MONTGOMERY	MONTGOMERY	AL	114393	1872	4843	3211	0	4843	
6011437	CENTRAL BANK OF MONTGOMERY	MONTGOMERY	AL	88865	2151	2067	789	0	2067	*
6011439	EXCHANGE NB OF MONTGOMERY	MONTGOMERY	AL	20118	390	439	0	0	439	*
6011440	1ST AL BK OF MONTGOMERY NA	MONTGOMERY	AL	395276	6875	15234	5317	7189	8045	
6011448	SOUTHERN BANK NA	MONTGOMERY	AL	14543	283	295	0	0	295	*
6011450	UNION BANK AND TRUST COMPANY	MONTGOMERY	AL	196100	2285	7707	5119	654	7053	
6011500	CITIZENS BANK	ONEONTA	AL	19859	269	567	0	0	567	*
6011510	FARMERS NB OF OPELIKA	OPELIKA	AL	30744	953	506	0	0	506	*
6011520	FIRST NAT BANK OF OPELIKA	OPELIKA	AL	20000	284	670	0	0	670	*
6011540	FIRST NATIONAL BANK OF OPP	OPP	AL	45651	421	1445	0	0	1445	*
6011542	CENTRAL BANK OF OXFORD	OXFORD	AL	33220	901	502	0	0	502	*
6011543	FIRST CITY NAT BK OF OXFORD	OXFORD	AL	14647	151	411	0	0	411	*
6011586	FIRST ALA BK OF PHENIX CY NA	PHENIX CITY	AL	17787	475	361	0	0	361	*
6011620	FIRST NAT BANK OF PIEDMONT	PIEDMONT	AL	14478	192	344	0	0	344	*
6011648	CENTRAL BANK OF MOBILE NA	PRICHARD	AL	51594	1228	871	0	0	871	*
6011750	FIRST NAT BK OF RUSSELLVILLE	RUSSELLVILLE	AL	46242	520	1639	156	0	1639	*
6011770	FIRST NATIONAL BANK	SCOTTSBORO	AL	42024	671	1427	40	0	1427	*
6011790	CITY NATIONAL BANK OF SELMA	SELMA	AL	38509	739	1029	0	0	1029	*
6011795	FIRST AL BANK OF SELMA NA	SELMA	AL	39779	770	1020	0	0	1020	*
6011800	PEOPLES BANK AND TRUST CO	SELMA	AL	64526	1199	1921	589	0	1921	*
6011827	FIRST COLBERT NATIONAL BANK	SHEFFIELD	AL	27883	482	841	0	0	841	*
6011850	FIRST NAT BANK OF STEVENSON	STEVENSON	AL	20099	373	402	0	0	402	*
6011880	CITY NAT BANK OF SYLACAUGA	SYLACAUGA	AL	22031	431	611	0	0	611	*
6011890	FIRST NAT BANK IN SYLACAUGA	SYLACAUGA	AL	22119	377	718	0	0	718	*
6011900	ISBELL NAT BK OF TALLADEGA	TALLADEGA	AL	30963	463	882	0	0	882	*
6011910	TALLADEGA NATIONAL BANK	TALLADEGA	AL	33854	951	853	0	0	853	*
6011960	FIRST FARMERS AND MERCHANTS	TROY	AL	31083	764	620	0	0	620	*
6011980	1ST AL BK OF TUSCALOOSA NA	TUSCALOOSA	AL	104494	1986	4227	2404	0	4227	
6011990	FIRST NAT BK OF TUSCALOOSA	TUSCALOOSA	AL	162516	2589	6567	4733	0	6567	
6012000	FIRST NB IN TUSCUMBIA	TUSCUMBIA	AL	32733	769	732	0	0	732	*
6012010	ALABAMA EXCHANGE BANK	TUSKEGEE	AL	19077	344	609	0	0	609	*
6012130	FIRST NAT BK OF WETUMPKA	WETUMPKA	AL	36451	563	1079	0	0	1079	*

OF 85 BANKS AFFECTED IN STATE 51 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
27 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12020013	FIRST NB OF ANCHORAGE	ANCHORAGE	AK	311467	6678	15706	4970	5733	9973	
12020014	NATIONAL BANK OF ALASKA	ANCHORAGE	AK	486033	12662	20928	5183	9317	11611	
12020018	SECURITY NATIONAL BANK	ANCHORAGE	AK	22665	353	742	0	0	742	*
12020030	ALASKA NATIONAL BANK	FAIRBANKS	AK	189949	6140	7008	4559	0	7008	
12020040	FIRST NAT BANK FAIRBANKS	FAIRBANKS	AK	46432	1687	1676	203	0	1676	*
12020080	FIRST NB OF KETCHIKAN	KETCHIKAN	AK	48647	888	1503	74	0	1503	*

OF 6 BANKS AFFECTED IN STATE 1 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
3 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12040070	FIRST NAT BK OF ARIZONA	PHOENIX	AZ	2048791	36878	94119	5093	59966	34153	
12040100	VALLEY NAT BK OF ARIZONA	PHOENIX	AZ	3050692	60547	134596	5107	83393	51203	

OF 2 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8050070	FIRST NAT BK OF SHARP CTY	ASH FLAT	AR	20025	122	788	0	0	788	*
8050105	CITIZENS BANK	BATESVILLE	AR	30407	322	1125	0	0	1125	*
8050110	FIRST NATIONAL BANK	BATESVILLE	AR	53592	883	1887	334	0	1887	*
8050160	FIRST NAT BK OF BERRYVILLE	BERRYVILLE	AR	28524	166	1164	0	0	1164	*
8050180	FARMERS BANK AND TRUST CO	BLYTHEVILLE	AR	46401	553	2125	636	0	2125	*
8050190	FIRST NAT BK IN BLYTHEVILLE	BLYTHEVILLE	AR	44469	831	1412	28	0	1412	*
8050250	FIRST NAT BK OF CAMDEN	CAMDEN	AR	39886	718	1178	0	0	1178	*
8050330	FARMERS NB OF CLARKSVILLE	CLARKSVILLE	AR	23628	268	860	0	0	860	*
8050340	FIRST NAT BK OF CONWAY	CONWAY	AR	57267	671	2195	785	0	2195	*
8050360	FIRST NAT BK OF CROSSETT	CROSSETT	AR	33214	552	899	0	0	899	*
8050400	FIRST NAT BK OF DE QUEEN	DE QUEEN	AR	24983	349	778	0	0	778	*
8050440	FIRST NAT BK OF DE WITT	DE WITT	AR	24687	186	1026	0	0	1026	*
8050510	FIRST NAT BK OF EL DORADO	EL DORADO	AR	80675	1051	3713	2021	0	3713	*
8050520	NAT BK OF CMRC OF EL DORADO	EL DORADO	AR	45646	578	1543	328	0	1543	*
8050590	FIRST NAT BK OF FAYETTEVILLE	FAYETTEVILLE	AR	90717	1936	3226	1164	0	3226	
8050600	MCILROY BANK AND TRUST	FAYETTEVILLE	AR	72026	1071	2931	1302	0	2931	*
8050610	FIRST NAT BK OF FORDYCE	FORDYCE	AR	16832	302	361	0	0	361	*
8050630	FIRST NAT BK OF E ARKANSAS	FORREST CITY	AR	40715	843	1154	0	0	1154	*
8050660	CITY NAT BK OF FORT SMITH	FORT SMITH	AR	107889	1726	3778	1637	0	3778	
8050670	FIRST NAT BK CF FORT SMITH	FORT SMITH	AR	135717	2261	6091	3730	0	6091	
8050690	MERCHANTS NB OF FORT SMITH	FORT SMITH	AR	88300	1240	3711	1870	0	3711	
8050720	FIRST NAT BK IN GREEN FOREST	GREEN FOREST	AR	23247	95	957	4	0	957	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8050810	FIRST NAT BK IN HARRISON	HARRISON	AR	39552	1037	1215	0	0	1215	*
8050858	FIRST NAT BK OF PHILLIPS CTY	HELENA	AR	35173	460	1192	0	0	1192	*
8050870	HELENA NATIONAL BANK	HELENA	AR	26601	378	820	0	0	820	*
8050910	CITIZENS NAT BK OF HOPE	HOPE	AR	45280	264	1809	293	0	1809	*
8050920	FIRST NAT BK OF HOPE	HOPE	AR	31839	459	996	0	0	996	*
8050950	ARKANSAS BK & TR CO	HOT SPRINGS	AR	132692	1725	4255	2227	0	4255	
8050955	FIRST NAT BK OF HOT SPRINGS	HOT SPRINGS	AR	113883	1848	3714	1625	0	3714	
8050956	GRAND NATIONAL BANK	HOT SPRINGS	AR	18930	212	569	0	0	569	*
8050970	FIRST NAT BK OF HUNTSVILLE	HUNTSVILLE	AR	21659	201	815	0	0	815	*
8051150	COMRCL NB OF LITTLE ROCK	LITTLE RCCK	AR	193874	2168	9805	5183	1986	7819	
8051170	FIRST NAT BK IN LITTLE ROCK	LITTLE ROCK	AR	241815	2686	12195	5121	4029	8166	
8051173	METROPOLITAN NATIONAL BANK	LITTLE ROCK	AR	29622	310	1037	0	0	1037	*
8051180	UNION NAT BK OF LITTLE ROCK	LITTLE RCCK	AR	216249	3362	10342	5058	2283	8059	
8051190	WORTHEN BANK & TRUST CO NA	LITTLE ROCK	AR	385649	8197	14479	5217	5236	9243	
8051260	FIRST NAT BK OF MAGNOLIA	MAGNOLIA	AR	60041	601	2543	1173	0	2543	*
8051280	MALVERN NATIONAL BANK	MALVERN	AR	28038	631	714	0	0	714	*
8051390	FIRST NAT BK IN MENA	MENA	AR	26860	365	755	0	0	755	*
8051458	FIRST NB & TR CO OF MT HOME	MOUNTAIN HOME	AR	52556	372	1810	592	0	1810	*
8051510	FIRST NAT BK OF NASHVILLE	NASHVILLE	AR	23171	336	802	0	0	802	*
8051550	FIRST NAT BK OF NEWPORT	NEWPORT	AR	35835	284	1288	250	0	1288	*
8051558	FIRST AMERICAN NATIONAL BANK	N LITTLE ROCK	AR	83798	2183	2546	1088	0	2546	*
8051570	FIRST NATIONAL BANK	CSCEOLA	AR	31357	554	929	0	0	929	*
8051600	FIRST NATIONAL BANK	PARAGOULD	AR	58990	662	2091	524	0	2091	*
8051630	FIRST NAT BK AT PARIS	PARIS	AR	24480	327	824	0	0	824	*
8051680	NAT BK OF CMRC OF PINE BLUFF	PINE BLUFF	AR	119367	2002	4521	2985	0	4521	
8051690	SIMMONS FIRST NATIONAL BANK	PINE BLUFF	AR	171139	3460	5864	3986	0	5864	
8051818	FIRST NATIONAL BANK	ROGERS	AR	44296	542	1690	323	0	1690	*
8051820	FIRST NAT BK OF RUSSELLVILLE	RUSSELLVILLE	AR	45918	905	1225	0	0	1225	*
8051830	PEOPLES BANK & TRUST CO	RUSSELLVILLE	AR	47720	1002	1059	0	0	1059	*
8051854	FIRST NATIONAL BANK	SEARCY	AR	47656	533	1930	415	0	1930	*
8051910	FIRST NATIONAL BANK	SILOAM SPRINGS	AR	32388	424	1138	0	0	1138	*
8051950	FIRST NAT BK OF SPRINGDALE	SPRINGDALE	AR	72041	1380	2426	647	0	2426	*
8052010	FIRST NAT BK OF STUTTGART	STUTTGART	AR	53230	543	2222	716	0	2222	*
8052015	CMRC NAT BK OF TEXARKANA	TEXARKANA	AR	33656	1009	498	0	0	498	*
8052020	ST FIRST NAT BK OF TEXARKANA	TEXARKANA	AR	120783	3342	3007	924	0	3007	
8052140	FIRST NB OF LAWRENCE CTY	WALNUT RIDGE	AR	18432	282	673	0	0	673	*
8052150	FIRST NATIONAL BANK	WARREN	AR	24386	355	643	0	0	643	*
8052185	FIDELITY NATIONAL BANK	WEST MEMPHIS	AR	27286	601	604	0	0	604	*
8052190	FIRST NATIONAL BANK	WEST MEMPHIS	AR	23710	314	759	0	0	759	*
8052250	FIRST NAT BK OF WYNNE	WYNNE	AR	28225	283	1039	0	0	1039	*

OF 62 BANKS AFFECTED IN STATE 31 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
27 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12060010	ALAMEDA FIRST NATIONAL BANK	ALAMEDA	CA	68463	1345	2237	1026	0	2237	*
12060072	AMERICAN NATIONAL BANK	BAKERSFIELD	CA	177526	2247	10217	5003	2334	7883	
12060073	COMMUNITY NATIONAL BANK	BAKERSFIELD	CA	108285	2646	3925	2245	0	3925	
12060115	CITY NATIONAL BANK	BEVERLY HILLS	CA	713651	17530	25954	5131	13033	12921	
12060126	INYO MONO NATIONAL BANK	BISHOP	CA	18212	717	197	0	0	197	*
12060190	FIRST NB OF CLOVERDALE	CLOVERDALE	CA	28969	282	932	20	0	932	*
12060305	FIRST NATIONAL BANK	DALY CITY	CA	35585	772	812	0	0	812	*
12060330	FIRST NAT BANK OF DIXON	DIXON	CA	32599	527	835	0	0	835	*
12060351	CAPITAL NATIONAL BANK	DOWNEY	CA	28051	464	1245	0	0	1245	*
12060375	SURETY NATIONAL BANK	ENCINO (LA)	CA	49642	369	2799	1156	0	2799	*
12060380	FIRST NB OF SAN DIEGO CTY	ESCONDIDO	CA	85821	1920	2884	1428	0	2884	
12060395	HUMBOLDT NATIONAL BANK	EUREKA	CA	43603	1529	591	0	0	591	*
12060443	FIRST NATIONAL BANK	FRESNO	CA	41056	457	2040	589	0	2040	*
12060463	VALLEY NATIONAL BANK	GLENDALE	CA	83744	971	4318	2682	0	4318	*
12060533	MECHANICS NATIONAL BANK	HUNTINGTON PARK	CA	58292	922	2291	734	0	2291	*
12060539	IRVINE NATIONAL BANK	IRVINE	CA	23022	107	1290	59	0	1290	*
12060575	VALLEY BANK NATIONAL ASSOC	LIVERMORE	CA	22561	525	703	0	0	703	*
12060530	F&M BK OF CENTRAL CALIFORNIA	LODI	CA	155075	2131	5465	2895	0	5465	
12060585	MID-CAL NATIONAL BANK	LODI	CA	49334	392	1975	597	0	1975	*
12060630	FRM & MRCH BK OF LONG BEACH	LONG BEACH	CA	280332	10980	6868	3730	0	6868	
12060710	LOS ANGELES NATIONAL BANK	LOS ANGELES	CA	19236	130	781	0	0	781	*
12060724	PAN AM NB OF E LOS ANGELES	LOS ANGELES CTY	CA	24766	455	722	0	0	722	*
12060730	SECURITY PACIFIC NAT BANK	LOS ANGELES	CA	11898344	171251	508866	4990	306212	202654	
12060750	UNION BANK	LOS ANGELES	CA	3559120	61435	179412	4881	98448	80964	
12060755	UNITED CALIFORNIA BANK	LOS ANGELES	CA	6683239	102569	343121	5091	207926	135195	
12060825	GARFIELD BANK	MONTEBELLO	CA	47984	672	1498	426	0	1498	*
12060882	SANTA CLARITA NAT BANK	NEWHALL	CA	57654	1064	2122	653	0	2122	*
12060938	CENTRAL BANK NAT ASSOCIATION	OAKLAND	CA	441435	5552	18750	4862	8629	10121	
12060957	WEST COAST NATIONAL BANK	OCEANSIDE	CA	25404	638	673	0	0	673	*
12060960	FIRST NATIONAL BANK & TR CO	ONTARIO	CA	192489	2555	8486	5187	1114	7372	
12060970	FIRST NAT BK OF ORANGE CTY	ORANGE	CA	141357	1236	6648	4632	0	6648	
12061015	COMMERCIAL & FARMERS NAT BK	OXNARD	CA	77264	1747	2740	1195	0	2740	*
12061113	SIERRA NATIONAL BANK	PETALUMA	CA	30896	551	980	0	0	980	*
12061130	FIRST NATIONAL BANK	PLEASANTON	CA	23045	271	763	0	0	763	*
12061205	RIVERSIDE NATIONAL BANK	RIVERSIDE	CA	32147	910	1156	0	0	1156	*
12061215	PLACER NATIONAL BANK	ROCKLIN	CA	24055	691	638	0	0	638	*
12061260	MERCHANTS NATIONAL BANK	SACRAMENTO	CA	29877	135	1103	315	0	1103	*
12061285	VALLEY NATIONAL BANK	SALINAS	CA	72282	1935	2217	675	0	2217	*
12061430	BANK OF AMERICA N T AND S A	SAN FRANCISCO	CA	36754345	423717	1774835	5291	1290312	484523	
12061410	BANK OF CALIFORNIA N A	SAN FRANCISCO	CA	1947938	28329	94037	5125	60164	33873	
12061450	CROCKER NATIONAL BANK	SAN FRANCISCO	CA	8857013	120360	426489	4996	265557	160932	
12061505	WELLS FARGO BANK N A	SAN FRANCISCO	CA	10521696	78267	525199	5042	368369	156830	
12061530	FIRST NAT BK OF SAN JOSE	SAN JOSE	CA	420835	5830	18818	5009	9182	9636	
12061625	SANTA BARBARA NATIONAL BANK	SANTA BARBARA	CA	117345	1055	5961	4120	0	5961	
12061640	COUNTY BANK OF SANTA CRUZ	SANTA CRUZ	CA	224034	2882	8155	4967	857	7298	
12061680	CTZ ST BK OF SANTA PAULA	SANTA PAULA	CA	18008	429	433	0	0	433	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12061764	TAHOE NATIONAL BANK	SOUTH LAKE TAHOE	CA	17915	401	468	0	0	468	*
12061840	TORRANCE NATIONAL BANK	TORRANCE	CA	22407	184	1022	0	0	1022	*
12061928	SECURITY NATIONAL BANK	WALNUT CREEK	CA	161278	1647	7141	4960	0	7141	
12061975	NATIONAL BANK OF WHITTIER	WHITTIER	CA	50876	1042	1976	545	0	1976	*

OF 50 BANKS AFFECTED IN STATE 16 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
21 HAVE NO REQURED RESERVE BALANCE

10080010	CTZ NAT BK OF AKRON	AKRON	CO	16200	68	692	0	0	692	*
10080020	ALAMOSA NATIONAL BANK	ALAMOSA	CO	21144	276	940	0	0	940	*
10080036	ARAPAHOE COLORADO NAT BANK	ARAPAHOE COUNTY	CO	20177	244	689	0	0	689	*
10080037	FIRST NAT BANK OF SOUTHGLENN	ARAPAHOE CCUNTY	CO	29131	583	1166	0	0	1166	*
10080055	FIRST NATIONAL BANK IN ASPEN	ASPEN	CO	23772	665	507	0	0	507	*
10080060	FARMERS NAT BK OF AULT	AULT	CO	17152	102	534	38	0	534	*
10080065	AURORA NATIONAL BANK	AURORA	CO	34182	512	1225	0	0	1225	*
10080093	ARAPAHOE NATIONAL BANK	BOULDER	CO	16536	344	411	0	0	411	*
10080088	BOULDER NATIONAL BANK	BOULDER	CO	35688	854	1095	0	0	1095	*
10090100	FIRST NAT BK IN BOULDER	BOULDER	CO	124930	1374	5026	3466	0	5026	
10080120	NATIONAL STATE BANK OF	BOULDER	CO	64889	1016	2592	1196	0	2592	*
10080130	FIRST BANK AND TRUST CO	BRIGHTON	CO	24664	431	713	0	0	713	*
10080150	FIRST NAT BK OF BRUSH	BRUSH	CO	15285	122	527	0	0	527	*
10080190	FIRST NAT BK OF CANON CITY	CANON CITY	CO	26814	400	850	0	0	850	*
10080200	FREMONT NAT BK OF CANON CITY	CANON CITY	CO	29249	320	989	0	0	989	*
10080270	COLORADO SPRINGS NATL	COLCRADO SPRINGS	CO	89778	1357	3525	2012	0	3525	
10080275	EAST BK OF COLORADO SPGS NA	COLORADO SPRINGS	CO	25318	769	472	0	0	472	*
10080280	EXC NB OF COLORADO SPRINGS	COLORADO SPRINGS	CO	104495	1911	3820	2011	0	3820	
10080290	FIRST NB OF COLORADO SPRINGS	COLORADO SPRINGS	CO	162016	4772	5174	2961	0	5174	
10080294	WE NB OF COLORADO SPRINGS	COLCRADO SPRINGS	CO	27526	579	823	0	0	823	*
10080295	PIKES PEAK NATIONAL BANK	COLCRADO SPRINGS	CO	18592	466	398	0	0	398	*
10080305	FIRST NATL BANK OF CORTEZ	CORTEZ	CO	24833	310	823	0	0	823	*
10080350	AMERICAN NB OF DENVER	DENVER	CO	168648	1129	7972	5120	850	7122	
10080354	BOULEVARD COLORADO NAT BANK	DENVER	CO	27203	462	891	0	0	891	*
10080360	CENTRAL BANK AND TRUST CO	DENVER	CO	430107	5085	19846	5202	10446	9400	
10080362	CHERRY CREEK NATIONAL BANK	DENVER	CO	72312	654	3194	1647	0	3194	*
10080380	COLORADO NAT BK OF DENVER	DENVER	CO	489796	3662	21898	5238	12680	9218	
10080448	FIRST NB OF BEAR VALLEY	DENVER	CO	38456	1102	1019	0	0	1019	*
10080450	FIRST NAT BK OF DENVER	DENVER	CO	999045	7260	49091	5489	34852	14239	
10080481	METRO NATIONAL BANK	DENVER	CO	78689	336	3298	2066	0	3298	*
10080490	NAT CITY BK OF DENVER	DENVER	CO	55729	458	2373	969	0	2373	*
10080492	SECURITY NATIONAL BANK	DENVER	CO	109420	282	2892	1716	0	2892	*
10080493	NORTHEAST COLO NAT BANK	DENVER	CO	24191	267	1269	14	0	1269	*
10080510	UNITED BANK OF DENVER NA	DENVER	CO	887652	5915	45079	5409	31490	13589	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10080512	UNIVERSITY NATIONAL BANK	DENVER	CO	79669	756	3488	2055	0	3488	*
10080513	WESTERN NB OF DENVER	DENVER	CO	23029	644	409	0	0	409	*
10080530	BURNS NAT BK OF DURANGO	DURANGO	CO	18825	327	592	0	0	592	*
10080540	FIRST NAT BK OF DURANGO	DURANGO	CO	34603	422	1384	80	0	1384	*
10080572	CONTINENTAL NATIONAL BANK	ENGLEWOOD	CO	75064	655	3782	2048	0	3782	*
10080600	FIRST NAT BK OF ENGLEWOOD	ENGLEWOOD	CO	100750	1225	4179	2546	0	4179	
10080605	REPUBLIC NATIONAL BANK	ENGLEWOOD	CO	21743	459	701	0	0	701	*
10080625	FIRST NATIONAL BANK	EVERGREEN	CO	19892	241	752	0	0	752	*
10080670	FIRST NATIONAL BANK	FORT COLLINS	CO	144081	1218	6857	4380	0	6857	
10080684	UNITED BK OF FT COLLINS NA	FORT COLLINS	CO	97290	811	4123	2516	0	4123	
10080700	FARMERS STATE BANK	FORT MORGAN	CO	40169	475	1309	0	0	1309	*
10080710	FIRST NB OF FORT MORGAN	FORT MORGAN	CO	21668	218	721	0	0	721	*
10080736	SOUTH DENVER NAT BANK	GLENDALE	CO	27643	446	960	0	0	960	*
10080740	FIRST NB OF GLENWOOD SPRINGS	GLENWOOD SPRINGS	CO	45329	467	1856	426	0	1856	*
10080750	FIRST NAT BK IN GOLDEN	GOLDEN	CO	60481	845	2345	845	0	2345	*
10080770	1ST NB IN GRAND JUNCTION	GRAND JUNCTION	CO	64819	713	3147	1467	0	3147	*
10080778	MESA UTD BK NAT ASSCO	GRAND JUNCTION	CO	33162	621	1145	0	0	1145	*
10080780	U S BANK OF GRAND JUNCTION	GRAND JUNCTION	CO	62306	510	3119	1507	0	3119	*
10080785	CACHE NATIONAL BANK	GREELEY	CO	22975	370	610	0	0	610	*
10080800	FIRST NAT BK OF GREELEY	GREELEY	CO	83403	1215	2585	1196	0	2585	
10080810	GREELEY NATIONAL BANK	GREELEY	CO	92868	758	4031	2688	0	4031	
10080925	ALAMEDA NATIONAL BANK	JEFFERSON COUNTY	CO	30745	456	944	0	0	944	*
10081000	COLORADO BANK AND TRUST	LA JUNTA	CO	20714	209	884	0	0	884	*
10081014	FIRST WESTLAND NAT BANK	LAKEWOOD	CO	64406	620	3295	1777	0	3295	*
10081017	LAKEWOODCO NATIONAL BANK	LAKEWOOD	CO	33785	308	1393	137	0	1393	*
10081020	FIRST NAT BK OF LAMAR	LAMAR	CO	22003	256	867	0	0	867	*
10081021	UNITED BANK OF LAKEWOOD NA	LAKEWOOD	CO	38225	914	1084	0	0	1084	*
10081070	LITTLETON NATIONAL BANK	LITTLETON	CO	40163	654	1452	143	0	1452	*
10081080	FIRST NAT BK OF LONGMONT	LONGMONT	CO	55357	453	2493	1014	0	2493	*
10081090	LONGMONT NATIONAL BANK	LONGMONT	CO	35137	377	1393	97	0	1393	*
10081097	WESTLAND NATIONAL BANK	LONGMONT	CO	16507	299	441	0	0	441	*
10081110	FIRST NAT BK IN LOVELAND	LOVELAND	CO	57796	548	2339	951	0	2339	*
10081180	FIRST NAT BK OF MONTROSE	MONTROSE	CO	37362	344	1466	81	0	1466	*
10081190	UNITED BANK OF MONTROSE NA	MONTROSE	CO	20424	351	765	0	0	765	*
10081193	FIRST NAT BK OF NORTHGLENN	NORTHGLENN	CO	34674	1333	722	0	0	722	*
10081280	FIRST NAT BK OF PUEBLO	PUEBLO	CO	77311	1946	2588	773	0	2588	*
10081304	REPUBLIC NB OF PUEBLO	PUEBLO	CO	27910	550	736	0	0	736	*
10081360	ROUTT COUNTY NATL BK	STEAMBOAT SPRINGS	CO	35652	397	1471	168	0	1471	*
10081370	COMMERCIAL SAVINGS BANK OF	STERLING	CO	28388	323	941	0	0	941	*
10081375	FIRST NATIONAL BANK	STERLING	CO	15468	142	539	0	0	539	*
10081380	SECURITY ST BK OF STERLING	STERLING	CO	46345	309	1836	435	0	1836	*
10081390	FIRST NB OF STRASBURG	STRASBURG	CO	22042	139	842	0	0	842	*
10081420	TRINIDAD NATIONAL BANK	TRINIDAD	CO	16968	313	520	0	0	520	*
10081428	FIRST NAT BK IN WALSENBURG	WALSENBURG	CO	16235	179	512	0	0	512	*
10081445	FIRST NAT BK OF WESTMINSTER	WESTMINSTER	CO	45637	1227	1599	169	0	1599	*
10081448	LAKESIDE NATIONAL BANK	WHEATRIDGE	CO	70975	869	2892	1408	0	2892	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10081449	WHEAT RIDGE NATIONAL BANK	WHEAT RIDGE	CO	26962	337	882	0	0	882	*
10081470	FIRST NAT BK OF WRAY	WRAY	CO	29446	133	1111	148	0	1111	*
10081490	FARMERS STATE BK OF YUMA	YUMA	CO	19223	145	770	0	0	770	*

OF 83 BANKS AFFECTED IN STATE 42 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
36 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2090100	CONNECTICUT NATIONAL BANK	BRIDGEPORT	CT	519240	20001	11381	5365	2282	9099	
2090135	STATE NATIONAL BANK OF CONN	BRIDGEPORT	CT	539863	8258	25289	5202	16085	9204	
1090522	AMERICAN NATIONAL BANK	HAMDEN	CT	72509	1178	2517	1432	0	2517	*
1090525	CONNECTICUT BK AND TRUST CO	HARTFORD	CT	1484706	33557	62219	5474	43165	19054	
1090590	HARTFORD NAT BANK AND TR CO	HARTFORD	CT	1534864	37405	56605	5322	35366	21239	
1090720	FIRST NB OF LITCHFIELD	LITCHFIELD	CT	27279	593	804	0	0	804	*
1090970	NEW BRITAIN NATIONAL BANK	NEW BRITAIN	CT	86323	4043	897	0	0	897	*
1091315	ORANGE NATIONAL BANK	ORANGE	CT	23776	724	584	0	0	584	*
1091360	CITIZENS NATIONAL BANK	PUTNAM	CT	20238	501	397	0	0	397	*
1091455	CITIZENS NB OF SOUTHINGTON	SOUTHINGTON	CT	22057	717	247	0	0	247	*
2091535	LIBERTY NATIONAL BANK	STAMFORD	CT	19880	206	662	24	0	662	*
1091695	VERNON NATIONAL BANK	VERNON	CT	19656	584	438	0	0	438	*
2091835	WESTPORT NATIONAL BANK	WESTPORT	CT	24758	401	758	0	0	758	*
1091845	NORTHERN CONN NAT BANK	WINDSOR LOCKS	CT	38443	1491	234	0	0	234	*

OF 14 BANKS AFFECTED IN STATE 8 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
2 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3100420	FIRST NAT BANK OF WYOMING	WYOMING	DE	20611	228	650	0	0	650	*

OF 1 BANKS AFFECTED IN STATE 1 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5110010	AMERICAN SECURITY BANK NA	WASHINGTON	DC	973294	16625	52616	5750	37845	14771	
5110020	BANK OF COLUMBIA NA	WASHINGTON	DC	36413	1735	366	0	0	366	*
5110045	DISTRICT OF COLUMBIA NAT BK	WASHINGTON	DC	66634	1584	2918	1365	0	2918	*
5110100	MCLACHLEN NATIONAL BANK	WASHINGTON	DC	37509	1179	1299	0	0	1299	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5110115	MADISON NATIONAL BANK	WASHINGTON	DC	102154	2216	5359	3364	0	5359	
5110130	NATIONAL BANK OF WASHINGTON	WASHINGTON	DC	576365	16474	24501	5565	12443	12058	
5110140	NAT CAPITAL BK OF WASHINGTON	WASHINGTON	DC	33901	1466	1055	0	0	1055	*
5110160	NATIONAL SAVINGS & TRUST CO	WASHINGTON	DC	332614	6945	15626	4934	5640	9986	
5110170	RIGGS NB OF WASHINGTON DC	WASHINGTON	DC	1327375	22364	74865	5221	47291	27574	
5110190	SECURITY NATIONAL BANK	WASHINGTON	DC	76700	1671	3542	1786	0	3542	*
5110195	UNION FIRST NB OF WASH	WASHINGTON	DC	446227	12602	18754	5323	7961	10793	
5110205	UNITED NAT BK OF WASHINGTON	WASHINGTON	DC	39216	945	1496	68	0	1496	*

OF 12 BANKS AFFECTED IN STATE 3 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
4 HAVE NO REQURED RESERVE BALANCE

6120015	BARNETT BANK OF SEMINOLE CTY	ALTAMONTE SPRINGS	FL	28864	534	763	0	0	763	*
6120040	DE SOTO NAT BK OF ARCADIA	ARCADIA	FL	23732	585	487	0	0	487	*
6120070	FLORIDA FIRST NB AT BARTOW	BARTOW	FL	24304	616	580	0	0	580	*
6120075	FIRST NATIONAL BANK & TR CO	BELLEAIR BLUFFS	FL	63062	638	2061	477	0	2061	*
6120093	BOCA RATON NAT BANK	BOCA RATON	FL	104846	1449	4411	2833	0	4411	
6120095	FIRST B&TC OF BOCA RATON NA	BOCA RATON	FL	136795	2359	4840	2703	0	4840	
6120103	FIRST NB OF BONITA SPRINGS	BONITA SPRINGS	FL	23190	408	656	0	0	656	*
6120106	FLGSHP 1ST NB OF BYNTN BCH	BCYNTON	FL	42037	412	1315	92	0	1315	*
6120110	ELLIS FIRST NATIONAL BANK	BRADENTON	FL	107523	845	5261	3415	0	5261	
6120115	INTER CITY NATIONAL BANK	BRADENTON	FL	102159	1924	2441	847	0	2441	
6120120	SOUTHEAST N B OF BRADENTON	BRADENTON	FL	80152	1074	3589	1800	0	3589	*
6120123	BARNETT BANK CF BRANDON NA	BRANDON	FL	25117	444	854	0	0	854	*
6120138	FIRST NATIONAL BANK	BROOKSVILLE	FL	34947	935	601	0	0	601	*
6120154	NATIONAL BANK OF CAPE CORAL	CAPE CORAL	FL	27302	187	1014	119	0	1014	*
6120156	FIRST NB OF CAPE CANAVERAL	CAPE CANAVERAL	FL	22367	389	730	0	0	730	*
6120195	BARNETT BANK OF CLEAWATER NA	CLEARWATER	FL	62401	1063	2091	657	0	2091	*
6120200	FIRST NAT BK OF CLEARWATER	CLEARWATER	FL	127805	1104	5757	3573	0	5757	
6120206	SECOND NB OF CLEARWATER	CLEARWATER	FL	25632	648	522	0	0	522	*
6120210	EXCHANGE NB OF LAKE COUNTY	CLERMONT	FL	23918	297	752	0	0	752	*
6120230	BARNETT BANK OF COCOA N A	COCOA	FL	63363	1398	2140	668	0	2140	*
6120231	SUN BANK OF COCOA NA	COCOA	FL	43176	909	963	0	0	963	*
6120232	UNITED NATIONAL BANK	COCOA BEACH	FL	24701	503	736	0	0	736	*
6120240	FLGSHP 1ST NB OF CORAL GBLES	CORAL GABLES	FL	186430	3861	8227	5096	515	7712	
6120241	CARIBBEAN NATIONAL BANK	CORAL GABLES	FL	27309	408	1526	188	0	1526	*
6120275	FIRST NAT BK OF CRESTVIEW	CRESTVIEW	FL	20213	363	521	0	0	521	*
6120276	CTZ 1ST NB OF CRYSTAL RIVER	CRYSTAL RIVER	FL	17973	851	0	0	0	0	*
6120295	ELLIS FIRST NB OF DADE CITY	DALE CITY	FL	20619	337	570	0	0	570	*
6120297	DIXIE NAT BK OF DADE COUNTY	DADE COUNTY	FL	34773	480	2051	630	0	2051	*
6120301	ATLANTIC NAT BANK OF DAVIE	DAVIE	FL	19106	288	549	0	0	549	*
6120303	FIRST NATIONAL BANK OF DAVIE	DAVIE	FL	31263	513	1230	0	0	1230	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6120310	ATLANTIC FIRST NB OF	DAYTONA BEACH	FL	68515	2313	422	0	0	422	*
6120334	PAM AM BK OF VOLUSIA CTY N A	DEBARY	FL	18241	348	411	0	0	411	*
6120360	BARNETT BANK OF DELAND N A	DE LAND	FL	72738	403	2922	1530	0	2922	
6120375	BARNETT BK OF DELRAY BCH NA	DELRAY BEACH	FL	53262	390	2695	1305	0	2695	*
6120390	SUN FIPST NB OF DELRAY BCH	DELRAY BEACH	FL	100489	2615	2965	1362	0	2965	
6120392	SOUTHEAST NB OF DUNEDIN	DUNEDIN	FL	52518	1495	849	0	0	849	*
6120393	SUN FIRST NB CF DUNEDIN	DUNEDIN	FL	88987	1870	2387	697	0	2387	
6120399	FIRST NAT BANK & TRUST	EUSTIS	FL	30731	290	1189	0	0	1189	*
6120425	AMERICAN NATIONAL BANK & TR	FORT LAUDERDALE	FL	139040	2711	5777	3642	0	5777	
6120430	CENTURY NAT BK CF BROWARD	FORT LAUDERDALE	FL	252051	5779	8863	5082	931	7932	
6120432	CENTURY NB OF CORAL RIDGE	FORT LAUDERDALE	FL	92430	1029	4081	2416	0	4081	
6120440	LANDMARK 1ST NB IN	FORT LAUDERDALE	FL	434279	12665	16443	5239	5918	10525	
6120454	EAST FIRST NATIONAL BANK	FORT MYERS	FL	18221	314	519	0	0	519	*
6120455	BARNETT BK OF FT MYERS NA	FORT MYERS	FL	95993	1793	3186	2037	0	3186	
6120459	FIRST CMRCL BK OF FORT MYERS	FORT MYERS	FL	18338	306	507	0	0	507	*
6120460	FIRST NAT BK IN FORT MYERS	FORT MYERS	FL	180429	3831	4730	2769	0	4730	
6120471	BEACH FIRST NATIONAL BANK	FORT MYERS BEACH	FL	33000	478	1085	0	0	1085	*
6120473	FIPST NB OF FCRT PIERCE	FORT PIERCE	FL	30840	885	1007	0	0	1007	*
6120487	FIRST NB OF OKALOOSA COUNTY	FORT WALTON BEACH	FL	58919	1711	968	0	0	968	*
6120491	ATLNTC 1ST NB OF GAINESVILLE	GAINESVILLE	FL	78242	2099	2989	1220	0	2989	*
6120510	FLORIDA NB AT GAINESVILLE	GAINESVILLE	FL	30016	737	1197	0	0	1197	*
6120562	FIRST NAT BK OF HALLANDALE	HALLANDALE	FL	30444	308	1426	190	0	1426	*
6120564	CITY NAT BK OF HALLANDALE	HALLANDALE	FL	68462	746	2899	1335	0	2899	*
6120572	1ST AM NB OF HERNANDO CTY	HERNANDO CTY	FL	18134	258	442	0	0	442	*
6120574	FIRST NB OF GREATER MIAMI	HIALEAH	FL	119338	2126	4621	2616	0	4621	
6120582	BANK OF HOLIDAY	HOLIDAY	FL	33878	421	839	0	0	839	*
6120598	ATLANTIC NB OF W HOLLYWOOD	HOLLYWOCD	FL	69426	1633	1708	393	0	1708	*
6120589	ATLANTIC NB OF HOLLYWOOD	HOLLYWOOD	FL	30153	330	1004	20	0	1004	*
6120590	FIRST NAT BK OF HOLLYWOOD	HOLLYWOCD	FL	106667	1007	5584	3886	0	5584	
6120595	EXCHANGE NB OF PASCO CTY	HOLIDAY	FL	19359	351	429	0	0	429	*
6120600	FIRST NAT BK OF HOMESTEAD	HOMESTEAD	FL	40986	1073	1251	29	0	1251	*
6120612	CITZNS 1ST NAT BK CITRUS CTY	INVERNESS	FL	34055	548	956	0	0	956	*
6120620	AMERICAN NB OF JACKSONVILLE	JACKSONVILLE	FL	89042	1172	3125	1755	0	3125	
6120630	ATLANTIC NB OF JACKSONVILLE	JACKSONVILLE	FL	298551	4872	10944	5080	2570	8374	
6120640	BARNETT BK OF JACKSONVLLE NA	JACKSONVILLE	FL	263382	3241	12551	5235	4005	8546	
6120644	FLORIDA NAT BK AT ARLINGTON	JACKSONVILLE	FL	24369	696	422	0	0	422	*
6120646	FLORIDA NAT BANK AT LAKE SHO	JACKSONVILLE	FL	21820	1408	0	0	0	0	*
6120650	FLA FIRST NB OF JACKSONVILLE	JACKSONVILLE	FL	283650	4041	10586	5319	2837	7749	
6120653	JACKSONVILLE NATIONAL BANK	JACKSONVILLE	FL	100922	330	5266	3490	210	5056	
6120692	SOUTHEAST FIRST NAT BCH BK	JACKSONVILLE BCH	FL	37964	361	1602	278	0	1602	*
6120705	ELLIS FIRST NB AT JAY	JAY	FL	18693	138	692	0	0	692	*
6120710	FLORIDA FIRST NATIONAL BANK	KEY WEST	FL	34606	916	1015	0	0	1015	*
6120720	FIRST NAT BK OF KISSIMMEE	KISSIMMEE	FL	28694	761	947	0	0	947	*
6120765	FIRST NB OF LAKELAND	LAKELAND	FL	51980	794	1729	351	0	1729	*
6120780	FLORIDA NAT BK AT LAKELAND	LAKELAND	FL	41760	906	1411	94	0	1411	*
6120802	SUN FIRST NB OF LAKE WALES	LAKE WALES	FL	35635	638	987	0	0	987	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6120805	FIRST AM BK OF LAKE WORTH NA	LAKE WORTH	FL	76528	657	2904	1740	0	2904	
6120810	1ST MRNE NB & TC OF LK WORTH	LAKE WORTH	FL	101001	1738	3551	1754	0	3551	
6120818	CITIZENS NAT BK OF LEESBURG	LEESBURG	FL	53065	509	1924	748	0	1924	*
6120819	EXCHANGE NB OF LEE COUNTY	LEE COUNTY	FL	61822	915	1783	285	0	1783	*
6120820	SUN FIRST NB OF LEESBURG	LEESBURG	FL	74725	1594	2232	854	0	2232	*
6120821	CITY NB OF LAUDERHILL	LAUDERHILL	FL	29708	1168	485	0	0	485	*
6120840	FIRST NAT BK OF LIVE OAK	LIVE OAK	FL	35232	949	503	0	0	503	*
6120849	SUN FIRST NB OF MELBOURNE	MELBOURNE	FL	44178	906	1444	125	0	1444	*
6120865	SE FIRST NB OF MAITLAND	MAITLAND	FL	55278	442	2375	967	0	2375	*
6120874	WESTSIDE NB OF MANATEE CTY	MANATEE COUNTY	FL	48816	457	1991	629	0	1991	*
6120876	NATIONAL BANK OF COLLIER CTY	MARCO ISLAND	FL	29137	661	954	0	0	954	*
6120881	FL CST BK OF CORAL SPGS NA	MARGATE	FL	34228	542	1491	263	0	1491	*
6120892	HOBE SOUND NATIONAL BANK	MARTIN COUNTY	FL	16556	200	518	0	0	518	*
6120897	LANDMARK BK OF MELBOURNE NA	MELBOURNE	FL	29824	497	940	0	0	940	*
6120900	FLAGSHIP BK OF MELBOURNE NA	MELBOURNE	FL	45957	1119	1404	0	0	1404	*
6120902	BOULEVARD NAT BK OF MIAMI	MIAMI	FL	65852	585	3093	1644	0	3093	*
6120903	FIRST NATIONAL BK OF BREVARD	MERRITT ISLAND	FL	39705	448	1267	76	0	1267	*
6120908	CITY NATIONAL BANK OF MIAMI	MIAMI	FL	344499	8325	14666	5318	5461	9205	
6120909	CENTRAL NAT BK OF MIAMI	MIAMI	FL	35656	610	1331	22	0	1331	*
6120915	BARNETT BANK OF MIAMI NA	MIAMI	FL	263160	4038	12165	5075	3918	8247	
6120927	CONTINENTAL NAT BK OF MIAMI	MIAMI	FL	25706	416	985	0	0	985	*
6120929	DADELAND NATIONAL BANK	MIAMI	FL	35771	1218	1263	0	0	1263	*
6120932	FIRST STATE BANK OF MIAMI	MIAMI	FL	128356	3018	4206	2512	0	4206	
6120937	FLAGSHIP NB OF MIAMI	MIAMI	FL	101500	2217	5036	2833	0	5036	
6120950	FLORIDA NAT BANK OF MIAMI	MIAMI	FL	212465	3046	7789	5933	376	7413	
6120968	MIAMI NATIONAL BANK	MIAMI	FL	76562	506	3784	2378	0	3784	*
6120976	PEOPLES DOWNTOWN NAT BANK	MIAMI	FL	35507	824	1493	192	0	1493	*
6120977	ROYAL TRUST BK OF MIAMI NA	MIAMI	FL	117676	1385	5056	3439	0	5056	
6120979	REPUBLIC NAT BANK OF MIAMI	MIAMI	FL	150424	2473	6425	4672	0	6425	
6120988	SOUTHEAST 1ST NB OF MIAMI	MIAMI	FL	1409703	10940	72573	5246	53202	19371	
6120991	SOUTHEAST NAT BANK OF CORAL	MIAMI	FL	70839	977	3219	1887	0	3219	*
6120999	JEFFERSON NB OF MIAMI BEACH	MIAMI BEACH	FL	82724	729	4707	2854	0	4707	*
6121010	FLAGSHIP 1ST NB OF MIAMI BCH	MIAMI BEACH	FL	215043	2497	8961	4885	1225	7736	
6121015	PEOPLES FIRST NATIONAL BANK	MIAMI SHORES	FL	47573	608	2189	1022	0	2189	*
6121025	SOUTHEAST FIRST N B OF MIAMI	MIAMI SPRINGS	FL	86644	955	5658	3590	0	5658	
6121030	CENTURY NAT BK OF SANTA ROSA	MILTON	FL	23024	1103	39	0	0	39	*
6121050	FIRST NAT BK OF MOUNT DORA	MOUNT DORA	FL	29250	257	1095	61	0	1095	*
6121066	CITIZENS NATIONAL BANK	NAPLES	FL	53962	461	2035	673	0	2035	*
6121067	SOUTHEAST NAT BK OF NAPLES	NAPLES	FL	36686	495	1308	44	0	1308	*
6121068	FIRST NAT BANK & TRUST CO	NAPLES	FL	94358	1086	4114	2311	0	4114	
6121074	NORTH FIRST BANK	NORTH FORT MYERS	FL	15032	299	378	0	0	378	*
6121075	ELLIS 1ST NB OF NEW PT RCHEY	NEW PORT RICHEY	FL	94974	1747	2170	827	0	2170	
6121082	PEOPLES AMERICAN NAT BANK	NORTH MIAMI	FL	30758	531	1271	62	0	1271	*
6121083	SECOND NAT BK OF NORTH MIAMI	NORTH MIAMI	FL	59358	1296	2715	1238	0	2715	*
6121084	PEOPLES FIRST NATIONAL BANK	NORTH MIAMI BEACH	FL	20733	317	910	0	0	910	*
6121085	SECOND NAT BK OF N MIAMI BCH	N MIAMI BEACH	FL	32096	471	1413	136	0	1413	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6121087	COUNTY NB OF N MIAMI BEACH	NORTH MIAMI BEACH	FL	49759	1060	2375	771	0	2375	*
6121091	BARNETT BANK OF OCALA NA	OCALA	FL	77312	896	3170	1479	0	3170	*
6121093	PAN AMERICAN BK OF BROWARD	OAKLAND PARK	FL	21161	491	727	0	0	727	*
6121100	FLORIDA FIRST NATIONAL BANK	OCALA	FL	31770	867	697	0	0	697	*
6121112	SUN BANK OF OCALA	OCALA	FL	92741	1580	3845	2035	0	3845	
6121140	SUN FIRST NB OF ORLANDO	ORLANDO	FL	477276	12336	16730	5195	6199	10531	
6121142	PAN AM BANK OF ORLANDO NA	ORLANDO	FL	80654	1104	3554	1921	0	3554	*
6121147	SOUTHEAST NAT BK OF ORLANDO	ORLANDO	FL	33224	564	983	0	0	983	*
6121150	FLORIDA NAT BK OF ORLANDO	ORLANDO	FL	69435	1357	2507	1190	0	2507	*
6121153	FLGSHP 1ST NB OF ORMOND BCH	ORMOND BEACH	FL	62471	549	2401	892	0	2401	*
6121163	ATLANTIC NAT BK OF PALATKA	PALATKA	FL	42546	887	1386	27	0	1386	*
6121178	ROYAL TR BK OF PALM BCH NA	PALM BEACH	FL	30039	505	743	0	0	743	*
6121180	FIRST NAT BK IN PALM BEACH	PALM BEACH	FL	192786	2163	10129	5101	2421	7708	
6121182	FIRST NB OF PALM BCH GARDENS	PALM BCH GARDENS	FL	16521	308	460	0	0	460	*
6121187	FIRST MARINE NAT BK	PALM SPRINGS	FL	25798	723	529	0	0	529	*
6121190	BAY NATIONAL BANK AND TRUST	PANAMA CITY	FL	58425	1583	1736	337	0	1736	*
6121203	FIRST NATIONAL BANK	PANAMA CITY	FL	22171	564	386	0	0	386	*
6121210	CITIZENS & PEOPLES NAT BK	PENSACOLA	FL	52731	1060	2496	892	0	2496	*
6121215	CENTURY NAT BK OF PENSACOLA	PENSACOLA	FL	35794	568	1283	0	0	1283	*
6121230	FLORIDA FIRST NATIONAL BANK	PENSACOLA	FL	66214	3267	824	0	0	824	*
6121255	FIRST NAT BK IN PLANT CITY	PLANT CITY	FL	34260	571	931	0	0	931	*
6121270	FIDELITY NATIONAL BANK	POMPANO BEACH	FL	20770	363	879	0	0	879	*
6121275	FIRST NB OF BROWARD COUNTY	POMPANO BEACH	FL	201085	4041	8050	4946	253	7797	
6121279	HALIFAX NATIONAL BANK	PORT ORANGE	FL	18855	559	318	0	0	318	*
6121281	BARNETT BANK OF PT CHARLOTTE	PORT CHARLOTTE	FL	21203	340	597	0	0	597	*
6121290	FIRST NATIONAL BANK	PUNTA GORDA	FL	56092	840	2153	574	0	2153	*
6121316	FIRST NATIONAL BANK & TRUST	RIVIERA BEACH	FL	86479	912	3688	2108	0	3688	
6121321	BARNETT BANK OF ST AUGUSTINE	ST AUGUSTINE	FL	39443	990	1141	0	0	1141	*
6121341	BARNETT BK OF ST PETERSBURG	ST PETERSBURG	FL	53286	870	1667	254	0	1667	*
6121342	BK OF FL IN ST PETERSBURG	ST PETERSBURG	FL	19076	535	316	0	0	316	*
6121346	ELLIS NAT BK OF ST PETRSBURG	ST PETERSBURG	FL	46293	496	1529	203	0	1529	*
6121350	CENTURY 1ST NB IN ST PTRSBRG	ST PETERSBURG	FL	175234	4270	3318	1031	0	3318	
6121356	FLAGSHIP BK OF ST PETES NA	ST PETERSBURG	FL	87144	1601	3057	1247	0	3057	
6121360	FLORIDA NB AT ST PETERSBURG	ST PETERSBURG	FL	103348	3819	1175	72	0	1175	
6121366	NAT BANK OF ST PETERSBURG	ST PETERSBURG	FL	58104	1152	1856	420	0	1856	*
6121370	LNDMRK UTB OF ST PTRSBG NA	ST PETERSBURG	FL	330216	7412	7356	4962	0	7356	
6121378	ATLANTIC NAT BK OF SANFORD	SANFORD	FL	37344	820	1091	0	0	1091	*
6121396	NATIONAL BANK GULF GATE	SARASOTA COUNTY	FL	65830	1173	1746	285	0	1746	*
6121397	NATIONAL BANK OF SARASOTA	SARASOTA	FL	72874	1631	2461	732	0	2461	*
6121402	SE BANK OF VILLAGE PLAZA NA	SARASOTA COUNTY	FL	22405	426	560	0	0	560	*
6121406	S E BANK OF SIESTA KEY	SARASOTA	FL	25977	276	903	0	0	903	*
6121407	S E FIRST NB OF SARASOTA	SARASOTA	FL	97467	1610	3131	1345	0	3131	
6121409	POPULAR BK OF SARASOTA NA	SARASOTA	FL	17656	327	371	0	0	371	*
6121413	SE FIRST NB OF SATELLITE BCH	SATELLITE BEACH	FL	22955	543	729	0	0	729	*
6121415	FIRST NATIONAL BANK	SEBRING	FL	35826	297	1217	55	0	1217	*
6121421	SUN BANK OF SEMINOLE NA	SEMINOLE COUNTY	FL	31284	1022	517	0	0	517	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6121424	FIDELITY NB OF SOUTH MIAMI	SOUTH MIAMI	FL	25964	249	982	0	0	982	*
6121425	FIRST NAT BK OF SOUTH MIAMI	SOUTH MIAMI	FL	69461	977	3403	1938	0	3403	*
6121426	SE NB OF ST PETERSBURG	SOUTH PASADENA	FL	39267	462	1442	92	0	1442	*
6121440	FIRST NAT BANK & TRUST CO	STUART	FL	118597	1396	4351	2529	0	4351	
6121442	STUART NATIONAL BANK	STUART	FL	76958	832	2744	1338	0	2744	
6121448	JEFFERSON NB AT SUNNY ISLES	SUNNY ISLES	FL	28950	475	1213	0	0	1213	*
6121450	CAP CY 1ST NB OF TALLAHASSEE	TALLAHASSEE	FL	94265	1482	3129	1637	0	3129	*
6121455	INDUSTRIAL NATIONAL BANK	TALLAHASSEE	FL	19222	476	438	0	0	438	*
6121469	BARNETT BANK OF TAMPA NA	TAMPA	FL	46804	764	864	0	0	864	*
6121470	BROADWAY NAT BANK OF TAMPA	TAMPA	FL	43717	562	1366	211	0	1366	*
6121476	COLUMBIA BANK OF TAMPA	TAMPA	FL	29083	689	614	0	0	614	*
6121479	ELLIS NATIONAL BK OF TAMPA	TAMPA	FL	28999	564	967	0	0	967	*
6121480	EXCHANGE NAT BANK OF TAMPA	TAMPA	FL	281244	4697	10607	5602	2744	7863	
6121490	FIRST NATIONAL BK OF FLORIDA	TAMPA	FL	394793	10193	9462	5033	169	9293	
6121492	FLAGSHIP BANK OF TAMPA	TAMPA	FL	115375	2742	3033	1377	0	3033	
6121502	METROPOLITAN BANK & TR CO	TAMPA	FL	121569	899	5363	2939	1956	3407	
6121520	PAN AMERICAN BK OF TAMPA NA	TAMPA	FL	61019	1285	1591	531	0	1591	*
6121525	SECOND NAT BK OF TAMPA	TAMPA	FL	55467	845	2149	765	0	2149	*
6121530	ELLIS FIRST NB IN TARPON SPG	TARPON SPRINGS	FL	54707	320	1748	689	0	1748	*
6121541	FIRST NAT BANK OF THE UPPER	TAVERNIER	FL	25442	389	890	0	0	890	*
6121542	1ST MRNE NB&TC JUPITER	TEQUESTA	FL	53883	730	2326	855	0	2326	*
6121555	FLGSHP 1ST NB OF TITUSVILLE	TITUSVILLE	FL	34508	438	1480	226	0	1480	*
6121556	FLORIDA NAT BK AT TITUSVILLE	TITUSVILLE	FL	20995	403	636	0	0	636	*
6121585	FIRST NATIONAL BANK	VENICE	FL	91075	966	3317	1489	0	3317	
6121595	FLORIDA FIRST NB AT VERO BCH	VERO BEACH	FL	32608	1479	206	0	0	206	*
6121620	ATLANTIC NB OF WEST PALM BCH	WEST PALM BEACH	FL	77985	3522	1328	0	0	1328	*
6121626	FLAGLER NB OF THE PALM BCHS	WEST PALM BEACH	FL	21347	258	763	0	0	763	*
6121630	FIRST NB OF PALM BEACH CTY	WEST PALM BEACH	FL	23292	810	400	0	0	400	*
6121665	SUN BANK OF WILTON MANORS NA	WILTON MANORS	FL	52566	1041	1998	653	0	1998	*
6121670	FIRST NB OF WINTER GARDEN	WINTER GARDEN	FL	23844	278	879	0	0	879	*
6121686	BARNETT BK OF E POLK CTY NA	WINTER HAVEN	FL	68076	1183	2440	756	0	2440	*
6121690	EXCHANGE NB OF WINTER HAVEN	WINTER HAVEN	FL	98035	1528	3280	1783	0	3280	
6121693	FIRST NB OF WINTER HAVEN	WINTER HAVEN	FL	21846	421	510	0	0	510	*
6121698	BRNETT BK OF ORLNDO/W PK NA	WINTER PARK	FL	163580	3160	5476	3416	0	5476	
6121704	WINTER PARK NATIONAL BANK	WINTER PARK	FL	17425	305	501	0	0	501	*

OF 203 BANKS AFFECTED IN STATE 83 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
102 HAVE NO REQURED RESERVE BALANCE

6130105	FIRST NATIONAL BK OF ALBANY	ALBANY	GA	32612	680	1015	0	0	1015	*
6130210	FIRST NAT BANK OF ATHENS	ATHENS	GA	64023	1002	3190	1503	0	3190	*
6130240	CITIZENS TRUST BANK	ATLANTA	GA	34157	543	1648	333	0	1648	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6130257	FIRST GEORGIA BANK	ATLANTA	GA	91867	794	5680	3893	0	5680	*
6130260	FIRST NAT BANK OF ATLANTA	ATLANTA	GA	1373095	15690	79674	5262	50645	29029	
6130270	FULTON NAT BK OF ATLANTA	ATLANTA	GA	582850	7854	28888	5222	16597	12291	
6130290	NATIONAL BANK OF GA	ATLANTA	GA	310733	3479	15671	4857	6377	9294	
6130330	TRUST COMPANY BANK	ATLANTA	GA	926168	8019	50785	5214	33546	17239	
6130335	FIRST NB&TR CO OF AUGUSTA	AUGUSTA	GA	83642	2430	2430	909	0	2430	*
6130340	GEORGIA RAILROAD BK&TR CO	AUGUSTA	GA	278543	6488	8644	5183	1067	7577	
6130390	FIRST ST NB OF BAINBRIDGE	BAINBRIDGE	GA	21708	372	689	0	0	689	*
6130410	FIRST NB OF BARNESVILLE	BARNESVILLE	GA	19839	338	548	0	0	548	*
6130550	AM NAT BK OF BRUNSWICK	BRUNSWICK	GA	67504	1383	2400	869	0	2400	*
6130560	FIRST NAT BK OF BRUNSWICK	BRUNSWICK	GA	68187	1894	1844	501	0	1844	*
6130650	CALHOUN FIRST NATIONAL BANK	CALHOUN	GA	54155	465	2389	869	0	2389	*
6130715	W GEORGIA NB OF CARROLLTON	CARROLLTON	GA	21526	625	566	0	0	566	*
6130720	FIRST NB OF CARTERSVILLE	CARTERSVILLE	GA	41287	691	1691	459	0	1691	*
6130730	COMMERCIAL NATIONAL BANK	CEDARTOWN	GA	24076	772	392	0	0	392	*
6130740	FIRST NAT BK OF POLK COUNTY	CEDARTOWN	GA	21321	411	705	0	0	705	*
6130900	FIRST NAT BK OF COLUMBUS	COLUMBUS	GA	146964	3030	5361	3518	0	5361	
6130910	NB & TR CO OF COLUMBUS GA	COLUMBUS	GA	75330	2486	1817	193	0	1817	*
6130950	FIRST NAT BANK OF COMMERCE	COMMERCE	GA	21753	268	840	0	0	840	*
6131040	FIRST NB OF HABERSHAM CTY	CORNELIA	GA	35212	463	1054	0	0	1054	*
6131120	FIRST NAT BK OF PAULDING CTY	DALLAS	GA	16765	302	407	0	0	407	*
6131140	FIRST NAT BK OF DALTON	DALTON	GA	82754	1447	3745	1868	0	3745	*
6131400	FIRST NAT BK IN ELBERTON	ELBERTON	GA	26738	495	778	0	0	778	*
6131470	NAT BK OF FITZGERALD	FITZGERALD	GA	18976	329	662	0	0	662	*
6131560	FIRST NB OF GAINESVILLE	GAINESVILLE	GA	100714	1252	4038	2747	0	4038	
6131570	GAINESVILLE NATIONAL BANK	GAINESVILLE	GA	64642	1682	1369	243	0	1369	*
6131650	FIRST NAT BANK OF GRIFFIN	GRIFFIN	GA	35745	778	869	0	0	869	*
6131845	FIRST NAT BANK OF WAYNE CTY	JESUP	GA	18316	424	359	0	0	359	*
6131950	BRAND BANKING COMPANY	LAWRENCEVILLE	GA	25864	429	736	0	0	736	*
6131960	FIRST NB OF GWINNETT COUNTY	LAWRENCEVILLE	GA	55176	541	2026	619	0	2026	*
6132040	FIRST NAT BANK OF LOUISVILLE	LOUISVILLE	GA	17979	281	604	0	0	604	*
6132110	FIRST NAT BK AND TR CO	MACON	GA	136720	4427	3993	2002	0	3993	
6132125	FIRST NAT BK OF MCDONOUGH	MC DONOUGH	GA	28148	335	1034	0	0	1034	*
6132180	FIRST NAT BANK OF COBB CTY	MARIETTA	GA	112636	3504	3884	1342	0	3884	
6132310	NATIONAL BANK OF WALTON CTY	MONROE	GA	29307	409	989	0	0	989	*
6132360	MOULTRIE NATIONAL BANK	MOULTRIE	GA	41614	418	2110	711	0	2110	*
6132420	FIRST NAT BK OF NEWNAN	NEWNAN	GA	34085	409	1342	13	0	1342	*
6132565	FIRST NAT BK OF HOUSTON CTY	PERRY	GA	18540	511	520	0	0	520	*
6132720	FIRST NAT BK OF ROME	ROME	GA	66877	1451	2165	577	0	2165	*
6132730	NATIONAL CITY BANK OF ROME	ROME	GA	80913	2410	2090	491	0	2090	
6132810	CITIZENS & SOUTHERN NAT BK	SAVANNAH	GA	2009940	27929	101110	5204	62541	38569	
6132870	SAVANNAH BANK AND TR CO	SAVANNAH	GA	208650	5138	6637	4872	0	6637	
6132892	TR CO GA BK SAVANNAH NA	SAVANNAH	GA	101547	1990	4232	2228	0	4232	
6132936	TRUST CO BANK OF COBB CTY NA	SMYRNA	GA	25232	593	590	0	0	590	*
6133170	FIRST NAT BANK OF THOMSON	THOMSON	GA	26793	393	847	0	0	847	*
6133280	FIRST NAT BANK OF VALDOSTA	VALDOSTA	GA	37306	712	965	0	0	965	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6133315	FIRST NAT BK & TR CO	VIDALIA	GA	18343	379	504	0	0	504	*
6133380	FIRST NAT BANK IN WAYCROSS	WAYCROSS	GA	24756	419	940	0	0	940	*
6133390	BANK OF WAYNESBORO	WAYNESBORO	GA	23790	393	698	0	0	698	*
6133410	FIRST NAT BK OF WEST POINT	WEST POINT	GA	30368	559	1123	0	0	1123	*

OF 53 BANKS AFFECTED IN STATE 25 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
22 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12150032	BANK OF HONOLULU NA	HONOLULU	HI	24728	368	757	0	0	757	*
12150067	HAWAII NATIONAL BANK	HONOLULU	HI	106783	3332	2460	812	0	2460	

OF 2 BANKS AFFECTED IN STATE 1 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
1 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12160040	BANK OF IDAHC N A	BOISE	ID	382212	5824	17305	5081	7927	9378	
12160045	CITIZENS NATIONAL BANK OF ID	BOISE	ID	30043	615	764	0	0	764	*
12160060	FIRST SEC BK OF IDAHO NA	BOISE	ID	876708	8369	35957	4973	23585	12372	
12160070	IDAHO FIRST NATIONAL BANK	BOISE	ID	1151651	9673	53764	5003	38007	15757	
12160100	FARMERS NATL BK OF BUHL	BUHL	ID	19471	182	701	0	0	701	*
12160210	IDAHO STATE BANK	GLENNS FERRY	ID	28187	355	920	0	0	920	*
12160430	TWIN FALLS BANK AND TR CO	TWIN FALLS	ID	78546	1049	3515	1884	0	3515	*
12160440	FIRST NB OF NORTH IDAHO	WALLACE	ID	41567	501	1677	348	0	1677	*

OF 8 BANKS AFFECTED IN STATE 3 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
2 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8170050	CITIZENS NAT BK OF ALBION	ALBION	IL	33747	255	1237	0	0	1237	*
7170060	NATIONAL BANK OF ALEDO	ALEDO	IL	45931	167	1712	343	0	1712	*
7170120	FARMERS STATE BANK OF ALPHA	ALPHA	IL	14881	103	464	0	0	464	*
8170130	FIRST NAT BK IN ALTAMONT	ALTAMONT	IL	23170	156	735	42	0	735	*
8170150	FIRST NAT BK AND TR CO	ALTON	IL	73867	732	3052	1448	0	3052	*
7170170	FIRST NAT BK IN AMBOY	AMBOY	IL	15534	252	406	0	0	406	*
8170190	ANNA NATIONAL BANK	ANNA	IL	24383	366	732	0	0	732	*
7170220	FIRST NAT BANK OF ANTIOCH	ANTIOCH	IL	35423	529	776	140	0	776	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7170240	FIRST NAT BANK OF ARCOLA	ARCOLA	IL	22519	177	771	0	0	771	*
7170288	FIRST ARLINGTON NAT BK	ARLINGTON HEIGHTS	IL	81726	828	2799	1507	0	2799	
7170310	STATE BANK OF ARTHUR	ARTHUR	IL	27926	174	1043	44	0	1043	*
7170450	AURORA NATIONAL BANK	AURORA	IL	75260	1223	2574	1212	0	2574	*
7170460	MERCHANTS NAT BK OF AURORA	AURORA	IL	98281	1309	3479	2215	0	3479	
7170470	OLD SECOND NB OF AURORA	AURORA	IL	98741	1298	4040	2300	0	4040	
7170475	VALLEY NATIONAL BANK	AURORA	IL	17402	666	108	0	0	108	*
7170510	1ST NB & TR OF BARRINGTON	BARRINGTON	IL	120478	1181	4842	3180	0	4842	
7170570	FIRST NB OF BATAVIA	BATAVIA	IL	25996	382	759	0	0	759	*
7170580	FIRST NB OF BEARDSTOWN	BEARDSTOWN	IL	20802	349	480	0	0	480	*
8170635	BELLEVILLE NAT SVGS BK	BELLEVILLE	IL	118938	1356	4580	3298	0	4580	
8170650	FIRST NAT BK OF BELLEVILLE	BELLEVILLE	IL	148760	1562	6021	4237	267	5754	
7170666	BELVIDERE NAT BK & TRUST CO	BELVIDERE	IL	48554	638	1378	275	0	1378	*
7170730	BERWYN NATIONAL BANK	BERWYN	IL	37479	1146	385	0	0	385	*
7170733	COMMERICAL NB OF BERWYN	BERWYN	IL	70721	894	2297	1023	0	2297	
7170770	AMERICAN STATE BANK	BLOOMINGTON	IL	44678	709	1671	262	0	1671	*
7170800	NATIONAL BANK OF BLOOMINGTON	BLOOMINGTON	IL	65415	536	2843	1301	0	2843	*
7170810	PEOPLES BANK OF BLOOMINGTON	BLOOMINGTON	IL	61399	1380	1953	616	0	1953	*
7170820	FIRST NB OF BLUE ISLAND	BLUE ISLAND	IL	111617	1581	3282	1435	0	3282	
8170850	BANK OF BLUFFS	BLUFFS	IL	15668	80	553	0	0	553	*
8170890	STATE BANK OF BREESE	BREESE	IL	16977	162	490	0	0	490	*
8170900	FIRST NAT BK OF BRIDGEPORT	BRIDGEPORT	IL	16332	367	348	0	0	348	*
7170928	FIRST NAT BK OF BROOKFIELD	BROOKFIELD	IL	16534	199	494	0	0	494	*
7170968	BUFFALO GROVE NATIONAL BANK	BUFFALO GROVE	IL	14731	363	232	0	0	232	*
7171100	NATIONAL BANK OF CANTON	CANTON	IL	56270	772	1602	207	0	1602	*
8171120	FIRST NB & TR CO	CARBONDALE	IL	41544	674	1367	15	0	1367	*
8171130	CARLINVILLE NATIONAL BANK	CARLINVILLE	IL	35656	190	1441	135	0	1441	*
8171140	FARMERS AND MERCHANTS NAT BK	CARLINVILLE	IL	29901	325	957	3	0	957	*
8171170	FIRST NAT BK IN CARLYLE	CARLYLE	IL	29305	320	845	0	0	845	*
8171180	FIRST NAT BK OF CARMI	CARMI	IL	29267	270	1115	0	0	1115	*
8171190	NATIONAL BANK OF CARMI	CARMI	IL	23750	135	798	88	0	798	*
8171220	GREENE COUNTY NATIONAL BANK	CARROLLTON	IL	19176	174	647	0	0	647	*
7171270	CASEY NATIONAL BANK	CASEY	IL	21152	81	825	20	0	825	*
8171293	FIRST NATIONAL BANK & TR CO	CENTRALIA	IL	56869	766	1730	482	0	1730	*
8171310	OLD NAT BK OF CENTRALIA	CENTRALIA	IL	60738	695	2197	1051	0	2197	*
7171333	AMERICAN NB OF CHAMPAIGN	CHAMPAIGN	IL	35544	1131	623	0	0	623	*
7171340	CHAMPAIGN NATIONAL BANK	CHAMPAIGN	IL	103200	2453	2988	1590	0	2988	
7171360	FIRST NAT BK IN CHAMPAIGN	CHAMPAIGN	IL	84976	1497	2742	1331	0	2742	
7171390	CHARLESTON NATIONAL BANK	CHARLESTON	IL	53588	357	2269	857	0	2269	*
7171395	COLES COUNTY NAT BANK	CHARLESTON	IL	17060	192	521	0	0	521	*
7171405	NATIONAL BANK OF CHENOA	CHENOA	IL	18806	168	599	0	0	599	*
8171430	BUENA VISTA NB OF CHESTER	CHESTER	IL	26456	184	960	51	0	960	*
8171440	FIRST NAT BK IN CHESTER	CHESTER	IL	23504	308	669	0	0	669	*
7171471	ALBANY BANK & TRUST CO NA	CHICAGO	IL	109713	870	3965	2452	409	3556	
7171490	AMERICAN NAT BANK AND TRUST	CHICAGO	IL	1127520	14596	70780	5602	48045	22735	
7171491	ARCHER NATIONAL BANK	CHICAGO	IL	29113	765	586	0	0	586	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7171498	BANK OF COMMERCE & INDUSTRY	CHICAGO	IL	44298	478	1500	271	0	1500	*
7171505	BELMONT NAT BK OF CHICAGO	CHICAGO	IL	67327	5056	0	0	0	0	
7171520	CENTRAL NAT BK IN CHICAGO	CHICAGO	IL	474885	5393	24453	5523	14595	9858	
7171545	CITIZENS NAT BK OF CHICAGO	CHICAGO	IL	31459	352	1180	84	0	1180	*
7171553	COLUMBIA NAT BK OF CHICAGO	CHICAGO	IL	65164	549	2069	1021	0	2069	
7171555	COMMERCIAL NB OF CHICAGO	CHICAGO	IL	128892	854	4512	2259	802	3710	
7171560	CNTINENTL IL NB&TC OF CHICAGO	CHICAGO	IL	9288321	49217	454976	5402	348382	106594	
7171570	COSMOPOLITAN NB OF CHICAGO	CHICAGO	IL	58545	621	2725	1550	0	2725	*
7171580	DEVON BANK	CHICAGO	IL	109975	475	4312	2044	382	3930	
7171590	DISTRICT NAT BK OF CHICAGO	CHICAGO	IL	34648	1084	779	0	0	779	*
7171600	DREXEL NATL BANK	CHICAGO	IL	66326	1099	1485	445	0	1485	
7171610	DROVERS NAT BK OF CHICAGO	CHICAGO	IL	208974	4624	5535	3243	0	5535	
7171625	EXCHANGE NAT BK OF CHICAGO	CHICAGO	IL	389138	4798	16382	5265	8072	8310	
7171628	FIRST COMMERCIAL BANK	CHICAGO	IL	57909	552	2062	740	0	2062	*
7171630	FIRST NATL BANK OF CHICAGO	CHICAGO	IL	9022731	86810	439437	5343	330076	109361	
7171650	HARRIS TRUST AND SAVINGS BK	CHICAGO	IL	3284568	18663	197177	5667	150887	46290	
7171690	LAKE SHORE NATIONAL BANK	CHICAGO	IL	205487	1960	9806	5209	2329	7477	
7171700	LAKE VIEW TRUST & SVGS BANK	CHICAGO	IL	368096	2106	12027	4258	5815	6212	
7171710	LA SALLE NATIONAL BANK	CHICAGO	IL	649587	9489	31700	5760	22590	9110	
7171740	LINCOLN NATIONAL BANK	CHICAGO	IL	132539	6074	0	0	0	0	
7171761	MAIN BANK OF CHICAGO	CHICAGO	IL	71102	780	3452	1972	0	3452	*
7171770	MARQUETTE NATIONAL BANK	CHICAGO	IL	157150	1723	6347	4250	0	6347	
7171780	MERCANTILE NB OF CHICAGO	CHICAGO	IL	57016	1138	2180	888	0	2180	*
7171790	MERCHANDISE NB OF CHICAGO	CHICAGO	IL	146366	4059	4552	2757	0	4552	
7171825	MICHIGAN AVE NB OF CHICAGO	CHICAGO	IL	125959	1068	5917	4161	0	5917	
7171828	MID AMERICA NB OF CHICAGO	CHICAGO	IL	46174	695	1910	799	0	1910	*
7171830	MID CITY NB OF CHICAGO	CHICAGO	IL	167455	700	9863	5366	2363	7500	
7171860	NATIONAL BANK OF AUSTIN	CHICAGO	IL	63156	730	2612	1203	0	2612	*
7171890	NAT BLVD BK OF CHICAGO	CHICAGO	IL	317694	4243	17501	5731	8851	8650	
7171898	NAT REPUBLIC BK OF CHICAGO	CHICAGO	IL	60785	664	2680	1654	0	2680	*
7171900	NAT SECURITY BK OF CHICAGO	CHICAGO	IL	145998	1129	5684	3399	931	4753	
7171910	NORTHERN TRUST COMPANY	CHICAGO	IL	2452862	13526	131846	5247	95002	36844	
7171920	NORTH SHORE NB OF CHICAGO	CHICAGO	IL	125477	969	4916	2574	0	4916	
7171930	NORTHWEST NB OF CHICAGO	CHICAGO	IL	341719	5114	11383	5012	3674	7709	
7171932	O HARE INTERNATIONAL BK NA	CHICAGO	IL	115419	1312	4401	3049	0	4401	
7171933	PARK NAT BK OF CHICAGO	CHICAGO	IL	53947	1283	1281	19	0	1281	*
7171960	SEARS BANK AND TRUST CO	CHICAGO	IL	284934	4368	14197	5494	5758	8439	
7171965	SEAWAY NAT BK OF CHICAGO	CHICAGO	IL	50791	1235	1537	356	0	1537	*
7172000	SOUTH SHORE NB OF CHICAGO	CHICAGO	IL	56326	1273	1436	12	0	1436	*
7172006	SOUTH SIDE BANK	CHICAGO	IL	27454	484	709	0	0	709	*
7172030	STEEL CITY NB OF CHICAGO	CHICAGO	IL	45834	657	1535	483	0	1535	*
7172035	UNION NAT BK OF CHICAGO	CHICAGO	IL	34347	535	927	0	0	927	*
7172060	UNIVERSITY NATIONAL BANK	CHICAGO	IL	29914	349	1137	0	0	1137	*
7172080	UPTOWN NAT BK OF CHICAGO	CHICAGO	IL	87671	919	2971	1439	0	2971	
7172090	CHICAGO HTS NATIONAL BANK	CHICAGO HEIGHTS	IL	36758	658	1033	0	0	1033	*
7172100	FIRST NB IN CHICAGO HTS	CHICAGO HEIGHTS	IL	70342	923	2780	1296	0	2780	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7172130	FIRST NAT BK OF CHRISMAN	CHRISMAN	IL	16154	109	585	0	0	585	*
7172170	FIRST NAT BK OF CICERO	CICERO	IL	107662	1336	3457	1818	0	3457	
7172180	WESTERN NATIONAL BANK OF	CICERO	IL	84545	705	3124	1999	0	3124	
7172250	FIRST NAT BK & TR CO	CLINTON	IL	19059	287	659	0	0	659	*
7172270	FIRST NAT BK OF COAL CITY	COAL CITY	IL	17852	196	526	0	0	526	*
8172310	FIRST NAT BK OF COLLINSVILLE	COLLINSVILLE	IL	51572	784	1694	136	0	1694	*
8172330	FIRST NAT BK IN COLUMBIA	COLUMBIA	IL	26382	288	704	12	0	704	*
8172340	MONROE NAT BK OF COLUMBIA	COLUMBIA	IL	35840	178	1315	328	0	1315	*
7172405	FIRST NATIONAL BANK	CRYSTAL LAKE	IL	24790	373	714	0	0	714	*
7172470	FIRST NAT BK OF DANVILLE	DANVILLE	IL	110166	943	4011	2593	0	4011	
7172480	PALMER AMERICAN NATIONAL BK	DANVILLE	IL	86437	1208	2491	1236	0	2491	
7172490	SECOND NB OF DANVILLE	DANVILLE	IL	106826	1511	3706	2299	0	3706	
7172510	CITIZENS NAT BK OF DECATUR	DECATUR	IL	148477	2324	4198	2642	0	4198	
7172515	FIRST NAT BK OF DECATUR	DECATUR	IL	123865	2253	4127	2471	0	4127	
7172520	MILLIKIN NAT BK OF DECATUR	DECATUR	IL	163558	2653	5395	3547	0	5395	
7172555	FIRST NATIONAL BANK	DEERFIELD	IL	33874	400	1110	19	0	1110	*
7172560	DE KALB BANK	DE KALB	IL	57928	1607	1250	55	0	1250	*
7172570	FIRST NAT BK IN DE KALB	DE KALB	IL	56867	1193	1373	184	0	1373	*
7172580	TAZEWELL COUNTY NATIONAL BK	DELAVAN	IL	15821	82	619	0	0	619	*
7172605	DES PLAINES NATIONAL BANK	DES PLAINES	IL	53874	732	1808	402	0	1808	*
7172610	FIRST NB OF DES PLAINES	DES PLAINES	IL	167754	1454	7356	4864	284	7072	
7172650	CITY NATIONAL BK & TR CO	DIXON	IL	36092	388	1154	50	0	1154	*
7172660	DIXON NATIONAL BANK	DIXON	IL	64657	505	2619	1178	0	2619	*
7172670	FIRST NATIONAL BANK IN	DOLTON	IL	40968	499	1257	6	0	1257	*
7172690	CITIZENS NB OF DOWNERS GRVE	DOWNERS GROVE	IL	65392	1024	1672	648	0	1672	
7172695	DOWNERS GROVE NATIONAL BANK	DOWNERS GROVE	IL	97918	1303	3090	1721	0	3090	
8172725	DU QUOIN NATIONAL BANK	DU QUOIN	IL	19620	333	496	0	0	496	*
8172730	DU QUOIN STATE BANK	DU QUOIN	IL	34287	275	1303	0	0	1303	*
7172750	FIRST NAT BK OF DWIGHT	DWIGHT	IL	26074	331	753	0	0	753	*
7172760	NAT BK OF EARLVILLE	EARLVILLE	IL	17827	89	631	0	0	631	*
7172810	FIRST NB IN EAST PEORIA	EAST PEORIA	IL	39922	554	1092	0	0	1092	*
8172820	FIRST NB AT EAST ST LOUIS	EAST ST LOUIS	IL	53463	930	2458	1036	0	2458	*
8172860	BANK OF EDWARDSVILLE	EDWARDSVILLE	IL	52595	400	2206	798	0	2206	*
8172870	EDWARDSVILLE NB & TR CO	EDWARDSVILLE	IL	44815	639	1390	0	0	1390	*
8172880	EFFINGHAM STATE BANK	EFFINGHAM	IL	60436	504	1926	616	0	1926	*
8172890	FIRST NAT BK OF EFFINGHAM	EFFINGHAM	IL	51248	494	1848	505	0	1848	*
7172940	ELGIN NATIONAL BANK	ELGIN	IL	48486	466	2082	904	0	2082	*
7172950	FIRST NAT BK OF ELGIN	ELGIN	IL	139160	2568	4866	3226	0	4866	
7172960	UNION NATIONAL BK AND TR	ELGIN	IL	46736	529	2011	599	0	2011	*
7173030	ELMHURST NATIONAL BANK	ELMHURST	IL	156807	2451	5522	3815	0	5522	
7173100	FIRST NATIONAL BK AND TR	EVANSTON	IL	213598	1877	9071	5168	2103	6968	
7173105	NAT BK OF N EVANSTON	EVANSTON	IL	28218	229	1098	84	0	1098	*
7173110	STATE NAT BANK	EVANSTON	IL	210672	1932	8918	5184	1941	6977	
7173135	FIRST NB OF EVERGREEN PK	EVERGREEN PARK	IL	211057	1539	7800	3970	1954	5846	
7173165	NAT BK OF FAIRBURY	FAIRBURY	IL	24357	239	1045	0	0	1045	*
8173170	FAIRFIELD NATIONAL BANK	FAIRFIELD	IL	46306	203	2011	530	0	2011	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7174510	LA SALLE NATIONAL BANK	LA SALLE	IL	41833	1031	736	0	0	736	*
7174520	LA SALLE STATE BANK	LA SALLE	IL	35365	488	1052	0	0	1052	*
8174550	LAWRENCEVILLE NATIONAL BANK	LAWRENCEVILLE	IL	17634	312	529	0	0	529	*
8174560	PEOPLES NATIONAL BANK	LAWRENCEVILLE	IL	26579	232	1193	0	0	1193	*
7174680	FIRST NAT BK OF LIBERTYVILLE	LIBERTYVILLE	IL	69297	833	2413	1061	0	2413	*
7174690	LIBERTYVILLE NATIONAL BANK	LIBERTYVILLE	IL	44625	671	1248	0	0	1248	*
7174710	FIRST NB IN LINCOLN	LINCOLN	IL	37432	415	1370	266	0	1370	*
7174720	STATE NB OF LINCOLN	LINCOLN	IL	31606	314	1079	0	0	1079	*
7174726	FIRST NAT BANK	LINCOLNWOOD	IL	95721	1011	3862	2299	0	3862	
8174730	FIRST NAT BK OF LITCHFIELD	LITCHFIELD	IL	23806	277	710	0	0	710	*
8174750	LITCHFIELD NATIONAL BANK	LITCHFIELD	IL	29688	443	713	0	0	713	*
7174770	HERITAGE 1ST NB OF LOCKPORT	LOCKPORT	IL	58719	587	1878	841	0	1878	*
7174818	FIRST NATIONAL BANK	MCHENRY	IL	19768	319	411	0	0	411	*
7174820	MCHENRY STATE BANK	MC HENRY	IL	98646	832	3104	1507	0	3104	
8174840	PEOPLES NB OF MC LEANSBORO	MC LEANSBORO	IL	26405	178	1011	5	0	1011	*
7174860	CITIZENS NATIONAL BANK	MACOMB	IL	43923	743	1415	261	0	1415	*
7174870	UNION NB OF MACOMB	MACOMB	IL	49934	810	1803	550	0	1803	*
8174880	FIRST NAT BK IN MADISON	MADISON	IL	17682	453	233	0	0	233	*
7174910	FIRST NB OF MANHATTAN	MANHATTAN	IL	16934	138	546	0	0	546	*
8174990	FIRST NAT BK OF MARISSA	MARISSA	IL	16060	145	525	0	0	525	*
7175030	DULANEY NAT BK OF MARSHALL	MARSHALL	IL	18294	182	721	0	0	721	*
8175040	FIRST NAT BK IN MASCOUTAH	MASCOUTAH	IL	17189	172	528	0	0	528	*
7175050	MASON CITY NATIONAL BANK	MASON CITY	IL	16960	83	658	0	0	658	*
7175060	CENTRAL NB OF MATTOON	MATTOON	IL	36253	481	1347	130	0	1347	*
7175070	FIRST NATIONAL BANK	MATTOON	IL	64613	752	2698	1210	0	2698	*
7175080	FIRST NB OF MAYWOOD	MAYWOOD	IL	32085	389	990	67	0	990	*
7175110	MELROSE PARK NATIONAL BANK	MELROSE PARK	IL	86877	1135	2830	1514	0	2830	
7175150	NATL BANK OF MENDOTA	MENDOTA	IL	41987	254	1508	169	0	1508	*
7175170	FIRST NB OF METAMORA	METAMORA	IL	16942	256	459	0	0	459	*
8175180	CITY NB OF METROPOLIS	METROPOLIS	IL	24582	215	862	0	0	862	*
8175200	NAT STATE BK OF METROPOLIS	METROPOLIS	IL	17427	144	628	0	0	628	*
8175250	FIRST NAT BK OF MILLSTADT	MILLSTADT	IL	14755	182	393	0	0	393	*
7175305	FIRST NAT BK OF MOLINE	MOLINE	IL	105264	2523	2118	759	0	2118	
7175310	MOLINE NATIONAL BANK	MOLINE	IL	100821	1040	3581	2265	0	3581	
7175313	SOUTHEAST NATIONAL BANK	MOLINE	IL	31250	743	529	0	0	529	*
7175315	UPTOWN NAT BK OF MOLINE	MOLINE	IL	29065	390	719	0	0	719	*
7175335	COMMUNITY NATIONAL BANK	MONMOUTH	IL	17326	218	473	0	0	473	*
7175350	NATIONAL BK OF MONMOUTH	MONMOUTH	IL	36602	503	1116	0	0	1116	*
7175370	NAT BK OF MONTICELLO	MONTICELLO	IL	31116	244	1081	145	0	1081	*
7175390	FIRST NAT BK OF MORRIS	MORRIS	IL	52888	488	1915	747	0	1915	*
7175400	GRUNDY COUNTY NATIONAL BANK	MORRIS	IL	49944	303	1898	819	0	1898	*
7175430	FIRST NAT BK OF MORTON	MORTON	IL	38653	570	1339	56	0	1339	*
7175435	FIRST NAT BK OF MORTON GROVE	MORTON GROVE	IL	78038	920	2322	940	0	2322	
7175470	MOUNT CARROLL NATIONAL BANK	MOUNT CARROLL	IL	20089	139	651	0	0	651	*
7175505	FIRST NATIONAL BANK	MOUNT PROSPECT	IL	98225	1520	2846	1331	0	2846	
7175530	FIRST NB OF MOUNT PULASKI	MOUNT PULASKI	IL	15846	117	527	0	0	527	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7175600	FIRST NB OF MUNDELEIN	MUNDELEIN	IL	35164	461	991	0	0	991	*
8175610	CITY NAT BK OF MURPHYSBORO	MURPHYSBORO	IL	42585	1608	223	0	0	223	*
8175620	FIRST NAT BK OF MURPHYSBORO	MURPHYSBORO	IL	23865	284	669	0	0	669	*
7175630	NAPERVILLE NAT BK & TR CO	NAPERVILLE	IL	69299	1258	2130	703	0	2130	*
8175640	FARMERS AND MERCHANTS NAT BK	NASHVILLE	IL	16035	236	468	0	0	468	*
8175650	FIRST NB OF NASHVILLE	NASHVILLE	IL	19743	194	651	0	0	651	*
8175770	FIRST NAT BK IN NEWTON	NEWTON	IL	31403	326	973	0	0	973	*
7175795	FIRST NB OF NILES ILLINOIS	NILES	IL	86186	686	2766	1677	0	2766	
7175797	GOLF MILL STATE BANK	NILES	IL	52454	707	1407	134	0	1407	*
8175800	FIRST NAT BANK OF NOKOMIS	NOKOMIS	IL	18134	111	695	0	0	695	*
7175810	FIRST NAT BK OF NORMAL	NORMAL	IL	42470	494	1772	436	0	1772	*
7175833	FIRST NB OF NORTHBROOK	NORTHBROOK	IL	35284	326	1170	280	0	1170	*
7175840	NAT BK OF NORTH CHICAGO	NORTH CHICAGO	IL	25762	456	676	0	0	676	*
7175847	FST NB & TR CO OF OAK BROOK	OAK BROOK	IL	27761	118	1197	75	0	1197	*
7175865	FIRST NB OF OAK LAWN	OAKLAWN	IL	84250	697	3423	1968	0	3423	
7175900	OAK PARK TR AND SVG BK	OAK PARK	IL	209041	2548	7560	4841	1108	6452	
8175930	FIRST NAT BANK OF OBLONG	OBLONG	IL	25387	152	961	9	0	961	*
8175940	FIRST NAT BK OF O FALLON	O FALLON	IL	29345	453	700	0	0	700	*
7175950	FIRST NAT BK OF OGDEN	OGDEN	IL	15361	120	504	0	0	504	*
8176030	FIRST NAT BANK IN OLNEY	OLNEY	IL	39601	385	1686	352	0	1686	*
7176070	UNITED BK OF OGLE CTY NA	OREGON	IL	19280	414	441	0	0	441	*
7176110	FIRST NAT BK OF OTTAWA	OTTAWA	IL	64813	851	2917	1431	0	2917	*
7176120	PALATINE NATIONAL BANK	PALATINE	IL	37362	668	1066	0	0	1066	*
7176160	FIRST NATIONAL BANK OF PANA	PANA	IL	31111	256	1042	294	0	1042	*
7176170	CITIZENS NAT BK OF PARIS	PARIS	IL	54350	813	2322	1054	0	2322	*
7176190	CITIZENS BANK AND TRUST CO	PARK RIDGE	IL	354353	1567	15389	4996	7576	7813	
7176230	FARMERS MRCH NB OF PAXTON	PAXTON	IL	22270	251	650	0	0	650	*
7176240	FIRST NATL BANK IN PAXTON	PAXTON	IL	22695	181	820	0	0	820	*
7176260	FIRST NB AND TR CO OF PEKIN	PEKIN	IL	44427	1581	572	0	0	572	*
7176270	HERGET NATL BANK OF PEKIN	PEKIN	IL	82524	1286	2899	1378	0	2899	
7176290	COMMERICAL NB OF PEORIA	PEORIA	IL	302990	7732	7427	4907	0	7427	
7176300	FIRST NAT BK OF PEORIA	PEORIA	IL	113975	1706	4112	2356	0	4112	
7176315	PROSPECT NB OF PEORIA	PEORIA	IL	37867	613	1009	0	0	1009	*
7176325	UNIVERSITY NB OF PEORIA	PEORIA	IL	35617	785	719	0	0	719	*
7176340	FIRST NAT BANK IN PERU	PERU	IL	30289	583	720	0	0	720	*
7176350	FIRST NATL BK OF PETERSBURG	PETERSBURG	IL	26396	186	962	0	0	962	*
7176360	NATIONAL BANK OF PETERSBURG	PETERSBURG	IL	31300	174	1173	69	0	1173	*
8176380	FIRST NB IN PINCKNEYVILLE	PINCKNEYVILLE	IL	21554	267	678	0	0	678	*
8176420	FIRST NAT BANK OF PITTSFIELD	PITTSFIELD	IL	32895	261	1241	0	0	1241	*
7176430	PLAINFIELD NATIONAL BANK	PLAINFIELD	IL	31624	335	1109	0	0	1109	*
7176490	POLO NATIONAL BANK	POLO	IL	17532	164	604	0	0	604	*
7176500	BANK OF PONTIAC	PONTIAC	IL	41393	538	1326	94	0	1326	*
7176510	PONTIAC NATIONAL BANK	PONTIAC	IL	36563	412	1399	157	0	1399	*
7176550	CTNS FST NB OF PRINCETON	PRINCETON	IL	74948	674	2705	1286	0	2705	
7176570	FARMERS NB OF PROPHETSTWN	PROPHETSTOWN	IL	24957	204	835	0	0	835	*
8176585	BROADWAY NAT BK OF QUINCY	QUINCY	IL	40056	426	1469	141	0	1469	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7175600	FIRST NB OF MUNDELEIN	MUNDELEIN	IL	35164	461	991	0	0	991	*
8175610	CITY NAT BK OF MURPHYSBORO	MURPHYSBORO	IL	42585	1608	223	0	0	223	*
8175620	FIRST NAT BK OF MURPHYSBORO	MURPHYSBORO	IL	23865	284	669	0	0	669	*
7175630	NAPERVILLE NAT BK & TR CO	NAPERVILLE	IL	69299	1258	2130	703	0	2130	*
8175640	FARMERS AND MERCHANTS NAT BK	NASHVILLE	IL	16035	236	468	0	0	468	*
8175650	FIRST NB OF NASHVILLE	NASHVILLE	IL	19743	194	651	0	0	651	*
8175770	FIRST NAT BK IN NEWTON	NEWTON	IL	31403	326	973	0	0	973	*
7175795	FIRST NB OF NILES ILLINOIS	NILES	IL	86186	686	2766	1677	0	2766	
7175797	GOLF MILL STATE BANK	NILES	IL	52454	707	1407	134	0	1407	*
8175800	FIRST NAT BANK OF NOKOMIS	NOKOMIS	IL	18134	111	695	0	0	695	*
7175810	FIRST NAT BK OF NORMAL	NORMAL	IL	42470	494	1772	436	0	1772	*
7175833	FIRST NB OF NORTHBROOK	NORTHBROOK	IL	35284	326	1170	280	0	1170	*
7175840	NAT BK OF NORTH CHICAGO	NORTH CHICAGO	IL	25762	456	676	0	0	676	*
7175847	FST NB & TR CO OF OAK BROOK	OAK BROOK	IL	27761	118	1197	75	0	1197	*
7175865	FIRST NB OF OAK LAWN	OAKLAWN	IL	84250	697	3423	1968	0	3423	
7175900	OAK PARK TR AND SVG BK	OAK PARK	IL	209041	2548	7560	4841	1108	6452	
8175930	FIRST NAT BANK OF OBLONG	OBLONG	IL	25387	152	961	9	0	961	*
8175940	FIRST NAT BK OF O FALLON	O FALLON	IL	29345	453	700	0	0	700	*
7175950	FIRST NAT BK OF OGDEN	OGDEN	IL	15361	120	504	0	0	504	*
8176000	FIRST NAT BANK IN OLNEY	OLNEY	IL	39601	385	1686	352	0	1686	*
7176070	UNITED BK OF OGLE CTY NA	OREGON	IL	19280	414	441	0	0	441	*
7176110	FIRST NAT BK OF OTTAWA	OTTAWA	IL	64813	851	2917	1431	0	2917	*
7176120	PALATINE NATIONAL BANK	PALATINE	IL	37362	668	1066	0	0	1066	*
7176160	FIRST NATIONAL BANK OF PANA	PANA	IL	31111	256	1042	294	0	1042	*
7176170	CITIZENS NAT BK OF PARIS	PARIS	IL	54350	813	2322	1054	0	2322	*
7176190	CITIZENS BANK AND TRUST CO	PARK RIDGE	IL	354353	1567	15389	4996	7576	7813	
7176230	FARMERS MRCH NB OF PAXTON	PAXTON	IL	22270	251	650	0	0	650	*
7176240	FIRST NATL BANK IN PAXTON	PAXTON	IL	22695	181	820	0	0	820	*
7176260	FIRST NB AND TR CO OF PEKIN	PEKIN	IL	44427	1581	572	0	0	572	*
7176270	HERGET NATL BANK OF PEKIN	PEKIN	IL	82524	1286	2899	1378	0	2899	
7176290	COMMERICAL NB OF PEORIA	PEORIA	IL	302990	7732	7427	4907	0	7427	
7176300	FIRST NAT BK OF PEORIA	PEORIA	IL	113975	1706	4112	2356	0	4112	
7176315	PROSPECT NB OF PEORIA	PEORIA	IL	37867	613	1009	0	0	1009	*
7176325	UNIVERSITY NB OF PEORIA	PEORIA	IL	35617	785	719	0	0	719	*
7176340	FIRST NAT BANK IN PERU	PERU	IL	30289	583	720	0	0	720	*
7176350	FIRST NATL BK OF PETERSBURG	PETERSBURG	IL	26396	186	962	0	0	962	*
7176360	NATIONAL BANK OF PETERSBURG	PETERSBURG	IL	31300	174	1173	69	0	1173	*
8176380	FIRST NB IN PINCKNEYVILLE	PINCKNEYVILLE	IL	21554	267	678	0	0	678	*
8176420	FIRST NAT BANK OF PITTSFIELD	PITTSFIELD	IL	32895	261	1241	0	0	1241	*
7176430	PLAINFIELD NATIONAL BANK	PLAINFIELD	IL	31624	335	1109	0	0	1109	*
7176490	POLO NATIONAL BANK	POLO	IL	17532	164	604	0	0	604	*
7176500	BANK OF PONTIAC	PONTIAC	IL	41393	538	1326	94	0	1326	*
7176510	PONTIAC NATIONAL BANK	PONTIAC	IL	36563	412	1399	157	0	1399	*
7176550	CTNS FST NB OF PRINCETON	PRINCETON	IL	74948	674	2705	1286	0	2705	
7176570	FARMERS NB OF PROPHETSTWN	PROPHETSTOWN	IL	24957	204	835	0	0	835	*
8176585	BROADWAY NAT BK OF QUINCY	QUINCY	IL	40056	426	1469	141	0	1469	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7176650	FIRST NAT BK OF RANTOUL	RANTOUL	IL	23562	694	511	0	0	511	*
8176680	FIRST NAT BK OF RAYMOND	RAYMOND	IL	26012	114	887	68	0	887	*
8176690	FIRST NAT BK OF RED BUD	RED BUD	IL	22349	133	818	0	0	818	*
7176770	RIVERSIDE NATIONAL BANK	RIVERSIDE	IL	40404	590	1193	0	0	1193	*
8176810	SECOND NAT BK OF ROBINSON	ROBINSON	IL	33764	318	1204	0	0	1204	*
7176820	FIRST NB & TC OF ROCHELLE	ROCHELLE	IL	45432	537	1743	272	0	1743	*
7176845	ROCK FALLS NATIONAL BANK	ROCK FALLS	IL	25882	538	567	0	0	567	*
7176850	AMERICAN NAT BK AND TR CO	ROCKFORD	IL	176736	2041	6419	4187	55	6364	
7176855	CITY NB & TR CO OF ROCKFORD	ROCKFORD	IL	86677	1837	2255	1115	0	2255	
7176857	FIRST NB & TR CO OF ROCKFORD	ROCKFORD	IL	175615	2258	6350	4409	0	6350	
7176860	ILLINOIS NB & TR CO	ROCKFORD	IL	174901	1071	8252	5032	1163	7089	
7176865	NORTH TOWNE NB OF ROCKFORD	ROCKFORD	IL	17613	459	258	0	0	258	*
7176871	UNITED BK OF ILLINOIS NA	ROCKFORD	IL	82558	1394	2253	887	0	2253	
7176875	FIRST NB OF ROCK ISLAND	ROCK ISLAND	IL	144181	1927	4178	2385	0	4178	
7176880	ROCK ISLAND BANK	ROCK ISLAND	IL	87172	1946	2018	384	0	2018	
7176950	RUSHVILLE STATE BANK	RUSHVILLE	IL	20188	102	975	0	0	975	*
7176960	ST CHARLES NATIONAL BANK	ST CHARLES	IL	22307	457	551	0	0	551	*
7176970	STATE BANK OF ST CHARLES	ST CHARLES	IL	47926	472	1820	546	0	1820	*
8177030	SALEM NATIONAL BANK	SALEM	IL	55717	646	2109	677	0	2109	*
7177090	NATIONAL BANK OF SAVANNA	SAVANNA	IL	22285	254	583	0	0	583	*
7177105	FIRST NB OF SCHILLER PK	SCHILLER PARK	IL	20834	196	791	0	0	791	*
8177140	FIRST NAT BK IN SHAWNEE TOWN	SHAWNEE TOWN	IL	15055	160	386	0	0	386	*
7177160	SHELBY COUNTY STATE BANK	SHELBYVILLE	IL	21112	138	962	0	0	962	*
7177170	SHELBY LOAN AND TRUST CO	SHELBYVILLE	IL	20375	283	742	0	0	742	*
7177220	FIRST NAT BK OF SKOKIE	SKOKIE	IL	224869	1154	8725	4290	2815	5910	
7177255	AMERICAN NATIONAL BANK	SO CHICAGO HEIGHT	IL	41098	408	1347	319	0	1347	*
8177270	FIRST NAT BK OF SPARTA	SPARTA	IL	15532	369	285	0	0	285	*
7177300	FIRST NB OF SPRINGFIELD	SPRINGFIELD	IL	207648	1790	8141	4960	934	7207	
7177310	ILLINOIS NB OF SPRNGFLD	SPRINGFIELD	IL	192335	3882	4697	3007	0	4697	
7177320	SPRINGFIELD MARINE BANK	SPRINGFIELD	IL	313182	3551	10866	4905	2988	7878	
8177350	FIRST NAT BK IN STAUNTON	STAUNTON	IL	26252	448	781	0	0	781	*
8177360	FIRST NAT BK OF STEELEVILLE	STEELEVILLE	IL	33642	216	1195	394	0	1195	*
7177370	CENTRAL NB OF STERLING	STERLING	IL	75941	1073	2731	1156	0	2731	
7177380	FIRST NB OF STERLING	STERLING	IL	57153	546	1766	494	0	1766	*
7177400	STILLMAN VALLEY NATIONAL BK	STILLMAN VALLEY	IL	27217	148	863	154	0	863	*
7177410	FIRST NB OF STOCKTON	STOCKTON	IL	14400	131	463	0	0	463	*
7177440	STREATOR NATIONAL BANK	STREATOR	IL	62746	988	1837	188	0	1837	*
7177450	UNION NB OF STREATOR	STREATOR	IL	56245	818	1803	482	0	1803	*
7177470	FIRST NB OF SULLIVAN	SULLIVAN	IL	20397	293	675	0	0	675	*
7177490	NAT BK & TR CO OF SYCAMORE	SYCAMORE	IL	60519	649	2311	1054	0	2311	*
7177507	FIRST NB IN TAYLORVILLE	TAYLORVILLE	IL	20760	295	616	0	0	616	*
7177610	FIRST NB IN TOLEDO	TOLEDO	IL	20904	135	781	0	0	781	*
7177700	FIRST NAT BANK & TRUST CO	TUSCOLA	IL	18841	178	556	0	0	556	*
7177710	TUSCOLA NATIONAL BANK	TUSCOLA	IL	28857	336	925	0	0	925	*
7177730	BUSEY FIRST NATIONAL BANK	URBANA	IL	101237	1005	3866	2369	0	3866	
8177760	FRMRS & MRCHT BK OF VANDALIA	VANDALIA	IL	25519	127	1038	0	0	1038	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8177770	FIRST NAT BK OF VANDALIA	VANDALIA	IL	40562	445	1485	360	0	1485	*
7177850	VILLA GROVE STATE BANK	VILLA GROVE	IL	15589	156	503	0	0	503	*
7177860	VILLA PARK TR & SVGS BK	VILLA PARK	IL	46372	737	1454	421	0	1454	*
7177910	CITIZENS FIRST STATE BANK	WALNUT	IL	20936	230	578	0	0	578	*
7177980	FIRST NATIONAL BANK	WASHINGTON	IL	21424	332	679	0	0	679	*
8178000	FIRST NAT BK OF WATERLOO	WATERLOO	IL	23694	162	735	122	0	735	*
7178035	WAUCONDA NATIONAL BANK	WAUCONDA	IL	31091	275	948	122	0	948	*
7178037	AMERICAN NB&TC OF WAUKEGAN	WAUKEGAN	IL	65292	612	2212	1109	0	2212	*
7178040	CITIZENS NATL BK OF WAUKEGAN	WAUKEGAN	IL	73511	2223	1814	144	0	1814	*
7178050	FIRST NAT BANK OF WAUKEGAN	WAUKEGAN	IL	49868	1808	621	0	0	621	*
8178070	FIRST NAT BK OF WAYNE CITY	WAYNE CITY	IL	25665	152	936	0	0	936	*
7178120	FIRST NATIONAL BANK	WEST CHICAGO	IL	23073	268	716	0	0	716	*
7178140	FIRST NB OF WESTERN SPRINGS	WESTERN SPRINGS	IL	37575	482	1265	46	0	1265	*
7178180	FIRST NB OF WESTVILLE	WESTVILLE	IL	14617	232	315	0	0	315	*
7178260	FIRST NB OF WILMINGTON	WILMINGTON	IL	26014	348	773	0	0	773	*
7178300	FIRST NAT BK OF WINNETKA	WINNETKA	IL	69928	371	2820	1608	0	2820	
8178350	FIRST NAT BK OF WOOD RIVER	WOOD RIVER	IL	49446	760	1740	417	0	1740	*
7178360	FIRST NB OF WOODSTOCK	WOODSTOCK	IL	49176	371	1894	694	0	1894	*
7178430	YORKVILLE NATIONAL BANK	YORKVILLE	IL	31126	413	930	0	0	930	*

OF 349 BANKS AFFECTED IN STATE 136 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
182 HAVE NO REQURED RESERVE BALANCE

7180040	ALBION NATL BANK	ALBION	IN	15284	104	546	0	0	546	*
7180100	FIRST NB OF MADISON CTY	ANDERSON	IN	51806	1051	1186	0	0	1186	*
7180120	FIRST NAT BK OF ANGOLA	ANGOLA	IN	29687	439	806	0	0	806	*
7180140	CENTRAL NAT BK AND TRUST CO	ATTICA	IN	27239	751	659	0	0	659	*
7180150	AUBURN STATE BANK	AUBURN	IN	33245	348	1432	153	0	1432	*
7180160	CITY NATL BANK OF AUBURN	AUBURN	IN	23451	247	826	0	0	826	*
7180180	FIRST NATL BANK OF AURORA	AURORA	IN	29246	512	860	0	0	860	*
7180200	COMMUNITY STATE BANK	AVILLA	IN	17816	198	429	0	0	429	*
8180250	BEDFORD NATIONAL BANK	BEDFORD	IN	58118	1261	1124	0	0	1124	*
8180260	CITIZENS NAT BK OF BEDFORD	BEDFORD	IN	62784	921	1881	600	0	1881	*
7180300	BENTONVILLE STATE BANK	BENTONVILLE	IN	17044	258	374	0	0	374	*
7180310	FIRST BANK OF BERNE	BERNE	IN	51533	343	1494	307	0	1494	*
7180370	BLOOMINGTON NATIONAL BANK	BLOOMINGTON	IN	22095	342	752	0	0	752	*
7180385	FIRST NB OF BLOOMINGTON	BLOOMINGTON	IN	100707	3187	3109	805	0	3109	
7180420	OLD FIRST NB IN BLUFFTON	BLUFFTON	IN	52621	564	1779	341	0	1779	*
8180445	WARRICK NATIONAL BANK	BOONVILLE	IN	37100	395	1723	308	0	1723	*
7180460	FIRST STATE BANK	BOURBON	IN	24214	128	806	64	0	806	*
7180490	RIDDELL NAT BK OF BRAZIL	BRAZIL	IN	62828	541	2141	518	0	2141	*
7180530	FRANKLIN COUNTY NATIONAL BK	BROOKVILLE	IN	32627	214	1117	107	0	1117	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7180540	PEOPLES TRUST COMPANY	BROOKVILLE	IN	23111	288	618	0	0	618	*
7180555	HENDRICKS COUNTY BK & TR CO	BROWNSBURG	IN	28021	355	896	0	0	896	*
7180610	KNISELY NAT BK OF BUTLER	BUTLER	IN	14090	297	263	0	0	263	*
7180630	WAYNE BANK AND TRUST CO	CAMBRIDGE CITY	IN	14381	244	324	0	0	324	*
8180660	FIRST CANNELTON NAT BANK	CANNELTON	IN	14400	283	276	0	0	276	*
8180710	FIRST BANK OF CHARLESTOWN	CHARLESTOWN	IN	28094	457	723	0	0	723	*
7180720	CHESTERTON STATE BANK	CHESTERTON	IN	46952	1254	966	0	0	966	*
7180790	FIRST NB OF CLOVERDALE	CLOVERDALE	IN	18021	131	555	0	0	555	*
7180810	CITIZENS NB OF WHITLEY CTY	COLUMBIA CITY	IN	50553	487	1646	402	0	1646	*
7180820	FARMERS LOAN AND TRUST CO	COLUMBIA CITY	IN	33585	517	1140	0	0	1140	*
7180830	FIRST NB OF COLUMBUS	COLUMBUS	IN	44930	830	1339	99	0	1339	*
7180850	CENTRAL STATE BANK	CONNERSVILLE	IN	39453	907	973	0	0	973	*
7180860	FAYETTE BANK AND TRUST CO	CONNERSVILLE	IN	41700	1574	239	0	0	239	*
7180880	FIRST FARMERS NATIONAL BANK	CONVERSE	IN	33861	191	1256	127	0	1256	*
7180950	FIRST NB&TC OF CRAWFRDSVLE	CRAWFORDSVILLE	IN	63015	614	2671	960	0	2671	*
7180980	FIRST NB OF CROWN PT	CROWN POINT	IN	49383	866	1771	466	0	1771	*
7181040	FIRST NB OF DANVILLE	DANVILLE	IN	27136	184	1033	0	0	1033	*
7181070	FIRST STATE BK OF DECATUR	DECATUR	IN	69947	528	2428	854	0	2428	
7181090	DEMOTTE STATE BANK	DEMOTTE	IN	20863	190	727	0	0	727	*
7181140	FIRST NB OF EAST CHICAGO	EAST CHICAGO	IN	131024	3605	3951	2196	0	3951	
7181190	FIRST NATIONAL BANK	ELKHART	IN	244677	3161	8731	5192	1763	6968	
8181260	ENGLISH STATE BANK	ENGLISH	IN	17300	94	616	0	0	616	*
7181270	ETNA BANK	ETNA GREEN	IN	14080	115	389	0	0	389	*
8181280	CITIZENS NB OF EVANSVILLE	EVANSVILLE	IN	273284	4663	10724	5341	3148	7576	
8181330	NAT CITY BK OF EVANSVILLE	EVANSVILLE	IN	166842	3668	6271	4169	0	6271	
8181350	OLD NAT BK IN EVANSVILLE	EVANSVILLE	IN	288912	3161	13023	5053	5061	7962	
7181370	FAIRLAND NATIONAL BANK	FAIRLAND	IN	24162	356	538	0	0	538	*
7181410	BRIGHT NAT BK AT FLORA	FLORA	IN	27259	301	896	0	0	896	*
7181460	FORT WAYNE NATIONAL BANK	FORT WAYNE	IN	376882	4587	12103	4952	4195	7908	
7181470	LINCOLN NB & TC OF FT WAYNE	FORT WAYNE	IN	482655	9699	14412	5050	5477	8935	
7181570	FIRST NB OF FREMONT	FREMONT	IN	32472	459	859	0	0	859	*
8181585	SPRING VALLEY NATIONAL BANK	FRENCH LICK	IN	39567	459	1118	0	0	1118	*
7181600	GARRETT STATE BANK	GARRETT	IN	17549	282	423	0	0	423	*
7181615	BANK OF INDIANA NA	GARY	IN	222022	1848	9184	4987	1920	7264	
7181620	GARY NATIONAL BANK	GARY	IN	409542	13570	12971	6010	4968	8003	
7181690	FIRST NB OF GOSHEN	GOSHEN	IN	59686	627	1957	775	0	1957	*
7181710	CENTRAL NB OF GREENCASTLE	GREENCASTLE	IN	51790	444	1737	339	0	1737	*
7181720	FIRST CITIZENS BK AND TR CO	GREENCASTLE	IN	35605	383	1062	65	0	1062	*
7181790	NAT BK OF GREENWOOD	GREENWOOD	IN	83988	1175	2719	990	0	2719	
7181830	CALUMET NATIONAL BANK	HAMMOND	IN	143527	3474	4575	1967	0	4575	
7181850	MERCANTILE NB OF INDIANA	HAMMOND	IN	166472	2284	7070	4906	0	7070	
7181875	FIRST NATIONAL BANK	HARTFORD CITY	IN	13877	255	301	0	0	301	*
7181950	STATE BANK OF LIMA	HOWE	IN	16033	106	464	0	0	464	*
8181960	FIRST NAT BK OF HUNTINGBURG	HUNTINGBURG	IN	38823	363	1142	98	0	1142	*
7181970	FIRST NB OF HUNTINGTON	HUNTINGTON	IN	69385	1415	2140	587	0	2140	*
7181980	AMERICAN FLETCHER NB & TR CO	INDIANAPOLIS	IN	1403692	23282	56047	5334	41019	15028	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7182040	INDIANA NATIONAL BANK	INDIANAPOLIS	IN	1236604	34602	38044	5188	20774	17270	
7182080	MRCH NB & TRCO OF INDAPOLIS	INDIANAPOLIS	IN	977772	22114	27386	5035	14832	12554	
7182085	MIDWEST NATIONAL BANK	INDIANAPOLIS	IN	23383	107	1311	73	0	1311	*
7182220	FIRST NB OF KNIGHTSTWN	KNIGHTSTOWN	IN	16624	195	441	0	0	441	*
7182235	FIRST NATIONAL BANK	KOKOMO	IN	79315	2040	1802	599	0	1802	
7182290	LAFAYETTE NATIONAL BANK	LAFAYETTE	IN	153125	1661	6128	3994	0	6128	
7182305	PURDUE NB OF LAFAYETTE	LA FAYETTE	IN	185515	2607	7382	4952	40	7342	
7182370	FIRST NB & TRCO OF LA PORTE	LA PORTE	IN	72696	626	3304	1505	0	3304	*
7182410	PEOPLES NB OF LAWRENCEBURG	LAWRENCEBURG	IN	27772	582	743	0	0	743	*
7182460	UNION CTY NB OF LIBERTY	LIBERTY	IN	27390	251	943	0	0	943	*
8182490	CITIZENS NAT BK OF LINTON	LINTON	IN	30371	324	895	0	0	895	*
7182530	NATIONAL BANK OF LOGANSPORT	LOGANSPORT	IN	109116	2882	2135	459	0	2135	
7182560	LOWELL NATIONAL BANK	LOWELL	IN	45373	581	1614	252	0	1614	*
7182638	CITIZENS NAT BK OF GRANT CTY	MARION	IN	23341	626	319	0	0	319	*
7182640	FIRST NAT BK IN MARION	MARION	IN	59517	2090	781	0	0	781	*
7182650	MARION NAT BK OF MARION	MARION	IN	69491	1166	2114	964	0	2114	*
7182670	FIRST NATIONAL BANK	MARTINSVILLE	IN	29472	566	873	0	0	873	*
7182740	FIRST MERCHANTS NATIONAL BK	MICHIGAN CITY	IN	123998	2918	3070	1130	0	3070	
7182810	FIRST NB OF MISHAWAKA	MISHAWAKA	IN	91056	1685	1977	261	0	1977	
8182840	FIRST NAT BK OF MITCHELL	MITCHELL	IN	15103	166	390	0	0	390	*
7182895	FIRST NATIONAL BANK	MONTICELLO	IN	14468	125	529	0	0	529	*
8182935	POSEY COUNTY NATIONAL BANK	MOUNT VERNON	IN	28350	321	1064	0	0	1064	*
7182993	AMERICAN NB & TC OF MUNCIE	MUNCIE	IN	68861	1830	1913	593	0	1913	*
7183000	MERCHANTS NB OF MUNCIE	MUNCIE	IN	188355	7110	2353	500	0	2353	
7183140	FIRST NB IN NEW CASTLE	NEW CASTLE	IN	31320	732	869	0	0	869	*
7183250	AMERICAN NB OF NOBLESVILLE	NOBLESVILLE	IN	78123	1057	2851	1495	0	2851	
7183320	FIRST NB OF NORTH VERNON	NORTH VERNON	IN	22377	261	703	0	0	703	*
7183410	RIPLEY COUNTY BANK	OSGOOD	IN	27729	169	889	49	0	889	*
8183560	CITIZENS ST BK OF PETERSBURG	PETERSBURG	IN	30247	280	1282	0	0	1282	*
8183570	FIRST NAT BK OF PETERSBURG	PETERSBURG	IN	18072	238	544	0	0	544	*
7183580	PIERCETON STATE BANK	PIERCETON	IN	13740	86	423	0	0	423	*
7183590	FIRST NATIONAL BK & TR CO	PLAINFIELD	IN	38138	355	1361	34	0	1361	*
7183630	FIRST STATE BK OF PORTER	PORTER	IN	21041	393	396	0	0	396	*
7183650	FIRST NAT BK OF PORTLAND	PORTLAND	IN	14395	173	322	0	0	322	*
8183680	FARMERS NAT BK OF PRINCETON	PRINCETON	IN	39279	455	1450	0	0	1450	*
7183710	FARMERS NB OF REMINGTON	REMINGTON	IN	19232	61	757	7	0	757	*
7183730	F & M NAT BK OF RENSSELAER	RENSSELAER	IN	32482	237	1274	0	0	1274	*
7183750	BANK OF REYNOLDS	REYNOLDS	IN	19673	145	738	0	0	738	*
7183780	FIRST NAT BK OF RICHMOND	RICHMOND	IN	76010	1646	1914	652	0	1914	
7183790	SECOND NAT BK OF RICHMOND	RICHMOND	IN	162052	3374	4411	2298	0	4411	
7183850	FIRST NB OF ROCHESTER	ROCHESTER	IN	40044	416	1327	58	0	1327	*
7183880	ROCKVILLE NATIONAL BANK	ROCKVILLE	IN	21409	341	574	0	0	574	*
7183900	RUSH CTY NAT BK OF RUSHVILLE	RUSHVILLE	IN	30540	532	837	0	0	837	*
7183910	RUSHVILLE NATIONAL BANK	RUSHVILLE	IN	30367	383	1037	45	0	1037	*
7183935	CENTRAL NAT BK OF HOWARD CTY	RUSSIAVILLE	IN	15859	618	29	0	0	29	*
8183950	STATE BANK OF SALEM	SALEM	IN	28123	299	976	0	0	976	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8183995	FIRST NAT BK OF SCOTTSBURG	SCOTTSBURG	IN	14763	142	480	0	0	480	*
8184000	SCOTT COUNTY STATE BANK	SCOTTSBURG	IN	27760	364	1076	0	0	1076	*
8184010	SELLERSBURG STATE BANK	SELLERSBURG	IN	27412	353	879	0	0	879	*
8184030	SEYMOUR NATIONAL BANK	SEYMOUR	IN	33110	365	1185	35	0	1185	*
7164040	FARMERS NB OF SHELBYVILLE	SHELBYVILLE	IN	51247	586	1652	543	0	1652	*
7194050	SHELBY NB OF SHELBYVILLE	SHELBYVILLE	IN	59352	1363	1380	0	0	1380	*
7184110	AMERICAN NB&TC OF SOUTH BEND	SOUTH BEND	IN	97830	2646	1864	398	0	1864	
7184120	FIRST BANK AND TRUST COMPANY	SOUTH BEND	IN	304158	5608	8052	5092	1032	7020	
7184130	NATIONAL BK&TC OF SOUTH BEND	SOUTH BEND	IN	179387	1921	6451	4019	1100	5351	
8184235	FARMERS ST BK OF SULLIVAN	SULLIVAN	IN	25617	308	841	0	0	841	*
7184270	PEOPLES BANK AND TRUST CO	SUNMAN	IN	14536	323	281	0	0	281	*
8184320	CITIZENS NAT BK OF TELL CITY	TELL CITY	IN	44426	424	1353	207	0	1353	*
8184330	TELL CITY NATIONAL BANK	TELL CITY	IN	39977	390	1354	14	0	1354	*
7184360	MERCHANTS NB OF TERRE HAUTE	TERRE HAUTE	IN	132154	3782	2699	1062	0	2699	
7184370	TERRE HAUTE FIRST NAT BK	TERRE HAUTE	IN	223559	4205	6733	4936	0	6733	
7184400	CITIZENS NB OF TIPTON	TIPTON	IN	27171	187	1040	37	0	1040	*
7184410	FARMERS LOAN AND TRUST CO	TIPTON	IN	31414	396	892	0	0	892	*
7184470	FIRST NB VALPARAISO	VALPARAISO	IN	92461	1188	3638	1840	0	3638	
8184530	AMERICAN NAT BK OF VINCENNES	VINCENNES	IN	104798	1965	3911	2120	0	3911	
7184550	FIRST NAT BK IN WABASH	WABASH	IN	36620	749	1116	0	0	1116	*
7184630	EXCHANGE BANK	WARREN	IN	23998	154	869	0	0	869	*
7184640	FIRST NB OF WARSAW	WARSAW	IN	82809	1027	2618	966	0	2618	
81P4670	PPL NB & TR CO OF WASH	WASHINGTON	IN	36574	378	1202	48	0	1202	*
8184690	WASHINGTON NATIONAL BANK	WASHINGTON	IN	20785	327	500	0	0	500	*
7184870	FIRST UNION BK AND TR CO	WINAMAC	IN	45177	299	1695	311	0	1695	*

OF 136 BANKS AFFECTED IN STATE 66 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
57 HAVE NO REQURED RESERVE BALANCE

7190090	PEOPLES NAT BK OF ALBIA	ALBIA	IA	25025	192	919	0	0	919	*
7190195	FIRST NATIONAL BANK,AMES	AMES	IA	52111	967	1514	128	0	1514	*
7190235	ANKENY NATIONAL BANK	ANKENY	IA	14049	253	272	0	0	272	*
7190600	CITIZENS NAT BK OF BOONE	BOONE	IA	33486	405	1072	0	0	1072	*
7190730	FIRST NATIONAL BANK	BURLINGTON	IA	65765	872	2505	1207	0	2505	*
7190870	FIRST NAT BK,CEDAR FALLS,IA	CEDAR FALLS	IA	35977	361	1296	68	0	1296	*
7190900	MERCHANTS NATIONAL BANK	CEDAR RAPIDS	IA	248341	3542	10264	5008	2315	7949	
7190910	PEOPLES BANK AND TRUST CO	CEDAR RAPIDS	IA	100654	1060	4021	2270	0	4021	
7190940	CENTERVILLE NATIONAL BANK	CENTERVILLE	IA	34245	267	1086	185	0	1086	*
7190980	NAT BK AND TR CO OF CHARITON	CHARITON	IA	30919	193	1214	0	0	1214	*
7190990	CITIZENS NB OF CHARLES CITY	CHARLES CITY	IA	23903	153	827	33	0	827	*
7191100	CITIZENS STATE BANK	CLARINDA	IA	24207	238	790	0	0	790	*
7191120	FIRST NAT BK OF CLARION	CLARION	IA	31228	148	1001	209	0	1001	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7182040	INDIANA NATIONAL BANK	INDIANAPOLIS	IN	1236604	34602	38044	5188	20774	17270	
7182080	MRCH NB & TRCO OF INDAPOLIS	INDIANAPOLIS	IN	977772	22114	27386	5035	14832	12554	
7182085	MIDWEST NATIONAL BANK	INDIANAPOLIS	IN	23383	107	1311	73	0	1311	*
7182220	FIRST NB OF KNIGHTSTWN	KNIGHTSTOWN	IN	16624	195	441	0	0	441	*
7182235	FIRST NATIONAL BANK	KOKOMO	IN	79315	2040	1802	599	0	1802	
7182290	LAFAYETTE NATIONAL BANK	LAFAYETTE	IN	153125	1661	6128	3994	0	6128	
7182305	PURDUE NB OF LAFAYETTE	LA FAYETTE	IN	185515	2607	7382	4952	40	7342	
7182370	FIRST NB & TRCO OF LA PORTE	LA PORTE	IN	72696	626	3304	1505	0	3304	*
7182410	PEOPLES NB OF LAWRENCEBURG	LAWRENCEBURG	IN	27772	582	743	0	0	743	*
7182460	UNION CTY NB OF LIBERTY	LIBERTY	IN	27390	251	943	0	0	943	*
8182490	CITIZENS NAT BK OF LINTON	LINTON	IN	30371	324	895	0	0	895	*
7182530	NATIONAL BANK OF LOGANSPORT	LOGANSPORT	IN	109116	2882	2135	459	0	2135	
7182560	LOWELL NATIONAL BANK	LOWELL	IN	45373	581	1614	252	0	1614	*
7182638	CITIZENS NAT BK OF GRANT CTY	MARION	IN	23341	626	319	0	0	319	*
7182640	FIRST NAT BK IN MARION	MARION	IN	59517	2090	781	0	0	781	*
7182650	MARION NAT BK OF MARION	MARION	IN	69491	1166	2114	964	0	2114	*
7182670	FIRST NATIONAL BANK	MARTINSVILLE	IN	29472	566	873	0	0	873	*
7182740	FIRST MERCHANTS NATIONAL BK	MICHIGAN CITY	IN	123998	2918	3070	1130	0	3070	
7182810	FIRST NB OF MISHAWAKA	MISHAWAKA	IN	91056	1685	1977	261	0	1977	
8182840	FIRST NAT BK OF MITCHELL	MITCHELL	IN	15103	166	390	0	0	390	*
7182895	FIRST NATIONAL BANK	MONTICELLO	IN	14468	125	529	0	0	529	*
8182935	POSEY COUNTY NATIONAL BANK	MOUNT VERNON	IN	28350	321	1064	0	0	1064	*
7182993	AMERICAN NB & TC OF MUNCIE	MUNCIE	IN	68861	1830	1913	593	0	1913	*
7183000	MERCHANTS NB OF MUNCIE	MUNCIE	IN	188355	7110	2353	500	0	2353	
7183140	FIRST NB IN NEW CASTLE	NEW CASTLE	IN	31320	732	869	0	0	869	*
7183250	AMERICAN NB OF NOBLESVILLE	NOBLESVILLE	IN	78123	1057	2851	1495	0	2851	
7183320	FIRST NB OF NORTH VERNON	NORTH VERNON	IN	22377	261	703	0	0	703	*
7183410	RIPLEY COUNTY BANK	OSGOOD	IN	27729	169	889	49	0	889	*
8183560	CITIZENS ST BK OF PETERSBURG	PETERSBURG	IN	30247	280	1282	0	0	1282	*
8183570	FIRST NAT BK OF PETERSBURG	PETERSBURG	IN	18072	238	544	0	0	544	*
7183580	PIERCETON STATE BANK	PIERCETON	IN	13740	86	423	0	0	423	*
7183590	FIRST NATIONAL BK & TR CO	PLAINFIELD	IN	38138	355	1361	34	0	1361	*
7183630	FIRST STATE BK OF PORTER	PORTER	IN	21041	393	396	0	0	396	*
7183650	FIRST NAT BK OF PORTLAND	PORTLAND	IN	14395	173	322	0	0	322	*
8183680	FARMERS NAT BK OF PRINCETON	PRINCETON	IN	39279	455	1450	0	0	1450	*
7183710	FARMERS NB OF REMINGTON	REMINGTON	IN	19232	61	757	7	0	757	*
7183730	F & M NAT BK OF RENSSELAER	RENSSELAER	IN	32482	237	1274	0	0	1274	*
7183750	BANK OF REYNOLDS	REYNOLDS	IN	19673	145	738	0	0	738	*
7183780	FIRST NAT BK OF RICHMOND	RICHMOND	IN	76010	1646	1914	652	0	1914	
7183790	SECOND NAT BK OF RICHMOND	RICHMOND	IN	162052	3374	4411	2298	0	4411	
7183850	FIRST NB OF ROCHESTER	ROCHESTER	IN	40044	416	1327	58	0	1327	*
7183880	ROCKVILLE NATIONAL BANK	ROCKVILLE	IN	21409	341	574	0	0	574	*
7183900	RUSH CTY NAT BK OF RUSHVILLE	RUSHVILLE	IN	30540	532	837	0	0	837	*
7183910	RUSHVILLE NATIONAL BANK	RUSHVILLE	IN	30367	383	1037	45	0	1037	*
7183935	CENTRAL NAT BK OF HOWARD CTY	RUSSIAVILLE	IN	15859	618	29	0	0	29	*
8183950	STATE BANK OF SALEM	SALEM	IN	28123	299	976	0	0	976	*

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8183995	FIRST NAT BK OF SCOTTSBURG	SCOTTSBURG	IN	14763	142	480	0	0	480	*
8184030	SCOTT COUNTY STATE BANK	SCOTTSBURG	IN	27760	364	1076	0	0	1076	*
8184010	SELLERSBURG STATE BANK	SELLERSBURG	IN	27412	353	879	0	0	879	*
8184030	SEYMOUR NATIONAL BANK	SEYMOUR	IN	33110	365	1185	35	0	1185	*
7184040	FARMERS NB OF SHELBYVILLE	SHELBYVILLE	IN	51247	586	1652	543	0	1652	*
7184050	SHELBY NB OF SHELBYVILLE	SHELBYVILLE	IN	59352	1363	1380	0	0	1380	*
7184110	AMERICAN NB&TC OF SOUTH BEND	SOUTH BEND	IN	97830	2646	1864	398	0	1864	
7184120	FIRST BANK AND TRUST COMPANY	SOUTH BEND	IN	304158	5608	8052	5092	1032	7020	
7184130	NATIONAL BK&TC OF SOUTH BEND	SOUTH BEND	IN	179387	1921	6451	4019	1100	5351	
8184235	FARMERS ST BK OF SULLIVAN	SULLIVAN	IN	25617	308	841	0	0	841	*
7184270	PEOPLES BANK AND TRUST CO	SUNMAN	IN	14536	323	281	0	0	281	*
8184320	CITIZENS NAT BK OF TELL CITY	TELL CITY	IN	44426	424	1353	207	0	1353	*
8184330	TELL CITY NATIONAL BANK	TELL CITY	IN	39977	390	1354	14	0	1354	*
7184360	MERCHANTS NB OF TERRE HAUTE	TERRE HAUTE	IN	132154	3782	2699	1062	0	2699	
7184370	TERRE HAUTE FIRST NAT BK	TERRE HAUTE	IN	223559	4205	6733	4936	0	6733	
7184400	CITIZENS NB OF TIPTON	TIPTON	IN	27171	187	1040	37	0	1040	*
7184410	FARMERS LOAN AND TRUST CO	TIPTON	IN	31414	396	892	0	0	892	*
7184470	FIRST NB VALPARAISO	VALPARAISO	IN	92461	1188	3638	1840	0	3638	
8184530	AMERICAN NAT BK OF VINCENNES	VINCENNES	IN	104798	1965	3911	2120	0	3911	
7184550	FIRST NAT BK IN WABASH	WABASH	IN	36620	749	1116	0	0	1116	*
7184630	EXCHANGE BANK	WARREN	IN	23998	154	869	0	0	869	*
7184640	FIRST NB OF WARSAW	WARSAW	IN	82809	1027	2618	966	0	2618	
8184670	PPL NB & TR CO OF WASH	WASHINGTON	IN	36574	378	1202	48	0	1202	*
8184690	WASHINGTON NATIONAL BANK	WASHINGTON	IN	20785	327	500	0	0	500	*
7184870	FIRST UNION BK AND TR CO	WINAMAC	IN	45177	299	1695	311	0	1695	*

OF 136 BANKS AFFECTED IN STATE 66 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
57 HAVE NO REQURED RESERVE BALANCE

7190090	PEOPLES NAT BK OF ALBIA	ALBIA	IA	25025	192	919	0	0	919	*
7190195	FIRST NATIONAL BANK,AMES	AMES	IA	52111	967	1514	128	0	1514	*
7190235	ANKENY NATIONAL BANK	ANKENY	IA	14049	253	272	0	0	272	*
7190600	CITIZENS NAT BK OF BOONE	BOONE	IA	33486	405	1072	0	0	1072	*
7190730	FIRST NATIONAL BANK	BURLINGTON	IA	65765	872	2505	1207	0	2505	*
7190870	FIRST NAT BK,CEDAR FALLS,IA	CEDAR FALLS	IA	35977	361	1296	68	0	1296	*
7190900	MERCHANTS NATIONAL BANK	CEDAR RAPIDS	IA	248341	3542	10264	5008	2315	7949	
7190910	PEOPLES BANK AND TRUST CO	CEDAR RAPIDS	IA	100654	1060	4021	2270	0	4021	
7190940	CENTERVILLE NATIONAL BANK	CENTERVILLE	IA	34245	267	1086	185	0	1086	*
7190980	NAT BK AND TR CO OF CHARITON	CHARITON	IA	30919	193	1214	0	0	1214	*
7190990	CITIZENS NB OF CHARLES CITY	CHARLES CITY	IA	23903	153	827	33	0	827	*
7191100	CITIZENS STATE BANK	CLARINDA	IA	24207	238	790	0	0	790	*
7191120	FIRST NAT BK OF CLARION	CLARION	IA	31228	148	1001	209	0	1001	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7191140	CLEAR LAKE BANK AND TRUST CO	CLEAR LAKE	IA	29696	408	843	0	0	843	*
7191190	CLINTON NATIONAL BANK	CLINTON	IA	52731	586	1776	442	0	1776	*
7191195	FIRST NATIONAL BANK	CLINTON	IA	56528	880	1830	525	0	1830	*
7191230	FIRST NAT BK IN COLFAX	COLFAX	IA	19327	86	637	30	0	637	*
7191250	COLUMBUS JUNCTION STATE BANK	COLUMBUS JUNCTION	IA	21150	113	787	29	0	787	*
7191265	PEOPLES NATIONAL BANK	COLUMBUS JUNCTION	IA	17953	63	619	54	0	619	*
7191290	OKEY VERNON FIRST NAT BK	CORNING	IA	27964	116	1052	96	0	1052	*
7191340	FIRST NB OF COUNCIL BLUFFS	COUNCIL BLUFFS	IA	70496	1051	2682	1109	0	2682	*
7191370	CRESCO NATIONAL BANK	CRESCO	IA	15453	90	495	0	0	495	*
7191390	FIRST NB IN CRESTON	CRESTON	IA	33199	312	1077	11	0	1077	*
7191470	DAVENPORT BANK AND TRUST CO	DAVENPORT	IA	313254	5593	10204	5368	3014	7190	
7191475	FIRST NB OF DAVENPORT	DAVENPORT	IA	43837	1648	359	0	0	359	*
7191550	FIRST NWSTERN NB OF DENSION	DENISON	IA	20154	183	647	0	0	647	*
7191570	BANKERS TRUST CO	DES MOINES	IA	232886	5653	5196	2867	0	5196	
7191580	CAPITAL CITY STATE BANK	DES MOINES	IA	68971	1073	2065	722	0	2065	*
7191590	CENTRAL NAT BK & TR CO	DES MOINES	IA	216084	3532	7809	5154	267	7542	
7191605	EAST DES MOINES NATIONAL BK	DES MOINES	IA	26276	551	610	0	0	610	*
7191620	IOWA DES MOINES NATIONAL BK	DES MOINES	IA	466416	5052	18169	5131	9235	8934	
7191632	NATIONAL BANK OF DES MOINES	DES MOINES	IA	51197	595	1998	628	0	1998	*
7191635	NORTHWEST BRENTON NB	DES MOINES	IA	31893	218	1091	141	0	1091	*
7191640	VALLEY NATIONAL BANK	DES MOINES	IA	113313	1547	3985	2087	0	3985	
7191730	AMERICAN TR & SVGS BANK	DUBUQUE	IA	122859	2664	3287	1230	0	3287	
7191750	FIRST NB OF DUBUQUE	DUBUQUE	IA	113710	1565	3315	1323	0	3315	
7191790	DYERSVILLE NATIONAL BANK	DYERSVILLE	IA	25868	155	806	141	0	806	*
7191882	SECOND NATIONAL BANK	ELDORA	IA	14306	66	491	0	0	491	*
7191910	CENTRAL STATE BANK	ELKADER	IA	21524	116	798	0	0	798	*
7191935	IOWA TRUST AND SAVINGS BANK	EMMETSBURG	IA	19812	134	683	0	0	683	*
7191970	FIRST NAT BK OF ESSEX	ESSEX	IA	17933	54	666	14	0	666	*
7192040	FIRST NB IN FAIRFIELD	FAIRFIELD	IA	28523	272	943	0	0	943	*
7192050	IOWA STATE BANK AND TRUST CO	FAIRFIELD	IA	25760	402	764	0	0	764	*
7192140	FOREST CITY BANK & TRUST CO	FOREST CITY	IA	22677	182	773	0	0	773	*
7192150	FIRST NAT BK, FT DODGE IA	FORT DODGE	IA	72821	603	2581	1351	0	2581	
7192160	STATE BANK	FORT DODGE	IA	59617	542	1980	593	0	1980	*
7192170	FORT MADISON BANK & TRUST CO	FORT MADISON	IA	30609	953	349	0	0	349	*
7192270	HANCOCK COUNTY NATIONAL BANK	GARNER	IA	22713	143	788	0	0	788	*
7192340	GLENWOOD STATE BANK	GLENWOOD	IA	20135	171	829	0	0	829	*
7192350	FIRST NAT BK IN GLIDDEN	GLIDDEN	IA	14970	87	488	0	0	488	*
7192440	FIRST STATE BANK	GREENE	IA	14267	54	552	0	0	552	*
7192430	POWESHIEK COUNTY NATIONAL BK	GRINNELL	IA	38556	430	1105	0	0	1105	*
7192510	GRUNDY NB OF GRUNDY CNTR	GRUNDY CENTER	IA	19665	69	665	38	0	665	*
7192560	FIRST NAT BK OF HAMPTON	HAMPTON	IA	25819	180	831	39	0	831	*
7192600	HARLAN NATIONAL BANK	HARLAN	IA	27448	142	897	148	0	897	*
7192780	FIRST NB IN HUMNOLDT	HUMBOLDT	IA	30254	233	1008	76	0	1008	*
7192880	FIRST NB IOWA CITY IOWA	IOWA CITY	IA	107491	1391	3404	2021	0	3404	
7193150	CMTY NB & TRCO OF KNOXVILLE	KNOXVILLE	IA	32296	289	1007	3	0	1007	*
7193310	FIRST NB IN LE MARS	LE MARS	IA	24820	306	696	0	0	696	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7193330	FIRST NB IN LENOX	LENOX	IA	19407	61	712	19	0	712	*
7193580	FARMERS & MERCHANTS SVGS BK	MANCHESTER	IA	15798	203	458	0	0	458	*
7193590	FIRST STATE BANK	MANCHESTER	IA	19224	127	761	0	0	761	*
7193610	FIRST NB OF MANNING	MANNING	IA	14879	68	557	0	0	557	*
7193700	FIRST NAT BK OF MARION	MARION	IA	39240	273	1352	158	0	1352	*
7193730	SECURITY SAVINGS BANK	MARSHALLTOWN	IA	74129	726	2597	1134	0	2597	
7193750	FIRST NB OF MASON CITY	MASON CITY	IA	96854	922	4198	2143	0	4198	
7193760	UNITED HOME BANK & TRUST CO	MASON CITY	IA	71135	504	2725	1217	0	2725	
7193910	FIRST NB OF MO VALLEY	MISSOURI VALLEY	IA	17977	83	596	35	0	596	*
7193990	MONTICELLO STATE BANK	MONTICELLO	IA	69518	215	2938	1150	0	2938	
7194070	CENTRAL STATE BANK	MUSCATINE	IA	72015	763	2545	1147	0	2545	
7194030	FIRST NB OF MUSCATINE	MUSCATINE	IA	75967	1462	2056	374	0	2056	
7194110	NEVADA NATIONAL BANK	NEVADA	IA	28886	245	892	66	0	892	*
7194160	FIRST NB IN NEW HAMPTON	NEW HAMPTON	IA	25866	193	851	0	0	851	*
7194170	SECURITY STATE BANK	NEW HAMPTON	IA	17613	101	539	0	0	539	*
7194205	FIRST NEWTON NATIONAL BANK	NEWTON	IA	26117	341	713	0	0	713	*
7194210	JASPER COUNTY SAVINGS BANK	NEWTON	IA	63149	773	2282	768	0	2282	*
7194330	FIRST NB OF OELWEIN	OELWEIN	IA	32088	396	952	0	0	952	*
7194340	CITY STATE BANK	OGDEN	IA	15342	77	567	0	0	567	*
7194390	HOME TRUST AND SAVINGS BANK	OSAGE	IA	22337	90	781	79	0	781	*
7194400	OSAGE FARMERS NATIONAL BANK	OSAGE	IA	20631	101	713	17	0	713	*
7194460	FIRST NB OF OTTUMWA	OTTUMWA	IA	45373	930	919	0	0	919	*
7194490	UNION BANK AND TRUST CO	OTTUMWA	IA	85900	1358	2650	772	0	2650	
7194560	PELLA NATIONAL BANK	PELLA	IA	40731	242	1600	372	0	1600	*
7194570	FIRST NAT BK OF PERRY	PERRY	IA	30497	200	993	139	0	993	*
7194860	MONTGOMERY CTY NB OF RED OAK	RED OAK	IA	26376	254	812	0	0	812	*
7195050	NAT BK OF ROCKWELL CITY	ROCKWELL CITY	IA	17280	109	568	0	0	568	*
7195130	ST ANSGAR STATE BANK	SAINT ANSGAR	IA	18823	141	626	0	0	626	*
7195270	CITY NB OF SHENANDOAH	SHENANDOAH	IA	26078	227	1011	0	0	1011	*
7195280	SECURITY TRUST & SAVINGS BK	SHENANDOAH	IA	18545	188	751	0	0	751	*
7195350	FIRST NB OF SIOUX CNTR	SIOUX CENTER	IA	27546	84	1077	166	0	1077	*
7195370	FIRST NB IN SIOUX CITY	SIOUX CITY	IA	113065	1088	4621	3005	0	4621	
7195405	NWN NB OF SIOUX CITY	SIOUX CITY	IA	111603	1476	3662	2474	0	3662	
7195410	SECURITY NB OF SIOUX CITY	SIOUX CITY	IA	167313	2087	5248	3318	0	5248	
7195420	TOY NATIONAL BANK	SIOUX CITY	IA	126963	1235	3992	2620	0	3992	
7195510	CLAY COUNTY NB OF SPENCER	SPENCER	IA	30785	309	994	0	0	994	*
7195525	SPENCER NATIONAL BANK	SPENCER	IA	25325	392	630	0	0	630	*
7195630	CITIZENS FIRST NATIONAL BANK	STORM LAKE	IA	63987	362	2272	1024	0	2272	*
7195640	COMMERCIAL TR & SVGS BK	STORM LAKE	IA	20143	70	728	96	0	728	*
7195650	SECURITY TR AND SVGS BK	STORM LAKE	IA	18869	93	626	0	0	626	*
7195710	FIRST NB OF SUMNER	SUMNER	IA	26179	83	927	93	0	927	*
7195825	FIRST NB OF TIPTON	TIPTON	IA	14458	92	437	0	0	437	*
7195840	TITONKA SAVINGS BANK	TITONKA	IA	15937	70	561	0	0	561	*
7196060	NAT BK OF WASHINGTON	WASHINGTON	IA	28261	190	1029	40	0	1029	*
7196070	WASHINGTON STATE BANK	WASHINGTON	IA	25618	260	873	0	0	873	*
7196080	NAT BK OF WATERLOO	WATERLOO	IA	134153	3060	3407	1340	0	3407	

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7196100	WATERLOO SAVINGS BANK	WATERLOO	IA	102625	1589	3554	1778	0	3554	
7196140	FIRST NB OF WAVERLY	WAVERLY	IA	37453	328	1198	96	0	1198	*
7196190	FARMERS NB OF WEBSTER CITY	WEBSTER CITY	IA	37075	312	1306	63	0	1306	*
7196330	FIRST NB OF WEST UNION	WEST UNION	IA	30949	251	1093	9	0	1093	*

OF 109 BANKS AFFECTED IN STATE 43 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
62 HAVE NO REQURED RESERVE BALANCE

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10200040	FARMERS NAT BK OF ABILENE	ABILENE	KS	19860	159	750	0	0	750	*
10200200	CITIZENS NAT BK & TR CO	ANTHONY	KS	18979	69	732	8	0	732	*
10200210	FIRST NAT BK OF ANTHONY	ANTHONY	KS	17215	88	619	0	0	619	*
10200240	HOME NAT BK OF ARKANSAS CITY	ARKANSAS CITY	KS	43947	452	1802	394	0	1802	*
10200320	CITY NAT BK OF ATCHISON	ATCHISON	KS	39410	240	1634	311	0	1634	*
10200330	EXC NB & TR CO OF ATCHISON	ATCHISON	KS	32702	250	1220	17	0	1220	*
10200450	AM NAT BK OF BAXTER SPRINGS	BAXTER SPRINGS	KS	22451	306	594	0	0	594	*
10200790	PEOPLES NB&TC OF BURLINGTON	BURLINGTON	KS	20130	101	836	0	0	836	*
10200950	FIRST NAT BK OF CHANUTE	CHANUTE	KS	33919	289	1165	33	0	1165	*
10201050	PEOPLES NB OF CLAY CENTER	CLAY CENTER	KS	23506	183	809	0	0	809	*
10201060	UNION STATE BANK	CLAY CENTER	KS	22848	194	861	0	0	861	*
10201140	CONDON NB OF COFFEYVILLE	COFFEYVILLE	KS	23223	263	743	0	0	743	*
10201150	FIRST NAT BK OF COFFEYVILLE	COFFEYVILLE	KS	50873	403	1783	342	0	1783	*
10201170	THOMAS CTY NB OF COLBY	COLBY	KS	23423	111	1071	0	0	1071	*
10201220	FIRST NAT BK OF COLUMBUS	COLUMBUS	KS	23771	164	787	17	0	787	*
10201430	FIDELITY STATE BK AND TR CO	DODGE CITY	KS	50878	587	1893	457	0	1893	*
10201440	FIRST NB & TR CO IN DODGE CY	DODGE CITY	KS	39477	309	1712	441	0	1712	*
10201570	FIRST NATIONAL BANK & TR CO	ELDORADO	KS	30400	497	1059	0	0	1059	*
10201650	CITIZENS NB & TR OF EMPORIA	EMPORIA	KS	51761	733	1543	338	0	1543	*
10201810	ARMY NB OF FT LEAVENWORTH	FORT LEAVENWORTH	KS	30527	314	1574	261	0	1574	*
10201820	CITIZENS NB OF FORT SCOTT	FORT SCOTT	KS	43146	500	1554	143	0	1554	*
10201870	FIRST NAT BK IN FREDONIA	FREDONIA	KS	17256	136	549	0	0	549	*
10201950	GARDEN NB OF GARDEN CITY	GARDEN CITY	KS	35808	286	1630	335	0	1630	*
10202010	FIRST NAT BK OF GIRARD	GIRARD	KS	15793	97	620	0	0	620	*
10202060	FIRST NAT BK OF GOODLAND	GOODLAND	KS	28684	313	1088	0	0	1088	*
10202100	AMERICAN STATE BK & TR CO	GREAT BEND	KS	41179	285	1679	319	0	1679	*
10202110	1ST NB & TR CO IN GREAT BEND	GREAT BEND	KS	51007	404	1705	411	0	1705	*
10202310	FIRST NB OF HAYS CITY	HAYS	KS	32714	361	1287	23	0	1287	*
10202315	HAYS NATIONAL BANK	HAYS	KS	17170	247	541	0	0	541	*
10202460	FIRST NAT BK OF HILLSBORO	HILLSBORO	KS	19747	108	797	0	0	797	*
10202570	FIRST NAT BK OF HOXIE	HOXIE	KS	19115	61	737	11	0	737	*
10202620	HUMBOLDT NATIONAL BANK	HUMBOLDT	KS	16073	89	653	0	0	653	*
10202660	FIRST NAT BK OF HUTCHINSON	HUTCHINSON	KS	94677	843	4055	2193	0	4055	
10202665	HUTCHINSON NAT BK & TR	HUTCHINSON	KS	105653	923	3798	1923	0	3798	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10202690	CITIZENS NB IN INDEPENDENCE	INDEPENDENCE	KS	38187	299	1644	280	0	1644	*
10202850	CENTRAL NB OF JUNCTION CITY	JUNCTION CITY	KS	29739	480	884	0	0	884	*
10202860	FIRST NB OF JUNCTION CITY	JUNCTION CITY	KS	23309	699	349	0	0	349	*
10202930	CMRC NB OF KANSAS CITY	KANSAS CITY	KS	174503	1211	7016	4521	1011	6005	
10203020	SECURITY NAT BANK OF KC	KANSAS CITY	KS	146224	1679	4987	3583	0	4987	
10203070	FIRST NAT BK OF KINGMAN	KINGMAN	KS	17883	146	595	0	0	595	*
10203120	F & M STATE BK OF RUSH CTY	LA CROSSE	KS	14975	52	609	0	0	609	*
10203180	FIRST NAT BK & TR IN LARNED	LARNED	KS	27377	282	853	0	0	853	*
10203190	1ST ST BK & TR CO OF LARNED	LARNED	KS	26963	268	840	10	0	840	*
10203200	FIRST NB OF LAWRENCE	LAWRENCE	KS	54667	587	2131	800	0	2131	*
10203210	LAWRENCE NAT BK AND TRUST CO	LAWRENCE	KS	45275	1270	987	0	0	987	*
10203220	FIRST NB OF LEAVENWORTH	LEAVENWORTH	KS	34386	695	979	0	0	979	*
10203230	LEAVENWORTH NAT BK & TR CO	LEAVENWORTH	KS	30121	479	896	0	0	896	*
10203360	FIRST NAT BK OF LIBERAL	LIBERAL	KS	28611	298	1063	0	0	1063	*
10203370	PEOPLES NAT BK OF LIBERAL	LIBERAL	KS	32836	214	1273	76	0	1273	*
10203680	FIRST NB OF MANHATTAN	MANHATTAN	KS	41857	446	1846	434	0	1846	*
10203690	UNION NB&TC OF MANHATTAN	MANHATTAN	KS	51464	638	2066	545	0	2066	*
10203800	FIRST NAT BK OF MEADE	MEADE	KS	16127	74	712	0	0	712	*
10203810	FIRST NB OF MEDICINE LODGE	MEDICINE LODGE	KS	21215	102	904	0	0	904	*
10204050	FIRST NAT BK OF NEODESHA	NEODESHA	KS	18971	160	701	0	0	701	*
10204070	MIDLAND NB OF NEWTON	NEWTON	KS	28229	318	897	0	0	897	*
10204220	FIRST NAT BK OF OLATHE	OLATHE	KS	36447	371	1433	310	0	1433	*
10204280	FIRST NB OF OSAWATOMIE	OSAWATOMIE	KS	19000	99	718	0	0	718	*
10204370	PEOPLES NB & TR OTTAWA	OTTAWA	KS	21580	335	810	0	0	810	*
10204470	MIAMI CTY NAT BK OF PAOLA	PAOLA	KS	39135	202	1457	397	0	1457	*
10204560	FIRST NB OF PHILLIPSBURG	PHILLIPSBURG	KS	33162	107	1419	108	0	1419	*
10204575	CITY NAT BK OF PITTSBURG	PITTSBURG	KS	23191	391	635	0	0	635	*
10204590	NATIONAL BK OF PITTSBURG	PITTSBURG	KS	50316	598	1910	366	0	1910	*
10204675	JOHNSON CTY NB&TC	PRAIRIE VILLAGE	KS	104127	628	4531	2878	62	4469	
10204676	KANSAS NAT BK & TR CO	PRAIRIE VILLAGE	KS	34914	324	1100	167	0	1100	*
10204680	FIRST NAT BK OF PRATT	PRATT	KS	24095	200	903	0	0	903	*
10204690	PEOPLES BANK	PRATT	KS	41789	174	1743	319	0	1743	*
10204970	FIRST NATIONAL BANK & TRUST	ST JOHN	KS	17037	60	701	0	0	701	*
10205020	FIRST NB&TC OF SALINA	SALINA	KS	68665	879	2625	1078	0	2625	*
10205030	NAT BK OF AMERICA AT SALINA	SALINA	KS	58515	743	2304	773	0	2304	*
10205060	FIRST NAT BK OF SCOTT CITY	SCOTT CITY	KS	23318	98	1063	0	0	1063	*
10205070	FIRST NAT BK OF SEDAN	SEDAN	KS	13326	70	419	0	0	419	*
10205190	FIRST NB OF SMITH CENTER	SMITH CENTER	KS	19806	56	798	7	0	798	*
10205525	FIRST NAT BK OF TOPEKA	TOPEKA	KS	253569	3215	11083	5758	3504	7579	
10205550	MERCHANTS NB OF TOPEKA	TOPEKA	KS	168079	1881	5873	4104	489	5384	
10205820	FIRST NAT BK WAMEGO	WAMEGO	KS	16563	71	636	0	0	636	*
10205840	FIRST NAT BK OF WASHINGTON	WASHINGTON	KS	21420	83	878	0	0	878	*
10205910	FIRST NAT BK OF WELLINGTON	WELLINGTON	KS	28030	220	1034	0	0	1034	*
10206020	FIRST NB IN WICHITA	WICHITA	KS	282159	2304	12327	5043	4321	8006	
10206030	FOURTH NATIONAL BK & TR CO	WICHITA	KS	464648	8534	17476	5191	7568	9908	
10206042	NATIONAL BANK OF WICHITA	WICHITA	KS	31488	868	574	0	0	574	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10206050	SW NAT BANK OF WICHITA	WICHITA	KS	61148	711	2021	717	0	2021	*
10206060	UNION NAT BK OF WICHITA	WICHITA	KS	161076	1725	6274	4438	0	6274	
10206110	FIRST NAT BK OF WINFIELD	WINFIELD	KS	35131	417	1760	359	0	1760	*

OF 83 BANKS AFFECTED IN STATE 39 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
38 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4210050	SECOND NB OF ASHLAND	ASHLAND	KY	105325	2326	4065	1922	0	4065	
4210060	THIRD NAT BANK OF ASHLAND	ASHLAND	KY.	69162	2190	1562	0	0	1562	*
4210110	UNION NB OF BARBOURVILLE	BARBOURVILLE	KY	40696	1173	504	0	0	504	*
4210240	BEREA NATIONAL BANK	BEREA	KY	17345	273	484	0	0	484	*
8210300	AM NB&TR CO OF BOWLING GREEN	BOWLING GREEN	KY	94204	1309	4215	2217	0	4215	
8210320	CTZ NB OF BOWLING GREEN	BOWLING GREEN	KY	87320	1599	2880	1559	0	2880	
8210490	CITIZENS BANK AND TRUST CO	CAMPBELLSVILLE	KY	25176	524	816	0	0	816	*
4210550	FIRST NB OF CARLISLE	CARLISLE	KY	17881	195	620	0	0	620	*
4210750	FIRST NB & TR CO OF CORBIN	CORBIN	KY	54902	903	1614	0	0	1614	*
4210770	CITIZENS NB OF COVINGTON	COVINGTON	KY	24022	809	349	0	0	349	*
4210790	FIRST NAT BK & TRUST CO	COVINGTON	KY	73203	2060	1618	224	0	1618	*
4210810	PEOPLES LIBERTY BK & TR CO	COVINGTON	KY	94732	2164	2372	1125	0	2372	
4210870	FARMERS NB OF CYNTHIANA	CYNTHIANA	KY	22149	362	722	0	0	722	*
4210890	NB OF CYNTHIANA	CYNTHIANA	KY	32029	362	1158	0	0	1158	*
8210900	CITIZENS NB OF DANVILLE	DANVILLE	KY	23105	396	797	0	0	797	*
8210910	FARMERS NB OF DANVILLE	DANVILLE	KY	30950	314	1400	78	0	1400	*
8211020	1ST HARDIN NB OF ELZBETHTWN	ELIZABETHTOWN	KY	81673	1729	3080	1037	0	3080	*
8211145	FORT KNOX NATIONAL BANK	FORT KNOX	KY	21342	886	165	0	0	165	*
8211190	STATE NB OF FRANKFORT	FRANKFORT	KY	31200	344	1505	223	0	1505	*
8211230	CITY NB OF FULTON	FULTON	KY	23328	355	694	0	0	694	*
4211260	FIRST NAT BK AND TR CO	GEORGETOWN	KY	35560	441	1324	0	0	1324	*
8211310	NEW FARMERS NB OF GLASGOW	GLASGOW	KY	52669	628	2333	722	0	2333	*
4211370	FIRST NB OF GRAYSON	GRAYSON	KY	27139	316	1017	0	0	1017	*
8211390	PEOPLES BANK & TRUST COMPANY	GREENSBURG	KY	20413	202	705	0	0	705	*
4211430	HARLAN NATIONAL BANK	HARLAN	KY	28931	1077	1098	0	0	1098	*
8211540	FIRST NB OF HENDERSON	HENDERSON	KY	42621	1038	1656	161	0	1656	*
8211550	OHIO VALLEY NB OF HENDERSON	HENDERSON	KY	37496	425	1566	269	0	1566	*
8211600	LINCOLN NB OF HODGENVILLE	HODGENVILLE	KY	21764	252	826	0	0	826	*
8211620	PLANTERS BANK AND TRUST CO	HOPKINSVILLE	KY	96409	3101	1883	45	0	1883	
4211730	FIRST NB OF JACKSON	JACKSON	KY	18756	283	628	0	0	628	*
4211920	BANK OF COMMERCE & TRUST CO	LEXINGTON	KY	93584	1033	3788	2082	0	3788	
4211945	CITIZENS UNION NATIONAL BANK	LEXINGTON	KY	119414	2131	5319	3025	0	5319	
4211950	FIRST SECURITY NB & TR CC	LEXINGTON	KY	439570	4746	21756	5069	11805	9951	
4211960	SECOND NAT BANK AND TR CO	LEXINGTON	KY	100590	2135	3334	1277	0	3334	
4212038	CUMBERLAND VALLEY NB & TR CO	LONDON	KY	71902	892	2660	1127	0	2660	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4212010	FIRST NB IN LONDON	LONDON	KY	30877	394	1258	0	0	1258	*
4212040	FIRST NB OF LOUISA	LOUISA	KY	21632	341	692	0	0	692	*
8212050	CTZ FIDELITY BK & TR CO	LOUISVILLE	KY	903969	12497	45417	5288	30126	15291	
8212058	FIRST KENTUCKY TRUST COMPANY	LOUISVILLE	KY	31687	0	1880	579	0	1880	*
8212060	FIRST NB OF LOUISVILLE	LOUISVILLE	KY	980452	11635	44822	4966	28785	16037	
8212090	LIBERTY NB & TR CO	LOUISVILLE	KY	520314	6452	24549	5300	14222	10327	
8212120	LOUISVILLE TRUST BANK INC	LOUISVILLE	KY	223918	1882	11871	5004	3847	8024	
8212310	FIRST NB OF MAYFIELD	MAYFIELD	KY	25362	464	836	0	0	836	*
4212340	STATE NB OF MAYSVILLE	MAYSVILLE	KY	38397	508	1429	48	0	1429	*
4212390	NATIONAL BANK	MIDDLESBORO	KY	36213	722	972	0	0	972	*
8212500	MORGANFIELD NATIONAL BANK	MORGANFIELD	KY	32250	387	986	0	0	986	*
4212560	MNTGMRY NB OF MT STERLING	MOUNT STERLING	KY	18449	317	546	0	0	546	*
4212570	MT STERLING NATIONAL BANK	MOUNT STERLING	KY	30486	338	1151	0	0	1151	*
4212580	TRADERS NB OF MT STERLING	MOUNT STERLING	KY	26561	652	536	0	0	536	*
4212690	AMERICAN NB OF NEWPORT	NEWPORT	KY	20496	678	448	0	0	448	*
4212700	NEWPORT NATIONAL BANK	NEWPORT	KY	40039	1333	789	0	0	789	*
4212730	FIRST NATIONAL BANK & TR CO	NICHOLASVILLE	KY	32069	301	1390	120	0	1390	*
8212810	OWENSBORO NATIONAL BANK	OWENSBORO	KY	116356	1873	5283	3181	0	5283	
8212880	PPL 1ST NB&TR CO OF PADUCAH	PADUCAH	KY	98533	2788	2626	583	0	2626	
4212895	CITIZENS NB OF PAINTSVILLE	PAINTSVILLE	KY	46137	484	1786	290	0	1786	*
4212900	FIRST NB OF PAINTSVILLE	PAINTSVILLE	KY	36364	642	978	0	0	978	*
4212940	PEOPLES DEPOSIT BANK & TR CO	PARIS	KY	20362	240	778	0	0	778	*
4213000	FIRST NB OF PIKEVILLE	PIKEVILLE	KY	99392	1971	3045	766	0	3045	
4213020	PIKEVILLE NAT BK & TR CO	PIKEVILLE	KY	162520	2491	6883	5115	0	6883	
4213060	FIRST NB OF PRESTONSBURG	PRESTONSBURG	KY	68036	1011	2572	1039	0	2572	*
4213100	MADISON NB OF RICHMOND	RICHMOND	KY	40392	249	1825	390	0	1825	*
8213150	CITIZENS NB OF RUSSELLVILLE	RUSSELLVILLE	KY	29868	483	904	0	0	904	*
8213260	FARMERS NB OF SCOTTSVILLE	SCOTTSVILLE	KY	25815	279	1050	0	0	1050	*
4213420	CITIZENS NB OF SOMERSET	SOMERSET	KY	42993	551	1458	60	0	1458	*
4213440	FIRST AND FARMERS NATL BANK	SOMERSET	KY	93428	2094	2389	235	0	2389	
4213500	LINCOLN COUNTY NATIONAL BANK	STANFORD	KY	16246	356	760	0	0	760	*
4213835	FARMERS NB OF WILLIAMSBURG	WILLIAMSBURG	KY	40403	458	1190	0	0	1190	*
4213870	CLARK CTY NB OF WINCHESTER	WINCHESTER	KY	35250	352	1305	0	0	1305	*

OF 68 BANKS AFFECTED IN STATE 35 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
28 HAVE NO REQURED RESERVE BALANCE

6220020	FIRST NAT BK OF ABBEVILLE	ABBEVILLE	LA	26277	697	815	0	0	815	*
6220040	RAPIDES BANK AND TRUST CO	ALEXANDRIA	LA	160317	3741	5353	3213	0	5353	
6220050	SECURITY FIRST NATIONAL BANK	ALEXANDRIA	LA	46724	1037	1421	180	0	1421	*
6220055	FIRST NB OF ST BERNARD PRSH	ARABI	LA	22952	789	208	0	0	208	*
6220060	ST BERNARD BANK AND TRUST CO	ARABI	LA	45279	1635	514	0	0	514	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11220070	FIRST NAT BK IN ARCADIA	ARCADIA	LA	20783	258	616	0	0	616	*
11220083	BASTROP NATIONAL BANK	BASTROP	LA	31702	940	790	0	0	790	*
6220090	CITY NB OF BATON ROUGE	BATON ROUGE	LA	206518	5000	6148	3402	0	6148	
6220100	FIDELITY NB OF BATON ROUGE	BATON ROUGE	LA	281016	4815	10702	5010	2684	8018	
6220110	LA NAT BANK OF BATON ROUGE	BATON ROUGE	LA	465449	6452	19076	5029	9307	9769	
6220155	PARISH NATIONAL BANK	BOGALUSA	LA	44029	1284	407	0	0	407	*
11220165	NAT BANK OF BOSSIER CITY	BOSSIER CITY	LA	66268	1183	1854	362	0	1854	*
6220281	FIRST NATIONAL BANK	COVINGTON	LA	88014	2554	2052	597	0	2052	
6220300	FIRST NAT BANK OF CROWLEY	CROWLEY	LA	41680	515	1535	468	0	1535	*
11220310	FIRST NAT BANK OF DELHI	DELHI	LA	19051	196	583	0	0	583	*
6220315	FIRST NB OF DENHAM SPRINGS	DENHAM SPRINGS	LA	19897	603	193	0	0	193	*
6220340	FIRST NAT BK IN DERIDDER	DERIDDER	LA	31759	497	1126	0	0	1126	*
6220350	FIRST NB IN DONALDSONVILLE	DONALDSONVILLE	LA	20603	408	628	0	0	628	*
6220435	FIRST NATIONAL BANK	GONZALES	LA	28051	552	674	0	0	674	*
6220460	FIRST NB OF JEFFERSON PRSH	GRETNA	LA	207664	5422	5961	4362	0	5961	
6220480	CITIZENS NATIONAL BANK	HAMMOND	LA	53516	1918	508	0	0	508	*
11220520	HOMER NATIONAL BANK	HOMER	LA	38129	223	1293	195	0	1293	*
6220540	FIRST NATIONAL BANK OF HOUMA	HOUMA	LA	133530	1301	5576	3866	346	5230	
6220570	FIRST NAT BANK OF JEANERETTE	JEANERETTE	LA	20095	641	338	0	0	338	*
6220575	NB OF CMMRC IN JFFRSN PRSH	JEFFERSON PARISH	LA	141271	3882	4710	2447	0	4710	
6220595	JEFF DAVIS BANK AND TRUST CO	JENNINGS	LA	28934	927	590	0	0	590	*
6220630	FIRST NB OF LAFAYETTE	LAFAYETTE	LA	159446	5237	5574	3532	0	5574	
6220650	CALCASIEU MARINE NAT BANK	LAKE CHARLES	LA	309434	5374	15590	5570	6871	8719	
6220660	FIRST NAT BK OF LAKE CHARLES	LAKE CHARLES	LA	69427	2770	1307	0	0	1307	*
6220670	GULF NB AT LAKE CHARLES	LAKE CHARLES	LA	67932	1890	2525	1281	0	2525	*
6220675	LAKE SIDE NATIONAL BANK	LAKE CHARLES	LA	66282	2595	1532	139	0	1532	*
6220695	RIVERLANDS NB IN LA PLACE	LA PLACE	LA	29892	961	187	0	0	187	*
11220760	FIRST NAT BANK IN MANSFIELD	MANSFIELD	LA	30755	448	1029	0	0	1029	*
11220840	MINDEN BANK AND TRUST CO	MINDEN	LA	36241	449	1371	35	0	1371	*
11220860	CENTRAL BANK	MONROE	LA	194554	3970	6050	3897	0	6050	
11220870	OUACHITA NAT BANK IN MONROE	MONROE	LA	248688	5431	8100	4943	179	7921	
6220890	FIRST NB IN ST MARY PARISH	MORGAN CITY	LA	77517	1487	2062	948	0	2062	
6220950	NEW IBERIA NATIONAL BANK	NEW IBERIA	LA	43806	1151	966	0	0	966	*
6220960	PEOPLES NB OF NEW IBERIA	NEW IBERIA	LA	49086	1447	949	0	0	949	*
6220970	STATE NAT BK OF NEW IBERIA	NEW IBERIA	LA	42177	1114	977	0	0	977	*
6220977	CENTURY NB IN NEW ORLEANS	NEW ORLEANS	LA	16612	468	305	0	0	305	*
6220978	BANK OF NEW ORLEANS & TR CO	NEW ORLEANS	LA	410804	8478	16299	5395	7401	8898	
6220980	HIBERNIA NB IN N ORLEANS	NEW ORLEANS	LA	597939	8094	32218	5564	20679	11539	
6220981	FIRST NAT BANK OF COMMERCE	NEW ORLEANS	LA	657386	9541	35285	6134	25124	10161	
6221000	NAT AM BK IN NEW ORLEANS	NEW ORLEANS	LA	288631	3035	6762	3963	0	6762	
6221029	WHITNEY NB OF NEW ORLEANS	NEW ORLEANS	LA	1190725	9521	79657	5882	59842	19815	
6221097	FIRST NB OF OPELOUSAS	OPELOUSAS	LA	28647	409	935	0	0	935	*
11221206	FIRST NAT BANK OF RAYVILLE	RAYVILLE	LA	16910	277	362	0	0	362	*
11221240	FIRST NAT BANK OF RUSTON	RUSTON	LA	42026	922	940	0	0	940	*
11221300	COMMERCIAL NB IN SHREVEPORT	SHREVEPORT	LA	402108	3729	18948	5356	10534	8414	
11221320	FIRST NATIONAL BANK	SHREVEPORT	LA	399359	9144	12249	5033	3407	8842	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11221375	SOUTHERN NAT BK AT TALLULAH	TALLULAH	LA	18735	245	554	0	0	554	*
6221400	LAFOURCHE NB OF THIBODAUX	THIBODAUX	LA	52623	955	1772	412	0	1772	*
11221455	FIRST NAT BK OF WEST MONROE	WEST MONROE	LA	66813	1470	813	0	0	813	*

OF 54 BANKS AFFECTED IN STATE 26 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
17 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1230055	BANK OF MAINE NA	AUGUSTA	ME	56071	1350	1457	181	0	1457	*
1230110	MERCHANTS NB OF BANGOR	BANGOR	ME	52447	966	1599	422	0	1599	*
1230120	MERRILL TRUST COMPANY	BANGOR	ME	207291	3807	6077	4671	0	6077	
1230150	FIRST NB OF BAR HARBOR	BAR HARBOR	ME	22982	689	340	0	0	340	*
1230300	CAMDEN NATIONAL BANK	CAMDEN	ME	34247	520	1050	0	0	1050	*
1230320	FIRST NB OF DAMARISCOTTA	DAMARISCOTTA	ME	27672	449	631	0	0	631	*
1230350	LIBERTY NB IN ELLSWORTH	ELLSWORTH	ME	19010	358	641	0	0	641	*
1230360	UNION TR CO OF ELLSWORTH	ELLSWORTH	ME	39199	1224	632	0	0	632	*
1230370	FIRSTBANK N A	FARMINGTON	ME	17279	359	375	0	0	375	*
1230390	NE BK NA OF FARMINGTON	FARMINGTON	ME	14994	372	255	0	0	255	*
1230400	FIRST NAT BANK OF AROOSTOOK	FT FAIRFIELD	ME	50466	886	1154	0	0	1154	*
1230510	OCEAN NB OF KENNEBUNK	KENNEBUNK	ME	24008	200	848	0	0	848	*
1230650	NORWAY NATIONAL BANK	NORWAY	ME	22609	374	604	0	0	604	*
1230690	CANAL NATIONAL BANK	PORTLAND	ME	179438	5490	4012	3599	0	4012	
1230720	MAINE NATIONAL BANK	PORTLAND	ME	283732	6419	8993	4963	2150	6843	
1230760	NORTHERN NATIONAL BANK	PRESQUE ISLE	ME	140059	2222	3856	2724	0	3856	
1230845	NORTHEAST BANK OF SANFORD	SANFORD	ME	40203	1089	523	0	0	523	*
1230900	SPRINGVALE NATIONAL BANK	SPRINGVALE	ME	15428	480	64	0	0	64	*

OF 18 BANKS AFFECTED IN STATE 12 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
5 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5240020	ANNAPOLIS BANKING & TRUST CO	ANNAPOLIS	MD	66934	998	2030	548	0	2030	*
5240040	FARMERS NAT BANK OF MARYLAND	ANNAPOLIS	MD	89584	1451	3628	1849	0	3628	
5240160	FIRST NAT BK OF MARYLAND	BALTIMORE	MD	1120629	30890	34704	5214	19392	15312	
5240165	MARYLAND NATIONAL BANK	BALTIMORE	MD	2024830	36094	83567	4963	50970	32597	
5240280	UNION TRUST COMPANY OF MD	BALTIMORE	MD	826287	23125	24204	4999	10537	13667	
5240430	F&M NAT BK OF CAMBRIDGE	CAMBRIDGE	MD	17297	443	256	0	0	256	*
5240440	NATIONAL BANK OF CAMBRIDGE	CAMBRIDGE	MD	30801	318	934	39	0	934	*
5240470	CENTREVILLE NAT BANK OF MD	CENTREVILLE	MD	26287	136	1024	87	0	1024	*
5240610	FIRST NB&TC OF WESTERN MD	CUMBERLAND	MD	87093	1683	2773	986	0	2773	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5240620	LIBERTY TRUST COMPANY OF MD	CUMBERLAND	MD	78056	2988	850	0	0	850	
5240670	DENTON NATIONAL BANK	DENTON	MD	28113	298	934	2	0	934	*
5240790	FOREST HILL STATE BANK	FOREST HILL	MD	26692	356	906	0	0	906	*
5240820	FARMERS & MECHANICS NAT BANK	FREDERICK	MD	173491	4161	4104	2274	0	4104	
5240830	FREDERICK CTY NB OF FRDRICK	FREDERICK	MD	32442	364	1012	52	0	1012	*
5240880	FROSTBURG NATIONAL BANK	FROSTBURG	MD	26201	369	570	0	0	570	*
5241055	CENTRAL NATIONAL BANK OF MD	HILLANDALE	MD	39420	574	1821	491	0	1821	*
5241110	CITIZENS NATIONAL BANK	LAUREL	MD	83698	2049	3256	1494	0	3256	*
5241120	FIRST NB OF ST MARYS	LEONARDTOWN	MD	44543	1142	915	0	0	915	*
5241240	FIRST NAT BANK OF NORTH EAST	NORTH EAST	MD	19267	765	186	0	0	186	*
5241250	FIRST NAT BANK OF OAKLAND	OAKLAND	MD	74332	1068	2167	611	0	2167	
5241260	GARRETT NAT BANK IN OAKLAND	OAKLAND	MD	52429	802	1574	258	0	1574	*
5241330	EASTERN SHORE NATIONAL BANK	POCOMOKE CITY	MD	35015	635	841	0	0	841	*
5241410	NATIONAL BK OF RISING SUN	RISING SUN	MD	15287	414	259	0	0	259	*
5241427	STATE NATIONAL BANK OF MD	ROCKVILLE	MD	86054	1333	3329	2043	0	3329	
5241429	UNIVERSITY NATIONAL BANK	ROCKVILLE	MD	107336	1894	4310	2646	0	4310	
5241480	SANDY SPRING NB & SVG INST	SANDY SPRING	MD	50580	506	2033	651	0	2033	*
5241620	THURMONT BANK	THURMONT	MD	27527	524	665	0	0	665	*
5241640	CHESAPEAKE NATIONAL BANK	TOWSON	MD	36423	597	1288	0	0	1288	*
5241710	FIRST NB OF SOUTHERN MD	UPPER MARLBORO	MD	68502	1761	1631	120	0	1631	*
5241760	UNION NB OF WESTMINSTER	WESTMINSTER	MD	35852	1138	351	0	0	351	*
5241820	WASHINGTON CTY NAT SVG BK	WILLIAMSPORT	MD	16558	344	346	0	0	346	*
5241830	WOODBINE NATIONAL BANK	WOODBINE	MD	15135	158	447	0	0	447	*

OF 32 BANKS AFFECTED IN STATE 13 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
16 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1250090	FIRST NB OF AMHERST	AMHERST	MA	43729	1508	545	0	0	545	*
1250206	BARNSTABLE CTY NB OF HYANNIS	BARNSTABLE	MA	28066	500	933	0	0	933	*
1250230	BEVERLY NATIONAL BANK	BEVERLY	MA	21532	724	448	0	0	448	*
1250370	FIRST NB OF BOSTON	BOSTON	MA	3190832	49863	128830	5182	87968	40862	
1250395	HARBOR NB OF BOSTON	BOSTON	MA	52864	179	3774	2399	0	3774	*
1250487	NEW ENGLAND MRCH NAT BK	BOSTON	MA	1076146	10735	55558	5233	40813	14745	
1250535	SHAWMUT BANK OF BOSTON NA	BOSTON	MA	1209277	33755	43493	5650	30265	13228	
1250560	STATE STREET BANK AND TR CO	BOSTON	MA	1021642	10969	60968	5875	45017	15951	
1250695	PLYMOUTH HOME NAT BANK	BROCKTON	MA	137639	4917	3790	2060	0	3790	
1250698	SHAWMUT FIRST COUNTY BANK NA	BROCKTON	MA	65806	2049	2151	854	0	2151	*
1250726	BAYBANK MIDDLESEX N A	BURLINGTON	MA	385438	10974	12621	5290	6169	6452	
1250795	SHAWMUT COUNTY BANK NA	CAMBRIDGE	MA	161974	3094	7170	5197	731	6439	
1250840	BROADWAY NB OF CHELSEA	CHELSEA	MA	23936	411	1071	0	0	1071	*
1251100	NATIONAL BANK OF FAIRHAVEN	FAIRHAVEN	MA	21607	492	551	0	0	551	*
1251140	FALL RIVER NATIONAL BANK	FALL RIVER	MA	57565	1370	1746	645	0	1746	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1251160	FALL RIVER TRUST COMPANY	FALL RIVER	MA	87544	2539	1743	238	0	1743	
1251180	FALMOUTH NATIONAL BANK	FALMOUTH	MA	39965	1039	1007	38	0	1007	*
1251188	1ST SFTY FND NB OF FTCHBRG	FITCHBURG	MA	52204	2847	421	0	0	421	*
1251265	SHAWMUT COMMUNITY BANK NA	FRAMINGHAM	MA	123478	2073	5073	4160	0	5073	
1251315	CAPE ANN BANK AND TRUST CO	GLOUCESTER	MA	52411	1332	1561	372	0	1561	*
1251340	GLOUCESTER NB OF GLOUCESTER	GLOUCESTER	MA	21925	421	593	0	0	593	*
1251400	FRANKLIN COUNTY TRUST CO	GREENFIELD	MA	39358	1059	690	0	0	690	*
1251425	PIONEER NAT BANK - FRANKLIN	GREENFIELD	MA	38424	778	1146	689	0	1146	*
1251445	BAYBANK MERRIMACK VALLEY NA	HAVERHILL	MA	86884	2035	2675	2021	0	2675	*
1251470	HAVERHILL NATIONAL BANK	HAVERHILL	MA	40022	1604	820	0	0	820	*
1251560	OLD CLNY BK OF HMPDN CTY NA	HOLYOKE	MA	47346	1784	992	0	0	992	*
1251640	HUDSON NATIONAL BANK	HUDSON	MA	34669	832	1250	183	0	1250	*
1251670	CAPE COD BANK & TRUST CO	HYANNIS	MA	101975	2292	3140	2479	0	3140	*
1251710	BAY STATE NATIONAL BANK	LAWRENCE	MA	103236	2756	2595	1890	0	2595	
1251910	UNION NATIONAL BANK	LOWELL	MA	177180	7794	2533	1135	0	2533	
1251938	SECURITY NATIONAL BANK	LYNN	MA	87032	2208	2659	1421	0	2659	*
1252000	FIRST NAT BK OF MALDEN	MALDEN	MA	27083	659	681	0	0	681	*
1252060	NAT GRAND BK OF MARBLEHEAD	MARBLEHEAD	MA	22776	475	784	0	0	784	*
1252230	HOME NAT BANK OF MILFORD	MILFORD	MA	24985	737	373	0	0	373	*
1252360	SHAWMUT NEEDHAM BANK NA	NEEDHAM	MA	51620	987	1697	885	0	1697	*
1252372	BAYBANK MERCHANTS N A	NEW BEDFORD	MA	65332	3484	225	0	0	225	*
1252375	FIRST NAT BK OF NEW BEDFORD	NEW BEDFORD	MA	87192	2783	2353	917	0	2353	*
1252570	NORTHAMPTON NATIONAL BANK	NORTHAMPTON	MA	26292	1050	241	0	0	241	*
1252572	PIONEER NB-HAMPSHIRE	NORTHAMPTON	MA	15153	587	308	0	0	308	*
1252665	FIRST NAT BK OF CAPE COD	ORLEANS	MA	43871	808	1231	586	0	1231	*
1252940	NAUMKEAG TRUST COMPANY	SALEM	MA	42153	2633	38	0	0	38	*
1252963	SHAWMUT MERCHANTS BANK NA	SALEM	MA	67745	2221	1993	755	0	1993	*
1253085	HAMPSHIRE NB OF S HADLEY	SOUTH HADLEY	MA	22836	381	713	0	0	713	*
1253130	SECURITY NB OF SPRINGFIELD	SPRINGFIELD	MA	32472	785	890	0	0	890	*
1253135	SHAWMUT FIRST BANK & TR CO	SPRINGFIELD	MA	146651	7095	1867	671	0	1867	
1253180	THIRD NB OF HAMPDEN CTY	SPRINGFIELD	MA	306304	8462	8758	5341	1722	7036	
1253218	BAYBANK UNITED N A	TAUNTON	MA	78776	1568	3050	1777	0	3050	*
1253231	FIRST BRISTOL COUNTY NAT BK	TAUNTON	MA	112098	3328	2119	1333	0	2119	
1253302	MARTHAS VINEYARD NAT BANK	VINEYARD HAVEN	MA	19123	386	455	0	0	455	*
1253370	NATIONAL BANK OF WAREHAM	WAREHAM	MA	24498	1028	272	0	0	272	*
1253565	BLACKSTONE VALLEY NAT BANK	WHITINSVILLE	MA	26884	1113	272	0	0	272	*
1253720	WOBURN NATIONAL BANK	WOBURN	MA	24294	1052	214	0	0	214	*
1253780	WORCESTER COUNTY NAT BK	WORCESTER	MA	495382	19537	9693	5515	1568	8125	
1253830	OLD CLY BK OF BRNSBLE CTY NA	YARMOUTH	MA	36208	1016	599	55	0	599	*

OF 54 BANKS AFFECTED IN STATE 23 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
23 HAVE NO REQURED RESERVE BALANCE

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7260025	BANK OF LENAWEE COUNTY	ADRIAN	MI	46197	673	1211	0	0	1211	*
7260030	COMMERCIAL SAVINGS BANK	ADRIAN	MI	72292	1218	2007	843	0	2007	
7260092	AMERICAN NB IN WESTERN MI	ALLEGAN	MI	20065	240	583	0	0	583	*
7260108	CENTRAL NB OF ALMA	ALMA	MI	17829	500	229	0	0	229	*
7260160	ANN ARBOR BANK & TRUST CO	ANN ARBOR	MI	240523	4098	9257	5162	1837	7420	
7260175	HURON VALLEY NATIONAL BANK	ANN ARBOR	MI	95751	1470	3268	2056	0	3268	
7260190	NB & TRCO OF ANN ARBOR	ANN ARBOR	MI	191575	2807	7241	5035	96	7145	
7260245	FIRST NAT BK OF BAD AXE	BAD AXE	MI	25708	129	773	207	0	773	*
7260310	SECRTY NB OF BATTLE CREEK	BATTLE CREEK	MI	96022	4170	642	0	0	642	
7260320	BAY CITY BANK & TRUST CO	BAY CITY	MI	68775	1546	1529	371	0	1529	*
7260345	PEOPLES NB & TR CO OF BAY CY	BAY CITY	MI	238003	7265	4727	3057	0	4727	
7260410	F & M NB IN BENTON HARBOR	BENTON HARBOR	MI	108256	2280	3318	1300	0	3318	
9260430	BESSEMER NATIONAL BANK	BESSEMER	MI	14308	239	337	0	0	337	*
7260465	FIRST NAT BANK & TRUST	BIG RAPIDS	MI	31353	503	760	0	0	760	*
7260500	BLISSFIELD STATE BANK	BLISSFIELD	MI	15755	127	432	0	0	432	*
7260530	FARMERS SB OF BRECKENRIDGE	BRECKENRIDGE	MI	25887	198	716	140	0	716	*
7260580	BROWN CITY SAVINGS BANK	BROWN CITY	MI	12915	165	276	0	0	276	*
7260605	MICHIGAN NATIONALBANK-MID MI	BURTON	MI	38870	578	819	225	0	819	*
7260610	BYRON CENTER STATE BANK	BYRON CENTER	MI	27459	355	734	0	0	734	*
7260630	STATE BK OF CALEDONIA	CALEDONIA	MI	19404	161	536	6	0	536	*
9260635	1ST NB CALUMET-LK LINDEN	CALUMET	MI	12889	426	48	0	0	48	*
9260640	MERCHANTS AND MINERS BANK	CALUMET	MI	31425	334	911	70	0	911	*
7260660	CAPAC STATE SAVINGS BANK	CAPAC	MI	30693	203	844	214	0	844	*
7260750	FIRST NB OF CASSOPOLIS	CASSOPOLIS	MI	19067	305	451	0	0	451	*
7260755	MICHIGAN NB-MICHIANA	CASSOPOLIS	MI	74122	877	2482	1399	0	2482	
7260820	CHEBOYGAN BANK	CHEBOYGAN	MI	33232	506	809	0	0	809	*
7260830	CITIZENS NB OF CHEBOYGAN	CHEBOYGAN	MI	49988	664	1394	117	0	1394	*
7260840	CHELSEA STATE BANK	CHELSEA	MI	33105	243	1077	115	0	1077	*
7260860	CITIZENS BANK & TRUST CO	CLARE	MI	56424	603	1871	337	0	1871	*
7260930	SOUTHERN MI NB OF COLDWATER	COLDWATER	MI	65957	1073	1671	668	0	1671	
7261010	STATE BK OF CROSWELL	CROSWELL	MI	29984	379	845	11	0	845	*
9261030	FIRST NB BK OF CRYSTAL FALLS	CRYSTAL FALLS	MI	15455	267	336	0	0	336	*
7261045	DEARBORN BANK AND TRUST CO	DEARBORN	MI	119347	4237	1386	0	0	1386	
7261047	MICHIGAN NATIONAL BANK	DEARBORN	MI	63343	1671	1086	0	0	1086	*
7261103	BANK OF THE COMMONWEALTH	DETROIT	MI	852647	19899	24171	5433	16163	8008	
7261105	CITY NAT BK OF DETROIT	DETROIT	MI	783605	12507	30311	5299	19978	10333	
7261120	DETROIT BANK AND TRUST CO	DETROIT	MI	2987657	34488	130561	5382	105352	25209	
7261125	FIRST INDEPENDENCE NAT BANK	DETROIT	MI	34923	522	1441	233	0	1441	*
7261160	MANUFACTURERS NATIONAL BANK	DETROIT	MI	2688787	45208	116341	5163	78209	38132	
7261170	MICHIGAN NAT BANK OF DETROIT	DETROIT	MI	1163489	34403	19168	5228	9078	10090	
7261130	NATIONAL BANK OF DETROIT	DETROIT	MI	5150344	82507	216392	5070	134587	81805	
7261240	MONROE COUNTY BANK	DUNDEE	MI	19141	277	436	0	0	436	*
7261285	FIRST NB OF EAST LANSING	EAST LANSING	MI	20718	471	450	0	0	450	*
7261290	PEOPLES SB OF EAST TAWAS	EAST TAWAS	MI	31836	462	848	0	0	848	*
9261390	FIRST NATIONAL BANK & TR CO	ESCANABA	MI	56679	881	1142	384	0	1142	*
7261437	METROPOLITAN NATIONAL BANK	FARMINGTON HILLS	MI	25442	158	1041	0	0	1041	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7261452	FIRST NB OF FENTON	FENTON	MI	32902	1001	176	0	0	176	*
7261480	CITIZENS CMMRCL & SVGS BK	FLINT	MI	787748	25418	10052	5035	850	9202	
7261490	GENESEE MERCHANTS BK & TR CO	FLINT	MI	630705	15781	11184	4974	2560	8624	
7261600	FREMONT BANK & TRUST CO	FREMONT	MI	21541	325	593	0	0	593	*
7261610	OLD SB OF FREMONT	FREMONT	MI	23114	245	642	20	0	642	*
7261630	GAYLORD STATE BANK	GAYLORD	MI	47687	676	1353	173	0	1353	*
9261640	FIRST NB IN GLANDSTONE	GLADSTONE	MI	13056	250	211	0	0	211	*
7261690	PEOPLES BANK AND TRUST CO	GRAND HAVEN	MI	72373	914	1939	842	0	1939	
7261715	FIRST NB OF GRAND RAPIDS	GRAND RAPIDS	MI	15105	228	387	0	0	387	*
7261730	MICHIGAN NATIONAL BK-CENTRAL	GRAND RAPIDS	MI	83684	1203	2660	1429	0	2660	
7261740	OLD KENT BANK AND TRUST CO	GRAND RAPIDS	MI	976426	15374	32868	5161	22011	10857	
7261760	UNION BK & TR CO NA	GRAND RAPIDS	MI	421563	6920	15513	5458	8289	7224	
7261765	GRAND VALLEY NATIONAL BANK	GRANDVILLE	MI	35513	342	1086	102	0	1086	*
7261800	GRAYLING STATE BANK	GRAYLING	MI	23251	344	663	0	0	663	*
7261810	COMMERCIAL STATE SAVINGS BK	GREENVILLE	MI	26005	371	714	0	0	714	*
7261870	LIBERTY STATE BANK & TRUST	HAMTRAMCK	MI	132151	1694	4456	2735	0	4456	
9261890	SUPERIOR NAT BK & TR CO	HANCOCK	MI	38262	523	1215	0	0	1215	*
7261900	HURON COUNTY BANK	HARBOR BEACH	MI	15951	192	400	0	0	400	*
7261920	HARBOR SPRINGS STATE BANK	HARBOR SPRINGS	MI	14572	226	368	0	0	368	*
7261970	NATIONAL BK OF HASTINGS	HASTINGS	MI	16222	267	343	0	0	343	*
7262010	HILLSDALE COUNTY NAT BANK	HILLSDALE	MI	50142	647	1392	30	0	1392	*
7262020	HILLSDALE STATE SAVINGS BK	HILLSDALE	MI	48400	593	1307	272	0	1307	*
7262030	FIRST NB&TC OF HOLLAND	HOLLAND	MI	61108	523	2077	1030	0	2077	*
7262040	PEOPLES BANK OF HOLLAND	HOLLAND	MI	83549	994	2840	1561	0	2840	
9262100	HOUGHTON NATIONAL BANK	HOUGHTON	MI	32248	431	1064	0	0	1064	*
7262120	FIRST NAT BK IN HOWELL	HOWELL	MI	37104	533	1228	25	0	1228	*
7262190	IONIA CTY NAT BK OF IONIA	IONIA	MI	36603	1059	328	0	0	328	*
9262210	COMMERCIAL NAT BK & TR CO	IRON MOUNTAIN	MI	38940	441	1209	38	0	1209	*
9262220	FIRST NB OF IRON MOUNTAIN	IRON MOUNTAIN	MI	42273	722	1047	0	0	1047	*
9262230	IRON RIVER NATIONAL BANK	IRON RIVER	MI	15298	369	231	0	0	231	*
9262248	FIRST NB OF IRONWOOD	IRONWOOD	MI	29619	422	637	0	0	637	*
9262250	GOGEBIC NATIONAL BANK	IRONWOOD	MI	27086	423	622	0	0	622	*
9262270	MINERS FIRST NAT BK & TR CO	ISHPEMING	MI	39941	882	700	0	0	700	*
9262280	PENINSULA BANK	ISHPEMING	MI	21348	321	476	0	0	476	*
7262290	COMMERCIAL NATIONAL BANK	ITHACA	MI	36751	295	1253	170	0	1253	*
7262300	CITY BANK AND TRUST CO NA	JACKSON	MI	228517	7139	4420	2599	0	4420	
7262310	NATIONAL BK OF JACKSON	JACKSON	MI	188322	6217	3886	983	0	3886	
7262330	AMERICAN NB & TR CO OF MI	KALAMAZOO	MI	201276	3662	7244	5238	88	7156	
7262340	FIRST NAT BK & TR CO OF MI	KALAMAZOO	MI	399226	8928	11522	5183	3924	7598	
7262365	MICHIGAN NATIONAL BANK-WEST	KALAMAZOO	MI	37334	516	1076	139	0	1076	*
7262390	KENT CITY STATE BANK	KENT CITY	MI	13839	180	332	0	0	332	*
7262410	KINGSTON STATE BANK	KINGSTON	MI	17467	211	416	0	0	416	*
7262430	FIRST NAT BK OF LAKE CITY	LAKE CITY	MI	38353	472	1025	122	0	1025	*
9262480	COMMERCIAL NATIONAL BANK	L'ANSE	MI	18908	130	636	0	0	636	*
7262490	AMERICAN BANK AND TRUST CO	LANSING	MI	281859	6820	7456	5079	37	7419	
7262500	BANK OF LANSING	LANSING	MI	179497	3056	5836	4444	0	5836	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7262520	MICHIGAN NATIONAL BANK	LANSING	MI	1475532	14508	51718	5078	39522	12196	
7262530	FIRST NAT BK OF LAPEER	LAPEER	MI	69283	1048	1923	391	0	1923	
7262540	LAPEER COUNTY BANK & TRUST	LAPEER	MI	58787	1063	1366	89	0	1366	*
7262570	PEOPLES BK OF LESLIE	LESLIE	MI	14971	362	277	0	0	277	*
7262602	DETROIT BANK-LIVONIA	LIVONIA	MI	15201	418	78	0	0	78	*
7262603	MANUFACTURERS BK OF LIVONIA	LIVONIA	MI	16653	657	85	0	0	85	*
7262605	MICHIGAN NAT BANK-WEST METRO	LIVONIA	MI	169095	3071	5238	3269	0	5238	
7262610	STATE SAVINGS BANK	LOWELL	MI	24447	413	554	0	0	554	*
7262615	FIRST NAT BANK OF LUDINGTON	LUDINGTON	MI	30646	333	926	193	0	926	*
7262645	MADISON NATIONAL BANK	MADISON HEIGHTS	MI	24662	567	486	0	0	486	*
7262670	UNION SAVINGS BANK	MANCHESTER	MI	19001	144	467	0	0	467	*
7262680	MANISTEE BANK & TRUST CO	MANISTEE	MI	50403	828	1016	0	0	1016	*
7262685	SECURITY NB OF MANISTEE	MANISTEE	MI	44899	685	997	0	0	997	*
9262690	FIRST NB AT MANISTIQUE	MANISTIQUE	MI	22492	338	564	0	0	564	*
9262700	STATE SVGS BK OF MANISTIQUE	MANISTIQUE	MI	18383	279	397	0	0	397	*
9262750	FIRST NAT BK & TR CO	MARQUETTE	MI	105074	2089	2083	945	0	2083	
9262760	UNION NB&TC OF MARQUETTE	MARQUETTE	MI	41318	939	694	0	0	694	*
7262770	DART NB OF MASON	MASON	MI	34273	396	999	0	0	999	*
9262820	CMRC BANK OF MENOMINEE	MENOMINEE	MI	19089	315	369	0	0	369	*
9262830	1ST NB & TR CO OF MENOMINEE	MENOMIEE	MI	34302	687	723	0	0	723	*
7262870	CHEMICAL BANK AND TRUST CO	MIDLAND	MI	180384	4144	4412	2333	0	4412	
7262930	FIRST NAT BK OF MONROE	MONROE	MI	101126	1173	2953	1848	0	2953	
7263000	FIRST NB IN MT CLEMENS	MOUNT CLEMENS	MI	160705	2632	4081	2729	0	4081	
7263020	AMERICAN SECURITY BANK	MT PLEASANT	MI	38388	819	931	0	0	931	*
7263030	ISABELLA BANK AND TRUST	MOUNT PLEASANT	MI	51180	877	1365	0	0	1365	*
7263070	HACKLEY UN NB&TC OF MUSKEGON	MUSKEGON	MI	182048	4276	4219	3228	0	4219	
7263100	NAT LUMBERMANS BK & TR CO	MUSKEGON	MI	136014	1819	4421	3022	172	4249	
9263110	FIRST NAT BK OF NEGAUNEE	NEGAUNEE	MI	34168	672	649	0	0	649	*
7263130	CITIZENS STATE SAVINGS BANK	NEW BALTIMORE	MI	19285	496	216	0	0	216	*
7263190	FIRST NB OF SW MICHIGAN	NILES	MI	145718	2654	4277	2058	0	4277	
9263220	FIRST NAT BK OF NORWAY	NORWAY	MI	16603	226	380	0	0	380	*
7263222	MICHIGAN NB-WEST OAKLAND	NOVI	MI	33823	1200	193	0	0	193	*
9263250	CITIZENS ST BK OF ONTONAGON	ONTONAGON	MI	14328	186	369	0	0	369	*
7263380	FIRST NATIONAL BK AND TR CO	PETOSKEY	MI	66292	592	2148	893	0	2148	
7263390	STATE BK & TR CO OF PETOSKEY	PETOSKEY	MI	53558	494	1650	464	0	1650	*
7263410	THUMB NAT BANK & TRUST CO	PIGEON	MI	26277	110	943	166	0	943	*
7263450	FIRST NAT BANK OF PLYMOUTH	PLYMOUTH	MI	27789	380	1280	23	0	1280	*
7263470	COMMUNITY NB OF PONTIAC	PONTIAC	MI	401242	13731	5437	3277	0	5437	
7263495	AMERICAN NAT BK IN PORTAGE	PORTAGE	MI	21696	505	473	0	0	473	*
7263550	FIRST NAT BK OF S CENTRAL MI	QUINCY	MI	48280	889	1023	81	0	1023	*
7263610	MACOMB COUNTY BANK	RICHMOND	MI	14397	220	320	0	0	320	*
7263620	NAT BK OF RICHMOND	RICHMOND	MI	47393	690	1047	207	0	1047	*
7263640	RIVER ROUGE SAVINGS BANK	RIVER ROUGE	MI	16952	1178	0	0	0	0	*
7263645	NATIONAL BANK OF ROCHESTER	ROCHESTER	MI	35804	556	1405	86	0	1405	*
7263700	ROSCOMMON STATE BANK	ROSCOMMON	MI	74583	828	2279	812	0	2279	
7263718	NATIONAL BANK OF ROYAL OAK	ROYAL OAK	MI	36549	546	1083	0	0	1083	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7263749	MICHIGAN NATIONAL BK-VALLEY	SAGINAW	MI	76416	1553	1483	415	0	1483	
7263750	SECOND NB OF SAGINAW	SAGINAW	MI	336824	11300	4780	1511	0	4780	
7263775	ST CLAIR SHORES NAT BANK	ST CLAIR SHORES	MI	39651	1480	397	0	0	397	*
9263780	FIRST NAT BK OF ST IGNACE	ST IGNACE	MI	25887	428	706	0	0	706	*
7263785	CENTRAL NB OF ST JOHNS	ST JOHNS	MI	37691	464	944	116	0	944	*
7263790	CLINTON NB AND TR,ST JOHN	ST JOHNS	MI	75835	1065	1995	820	0	1995	
9263870	CENTRAL SAVINGS BANK	SAULT STE MARIE	MI	24934	300	715	0	0	715	*
9263980	1ST NB OF SAULT STE MARIE	SAULT STE MARIE	MI	25916	524	513	0	0	513	*
7263920	F & M STATE BK OF SEBEWAING	SEBEWAING	MI	24980	291	699	0	0	699	*
7263956	NAT BK OF SOUTHFIELD	SOUTHFIELD	MI	90065	968	3586	2345	0	3586	
7263957	DETROIT BANK-SOUTHFIELD	SOUTHFIELD	MI	20812	403	502	0	0	502	*
7263958	MICHIGAN NATIONAL BK-OAKLAND	SOUTHFIELD	MI	239750	2597	9826	5195	2723	7103	
7263959	SECURITY BANK AND TRUST CO	SOUTHGATE	MI	505406	15397	8719	5471	2561	6158	
7263960	CITIZENS TR AND SVGS BK	SOUTH HAVEN	MI	76531	1207	1909	529	0	1909	
7263961	AMERICAN NB-WEST	SOUTH HAVEN	MI	16209	189	455	0	0	455	*
7264000	SPARTA STATE BANK	SPARTA	MI	31004	522	732	0	0	732	*
7264090	CITIZENS STATE BANK	STURGIS	MI	53113	651	1552	285	0	1552	*
7264095	FIRST NAT BK AND TR CO	STURGIS	MI	36039	533	904	0	0	904	*
7264115	NATIONAL BK WYANDOTTE-TAYLOR	TAYLOR	MI	70251	857	2005	883	0	2005	
7264150	FIRST NB OF THREE RIVERS	THREE RIVERS	MI	33462	825	583	0	0	583	*
7264157	EMPIRE NB OF TRAVERSE CITY	TRAVERSE CITY	MI	86690	1238	2322	1128	0	2322	
7264159	MICHIGAN NB - GRAND TRAVERSE	TRAVERSE CITY	MI	20792	225	617	50	0	617	*
7264160	NB AND TR CO OF TRAVERSE CY	TRAVERSE CITY	MI	78093	755	2594	1345	0	2594	
7264190	PEOPLES BANK AND TRUST NA	TRENTON	MI	141211	2749	3600	2577	0	3600	
7264202	DETROIT BANK-TROY	TROY	MI	20421	405	504	0	0	504	*
7264203	MICHIGAN NAT BK-NORTH METRO	TROY	MI	171402	1909	6983	4961	0	6983	
7264281	DETROIT BANK-WARREN NA	WARREN	MI	73378	905	2456	1474	0	2456	
7264282	MICHIGAN NAT BK OF MACOMB	WARREN	MI	54842	751	1652	289	0	1652	*
7264285	WARREN BANK	WARREN	MI	110696	3442	1215	0	0	1215	
7264290	FIRST NB OF WATERVLIET	WATERVLIET	MI	23473	525	396	0	0	396	*
7264305	WAYNE BANK	WAYNE	MI	40654	751	907	0	0	907	*
7264350	STATE SVGS BK OF W BRANCH	WEST BRANCH	MI	34263	473	1033	0	0	1033	*
7264390	PEOPLES STATE BANK	WILLIAMSTON	MI	22967	225	732	0	0	732	*
7264420	WYANDOTTE SAVINGS BANK	WYANDOTTE	MI	205168	4650	3664	1196	0	3664	
7264425	MICHIGAN NAT BANK-WYOMING	WYOMING	MI	35774	678	779	0	0	779	*
7264440	NAT BK OF YPSILANTI	YPSILANTI	MI	43415	482	1595	287	0	1595	*
7264450	YPSILANTI SAVINGS BANK	YPSILANTI	MI	68292	1363	1829	765	0	1829	*

OF 175 BANKS AFFECTED IN STATE 82 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
74 HAVE NO REQURED RESERVE BALANCE

9270010	ADA NATIONAL BANK	ADA	MN	16549	91	585	0	0	585	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9270045	FIRST NAT BK OF AITKIN	AITKIN	MN	18839	178	538	0	0	538	*
9270080	STEARNS-CTY NATIONAL BANK	ALBANY	MN	26301	137	862	128	0	862	*
9270090	FIRST NWSTRN NAT BANK	ALBERT LEA	MN	39028	584	953	0	0	953	*
9270100	FREEBORN NB OF ALBERT LEA	ALBERT LEA	MN	32126	363	978	17	0	978	*
9270130	FIRST NB IN ALEXANDRIA	ALEXANDRIA	MN	38441	316	1172	106	0	1172	*
9270190	FIRST NATL BANK IN ANOKA	ANOKA	MN	54231	763	1890	481	0	1890	*
9270200	STATE BANK OF ANOKA	ANOKA	MN	25248	245	908	0	0	908	*
9270310	FIRST NAT BK OF AUSTIN	AUSTIN	MN	68217	863	2342	972	0	2342	*
9270314	NORTHWESTERN ST BK OF AUSTIN	AUSTIN	MN	33846	609	745	0	0	745	*
9270370	FIRST NB OF BARNESVILLE	BARNESVILLE	MN	13610	58	472	0	0	472	*
9270410	FIRST NB OF BAUDETTE	BAUDETTE	MN	14435	108	506	0	0	506	*
9270490	FIRST NB OF BEMIDJI	BEMIDJI	MN	44652	395	1659	329	0	1659	*
9270500	NORTHERN NB OF BEMIDJI	BEMIDJI	MN	25202	411	711	0	0	711	*
9270598	FIRST NORTHTOWN NAT BK	BLAINE	MN	16916	432	285	0	0	285	*
9270620	FIRST NB OF BLOOMING PRAIRIE	BLOOMING PRAIRIE	MN	14117	80	397	0	0	397	*
9270625	NORTHWESTERN NAT BANK SW	BLOOMINGTON	MN	127787	1249	5768	3959	0	5768	
9270627	SUMMIT ST BK OF BLOMMINGTON	BLOOMINGTON	MN	19548	128	758	0	0	758	*
9270640	FIRST NATIONAL BANK	BLUE EARTH	MN	19234	109	628	58	0	628	*
9270700	FIRST NB OF BRAINERD	BRAINERD	MN	38934	339	1214	236	0	1214	*
9270730	FIRST NB OF BRECKENRIDGE	BRECKENRIDGE	MN	15203	102	515	0	0	515	*
9270820	BUFFALO NATIONAL BANK	BUFFALO	MN	25096	223	754	93	0	754	*
9270830	OAKLEY NATL BANK OF BUFFALO	BUFFALO	MN	23759	112	774	157	0	774	*
9270900	SPRAGUE NATIONAL BANK	CALEDONIA	MN	16694	147	465	0	0	465	*
9270950	FIRST NB IN CANNON FALLS	CANNON FALLS	MN	14239	151	404	0	0	404	*
9271070	FIRST NAT BK OF CHASKA	CHASKA	MN	22221	278	529	0	0	529	*
9271080	ROOT RIVER STATE BANK	CHATFIELD	MN	15199	104	482	0	0	482	*
9271100	FIRST NB OF CHISHOLM	CHISHOLM	MN	19415	413	345	0	0	345	*
9271205	CITY NATIONAL BANK	CLOQUET	MN	19536	360	356	0	0	356	*
9271210	FIRST NAT BK OF CLOQUET	CLOQUET	MN	34688	796	602	0	0	602	*
9271240	FIRST NB OF COLD SPRINGS	COLD SPRING	MN	14659	90	498	0	0	498	*
9271360	FIRST NAT BK OF CROOKSTON	CROOKSTON	MN	32593	222	1228	75	0	1228	*
9271380	FIRST NAT BK OF CROSBY	CROSBY	MN	17787	157	608	0	0	608	*
9271500	FIRST NB BK OF DEERWOOD	DEERWOOD	MN	19726	148	611	16	0	611	*
9271550	FIRST NB OF DETROIT LAKES	DETROIT LAKES	MN	33406	559	859	0	0	859	*
9271640	DULUTH NATIONAL BANK	DULUTH	MN	38525	899	607	0	0	607	*
9271650	FIRST NATIONAL BK OF DULUTH	DULUTH	MN	181039	1496	7258	4763	610	6648	
9271670	NORTHERN CITY NATIONAL BANK	DULUTH	MN	132692	1736	5536	3840	0	5536	
9271675	NORTHWESTERN BK OF COMMERCE	DULUTH	MN	41089	777	1019	0	0	1019	*
9271710	WESTERN NB OF DULUTH	DULUTH	MN	19228	687	81	0	0	81	*
9271735	MID AMERICA NB OF EAGAN	EAGAN	MN	24647	278	876	0	0	876	*
9271750	FIRST NB OF E GRND FORKS	EAST GRAND FORKS	MN	24715	300	752	0	0	752	*
9271795	FIRST EDINA NATIONAL BANK	EDINA	MN	93138	960	3714	2221	0	3714	
9271798	FIRST SOUTHDALE NAT BK	EDINA	MN	87538	782	3299	2052	0	3299	
9271850	FIRST NAT BK OF ELK RIVER	ELK RIVER	MN	21401	250	680	0	0	680	*
9271920	FIRST NWSTRN NAT BK OF ELY	ELY	MN	26472	329	701	38	0	701	*
9271980	FIRST NWSTRN NB OF EVELETH	EVELETH	MN	17590	290	324	0	0	324	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9272040	FAIRMONT NATIONAL BANK	FAIRMONT	MN	24941	161	842	53	0	842	*
9272050	FIRST NAT BK OF FAIRMOUNT	FAIRMONT	MN	35653	271	1131	106	0	1131	*
9272060	MARTIN CTY NB OF FAIRMONT	FAIRMONT	MN	26113	116	972	56	0	972	*
9272070	FIRST NW NAT BK OF FARIBAULT	FARIBAULT	MN	55896	417	1844	452	0	1844	*
9272110	FIRST NB OF FERGUS FALLS	FERGUS FALLS	MN	32295	317	1012	153	0	1012	*
9272112	NW NAT BK OF FERGUS FALLS	FERGUS FALLS	MN	54348	522	1502	373	0	1502	*
9272310	FIRST NAT BK OF GLENCOE	GLENCOE	MN	19829	208	512	0	0	512	*
9272420	FIRST NWN NB OF GRAND RAPIDS	GRAND RAPIDS	MN	47333	793	1173	0	0	1173	*
9272430	GRAND RAPIDS STATE BANK	GRAND RAPIDS	MN	36652	304	1341	215	0	1341	*
9272650	FIRST NAT BK OF HASTINGS	HASTINGS	MN	24365	204	753	107	0	753	*
9272660	NW NAT BK OF HASTINGS	HASTINGS	MN	39612	779	846	0	0	846	*
9272780	FIRST NAT BK OF HIBBING	HIBBING	MN	48706	833	1144	129	0	1144	*
9272880	FIRST NAT BK OF HOPKINS	HOPKINS	MN	81835	563	3153	2012	0	3153	
9272890	NWN NAT BK OF HOPKINS	HOPKINS	MN	74203	668	2819	1421	0	2819	
9272960	FIRST NB OF HUTCHISON	HUTCHINSON	MN	20894	241	543	0	0	543	*
9272970	FIRST NB OF INTERNATL FALLS	INTERNATL FALLS	MN	22629	345	529	0	0	529	*
9273020	FIRST NATL BANK IN JACKSON	JACKSON	MN	24152	153	965	5	0	965	*
9273280	LAKE CRYSTAL NATIONAL BANK	LAKE CRYSTAL	MN	18633	144	605	0	0	605	*
9273310	FIRST NAT BK IN LAKEFIELD	LAKEFIELD	MN	15141	46	533	0	0	533	*
9273440	VALLEY NAT BK OF LE SUEUR	LE SUEUR	MN	15341	145	465	0	0	465	*
9273490	NW NAT BANK OF LITCHFIELD	LITCHFIELD	MN	27936	128	913	191	0	913	*
9273510	AMERICAN NB IN LITTLE FALLS	LITTLE FALLS	MN	28710	622	555	0	0	555	*
9273520	FIRST NAT BK OF LITTLE FALLS	LITTLE FALLS	MN	16648	208	542	0	0	542	*
9273560	FIRST NB OF LONG PRAIRIE	LONG PRAIRIE	MN	30844	247	941	67	0	941	*
9273620	FIRST NAT BK OF LUVERNE	LUVERNE	MN	23796	108	833	143	0	833	*
9273650	FIRST NAT BK OF MABEL	MABEL	MN	14993	77	483	0	0	483	*
9273690	FARMERS ST BK OF MADELIA	MADELIA	MN	13553	84	391	0	0	391	*
9273700	KLEIN NAT BANK OF MADISON	MADISON	MN	18599	60	621	47	0	621	*
9273760	FIRST NAT BK OF MANKATO	MANKATO	MN	60603	608	1909	564	0	1909	*
9273770	NAT BK OF CMRC IN MANKATO	MANKATO	MN	35031	193	1173	161	0	1173	*
9273780	NW NAT BK OF MANKATO	MANKATO	MN	72277	766	2721	941	0	2721	*
9273840	FIRST NW NB OF MARSHALL	MARSHALL	MN	64148	166	2525	1101	0	2525	*
9273930	FIRST NAT BK OF MILACA	MILACA	MN	19418	136	722	0	0	722	*
9273955	BK OF MINNEAPOLIS & TR CO	MINNEAPOLIS	MN	25538	232	912	0	0	912	*
9273980	CTRL NW NB OF MINNEAPOLIS	MINNEAPOLIS	MN	96323	771	3476	2109	4	3472	
9274005	FIDELITY BK & TR CO	MINNEAPOLIS	MN	79707	521	3370	1945	0	3370	
9274020	FIFTH NW NB OF MINNEAPOLIS	MINNEAPOLIS	MN	64628	624	2750	1221	0	2750	*
9274025	1ST BLMNGTN LK NB MINNEAPOLIS	MINNEAPOLIS	MN	63130	545	2098	636	0	2098	*
9274036	1ST MINEHAH NB MINNEAPOLIS	MINNEAPOLIS	MN	84529	591	3043	1598	0	3043	
9274037	1ST NB OF MINNEAPOLIS	MINNEAPOLIS	MN	1338640	10703	62728	5334	45138	17590	
9274040	FOURTH NORTHWESTERN NATL BK	MINNEAPOLIS	MN	43213	412	1911	582	0	1911	*
9274060	MARQUETTE NB OF MINNEAPOLIS	MINNEAPOLIS	MN	205527	4471	5776	3808	0	5776	
9274062	MARQUETTE NAT BK AT UNIV	MINNEAPOLIS	MN	17958	218	698	0	0	698	*
9274070	MDLAND NB OF MINNEAPOLIS	MINNEAPOLIS	MN	150468	1945	6784	4863	0	6784	
9274073	NATIONAL CITY BANK	MINNEAPOLIS	MN	160929	936	8012	4960	1544	6468	
9274095	NORTHWESTERN NATIONAL BANK	MINNEAPOLIS	MN	1374333	13261	68354	5021	45315	23039	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9274105	SECOND NW NB OF MINNEAPOLS	MINNEAPOLIS	MN	36482	231	1598	338	0	1598	*
9274110	THIRD NW NB OF MINNEAPOLS	MINNEAPOLIS	MN	48099	419	1679	493	0	1679	*
9274155	1ST NB IN MONTEVIDEO	MONTEVIDEO	MN	40961	414	1127	129	0	1127	*
9274185	FIRST NATIONAL BANK	MONTGOMERY	MN	14911	120	380	0	0	380	*
9274210	FIRST NB IN MOORHEAD	MOORHEAD	MN	78032	320	3136	1386	0	3136	
9274235	PEOPLES NATIONAL BANK	MORA	MN	23688	140	714	56	0	714	*
9274420	FIDELITY ST BK OF NEW PRAGUE	NEW PRAGUE	MN	13736	64	466	0	0	466	*
9274510	FIRST NATL BK OF NORTHFIELD	NORTHFIELD	MN	18719	89	682	24	0	682	*
9274520	NORTHFIELD NATIONAL BANK	NORTHFIELD	MN	16798	156	478	0	0	478	*
9274530	NORTHWESTERN STATE BANK	NORTHFIELD	MN	21127	167	646	4	0	646	*
9274535	VALLEY NATIONAL BANK	NORTH MANKATO	MN	21438	184	667	0	0	667	*
9274665	TRI CTY ST BK OF ORTONVILLE	ORTONVILLE	MN	12788	93	355	0	0	355	*
9274670	FIRST NAT BK OF OSAKIS	OSAKIS	MN	12750	74	400	0	0	400	*
9274710	FIRST NAT BK OF OWATONNA	OWATONNA	MN	30556	201	1083	251	0	1083	*
9274713	NORTHWESTERN NB OF OWATONNA	OWATONNA	MN	55240	433	2168	737	0	2168	*
9274740	CITIZENS NB OF PARK RAPIDS	PARK RAPIDS	MN	18674	357	472	0	0	472	*
9274830	FIRST NAT BK OF PINE CITY	PINE CITY	MN	20909	127	752	8	0	752	*
9274860	FIRST NB OF PIPESTONE	PIPESTONE	MN	29079	202	1032	0	0	1032	*
9274870	PIPESTONE NATIONAL BANK	PIPESTONE	MN	14627	76	513	0	0	513	*
9274880	FIRST NB OF PLAINVIEW	PLAINVIEW	MN	20785	89	698	32	0	698	*
9274890	PEOPLES STATE BANK	PLAINVIEW	MN	14359	100	428	0	0	428	*
9275000	FIRST NW NB OF RED WING	RED WING	MN	30904	261	1002	80	0	1002	*
9275010	GOODHUE CTY NB OF RED WING	RED WING	MN	42926	398	1301	263	0	1301	*
9275020	FIRST NORTHWESTERN NAT BK	REDWOOD FALLS	MN	36672	214	1115	185	0	1115	*
9275068	SUMMIT ST BK OF RICHFIELD	RICHFIELD	MN	24345	453	789	0	0	789	*
9275090	FIRST NB OF ROCHESTER	ROCHESTER	MN	102134	1456	3268	1601	0	3268	
9275095	NW NB OF ROCHESTER	ROCHESTER	MN	117534	1813	3067	1485	0	3067	
9275300	FIRST NB IN ST CHARLES	ST CHARLES	MN	18787	113	519	3	0	519	*
9275320	FIRST AMER NB OF ST CLOUD	ST CLOUD	MN	88405	1079	2554	1285	0	2554	
9275340	ST CLOUD NAT BK & TR CO	ST CLOUD	MN	42461	517	1223	118	0	1223	*
9275350	ZAPP NATIONAL BANK	ST CLOUD	MN	55887	813	1440	174	0	1440	*
9275370	FIRST NB AT ST JAMES	ST JAMES	MN	16055	218	315	0	0	315	*
9275394	SHELARD NATIONAL BANK	ST LOUIS PARK	MN	16140	284	442	0	0	442	*
9275396	PARK NATIONAL PARK	ST LOUIS PARK	MN	24053	304	829	0	0	829	*
9275410	AMERICAN NAT BAK & TR CO	ST PAUL	MN	219510	4012	6828	4384	0	6828	
9275480	FIRST NB OF ST PAUL	ST PAUL	MN	1259522	7389	57356	5231	43361	13995	
9275520	LIBERTY STATE BANK	ST PAUL	MN	32534	277	1180	13	0	1180	*
9275530	MIDWAY NB OF ST PAUL	ST PAUL	MN	107984	1443	4111	2415	0	4111	
9275545	NW NAT BK OF ST PAUL	ST PAUL	MN	219883	1562	8624	4936	1332	7292	
9275575	SUMMIT NATIONAL BANK	ST PAUL	MN	18715	372	413	0	0	413	*
9275590	FIRST NB OF ST PETER	ST PETER	MN	29729	187	918	197	0	918	*
9275655	FIRST NATIONAL BANK	SAUK CENTRE	MN	19258	110	569	22	0	569	*
9275700	FIRST NB OF SHAKOPEE	SHAKOPEE	MN	27668	374	1006	0	0	1006	*
9275783	NW NB OF S ST PAUL	SOUTH ST PAUL	MN	64239	389	2142	1090	0	2142	*
9275940	FIRST NATIONAL BANK	STILLWATER	MN	46126	306	1541	616	0	1541	*
9276090	1ST NWSTRN NB OF TWO HARBORS	TWO HARBORS	MN	18468	152	531	0	0	531	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9276200	FIRST NB OF VIRGINIA	VIRGINIA	MN	57475	652	1579	475	0	1579	*
9276210	NW STATE BK OF VIRGINIA	VIRGINIA	MN	62601	1097	1284	343	0	1284	
9276240	FIRST NB BK OF WACONIA	WACONIA	MN	23128	187	793	0	0	793	*
9276250	FIRST NB OF WADENA	WADENA	MN	16521	161	512	0	0	512	*
9276260	WADENA STATE BANK	WADENA	MN	18022	163	630	0	0	630	*
9276262	PLAZA PARK STATE BANK	WAITE PARK	MN	19204	539	256	0	0	256	*
9276270	FIRST NB OF WALKER	WALKER	MN	20189	110	801	0	0	801	*
9276350	FIRST NAT BK OF WASECA	WASECA	MN	30432	288	950	4	0	950	*
9276565	CITIZENS NB OF WILLMAR	WILLMAR	MN	20379	317	397	0	0	397	*
9276570	FIRST NB OF WILLMAR	WILLMAR	MN	38177	422	1081	186	0	1081	*
9276590	FIRST NB OF WINDOM	WINDOM	MN	22698	104	803	62	0	803	*
9276630	FIRST NORTHWESTERN NAT BANK	WINONA	MN	68217	935	1736	434	0	1736	
9276640	MERCHANTS NB OF WINONA	WINONA	MN	85267	585	2914	1714	0	2914	
9276650	WINONA NAT & SAVINGS BK	WINONA	MN	50887	514	1460	596	0	1460	*
9276685	FIRST NB IN WORTHINGTON	WORTHINGTON	MN	47265	591	1286	0	0	1286	*

OF 154 BANKS AFFECTED IN STATE 68 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
79 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6280165	METROPOLITAN NATIONAL BANK	BILOXI	MS	16614	332	340	0	0	340	*
8280325	FIRST NAT BK OF CLARKSDALE	CLARKSDALE	MS	34062	763	640	0	0	640	*
8280390	FIRST COLUMBUS NATIONAL BANK	COLUMBUS	MS	72200	1137	2806	872	0	2806	*
8280400	MERCHANTS AND FARMERS BANK	COLUMBUS	MS	41947	1333	899	0	0	899	*
8280425	NAT BK OF CMRC OF CORINTH	CORINTH	MS	35343	545	1299	217	0	1299	*
6280590	BANK OF FOREST	FOREST	MS	22227	300	752	0	0	752	*
8280650	FIRST NAT BK OF GREENVILLE	GREENVILLE	MS	53142	1148	1363	241	0	1363	*
6280720	GULF NATIONAL BANK	GULFPORT	MS	48979	1777	683	0	0	683	*
6280740	CITIZENS BK OF HATTIESBURG	HATTIESBURG	MS	46983	1675	784	0	0	784	*
6280750	FIRST MISSISSIPPI NAT BK	HATTIESBURG	MS	259227	6708	9967	5988	2813	7154	
6280900	DEPOSIT GUARANTY NAT BANK	JACKSON	MS	825483	10641	39382	5670	28920	10462	
6280910	FIRST NAT BANK OF JACKSON	JACKSON	MS	724352	14701	30537	6029	22630	7907	
6280960	COMMERCIAL NB AND TRUST CO	LAUREL	MS	80659	1992	2138	1196	0	2138	
6280970	FIRST NATIONAL BK OF LAUREL	LAUREL	MS	66847	1323	1714	271	0	1714	*
8281010	FIRST NAT BK OF HOLMES CTY	LEXINGTON	MS	24844	386	745	0	0	745	*
6281190	CITIZENS NAT BK OF MERIDIAN	MERIDIAN	MS	78061	2048	1708	563	0	1708	
6281250	PASCAGOULA MOSS POINT BANK	MOSS POINT	MS	55599	2504	1233	0	0	1233	*
6281270	BRITTON AND KOONTZ FIRST NB	NATCHEZ	MS	34617	914	929	0	0	929	*
8281305	FIRST NATIONAL BANK	NEW ALBANY	MS	44868	967	1458	279	0	1458	*
6281325	FIRST NATIONAL BK OF NEWTON	NEWTON	MS	16109	276	352	0	0	352	*
6281355	FIRST NB OF JACKSON CTY	OCEAN SPRINGS	MS	40382	1472	661	0	0	661	*
8281400	FIRST NAT BANK OF OXFORD	OXFORD	MS	27255	392	1011	0	0	1011	*
6281405	CITIZENS NATIONAL BANK	PASCAGOULA	MS	16028	257	410	0	0	410	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9274105	SECOND NW NB OF MINNEAPOLS	MINNEAPOLIS	MN	36482	231	1598	338	0	1598	*
9274110	THIRD NW NB OF MINNEAPOLS	MINNEAPOLIS	MN	48099	419	1679	493	0	1679	*
9274155	1ST NB IN MONTEVIDEO	MONTEVIDEO	MN	40961	414	1127	129	0	1127	*
9274185	FIRST NATIONAL BANK	MONTGOMERY	MN	14911	120	380	0	0	380	*
9274210	FIRST NB IN MOORHEAD	MOORHEAD	MN	78032	320	3136	1386	0	3136	
9274235	PEOPLES NATIONAL BANK	MORA	MN	23688	140	714	56	0	714	*
9274420	FIDELITY ST BK OF NEW PRAGUE	NEW PRAGUE	MN	13736	64	466	0	0	466	*
9274510	FIRST NATL BK OF NORTHFIELD	NORTHFIELD	MN	18719	89	682	24	0	682	*
9274520	NORTHFIELD NATIONAL BANK	NORTHFIELD	MN	16798	156	478	0	0	478	*
9274530	NORTHWESTERN STATE BANK	NORTHFIELD	MN	21127	167	646	4	0	646	*
9274535	VALLEY NATIONAL BANK	NORTH MANKATO	MN	21438	184	667	0	0	667	*
9274665	TRI CTY ST BK OF ORTONVILLE	ORTONVILLE	MN	12788	93	355	0	0	355	*
9274670	FIRST NAT BK OF OSAKIS	OSAKIS	MN	12750	74	400	0	0	400	*
9274710	FIRST NAT BK OF OWATONNA	OWATONNA	MN	30556	201	1083	251	0	1083	*
9274713	NORTHWESTERN NB OF OWATONNA	OWATONNA	MN	55240	433	2168	737	0	2168	*
9274740	CITIZENS NB OF PARK RAPIDS	PARK RAPIDS	MN	18674	357	472	0	0	472	*
9274930	FIRST NAT BK OF PINE CITY	PINE CITY	MN	20909	127	752	8	0	752	*
9274860	FIRST NB OF PIPESTONE	PIPESTONE	MN	29079	202	1032	0	0	1032	*
9274870	PIPESTONE NATIONAL BANK	PIPESTONE	MN	14627	76	513	0	0	513	*
9274880	FIRST NB OF PLAINVIEW	PLAINVIEW	MN	20785	89	698	32	0	698	*
9274890	PEOPLES STATE BANK	PLAINVIEW	MN	14359	100	428	0	0	428	*
9275000	FIRST NW NB OF RED WING	RED WING	MN	30904	261	1002	80	0	1002	*
9275010	GOODHUE CTY NB OF RED WING	RED WING	MN	42926	398	1301	263	0	1301	*
9275020	FIRST NORTHWESTERN NAT BK	REDWOOD FALLS	MN	36672	214	1115	185	0	1115	*
9275068	SUMMIT ST BK OF RICHFIELD	RICHFIELD	MN	24345	453	789	0	0	789	*
9275090	FIRST NB OF ROCHESTER	ROCHESTER	MN	102134	1456	3268	1601	0	3268	
9275095	NW NB OF ROCHESTER	ROCHESTER	MN	117534	1813	3067	1485	0	3067	
9275300	FIRST NB IN ST CHARLES	ST CHARLES	MN	18787	113	519	3	0	519	*
9275320	FIRST AMER NB OF ST CLOUD	ST CLOUD	MN	88405	1079	2554	1285	0	2554	
9275340	ST CLOUD NAT BK & TR CO	ST CLOUD	MN	42461	517	1223	118	0	1223	*
9275350	ZAPP NATIONAL BANK	ST CLOUD	MN	55887	813	1440	174	0	1440	*
9275370	FIRST NB AT ST JAMES	ST JAMES	MN	16055	218	315	0	0	315	*
9275394	SHELARD NATIONAL BANK	ST LOUIS PARK	MN	16140	284	442	0	0	442	*
9275396	PARK NATIONAL PARK	ST LOUIS PARK	MN	24053	304	829	0	0	829	*
9275410	AMERICAN NAT BAK & TR CO	ST PAUL	MN	219510	4012	6828	4384	0	6828	
9275480	FIRST NB OF ST PAUL	ST PAUL	MN	1259522	7389	57356	5231	43361	13995	
9275520	LIBERTY STATE BANK	ST PAUL	MN	32534	277	1180	13	0	1180	*
9275530	MIDWAY NB OF ST PAUL	ST PAUL	MN	107984	1443	4111	2415	0	4111	
9275545	NW NAT BK OF ST PAUL	ST PAUL	MN	219883	1562	8624	4936	1332	7292	
9275575	SUMMIT NATIONAL BANK	ST PAUL	MN	18715	372	413	0	0	413	*
9275590	FIRST NB OF ST PETER	ST PETER	MN	29729	187	918	197	0	918	*
9275655	FIRST NATIONAL BANK	SAUK CENTRE	MN	19258	110	569	22	0	569	*
9275700	FIRST NB OF SHAKOPEE	SHAKOPEE	MN	27668	374	1006	0	0	1006	*
9275783	NW NB OF S ST PAUL	SOUTH ST PAUL	MN	64239	389	2142	1090	0	2142	*
9275940	FIRST NATIONAL BANK	STILLWATER	MN	46126	306	1541	616	0	1541	*
9276090	1ST NWSTRN NB OF TWO HARBORS	TWO HARBORS	MN	18468	152	531	0	0	531	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9276200	FIRST NB OF VIRGINIA	VIRGINIA	MN	57475	652	1579	475	0	1579	*
9276210	NW STATE BK OF VIRGINIA	VIRGINIA	MN	62601	1097	1284	343	0	1284	
9276240	FIRST NB BK OF WACONIA	WACONIA	MN	23128	187	793	0	0	793	*
9276250	FIRST NB OF WADENA	WADENA	MN	16521	161	512	0	0	512	*
9276260	WADENA STATE BANK	WADENA	MN	18022	163	630	0	0	630	*
9276262	PLAZA PARK STATE BANK	WAITE PARK	MN	19204	539	256	0	0	256	*
9276270	FIRST NB OF WALKER	WALKER	MN	20189	110	801	0	0	801	*
9276350	FIRST NAT BK OF WASECA	WASECA	MN	30432	288	950	4	0	950	*
9276565	CITIZENS NB OF WILLMAR	WILLMAR	MN	20379	317	397	0	0	397	*
9276570	FIRST NB OF WILLMAR	WILLMAR	MN	38177	422	1081	186	0	1081	*
9276590	FIRST NB OF WINDOM	WINDOM	MN	22698	104	803	62	0	803	*
9276630	FIRST NORTHWESTERN NAT BANK	WINONA	MN	68217	935	1736	434	0	1736	
9276640	MERCHANTS NB OF WINONA	WINONA	MN	85267	585	2914	1714	0	2914	
9276650	WINONA NAT & SAVINGS BK	WINONA	MN	50887	514	1460	596	0	1460	*
9276685	FIRST NB IN WORTHINGTON	WORTHINGTON	MN	47265	591	1286	0	0	1286	*

OF 154 BANKS AFFECTED IN STATE 68 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
79 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6280165	METROPOLITAN NATIONAL BANK	BILOXI	MS	16614	332	340	0	0	340	*
8280325	FIRST NAT BK OF CLARKSDALE	CLARKSDALE	MS	34062	763	640	0	0	640	*
8280390	FIRST COLUMBUS NATIONAL BANK	COLUMBUS	MS	72200	1137	2806	872	0	2806	*
8280400	MERCHANTS AND FARMERS BANK	COLUMBUS	MS	41947	1333	899	0	0	899	*
8280425	NAT BK OF CMRC OF CORINTH	CORINTH	MS	35343	545	1299	217	0	1299	*
6280590	BANK OF FOREST	FOREST	MS	22227	300	752	0	0	752	*
8280650	FIRST NAT BK OF GREENVILLE	GREENVILLE	MS	53142	1148	1363	241	0	1363	*
6280720	GULF NATIONAL BANK	GULFPORT	MS	48979	1777	683	0	0	683	*
6280740	CITIZENS BK OF HATTIESBURG	HATTIESBURG	MS	46983	1675	784	0	0	784	*
6280750	FIRST MISSISSIPPI NAT BK	HATTIESBURG	MS	259227	6708	9967	5988	2813	7154	
6280900	DEPOSIT GUARANTY NAT BANK	JACKSON	MS	825483	10641	39382	5670	28920	10462	
6280910	FIRST NAT BANK OF JACKSON	JACKSON	MS	724352	14701	30537	6029	22630	7907	
6280960	COMMERCIAL NB AND TRUST CO	LAUREL	MS	80659	1992	2138	1196	0	2138	
6280970	FIRST NATIONAL BK OF LAUREL	LAUREL	MS	66847	1323	1714	271	0	1714	*
8281010	FIRST NAT BK OF HOLMES CTY	LEXINGTON	MS	24844	386	745	0	0	745	*
6281190	CITIZENS NAT BK OF MERIDIAN	MERIDIAN	MS	78061	2048	1708	563	0	1708	
6281250	PASCAGOULA MOSS POINT BANK	MOSS POINT	MS	55599	2504	1233	0	0	1233	*
6281270	BRITTON AND KOONTZ FIRST NB	NATCHEZ	MS	34617	914	929	0	0	929	*
8281305	FIRST NATIONAL BANK	NEW ALBANY	MS	44868	967	1458	279	0	1458	*
6281325	FIRST NATIONAL BK OF NEWTON	NEWTON	MS	16109	276	352	0	0	352	*
6281355	FIRST NB OF JACKSON CTY	OCEAN SPRINGS	MS	40382	1472	661	0	0	661	*
8281400	FIRST NAT BANK OF OXFORD	OXFORD	MS	27255	392	1011	0	0	1011	*
6281405	CITIZENS NATIONAL BANK	PASCAGOULA	MS	16028	257	410	0	0	410	*

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6281455	FIRST NAT BANK OF PICAYUNE	PICAYUNE	MS	19836	644	195	0	0	195	*
8281480	FIRST NAT BANK OF PONTOTOC	PONTOTOC	MS	24926	312	952	0	0	952	*
8281718	NAT BK OF COMMERCE OF MS	STARKVILLE	MS	122814	2570	5180	3680	0	5180	
8281800	FIRST CITIZENS NAT BANK	TUPELO	MS	85029	1417	3585	2502	0	3585	
6281840	PEOPLES BK OF MISSISSIPPI NA	UNION	MS	95749	3057	2191	1215	0	2191	
6281870	FIRST NAT BK OF VICKSBURG	VICKSBURG	MS	72883	2031	1762	712	0	1762	
6281880	MERCHANTS NATIONAL BANK	VICKSBURG	MS	66301	1114	2389	1498	0	2389	*
8281970	FIRST NAT BK OF WEST POINT	WEST POINT	MS	21320	351	549	0	0	549	*
6282020	DELTA NAT BK OF YAZOO CITY	YAZOO CITY	MS	47357	809	1621	305	0	1621	*

OF 32 BANKS AFFECTED IN STATE 16 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
13 HAVE NO REQURED RESERVE BALANCE

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8290025	GRAVOIS BANK	AFFTON	MO	100275	935	3547	1943	0	3547	
8290028	NATIONAL BANK OF AFFTON	AFFTON	MO	18847	245	511	0	0	511	*
10290030	GENTRY COUNTY BANK	ALBANY	MO	31690	125	1230	81	0	1230	*
10290280	FIRST NAT BK OF BETHANY	BETHANY	MO	18369	146	646	0	0	646	*
10290620	FIRST NAT BK OF BUTLER	BUTLER	MO	17050	177	628	0	0	628	*
8290710	FIRST NAT BK OF LINN CREEK	CAMDENTON	MO	36045	218	1405	142	0	1405	*
8290770	FIRST NB OF CAPE GIRARDEAU	CAPE GIRARDEAU	MO	52998	928	1865	606	0	1865	*
10290820	BANK OF CARTHAGE	CARTHAGE	MO	44667	361	1745	462	0	1745	*
10290830	UNITED MO BK OF CARTHAGE NA	CARTHAGE	MO	34162	453	1372	142	0	1372	*
8290870	FIRST NAT BK OF CASSVILLE	CASSVILLE	MO	21839	198	716	0	0	716	*
10290950	CITIZENS NATIONAL BANK	CHILLICOTHE	MO	59077	335	2137	785	0	2137	*
8291000	FIRST NAT BK OF CLAYTON	CLAYTON	MO	103291	783	5585	3634	0	5585	
8291090	BOONE CTY NB OF COLUMBIA	COLUMBIA	MO	96455	1168	3884	2405	0	3884	
8291095	COMMERCE BANK OF COLUMBIA NA	COLUMBIA	MO	26043	664	655	0	0	655	*
8291116	FIRST NAT BANK & TRUST CO	COLUMBIA	MO	48789	680	1817	473	0	1817	*
8291305	FIRST NAT BK OF DONIPHAN	DONIPHAN	MO	22615	194	872	0	0	872	*
8291395	MERCANTILE BANK OF ELDON	ELDON	MO	22303	268	751	0	0	751	*
8291530	MERCANTILE BK OF FARMINGTON	FARMINGTON	MO	26768	743	645	0	0	645	*
8291550	COMMERCE BANK OF FENTON NA	FENTON	MO	27998	411	913	0	0	913	*
8291680	CALLAWAY BANK	FULTON	MO	34886	402	1496	178	0	1496	*
8291685	FIRST NB OF CALLAWAY COUNTY	FULTON	MO	15713	213	443	0	0	443	*
10291710	FIRST NAT BK OF GALLATIN	GALLATIN	MO	21964	94	885	0	0	885	*
10291760	FIRST NAT BK OF GLADSTONE	GLADSTONE	MO	30511	552	914	0	0	914	*
8291960	FARMERS AND MERCHANTS BANK	HANNIBAL	MO	17218	261	578	0	0	578	*
8291970	HANNIBAL NATIONAL BANK	HANNIBAL	MO	29480	463	1016	0	0	1016	*
10292010	COMMERCE BK OF HARRISONVL NA	HARRISONVILLE	MO	18503	193	633	0	0	633	*
8292115	HIGH RIDGE MERCANTILE BK .	HIGH RIDGE	MO	18355	477	368	0	0	368	*
10292270	FIRST NB OF INDEPENDENCE	INDEPENDENCE	MO	69329	576	2602	1030	0	2602	*
8292320	JACKSON EXCHANGE BK & TR CO	JACKSON	MO	21847	238	814	0	0	814	*

MEMBER BANKS   BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7   1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8292370	EXCHNGE NB OF JEFFERSN CITY	JEFFERSON CITY	MO	86838	745	3233	1392	0	3233	
10292410	FIRST NB & TR CO OF JOPLIN	JOPLIN	MO	106573	1657	3852	2360	0	3852	
10292430	UNITED MO BK OF JOPLIN NA	JOPLIN	MO	23563	549	646	0	0	646	*
10292454	BOATMENS BK & TR CO OF KC	KANSAS CITY	MO	121022	2636	3785	2352	0	3785	
10292458	BROADWAY NAT BANK	KANSAS CITY	MO	23010	300	752	0	0	752	*
10292470	COLUMBIA UNION NAT BK & TR	KANSAS CITY	MO	161221	1908	7498	5304	132	7366	
10292480	COMMERCE BK OF KS CITY NA	KANSAS CITY	MO	656032	5340	32009	5625	20794	11215	
10292500	FIRST NB OF KANSAS CITY	KANSAS CITY	MO	570814	3448	30381	5719	19707	10674	
10292525	LEAWOOD NATIONAL BANK	KANSAS CITY	MO	41468	500	1527	226	0	1527	*
10292535	LIVESTOCK NB OF KANSAS CITY	KANSAS CITY	MO	32878	171	1701	412	0	1701	*
10292550	MERCANTILE BANK AND TR CO	KANSAS CITY	MO	119466	1281	5911	4070	0	5911	
10292560	MERCHANTS BANK	KANSAS CITY	MO	69135	709	3032	1698	0	3032	*
10292568	MID-CONTINENT NAT BANK	KANSAS CITY	MO	27388	349	965	0	0	965	*
10292650	TRADERS NB OF KANSAS CITY	KANSAS CITY	MO	105012	811	5164	3237	0	5164	
10292668	UTD MO BK OF KANSAS CITY NA	KANSAS CITY	MO	510575	4420	25535	5578	15145	10390	
10292690	WESTPORT BANK	KANSAS CITY	MO	50851	360	2229	951	0	2229	*
8292725	KENNETT NATIONAL BANK	KENNETT	MO	17651	235	556	0	0	556	*
8292760	COMMERCE BK OF KIRKSVILLE NA	KIRKSVILLE	MO	21175	223	755	0	0	755	*
8292770	FIRST NATIONAL BANK	KIRKSVILLE	MO	25861	335	905	0	0	905	*
8292773	COMMERCE BANK OF KIRKWOOD	KIRKWOOD	MO	50513	600	1961	644	0	1961	*
8292838	LADUE-INNERBELT BK & TR CO	LADUE	MO	14759	258	281	0	0	281	*
8292839	MARK TWAIN NATIONAL BANK	LADUE	MO	24488	93	953	205	0	953	*
10292850	BARTON COUNTY STATE BANK	LAMAR	MO	19209	185	719	0	0	719	*
8292939	COMMERCE BANK OF LEBANON	LEBANON	MO	35023	463	1293	4	0	1293	*
8292940	FIRST NAT BK OF LEBANON	LEBANON	MO	22549	168	889	0	0	889	*
8292995	LEMAY BANK AND TRUST CO	LEMAY	MO	115531	1543	3789	2450	0	3789	
10293038	COMMERCIAL BK OF LIBERTY NA	LIBERTY	MO	35842	902	762	0	0	762	*
10293040	FIRST NB OF LIBERTY	LIBERTY	MO	25789	328	821	0	0	821	*
8293270	CITIZENS NB OF GR ST LOUIS	MAPLEWOOD	MO	48687	842	1340	193	0	1340	*
10293330	FARMERS SAVINGS BANK	MARSHALL	MO	29260	272	1298	19	0	1298	*
8293420	MERCANTILE BANK OF MEMPHIS	MEMPHIS	MO	28451	139	1127	177	0	1127	*
8293448	COMMERCE BANK OF MEXICO	MEXICO	MO	42383	626	1499	157	0	1499	*
8293510	CITY BK AND TR CO OF MOBERLY	MOBERLY	MO	46519	520	1664	251	0	1664	*
8293520	COMMERCE BANK OF MOBERLY	MOBERLY	MO	30796	319	1118	0	0	1118	*
8293530	FIRST NAT BK OF MONETT	MONETT	MO	18202	157	580	0	0	580	*
8293560	1ST N MRCNTL BK OF MTGMRY CY	MONTGOMERY CITY	MO	17334	134	670	0	0	670	*
10293670	BANK OF NEOSHO	NEOSHO	MO	32446	546	957	0	0	957	*
10293680	FIRST NAT BK OF NEOSHO	NEOSHO	MO	32303	558	889	0	0	889	*
10293690	FIRST NAT BK OF NEVADA	NEVADA	MO	18828	173	665	0	0	665	*
10293810	NAT BANK IN NO KANSAS CITY	NORTH KANSAS CITY	MO	43768	676	1818	483	0	1818	*
8293970	CITIZENS BK OF PACIFIC	PACIFIC	MO	18747	315	467	0	0	467	*
10294160	FIRST NB OF PLATTSBURG	PLATTSBURG	MO	14306	102	505	0	0	505	*
8294205	FIRST NAT BK OF POPLAR BLUFF	POPLAR BLUFF	MO	19652	541	266	0	0	266	*
10294355	FIRST NB OF RICHMOND	RICHMOND	MO	14776	87	537	0	0	537	*
8294457	COMMERCE BANK OF ST CHARLES	ST CHARLES	MO	28491	475	1000	0	0	1000	*
8294460	FIRST NB OF ST CHARLES	ST CHARLES	MO	57259	697	2604	1112	0	2604	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8294470	FIRST ST BK OF ST CHARLES	ST CHARLES	MO	29473	368	1228	0	0	1228	*
8294510	BANK OF ST GENEVIEVE	ST GENEVIEVE	MO	20175	267	595	0	0	595	*
10294551	AMERICAN NB OF ST JOSEPH	ST JOSEPH	MO	145412	2294	5265	2873	0	5265	
10294555	BELT NB OF ST JOSEPH	ST JOSEPH	MO	26904	838	267	0	0	267	*
10294558	COMMERCE BANK OF ST JOSEPH	ST JOSEPH	MO	45434	456	1732	346	0	1732	*
10294590	FIRST NAT BK OF ST JOSEPH	ST JOSEPH	MO	109087	1830	3313	1109	0	3313	
10294600	FIRST TRUST BANK	ST JOSEPH	MO	18719	329	483	0	0	483	*
8294650	AMERICAN NB IN ST LOUIS	ST LOUIS	MO	69962	675	2206	910	0	2206	
8294670	BOATMENS NB OF ST LOUIS	ST LOUIS	MO	505852	7594	20080	5492	9857	10223	
8294707	COMMERCE BANK OF ST LOUIS NA	ST LOUIS	MO	26053	355	786	0	0	786	*
8294720	FIRST NB IN ST LOUIS	ST LOUIS	MO	1303569	15093	65292	5402	44970	20322	
8294770	LINDELL TRUST COMPANY	ST LOUIS	MO	75527	1153	2294	938	0	2294	
8294780	MANCHESTER BK OF ST LOUIS	ST LOUIS	MO	127961	1195	6314	4647	0	6314	
8294790	MNF BK & TR CO OF ST LOUIS	ST LOUIS	MO	121453	1261	4681	3330	20	4661	
8294815	MERCANTILE TRUST COMPANY NA	ST LOUIS	MO	1212180	13949	47848	5040	30991	16857	
8294920	SOUTH SIDE NB IN ST LOUIS	ST LOUIS	MO	92685	1406	2870	1212	0	2870	
8294930	SOUTHWEST BANK OF ST LOUIS	ST LOUIS	MO	117081	1551	4007	2808	0	4007	
8294940	TOWER GROVE BK & TR CO	ST LOUIS	MO	155912	1456	6373	4228	35	6338	
8294957	MERCANTLE NB OF ST LOUIS CTY	ST LOUIS CTY	MO	39778	420	1337	384	0	1337	*
8294980	FIRST NB OF ST PETERS	ST PETERS	MO	16481	381	403	0	0	403	*
8295020	FIRST NB OF SALEM	SALEM	MO	28623	298	1008	0	0	1008	*
10295070	SEDALIA MERCANTILE B&T CO	SEDALIA	MO	25967	300	956	0	0	956	*
10295080	THIRD NB OF SEDALIA	SEDALIA	MO	56840	1025	1738	203	0	1738	*
8295185	FIRST NB OF SIKESTON	SIKESTON	MO	45781	515	1852	551	0	1852	*
8295187	SECURITY NB OF SIKESTON	SIKESTON	MO	19900	143	688	0	0	688	*
8295285	AMERICAN NB IN SPRINGFIELD	SPRINGFIELD	MO	38371	919	888	0	0	888	*
8295287	BOATMENS SPRINGFIELD NB	SPRINGFIELD	MO	27067	516	628	0	0	628	*
8295289	BOATMENS UNION-NATIONAL BANK	SPRINGFIELD	MO	159545	3305	5309	3277	0	5309	
8295310	MERCANTILE BK OF SPRINGFIELD	SPRINGFIELD	MO	87130	1948	3093	1655	0	3093	*
10295390	SAC RIVER VALLEY BANK	STOCKTON	MO	21867	72	944	2	0	944	*
10295425	SUGAR CREEK NATIONAL BANK	SUGAR CREEK	MO	18980	352	464	0	0	464	*
10295500	TRENTON NAT MERCANTILE BK	TRENTON	MO	34757	455	1069	0	0	1069	*
8295620	VANDALIA STATE BANK	VANDALIA	MO	17286	139	668	0	0	668	*
10295630	BANK OF VERSAILLES	VERSAILLES	MO	18174	119	672	0	0	672	*
10295670	UTD MO BK OF WRRNSBG NA	WARRENSBURG	MO	23240	608	642	0	0	642	*
8295720	FRANKLIN CTY MERCANTILE BK	WASHINGTON	MO	38026	475	1131	0	0	1131	*
8295830	FIRST NB OF WEST PLAINS	WEST PLAINS	MO	69116	1043	2416	586	0	2416	*

OF 112 BANKS AFFECTED IN STATE 56 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
47 HAVE NO REQURED RESERVE BALANCE

9300010	FIRST NATIONAL BANK	ANACONDA	MT	59255	548	2163	835	0	2163	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9300080	CITIZENS BANK AND TRUST CO	BIG TIMBER	MT	15567	141	521	0	0	521	*
9300085	FIRST NWSTRN NB OF BILLINGS	BILLINGS	MT	114638	1056	4933	3064	0	4933	
9300090	MIDLAND NB OF BILLINGS	BILLINGS	MT	167398	1587	6645	4588	0	6645	
9300110	SECURITY BANK NA	BILLINGS	MT	167624	1907	6572	4790	7	6565	
9300120	FIRST NB IN BOZEMAN	BOZEMAN	MT	64547	757	2383	864	0	2383	*
9300125	FIRST SECURITY BK OF BOZEMAN	BOZEMAN	MT	55987	479	2198	849	0	2198	*
9300130	MONTANA BANK OF BOZEMAN NA	BOZEMAN	MT	21505	313	670	0	0	670	*
9300160	POWDER RIVER COUNTY BANK	BROADUS	MT	16342	61	616	13	0	616	*
9300190	FIRST METALS BK & TR CO	BUTTE	MT	71514	1191	2167	810	0	2167	*
9300200	MINERS BANK OF MONTANA N A	BUTTE	MT	25618	277	900	0	0	900	*
9300205	MONTANA BANK OF BUTTE NA	BUTTE	MT	17654	208	610	0	0	610	*
9300330	FIRST NW NB OF DILLON	DILLON	MT	19703	91	796	1	0	796	*
9300450	FIRST NB OF GLASGOW	GLASGOW	MT	35493	199	1244	109	0	1244	*
9300455	FIRST SEC BK OF MONTANA NA	GLASGOW	MT	33577	122	1372	213	0	1372	*
9300470	FIRST NB OF GLENDIVE	GLENDIVE	MT	35775	280	1173	83	0	1173	*
9300472	FIRST SECURITY BANK	GLENDIVE	MT	30568	211	1092	88	0	1092	*
9300490	FIRST NB OF GREAT FALLS	GREAT FALLS	MT	134194	1971	4639	2536	0	4639	
9300495	FIRST WESTSIDE NAT BK	GREAT FALLS	MT	45012	702	1077	0	0	1077	*
9300510	MONTANA BANK	GREAT FALLS	MT	66128	321	2628	1286	0	2628	*
9300512	NW NAT BK OF GREAT FALLS	GREAT FALLS	MT	102286	962	3929	2250	0	3929	
9300530	RAVALLI COUNTY BANK	HAMILTON	MT	23277	221	828	0	0	828	*
9300570	CITIZENS BANK OF MONTANA	HAVRE	MT	37257	306	1685	320	0	1685	*
9300590	FIRST NAT BK OF HAVRE	HAVRE	MT	34560	221	1458	183	0	1458	*
9300600	1ST NB & TR CO OF HELENA	HELENA	MT	64756	681	2564	1127	0	2564	*
9300602	FIRST SECURITY BK OF HELENA	HELENA	MT	18722	305	552	0	0	552	*
9300610	NORTHWESTERN BANK OF HELENA	HELENA	MT	82195	389	4004	2428	0	4004	*
9300650	CONRAD NB OF KALISPELL	KALISPELL	MT	68384	561	2447	887	0	2447	*
9300660	FIRST NW NB OF KALISPELL	KALISPELL	MT	53314	548	1914	467	0	1914	*
9300670	YELLOWSTONE BANK	LAUREL	MT	22706	242	759	0	0	759	*
9300680	FIRST NB OF LEWISTOWN	LEWISTOWN	MT	45345	309	1626	284	0	1626	*
9300700	FIRST NAT BANK IN LIBBY	LIBBY	MT	21312	244	817	0	0	817	*
9300705	FIRST SC BANK OF LIVINGSTON	LIVINGSTON	MT	27167	263	965	0	0	965	*
9300710	1ST NAT PK BK IN LIVINGSTON	LIVINGSTON	MT	31214	241	1127	123	0	1127	*
9300720	FIRST STATE BK OF MALTA	MALTA	MT	23814	96	1027	32	0	1027	*
9300750	FIRST NB IN MILES CITY	MILES CITY	MT	53280	244	2099	838	0	2099	*
9300770	1ST NAT MT BK OF MISSOULA	MISSOULA	MT	87275	731	3701	2087	0	3701	
9300775	SOUTHSIDE NATIONAL BANK	MISSOULA	MT	30080	387	921	0	0	921	*
9300780	WESTERN MONTANA NAT BK	MISSOULA	MT	96357	914	3658	2104	0	3658	
9300805	MONTANA NATIONAL BANK	PLENTYWOOD	MT	19101	80	796	0	0	796	*
9300820	SECURITY STATE BANK	POLSON	MT	24648	254	796	0	0	796	*
9300875	RONAN STATE BANK	RONAN	MT	20837	168	815	0	0	815	*
9300963	RICHLAND NB OF SIDNEY	SIDNEY	MT	33237	361	1154	0	0	1154	*
9300965	SIDNEY NATIONAL BANK	SIDNEY	MT	32601	231	1202	0	0	1202	*
9301000	STATE BANK OF TERRY	TERRY	MT	15439	68	626	0	0	626	*
9301040	FARMERS STATE BANK	VICTOR	MT	14961	60	593	0	0	593	*
9301050	FIRST NB OF WHITEFISH	WHITEFISH	MT	17526	232	503	0	0	503	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9301085	CITIZENS FIRST NAT BK	WOLF POINT	MT	16343	75	520	0	0	520	*
9301090	WESTERN NATIONAL BANK	WOLF POINT	MT	23948	214	780	0	0	780	*

OF 49 BANKS AFFECTED IN STATE 21 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
27 HAVE NO REQURED RESERVE BALANCE

10310020	COMMERCIAL NB OF AINSWORTH	AINSWORTH	NE	22342	58	896	80	0	896	*
10310040	ALBION NATIONAL BANK	ALBION	NE	16965	46	606	0	0	606	*
10310050	FIRST NAT BK OF ALBION	ALBION	NE	14191	66	493	0	0	493	*
10310080	ALLIANCE NATIONAL BANK	ALLIANCE	NE	20329	95	822	0	0	822	*
10310240	FIRST NB & TR CO IN AURORA	AURORA	NE	25100	98	898	156	0	898	*
10310340	BEATRICE NAT BK & TR CO	BEATRICE	NE	35051	492	1055	0	0	1055	*
10310360	FIRST NB & TR CO OF BEATRICE	BEATRICE	NE	29226	343	948	26	0	948	*
10310398	FIRST NAT BK OF BELLEVUE	BELLEVUE	NE	17645	410	460	0	0	460	*
10310760	FIRST NAT BK OF CHADRON	CHADRON	NE	19139	315	555	0	0	555	*
10310885	FIRST NB & TR CO OF COLUMBUS	COLUMBUS	NE	80535	696	3105	1412	0	3105	
10311030	FIRST NB OF DAVID CITY	DAVID CITY	NE	27830	110	1113	209	0	1113	*
10311320	FIRST NAT BK OF FAIRBURY	FAIRBURY	NE	37029	205	1361	120	0	1361	*
10311350	FIRST NAT BANK & TR CO	FALLS CITY	NE	27763	315	911	0	0	911	*
10311395	FIRST NATIONAL BANK & TRUST	FREMONT	NE	59354	644	2064	815	0	2064	*
10311400	FREMONT NAT BANK & TR CO	FREMONT	NE	48930	387	1884	556	0	1884	*
10311470	GERING NAT BANK & TRUST CO	GERING	NE	34251	296	1514	171	0	1514	*
10311490	FIRST NAT BK OF GORDON	GORDON	NE	23153	179	747	0	0	747	*
10311540	COMMERCIAL NAT BK & TR	GRAND ISLAND	NE	68688	785	2094	614	0	2094	
10311550	FIRST NB OF GRAND ISLAND	GRAND ISLAND	NE	81119	1365	2095	507	0	2095	
10311580	OVERLAND NB OF GRAND ISLAND	GRAND ISLAND	NE	49478	419	1739	352	0	1739	*
10311590	FARMERS NAT BK OF GRANT	GRANT	NE	19323	63	832	26	0	832	*
10311680	CITY NB & TR CO HASTINGS NE	HASTINGS	NE	65782	700	2218	783	0	2218	*
10311690	FIRST NATIONAL BANK	HASTINGS	NE	97067	1064	3172	1507	0	3172	
10311810	FIRST NAT BK OF HOLDREGE	HOLDREGE	NE	49630	289	1773	327	0	1773	*
10311960	FIRST NB & TR CO OF KEARNEY	KEARNEY	NE	55646	954	1579	178	0	1579	*
10312120	FIRST NB & TR CO OF LINCOLN	LINCOLN	NE	363362	4079	12684	5115	4753	7931	
10312150	NB OF CMRC TR & SVGS ASSOC	LINCOLN	NE	256726	1939	9694	5173	2382	7312	
10312240	FIRST NAT BK OF MC COOK	MC COOK	NE	47427	461	1536	206	0	1536	*
10312250	MC COOK NATIONAL BANK	MC COOK	NE	35586	139	1400	237	0	1400	*
10312430	FIRST NAT BANK OF MINDEN	MINDEN	NE	16302	75	569	0	0	569	*
10312450	FIRST NAT BK IN MITCHELL	MITCHELL	NE	17736	70	737	0	0	737	*
10312540	OTOE CTY NB OF NEBRASKA CITY	NEBRASKA CITY	NE	19755	262	786	0	0	786	*
10312550	NATIONAL BANK OF NELIGH	NELIGH	NE	21085	115	764	0	0	764	*
10312600	DELAY FIRST NAT BK & TR CO	NORFOLK	NE	67500	700	2713	983	0	2713	*
10312620	NORTHWESTERN NB OF NORFOLK	NORFOLK	NE	28846	455	910	0	0	910	*
10312640	FIRST NB&TR CO OF NO PLATTE	NORTH PLATTE	NE	50552	877	1892	430	0	1892	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10312650	MC DONALD STATE BANK	NORTH PLATTE	NE	19269	469	510	0	0	510	*
10312710	FIRST NAT BANK IN OGALLALA	OGALLALA	NE	22763	110	864	16	0	864	*
10312716	AMERICAN NATIONAL BANK	OMAHA	NE	41265	653	1648	312	0	1648	*
10312730	FIRST NB OF OMAHA	OMAHA	NE	307612	2798	13144	5284	5080	8064	
10312752	NORTHWESTERN NATIONAL BANK	OMAHA	NE	97902	1145	3781	2609	0	3781	
10312760	OMAHA NATIONAL BANK	OMAHA	NE	497558	4354	24138	5269	13911	10227	
10312770	PACKERS NAT BK IN OMAHA	OMAHA	NE	48203	569	1643	145	0	1643	*
10312775	SECURITY NB OF OMAHA	OMAHA	NE	26384	372	996	0	0	996	*
10312900	UNITED STATES NB OF OMAHA	OMAHA	NE	286326	2208	12661	5077	4814	7847	
10312830	FIRST NAT BK IN ORD	ORD	NE	16949	94	549	0	0	549	*
10313220	STKMNS NB OF RUSHVILLE	RUSHVILLE	NE	17740	202	581	0	0	581	*
10313250	CTZ NAT BK IN ST PAUL	ST PAUL	NE	14865	56	507	0	0	507	*
10313285	FIRST NATIONAL BANK	SCHUYLER	NE	21186	110	778	23	0	778	*
10313320	SCOTTSBLUFF NAT BK & TR CO	SCOTTSBLUFF	NE	52664	454	2284	703	0	2284	*
10313360	CATTLE NB OF SEWARD	SEWARD	NE	21691	218	717	0	0	717	*
10313370	JONES NB OF SEWARD	SEWARD	NE	31568	113	1198	236	0	1198	*
10313410	AM NAT BK OF SIDNEY	SIDNEY	NE	24078	181	1008	0	0	1008	*
10313630	SECURITY NAT BK OF SUPERIOR	SUPERIOR	NE	15118	57	589	0	0	589	*
10313650	FIRST NAT BK OF SYRACUSE	SYRACUSE	NE	18335	84	738	0	0	738	*
10313710	FIRST NAT BK OF TEKAMAH	TEKAMAH	NE	19000	88	738	0	0	738	*
10313780	FIRST NAT BK OF VALENTINE	VALENTINE	NE	20849	171	639	0	0	639	*
10313850	FIRST NAT BK OF WAHOO	WAHOO	NE	19470	113	849	0	0	849	*
10313940	FIRST NAT BK OF WAYNE	WAYNE	NE	15092	88	530	0	0	530	*
10313950	STATE NATIONAL BANK & TR CO	WAYNE	NE	25794	173	958	19	0	958	*
10313990	FARMRS & MRCH NB OF W POINT	WEST POINT	NE	21612	91	718	39	0	718	*
10314030	FIRST NAT BK OF WEST POINT	WEST POINT	NE	23465	130	917	3	0	917	*
10314140	FIRST NAT BK OF YORK	YORK	NE	48826	542	1505	268	0	1505	*

OF 63 BANKS AFFECTED IN STATE 26 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
32 HAVE NO REQURED RESERVE BALANCE

12320048	VALLEY BANK OF NEVADA	LAS VEGAS	NV	477031	27530	1455	0	0	1455
12320070	FIRST NAT BANK OF NEVADA	RENO	NV	967508	34217	32601	5221	14897	17704
12320075	NEVADA NATIONAL BANK	RENO	NV	288599	8896	7948	4619	0	7948
12320080	SECURITY NB OF NEVADA	RENO	NV	221958	3555	8649	4956	1002	7647

OF 4 BANKS AFFECTED IN STATE 1 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
1 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1330033	BRISTOL BANK	BRISTOL	NH	15325	168	390	0	0	390	*
1330070	CLAREMONT NAT BK	CLAREMONT	NH	25718	544	514	0	0	514	*
1330090	INDIAN HEAD NB OF CLAREMONT	CLAREMONT	NH	15537	441	140	0	0	140	*
1330118	FRM&TRD N&S BK OF COLEBROOK	COLEBROOK	NH	13481	155	300	0	0	300	*
1330140	CONCORD NATIONAL BANK	CONCORD	NH	57528	1733	1998	853	0	1998	*
1330155	INDIAN HEAD NB OF CONCORD	CONCORD	NH	18387	504	278	0	0	278	*
1330210	CARROLL CTY TR CO	CONWAY	NH	30833	431	674	0	0	674	*
1330220	INDIAN HEAD NB OF DERRY	DERRY	NH	31399	404	796	30	0	796	*
1330250	STRAFFORD NATL BK	DOVER	NH	20292	653	889	0	0	889	*
1330300	INDIAN HEAD NB OF EXETER	EXETER	NH	48881	600	1506	668	0	1506	*
1330310	FARMINGTON NAT & SAVINGS BK	FARMINGTON	NH	16513	206	463	0	0	463	*
1330375	HAMPTON NATIONAL BANK	HAMPTON	NH	28215	606	721	0	0	721	*
1330390	DARTMOUTH NB OF HANOVER	HANOVER	NH	35319	374	1199	868	0	1199	*
1330420	ASHUELOT NATL BK OF KEENE	KEENE	NH	25759	654	604	0	0	604	*
1330440	CHESHIRE NATIONAL BANK	KEENE	NH	31041	899	735	0	0	735	*
1330450	INDIAN HEAD NB OF KEENE	KEENE	NH	27243	552	847	0	0	847	*
1330475	INDIAN HEAD NB OF LACONIA	LACONIA	NH	17403	535	180	0	0	180	*
1330481	LACONIA PEOPLES NB & TR CO	LACONIA	NH	33677	1328	448	0	0	448	*
1330550	NATL BK OF LEBANON	LEBANON	NH	31783	783	676	0	0	676	*
1330570	LAFAYETTE NATIONAL BANK	LITTLETON	NH	29718	843	501	0	0	501	*
1330590	AMOSKEAG NAT BANK & TR CO	MANCHESTER	NH	59884	4918	0	0	0	0	*
1330622	BANK OF NEW HAMPSHIRE NA	MANCHESTER	NH	171853	6306	3566	2953	0	3566	
1330670	MERCHANTS NB OF MANCHESTER	MANCHESTER	NH	74072	1698	2304	1218	0	2304	*
1330700	SOUHEGAN NB OF MILFORD	MILFORD	NH	25961	598	480	0	0	480	*
1330711	INDIAN HEAD NB OF NASHUA	NASHUA	NH	125958	1861	4101	3600	0	4101	
1330793	WHT MOUNTAIN NB OF N CONWAY	NORTH CONWAY	NH	21250	471	324	0	0	324	*
1330860	FIRST NB OF PORTSMOUTH	PORTSMOUTH	NH	52771	1536	956	150	0	956	*
1330870	INDIAN HEAD NB OF PRTSMTH	PORTSMOUTH	NH	31274	1064	292	0	0	292	*
1330910	FIRST NB OF ROCHESTER	ROCHESTER	NH	16046	1264	0	0	0	0	*
1331050	WOLFEBORO NATIONAL BANK	WOLFEBORO	NH	21866	257	484	0	0	484	*

OF 30 BANKS AFFECTED IN STATE 22 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
8 HAVE NO REQURED RESERVE BALANCE

3340010	FIRST NAT BANK OF ABSECON	ABSECON	NJ	29274	568	718	0	0	718	*
2340045	HUNTERDON COUNTY TRUST CO	ANNANDALE	NJ	29988	625	636	0	0	636	*
3340080	ATCO NATIONAL BANK	ATCO	NJ	23029	546	609	0	0	609	*
3340092	ATLANTIC NATIONAL BANK	ATLANTIC CITY	NJ	69217	1058	2467	908	0	2467	*
2340150	BROADWAY NB OF BAYONNE	BAYONNE	NJ	26286	458	948	0	0	948	*
2340190	PEOPLES BANK NA	BELLEVILLE	NJ	60132	990	1853	479	0	1853	*
2340200	FIRST NB OF BELVIDERE	BELVIDERE	NJ	26466	308	741	62	0	741	*
2340250	FIRST NATL BK OF BLAIRSTOWN	BLAIRSTOWN	NJ	17504	274	426	0	0	426	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2340300	CITIZENS BANK N A	BLOOMSBURY	NJ	39685	942	875	23	0	875	*
3340365	BANK OF MID-JERSEY	BORDENTOWN TWP	NJ	86787	1477	2897	1933	0	2897	
2340400	NATIONAL BANK OF SUSSEX CTY	BRANCHVILLE	NJ	44725	791	1110	198	0	1110	*
3340430	F & M NAT BK OF BRIDGETON	BRIDGETON	NJ	60741	1843	1479	293	0	1479	*
3340431	UNITED JRSY BK/CUMBRLAND NAT	BRIDGETON	NJ	97054	1065	5113	2966	0	5113	
2340434	FIRST NAT BK OF CTRL JERSEY	BRIDGEWATER TWP	NJ	264360	2879	10228	5023	2852	7376	
3340460	FIRST NAT ST BK OF W JERSEY	BURLINGTON TWP	NJ	189340	5641	3897	2099	0	3897	
3340510	BANK OF NEW JERSEY	CAMDEN	NJ	510688	15488	14647	5188	5018	9629	
3340530	UNTD JERSEY BK/SOUTHWEST NA	CAMDEN	NJ	88206	1430	3320	2077	0	3320	
3340593	HERITAGE BANK NA	CHERRY HILL TWP	NJ	519528	15295	15484	5290	5979	9505	
3340595	FRIENDLY NAT BANK OF NJ	CINNAMINSON TWP	NJ	26167	684	401	0	0	401	*
2340639	NEW JERSEY BANK N A	CLIFTON	NJ	749433	15377	27727	5397	17547	10180	
2340705	FIRST BANK OF COLONIA	COLONIA	NJ	50035	748	1139	59	0	1139	*
2340710	MIDLANTIC NB/CRANBURY	CRANBURY	NJ	52386	510	2134	801	0	2134	*
3340723	BANK OF WEST JERSEY	DELRAN TOWNSHIP	NJ	41989	589	1314	130	0	1314	*
2340727	PEOPLES NB OF NORTH JERSEY	DENVILLE TWP	NJ	38479	717	917	0	0	917	*
2340730	UNITED JERSEY BANK/NORTHWEST	DOVER	NJ	109913	2628	2578	1281	0	2578	
3340825	FIRST NB & TR CO OF BEVERLY	EDGEWATER PK TWP	NJ	29050	1149	144	0	0	144	*
2340837	MIDLANTIC NB RARITAN VLY	EDISON TWP	NJ	57677	986	2231	879	0	2231	*
3340842	FIRST NAT BANK OF S JERSEY	EGG HARBOR TWP	NJ	502467	19769	9032	4969	0	9032	
2340900	NAT STATE BK ELIZABETH NJ	ELIZABETH	NJ	637500	51177	0	0	0	0	
2340921	UNITED COUNTIES TRUST CO	ELIZABETH	NJ	399026	5646	17061	5215	8599	8462	
2340922	UNITED JERSEY BK/CENTRAL	ELIZABETH	NJ	84931	1749	3405	1902	0	3405	*
3340940	FIRST NAT BK OF ELMER	ELMER	NJ	20038	279	694	0	0	694	*
2340954	EDGEWTR NB EGLWD CLFS NJ	ENGLEWOOD CLIFFS	NJ	39270	614	1174	32	0	1174	*
3340975	INDEPENDENT BANK & TR CO	EWING TOWNSHIP	NJ	33878	465	855	0	0	855	*
2341000	FLEMINGTON NAT BK & TR CO	FLEMINGTON	NJ	71114	730	2214	1258	0	2214	
2341040	FIRST NB IN FORT LEE	FORT LEE	NJ	54116	705	1534	155	0	1534	*
2341061	URBAN NATIONAL BANK	FRANKLIN LAKES	NJ	45381	739	1508	204	0	1508	*
2341130	PEAPACK GLADSTONE BANK	GLADSTONE	NJ	30490	257	1124	194	0	1124	*
2341220	UNITED JERSEY BANK	HACKENSACK	NJ	1076016	20729	41461	5375	28956	12505	
3341250	MIDLANTIC NATIONAL BK/SOUTH	HADDONFIELD	NJ	224920	2778	8520	5193	1581	6939	
3341285	HAMILTON BANK NAT ASSN	HAMILTON TWP	NJ	24048	615	319	0	0	319	*
2341325	UNTD JERSEY BK/MIDSTATE NA	HAZLET TWP	NJ	83641	2154	1703	509	0	1703	
2341355	HILLSBOROUGH NATIONAL BANK	HILLSBOROUGH TWP	NJ	22732	427	385	0	0	385	*
2341368	LIBERTY NATIONAL BANK	HILLSDALE	NJ	13603	144	396	0	0	396	*
2341420	FIRST NATIONAL BANK OF HOPE	HOPE	NJ	22720	163	705	80	0	705	*
2341500	COMMERICAL TR CO OF N J	JERSEY CITY	NJ	267486	6454	8594	5102	803	7791	
2341530	FIRST JERSEY NATL BANK	JERSEY CITY	NJ	578844	11382	24797	5060	12689	12108	
2341590	TRUST CO OF NEW JERSEY	JERSEY CITY	NJ	391970	10403	11023	5307	3141	7882	
2341600	FIRST NB & TR CO OF KEARNEY	KEARNEY	NJ	86358	3182	1280	0	0	1280	
3341650	PEOPLES NAT BK IN LAKEWOOD	LAKEWOOD	NJ	33836	507	1102	0	0	1102	*
3341665	UTD JERSEY BK/OCEAN CTY NA	LAKEWOOD TWP	NJ	19439	330	557	0	0	557	*
2341720	LIVINGSTON NATIONAL BANK	LIVINGSTON	NJ	41798	871	1385	43	0	1385	*
2341810	MANVILLE NATL BANK	MANVILLE	NJ	39579	580	963	220	0	963	*
2341820	MAPLEWOOD BANK AND TRUST CO	MAPLEWOOD	NJ	85301	1587	2737	1261	0	2737	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2341865	CMMNTY BK OF BERGEN CTY NJ	MAYWOOD	NJ	41417	1076	743	0	0	743	*
3341970	BURLINGTON CTY NAT BANK	MEDFORD	NJ	42533	870	1364	97	0	1364	*
2341956	HERITAGE BANK-NORTH NAT ASSN	MONROE TWP	NJ	374104	10251	11807	5135	2995	8812	
2341968	AMERICAN NAT BK & TR OF NJ	MONTCLAIR	NJ	433044	7662	19804	5169	9841	9963	
3341998	BANK OF NEW JERSEY NA	MOORESTOWN	NJ	84556	1804	2313	997	0	2313	
2342076	FIRST MERCHANTS NAT BANK	NEPTUNE TWP	NJ	265795	6286	7325	5204	88	7237	
2342095	BROAD NATIONAL BANK NEWARK	NEWARK	NJ	59076	1022	2433	1202	0	2433	*
2342140	FIDELITY UNION TRUST COMPANY	NEWARK	NJ	718970	14717	40290	5379	24007	16283	
2342145	FIRST NAT STATE BANK OF N J	NEWARK	NJ	1113061	28257	39746	5438	24976	14770	
2342200	MIDLANTIC NATIONAL BANK	NEWARK	NJ	958327	16104	48304	5320	31890	16414	
2342225	SECURITY NATIONAL BANK OF NJ	NEWARK	NJ	27516	692	765	0	0	765	*
3342310	FIRST NAT BK IN NEWFIELD	NEWFIELD	NJ	26235	331	891	0	0	891	*
2342318	MIDLANTIC NB/SUSSEX & MRCH	NEWTON	NJ	69510	918	2294	1242	0	2294	
2342350	MEADOWLANDS NATIONAL BANK	NORTH BERGEN	NJ	30565	946	495	0	0	495	*
2342425	AMBOY-MADISON NAT BANK	OLD BRIDGE TWP	NJ	83601	2078	1838	1033	0	1838	
2342483	GARDEN STATE NATIONAL BANK	PARAMUS	NJ	643932	10653	24457	5049	14008	10449	
2342528	JEFFERSON NATIONAL BANK	PASSAIC	NJ	22698	386	446	0	0	446	*
2342529	VALLEY NATIONAL BANK	PASSAIC	NJ	333180	4759	12969	5366	5762	7207	
3342670	PENNS GROVE NAT BK & TR CO	PENNS GROVE	NJ	31610	606	874	0	0	874	*
3342695	PENNSVILLE NATIONAL BANK	PENNSVILLE TWP	NJ	14160	291	266	0	0	266	*
2342700	PERTH AMBOY NATIONAL BANK	PERTH AMBOY	NJ	44161	833	1754	455	0	1754	*
2342720	PHILLIPSBURG NAT BK & TR CO	PHILLIPSBURG	NJ	63708	1038	1615	577	0	1615	*
2342744	PEOPLES NB OF CENTRAL JERSEY	PISCATAWAY	NJ	86115	2052	2912	1414	0	2912	*
2342747	NATL BANK OF NEW JERSEY	PISCATAWAY	NJ	211170	4147	8980	5041	1160	7820	
2342812	UNITED NATIONAL BANK	PLAINFIELD	NJ	169383	3333	6078	3927	0	6078	
3342830	OCEAN CTY NB OF PT PLEASANT	POINT PLEASANT	NJ	125805	2442	3919	2083	0	3919	
3342860	FIRST NB OF PRINCETON	PRINCETON	NJ	153713	920	6935	4395	985	5950	
2342930	STATE BANK OF RARITAN VALLEY	RARITAN	NJ	35017	628	885	0	0	885	*
2342935	HNTRDN CTY NB OF FLEMINGTON	RARITAN TWP	NJ	137834	1504	4828	2875	1080	3748	
2342945	COLONIAL FIRST NB	RED BANK	NJ	428972	9083	14251	5241	6109	8142	
2342980	CITIZENS FIRST NB OF NJ	RIDGEWOOD	NJ	405674	7259	12798	5113	5307	7491	
2343070	NAT COMMUNITY BANK OF NJ	RUTHERFORD	NJ	769028	14231	26659	5226	17077	9582	
3343090	CITY NATL BANK AND TRUST CO	SALEM	NJ	37272	1162	829	0	0	829	*
3343131	NATIONAL BANK OF MANTUA	SEWELL	NJ	42468	1140	678	0	0	678	*
2343189	FIRST NAT STATE BK-EDISON	S PLAINFIELD	NJ	197125	4792	6401	3801	0	6401	
2343265	FIRST NAT STATE BK OF NW JER	SUCCASUNNA	NJ	115072	1909	3556	2262	0	3556	
3343300	SWEDESBORO TRUST COMPANY	SWEDESBORO	NJ	19106	236	605	0	0	605	*
2343309	FIRST NAT STATE BK-COUNTY	TENAFLY	NJ	218861	4410	6961	5374	218	6743	
2343315	MIDLANTIC NAT BK/CITIZENS	TENAFLY	NJ	317246	4536	12781	5457	5699	7082	
3343330	FIRST NB OF TOMS RIVER	TOMS RIVER	NJ	340497	9885	7088	4338	0	7088	
2343334	FIRST NAT BANK OF NEW JERSEY	TOTOWA	NJ	609169	13792	17241	5107	8106	9135	
3343340	BROAD STREET NB OF TRENTON	TRENTON	NJ	83119	1571	2914	1476	0	2914	
3343345	1ST NAT ST BK OF CTRL JRSY	TRENTON	NJ	81173	1088	2581	978	0	2581	
3343350	NEW JERSEY NATIONAL BANK	TRENTON	NJ	864334	12691	31745	5111	20599	11146	
2343420	UNION CENTER NATL BANK	UNION	NJ	65328	2907	616	0	0	616	*
3343497	CITIZENS UNITED BANK NA	VINELAND	NJ	105943	1581	4196	2341	0	4196	

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3343502	MINOTOLA NATIONAL BANK	VINELAND	NJ	27880	627	814	0	0	814	*
3343512	GLENDALE NAT BANK OF NJ	VOORHEES TOWNSHIP	NJ	21683	224	562	16	0	562	*
2343534	PROSPECT PARK NATIONAL BANK	WAYNE	NJ	226808	1850	9053	4834	1416	7637	
3343569	FIRST PEOPLES NAT BK OF NJ	WESTMONT	NJ	684875	13525	16869	5074	8954	7915	
3343620	MARINE NB OF WILDWOOD	WILDWOOD	NJ	80637	1487	2367	1271	0	2367	
3343630	UNION TRUST CO OF WILDWOOD	WILDWOOD	NJ	41921	900	1190	0	0	1190	*
2343668	MID-JERSEY NATIONAL BANK	WOODBRIDGE TWP	NJ	29990	513	838	0	0	838	*
3343690	NB & TR CO OF GLOUCESTER CTY	WOODBURY	NJ	152986	3327	4450	2269	0	4450	
2343710	WOOD RIDGE NATL BANK	WOOD RIDGE	NJ	40613	572	1270	0	0	1270	*
3343730	WOODSTOWN NAT BK & TR CO	WOODSTOWN	NJ	21123	226	719	0	0	719	*
3343750	YARDVILLE NATL BK	YARDVILLE	NJ	72363	2007	788	0	0	788	

OF 111 BANKS AFFECTED IN STATE 35 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
46 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11350005	FIRST NAT BK IN ALAMOGORDO	ALAMOGORDO	NM	34895	402	1373	200	0	1373	*
10350020	ALBUQUERQUE NATIONAL BANK	ALBUQUERQUE	NM	573378	10568	22202	4990	11097	11105	
10350023	AMERICAN BANK OF COMMERCE	ALBUQUERQUE	NM	102244	1042	3237	1732	0	3237	
10350029	FIDELITY NATIONAL BANK	ALBUQUERQUE	NM	36587	670	953	0	0	953	*
10350030	FIRST NAT BK OF ALBUQUERQUE	ALBUQUERQUE	NM	345516	4984	14471	4840	5177	9294	
10350036	SOUTHWEST NATIONAL BANK	ALBUQUERQUE	NM	25853	671	648	0	0	648	*
11350050	FIRST NAT BANK OF ARTESIA	ARTESIA	NM	48593	309	2044	712	0	2044	*
10350070	FIRST NAT BK OF BELEN	BELEN	NM	45473	842	1226	0	0	1226	*
11350080	AMERICAN BANK OF CARLSBAD	CARLSBAD	NM	38176	331	1465	126	0	1465	*
11350090	CARLSBAD NATIONAL BANK	CARLSBAD	NM	49944	597	1683	424	0	1683	*
10350105	FIRST NAT BK IN CLAYTON	CLAYTON	NM	15228	96	446	0	0	446	*
11350120	CLOVIS NATIONAL BANK	CLOVIS	NM	60434	1008	1920	257	0	1920	*
11350123	FIRST NAT BANK OF CLOVIS	CLOVIS	NM	19921	268	692	0	0	692	*
11350128	DEMING NATIONAL BANK	DEMING	NM	20877	348	469	0	0	469	*
11350130	MIMBRES VALLEY BANK	DEMING	NM	28645	322	915	0	0	915	*
10350140	FIRST NAT BANK RIO ARRIBA	ESPANOLA	NM	27516	840	526	0	0	526	*
10350143	VALLEY NATIONAL BANK	ESPANOLA	NM	18033	390	382	0	0	382	*
10350147	FARMINGTON NATIONAL BANK	FARMINGTON	NM	30585	1199	295	0	0	295	*
10350150	FIRST NAT BK OF FARMINGTON	FARMINGTON	NM	68860	1114	3229	1724	0	3229	*
11350195	FIRST NB OF LEA CTY	HOBBS	NM	122305	806	4544	2230	0	4544	
11350220	FIRST NB OF DONA ANA CTY	LAS CRUCES	NM	108464	2458	3199	1431	0	3199	
10350235	FIRST NAT BK IN LAS VEGAS	LAS VEGAS	NM	17040	346	416	0	0	416	*
10350261	LOS ALAMOS NATIONAL BANK	LOS ALAMOS	NM	19976	405	692	0	0	692	*
11350265	LIBERTY NATIONAL BANK	LOVINGTON	NM	40035	872	418	0	0	418	*
11350290	FIRST NAT BANK OF PORTALES	PORTALES	NM	22675	185	901	0	0	901	*
11350300	PORTALES NATIONAL BANK	PORTALES	NM	22169	294	870	0	0	870	*
10350310	FIRST NAT BK IN RATON	RATON	NM	32003	439	941	0	0	941	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10350320	INTERNATIONAL STATE BANK	RATON	NM	28397	335	808	0	0	808	*
11350330	FIRST NAT BANK OF ROSWELL	ROSWELL	NM	76442	662	3023	1392	0	3023	*
11350336	SECURITY NB OF ROSEWELL	ROSWELL	NM	69536	674	2576	1121	0	2576	*
10350340	FIRST NAT BK OF SANTA FE	SANTA FE	NM	101275	2113	3412	1881	0	3412	
10350345	SANTA FE NATIONAL BANK	SANTA FE	NM	64011	967	2233	982	0	2233	*
11350360	AMERICAN NB OF SILVER CITY	SILVER CITY	NM	27138	466	940	0	0	940	*
11350362	GRANT COUNTY BANK	SILVER CITY	NM	25602	773	451	0	0	451	*
10350380	FIRST STATE BK OF TAOS	TAOS	NM	20982	602	466	0	0	466	*
11350383	HOT SPRINGS NATIONAL BANK	TRUTH OR CONSEQUE	NM	20058	247	631	0	0	631	*
11350390	FIRST NAT BANK IN TUCUMCARI	TUCUMCARI	NM	29553	224	1273	6	0	1273	*

OF 37 BANKS AFFECTED IN STATE 21 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
14 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2360020	COMMUNITY NATIONAL BANK	ADDISON	NY	24929	369	637	0	0	637	*
2360065	BANKERS TR CO OF ALBANY NA	ALBANY	NY	236937	7500	6055	3824	0	6055	
2360130	NAT COMMERICAL BK & TR CO	ALBANY	NY	780765	18097	30730	5149	17466	13264	
2360150	STATE BANK OF ALBANY	ALBANY	NY	737479	9418	38682	5420	25191	13491	
2360155	UNION NATIONAL BANK	ALBANY	NY	96004	3106	1806	734	0	1806	
2360170	ALDEN STATE BANK	ALDEN	NY	22747	310	519	0	0	519	*
2360310	EVANS NB OF ANGOLA	ANGOLA	NY	20618	513	340	0	0	340	*
2360330	CITIZENS CENTRAL BANK	ARCADE	NY	82824	889	2533	1655	0	2533	
2360450	NATIONAL BK OF AUBURN	AUBURN	NY	69629	1435	1958	614	0	1958	*
2360540	BALLSTON SPA NATIONAL BANK	BALLSTON SPA	NY	31650	645	738	0	0	738	*
2360530	BATH NATIONAL BANK	BATH	NY	34740	481	1076	0	0	1076	*
2360640	FISHKILL NATIONAL BANK	BEACON	NY	52323	1141	1853	542	0	1853	*
2360741	1ST-CITY NB OF BINGHAMTON NY	BINGHAMTON	NY	256623	8053	6036	4790	0	6036	
2360840	BRIDGEHAMPTON NATIONAL BANK	BRIDGEHAMPTON	NY	27510	513	874	0	0	874	*
2361266	CHEMICAL BANK-BUFFALO	BUFFALO	NY	21141	410	903	0	0	903	*
2361267	CITIBANK(NY STATE)NAT ASSN	BUFFALO	NY	478100	3776	22895	4615	10659	12236	
2361290	LIBERTY NB & TR CO	BUFFALO	NY	501934	15379	12904	5372	4367	8537	
2361300	MANFCTURERS & TRDRS TR CO	BUFFALO	NY	1268892	37552	34120	5309	20598	13522	
2361310	MARINE MIDLAND BANK	BUFFALO	NY	6617142	137670	310890	5551	208436	102454	
2361360	UNITED NATIONAL BANK	CALLICOON	NY	29681	372	868	0	0	868	*
2361395	CENTRAL NB CANAJOHARIE	CANAJOHARIE	NY	91528	2038	1912	540	0	1912	
2361410	CANANDAIGUA NB AND TR CO	CANANDAIGUA	NY	72454	910	2339	1299	0	2339	
2361460	FIRST STATE BANK	CANISTEO	NY	14272	204	385	0	0	385	*
2361480	ST LAWRENCE NATIONAL BANK	CANTON	NY	113078	2356	3618	2345	0	3618	
2361500	PUTNAM COUNTY NB OF CARMEL	CARMEL	NY	27847	484	950	0	0	950	*
2361600	PENINSULA NATIONAL BANK	CEDARHURST	NY	102775	2014	3278	1879	0	3278	
2361676	CHESTER NATIONAL BANK	CHESTER	NY	51810	1437	1034	0	0	1034	*
2361790	HAYES NATIONAL BANK	CLINTON	NY	25806	706	338	0	0	338	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2361970	FIRST NB OF CORTLAND	CORTLAND	NY	59653	1111	1611	342	0	1611	*
2361990	NATIONAL BK OF COXSACKIE	COXSACKIE	NY	16870	588	128	0	0	128	*
2362090	DELAWARE NB OF DELHI	DELHI	NY	20357	138	766	73	0	766	*
2362130	FIRST NB OF DRYDEN	DRYDEN	NY	24149	280	643	133	0	643	*
2362225	FIRST NB OF EAST HAMPTON	EAST HAMPTON	NY	31257	876	704	0	0	704	*
2362250	FIRST NAT BK OF EAST ISLIP	EAST ISLIP	NY	53369	880	1579	313	0	1579	*
2362345	ELLENVILLE NATIONAL BANK	ELLENVILLE	NY	39110	731	974	0	0	974	*
2362400	CHEMUNG CANAL TRUST COMPANY	ELMIRA	NY	110479	3864	2103	542	0	2103	
2362460	ENDICOTT TRUST COMPANY	ENDICOTT	NY	116995	2427	3461	2421	0	3461	
2362570	DEAK NATIONAL BANK	FLEISCHMANNS	NY	18384	315	474	0	0	474	*
2362305	LONG ISLAND TRUST COMPANY	GARDEN CITY	NY	631993	14386	26837	5714	16903	9934	
2362810	GENESEE VLY NB OF GENESEO	GENESEO	NY	23311	340	708	0	0	708	*
2362830	NATIONAL BK OF GENEVA	GENEVA	NY	41698	1197	668	0	0	668	*
2362870	FIRST NAT BK OF GLEN HEAD	GLEN HEAD	NY	63690	1107	2524	1010	0	2524	*
2362880	FIRST NB OF GLENS FALLS	GLENS FALLS	NY	169432	4810	2522	1431	0	2522	
2362890	GLENS FALLS NB & TR CO	GLENS FALLS	NY	145400	2519	4355	3208	0	4355	
2362900	CITY NB&TR CO OF GLVRSVLE	GLOVERSVILLE	NY	46628	691	1328	218	0	1328	*
2362910	FULTON COUNTY NAT BK & TR CO	GLOVERSVILLE	NY	42279	1003	755	0	0	755	*
2363040	FIRST NB IN GREENE	GREENE	NY	22165	537	339	0	0	339	*
2363180	FIRST NB OF HANCOCK	HANCOCK	NY	14234	191	399	0	0	399	*
2363230	HEMPSTEAD BANK	HEMPSTEAD	NY	191240	4578	10198	5473	1666	8532	
2363235	VANGUARD NATIONAL BANK	HEMPSTEAD	NY	20046	224	715	0	0	715	*
2363290	LONG ISLAND BANK	HICKSVILLE	NY	132060	2103	5961	4590	0	5961	
2363300	FIRST NB OF HIGHLAND	HIGHLAND	NY	96603	820	3467	2229	0	3467	
2363360	HOMER NATIONAL BANK	HOMER	NY	19867	256	536	0	0	536	*
2363540	FIRST NB & TR CO OF ITHACA	ITHACA	NY	72227	845	2749	1483	0	2749	*
2363560	TOMPKINS COUNTY TRUST CO	ITHACA	NY	112931	1910	3875	2508	0	3875	
2363590	BANKERS TRUST CO OF WSTRN NY	JAMESTOWN	NY	167523	4216	4076	2884	0	4076	
2363601	FIRST NAT BK OF JAMESTOWN	JAMESTOWN	NY	137545	3072	3290	2336	0	3290	
2363630	FIRST NB OF JEFFERSONVILLE	JEFFERSONVILLE	NY	26771	243	760	62	0	760	*
2363680	KEESEVILLE NATIONAL BANK	KEESEVILLE	NY	31837	637	939	0	0	939	*
2363740	KINGSTON TRUST COMPANY	KINGSTON	NY	82818	2039	2713	1352	0	2713	
2363760	RONDOUT NATIONAL BANK	KINGSTON	NY	40794	960	1137	0	0	1137	*
2363820	JEFFERSON NATIONAL BANK	LAFARGEVILLE	NY	18136	426	211	0	0	211	*
2363910	SULLIVAN CTY NB OF LIBERTY	LIBERTY	NY	74560	1278	2700	1636	0	2700	
2363960	LITTLE FALLS NATIONAL BANK	LITTLE FALLS	NY	14978	378	187	0	0	187	*
2364130	LYONS NATIONAL BANK	LYONS	NY	17703	217	577	0	0	577	*
2364160	MAHOPAC NATIONAL BANK	MAHOPAC	NY	23434	447	578	0	0	578	*
2364170	CITIZENS NB OF MALONE	MALONE	NY	21723	366	667	0	0	667	*
2364180	FARMERS NB OF MALONE	MALONE	NY	72223	1991	1257	288	0	1257	
2364375	EMPIRE NATIONAL BANK	MIDDLETOWN	NY	436798	7970	15219	5127	6792	8427	
2364400	ORANGE COUNTY TRUST COMPANY	MIDDLETOWN	NY	38710	1395	796	0	0	796	*
2364520	NAT UNION BK OF MONTICELLO	MONTICELLO	NY	21093	657	481	0	0	481	*
2364550	FIRST NB OF MORAVIA	MORAVIA	NY	26630	219	780	87	0	780	*
2364640	NANUET NATIONAL BANK	NANUET	NY	94699	2224	2701	1058	0	2701	
2364690	COLUMBUS TRUST COMPANY	NEWBURGH	NY	34295	1027	532	0	0	532	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2364700	HIGHLAND NB OF NEWBURGH	NEWBURGH	NY	143901	2211	5435	3676	0	5435	
2364840	BANKERS TRUST COMPANY	NEW YORK	NY	8542865	85362	264794	5276	167415	97379	
2364880	BANK OF NEW YORK	NEW YORK	NY	3380825	45761	159526	5299	104760	54766	
2364898	BARCLAYS BANK OF NEW YORK	NEW YORK	NY	401704	3991	21225	5479	12501	8724	
2364915	BRADFORD TRUST COMPANY	NEW YORK	NY	206082	1	6422	4168	195	6227	
2364962	CENTURY NAT BANK & TRUST CO	NEW YORK	NY	31265	312	1725	392	0	1725	*
2364965	CHASE MANHATTAN BANK N A	NEW YORK	NY	18773956	162880	1010635	5294	668122	342513	
2364985	CHEMICAL BANK	NEW YORK	NY	12368426	145084	725281	5394	466276	259005	
2364990	CITIBANK N A	NEW YORK	NY	17703968	112607	1086967	5579	784927	302040	
2365035	COMMUNITY NB & TR CO OF NY	NEW YORK	NY	93172	6671	0	0	0	0	*
2365134	EUROPEAN-AMERICAN BANK & TRU	NEW YORK	NY	2135418	26014	133218	5431	86330	46888	
2365158	FLUSHING NATIONAL BANK	NEW YORK	NY	35784	337	1684	559	0	1684	*
2365165	FREEDOM NB OF NEW YORK	NEW YORK	NY	62900	453	4807	2919	0	4807	*
2365240	IRVING TRUST COMPANY	NEW YORK	NY	4649829	49356	222035	5307	129231	92804	
2365290	MANUFACTURERS HANOVER TR CO	NEW YORK	NY	16918111	132742	785957	5131	490773	295184	
2365310	MERCHANTS BANK OF NEW YORK	NEW YORK	NY	123077	2410	7686	4970	206	7480	
2365328	MORGAN GUARANTY TR CO OF NY	NEW YORK	NY	10770016	19429	646454	4884	404608	241846	
2365341	NAT BK OF NORTH AMERICA	NEW YORK	NY	2223183	42096	130702	5409	83841	46861	
2365415	REPUBLIC NATIONAL BK OF NY	NEW YORK	NY	1723240	53677	16141	4748	0	16141	
2365435	SCHRODER TRUST CO	NEW YORK	NY	144619	60	9423	5794	2211	7212	
2365460	STERLING NB & TR CO OF NY	NEW YORK	NY	342119	2163	22569	5963	13163	9406	
2365505	UNION CHELSEA NAT BANK	NEW YORK	NY	34966	559	1099	0	0	1099	*
2365530	UNITED STATES TR CO OF NY	NEW YORK	NY	777616	581	40960	5546	31216	9744	
2365670	NAT BK & TR CO OF NORWICH	NORWICH	NY	165401	1467	6919	4310	1145	5774	
2365780	MNF HANOVER TR CO/WSTN NA	OLEAN	NY	91616	2688	1853	396	0	1853	
2365820	ONEIDA VALLEY NB OF ONEIDA	ONEIDA	NY	46233	722	1768	430	0	1768	*
2365840	WILBER NATIONAL BANK	ONEONTA	NY	78045	753	3089	2074	0	3089	
2365850	MNF HANOVER TC/CENTRAL NY	ONTARIO	NY	143802	2734	5448	4548	40	5408	
2366020	ISLAND STATE BANK	PATCHOGUE	NY	71919	1169	2518	1524	0	2518	
2366370	BANKERS T C OF HDSN VLY NA	POUGHKEEPSIE	NY	176135	5648	4961	2623	0	4961	
2366375	DUTCHESS BANK AND TRUST CO	POUGHKEEPSIE	NY	93281	2815	2518	1213	0	2518	
2366470	FIRST NB OF RED HOOK	RED HOOK	NY	25637	267	749	37	0	749	*
2366590	SUFFOLK CTY NB OF RIVERHEAD	RIVERHEAD	NY	78792	1446	3279	1749	0	3279	*
2366610	CENTRAL TR CO ROCHESTER NY	ROCHESTER	NY	351597	6690	12587	5547	5336	7251	
2366625	FIRST NB OF ROCHESTER	ROCHESTER	NY	16493	266	429	0	0	429	*
2366640	LINCLN FIRST BK OF ROCHESTER	ROCHESTER	NY	948074	32217	30020	5381	15678	14342	
2366690	SEC TR CO OF ROCHESTER	ROCHESTER	NY	514798	10534	16428	5094	7309	9119	
2366880	SALAMANCA TRUST COMPANY	SALAMANCA	NY	19091	366	358	0	0	358	*
2366910	ADIRONDACK TRUST COMPANY	SARATOGA SPRINGS	NY	69392	1284	2063	1106	0	2063	
2366960	OYSTERMENS BANK AND TRUST CO	SAYVILLE	NY	52563	1516	1117	0	0	1117	*
2366970	SCARSDALE NB & TR CO	SCARSDALE	NY	135625	1260	5791	3990	358	5433	
2366990	MOHAWK NB OF SCHENECTADY	SCHENECTADY	NY	108199	3098	1953	220	0	1953	
2367020	SCHENECTADY TRUST COMPANY	SCHENECTADY	NY	164588	4330	4668	2638	0	4668	
2367070	FIRST NB OF SCOTIA	SCOTIA	NY	57750	1965	940	0	0	940	*
2367120	STATE BK OF SENECA FALLS NY	SENECA FALLS	NY	26616	220	778	259	0	778	*
2367150	FIRST NB IN SIDNEY	SIDNEY	NY	20057	499	421	0	0	421	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2367210	BANK OF SMITHTOWN	SMITHTOWN	NY	76691	1568	2609	1422	0	2609	
2367220	SOLVAY BANK	SOLVAY	NY	22684	388	618	0	0	618	*
2367290	TIOGA STATE BANK	SPENCER	NY	23463	526	413	0	0	413	*
2367350	NATIONAL BANK OF STAMFORD	STAMFORD	NY	17479	137	588	0	0	588	*
2367370	BANK OF SUFFOLK COUNTY	STONY BROOK	NY	67582	854	2855	1341	0	2855	*
2367410	FIRST TRUST AND DEPOSIT CO	SYRACUSE	NY	417492	10965	13236	5360	4610	8626	
2367421	LINCOLN FIRST BK-CENTRAL NA	SYRACUSE	NY	330170	5158	12076	5238	4569	7507	
2367430	MERCHANTS NB & TR CO	SYRACUSE	NY	271353	7300	8384	5470	979	7405	
2367560	ONEIDA NB & TC OF CENTRL NY	UTICA	NY	550532	9672	16797	5149	9000	7797	
2367725	VALLEY NB WALLKILL NY	WALDEN	NY	34224	636	886	0	0	886	*
2367750	NB OF DELAWARE CTY WALTON	WALTON	NY	23013	474	611	0	0	611	*
2367840	FIRST NB OF WATERLOO	WATERLOO	NY	31151	705	548	0	0	548	*
2367870	NAT BANK OF NORTHERN N Y	WATERTOWN	NY	180851	3305	5664	4128	0	5664	
2367875	SEAWAY NATIONAL BANK	WATERTOWN	NY	14198	290	250	0	0	250	*
2367910	GLEN NB & TR CO	WATKINS GLEN	NY	19705	269	508	0	0	508	*
2367960	CITIZENS NB & TR CO	WELLSVILLE	NY	92472	1509	2015	417	0	2015	
2368095	NATIONAL BANK OF WESTCHESTER	WHITE PLAINS	NY	587445	10177	27537	5706	18354	9183	
2368135	ESX CTY-CHMPLN NB WILLSBORO	WILLSBORO	NY	22415	436	579	0	0	579	*
2368235	HUDSON VALLEY NATIONAL BANK	YONKERS	NY	33839	563	1526	202	0	1526	*

OF 139 BANKS AFFECTED IN STATE 49 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
54 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5370020	FIRST NB OF ALBEMARLE	ALBEMARLE	NC	48123	1866	583	0	0	583	*
5370060	FIRST NB OF RANDOLPH CTY	ASHEBORO	NC	48855	1053	1870	456	0	1870	*
5370310	CITY NATIONAL BANK	CHARLOTTE	NC	38385	297	1695	468	0	1695	*
5370351	FIRST UNION NB OF NC	CHARLOTTE	NC	1522140	31103	80601	5448	53091	27510	
5370355	NORTH CAROLINA NATIONAL BANK	CHARLOTTE	NC	2441735	34803	116932	5339	80103	36829	
5370410	CITIZENS NAT BK OF CONCORD	CONCORD	NC	23026	612	519	0	0	519	*
5370420	CONCORD NATIONAL BANK	CONCORD	NC	28171	608	799	0	0	799	*
5370730	INDEPENDENCE NATIONAL BANK	GASTONIA	NC	196808	5532	6069	3464	0	6069	
5370970	FIRST NB OF CATAWBA CTY	HICKORY	NC	195699	4941	5659	3288	0	5659	
5371025	BANK OF NORTH CAROLINA N A	JACKSONVILLE	NC	260202	9005	6098	2724	0	6098	
5371170	CAROLINA FIRST NAT BK	LINCOLN	NC	72121	1651	2316	799	0	2316	*
5371205	SOUTHERN NAT BK OF NC	LUMBERTON	NC	365104	10564	12674	4803	2298	10376	
5371500	UNION NAT BK OF OXFORD	OXFORD	NC	31518	550	970	0	0	970	*
5371630	FIRST NB OF REIDSVILLE	REIDSVILLE	NC	40720	1026	850	0	0	850	*
5371730	PLANTERS NAT BK & TR CO	ROCKY MOUNT	NC	265967	5922	10829	5335	2951	7878	
5371830	FIRST NB OF SHELBY	SHELBY	NC	59563	1219	2750	1276	0	2750	*
5372030	FIRST NB OF ANSON CTY	WADESBORO	NC	22331	687	414	0	0	414	*
5372100	FIRST NB OF W JEFFERSON	WEST JEFFERSON	NC	25392	203	915	150	0	915	*
5372228	UNITED CITIZENS BANK	WINSTON-SALEM	NC	22040	300	618	0	0	618	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5372230	WACHOVIA BK & TR CO NA	WINSTON SALEM	NC	2748154	58065	121332	5008	67746	53586	

OF 20 BANKS AFFECTED IN STATE 7 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
8 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9380100	DAKOTA NORTHWESTERN BK NA	BISMARCK	ND	93598	616	3947	2090	0	3947	
9380110	FIRST NB&TC OF BISMARCK	BISMARCK	ND	96169	920	3486	1819	0	3486	
9380120	1ST NB & TR CO OF BOTTINEAU	BOTTINEAU	ND	28218	235	1001	0	0	1001	*
9380140	FIRST NAT BK OF BOWMAN	BCWMAN	ND	27590	172	969	0	0	969	*
9380250	FIRST NB OF DEVILS LAKE	DEVILS LAKE	ND	27125	163	979	6	0	979	*
9380260	RAMSEY NAT BK & TR CO	DEVILS LAKE	ND	32633	398	977	0	0	977	*
9380280	1ST NB&TR CO OF DICKINSON	DICKINSON	ND	42192	311	1613	147	0	1613	*
9380290	LBRTY NB&TR CO OF DICKINSON	DICKINSON	ND	29228	174	1104	98	0	1104	*
9380360	1ST NB & TR CO OF ELLENDALE	ELLENDALE	ND	17563	81	630	0	0	630	*
9380400	DAKOTA NAT BK OF FARGO	FARGO	ND	73071	770	2825	1184	0	2825	*
9380410	FARGO NAT BANK & TR CO	FARGO	ND	85133	399	3762	1987	0	3762	
9380415	MERCHNTS BK & TR CO OF FARGO	FARGO	ND	98254	1036	3698	1840	0	3698	
9380420	FIRST NAT BK & TR CO	FARGO	ND	97918	649	3614	1797	0	3614	
9380440	FIRST NAT BK OF FESSENDEN	FESSENDEN	ND	13415	51	390	0	0	390	*
9380530	FIRST NB IN GRAFTON	GRAFTON	ND	34126	267	1249	0	0	1249	*
9380545	COMMUNITY NB OF GRAND FORKS	GRAND FORKS	ND	19920	631	336	0	0	336	*
9380548	1ST BK OF ND NA-GRAND FORKS	GRAND FORKS	ND	57584	814	2208	701	0	2208	*
9380550	FIRST NB OF GRAND FORKS	GRAND FORKS	ND	84777	2013	2087	423	0	2087	*
9380572	VALLEY BANK & TRUST CO	GRAND FORKS	ND	32283	405	1153	0	0	1153	*
9380680	FIRST NB OF HETTINGER	HETTINGER	ND	18927	91	768	0	0	768	*
9380715	1ST BANK OF ND NA JAMESTOWN	JAMESTOWN	ND	42994	585	1018	0	0	1018	*
9380720	FIRST NATIONAL BANK	JAMESTOWN	ND	45174	190	1797	440	0	1797	*
9380735	STUTSMAN COUNTY STATE BANK	JAMESTOWN	ND	16415	227	418	0	0	418	*
9380850	FIRST NB OF LINTCN	LINTCN	ND	17054	154	535	0	0	535	*
9380910	FIRST NWESTERN NB OF MANDAN	MANDAN	ND	51787	634	1627	249	0	1627	*
9380985	FIRST BANK CF ND NA MINOT	MINOT	ND	51889	593	1436	0	0	1436	*
9380990	FIRST NAT BK IN MINOT	MINOT	ND	90511	1193	2790	1050	0	2790	
9381110	FIRST NAT BK OF OAKES	OAKES	ND	15097	75	584	0	0	584	*
9381380	FIRST NB OF VALLEY CITY	VALLEY CITY	ND	26265	120	1046	38	0	1046	*
9381392	NW NB OF VALLEY CITY	VALLEY CITY	ND	30960	198	1163	46	0	1163	*
9381395	FIRST BK OF ND NA-WAHPETON	WAHPETON	ND	25584	453	618	0	0	618	*
9381400	FIRST NB OF WAHPETON	WAHPETON	ND	32176	268	1162	25	0	1162	*
9381480	1ST NB & TR CO OF WILLISTON	WILLISTON	ND	32787	222	1226	0	0	1226	*

OF 33 BANKS AFFECTED IN STATE 16 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
17 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW RECBAL	(6) DIF (3)-(5)	
4390025	LIBERTY NB OF ADA	ADA	OH	16809	145	601	0	0	601	*
4390033	AKRON NATIONAL BANK	AKRON	OH	361654	12562	6575	4070	0	6575	
4390060	FIRST NATIONAL BANK OF AKRON	AKRON	OH	688105	18240	20753	5264	10120	10633	
4390125	1ST NAT CITY BK OF ALLIANCE	ALLIANCE	OH	73591	1713	2267	624	0	2267	*
4390180	ANDOVER BANK	ANDOVER	OH	17445	369	335	0	0	335	*
4390230	ARCANUM NATIONAL BANK	ARCANUM	OH	19160	279	609	0	0	609	*
4390250	TIFFIN VALLEY NATIONAL BANK	ARCHBOLD	OH	23690	403	490	0	0	490	*
4390270	ASHLAND BANK AND SAVINGS CO	ASHLAND	OH	25403	235	938	0	0	938	*
4390290	FIRST NB OF ASHLAND	ASHLAND	OH	46373	815	1225	0	0	1225	*
4390320	FARMERS NAT BK & TR CO	ASHTABULA	OH	99331	1719	3014	1669	0	3014	
4390340	NORTHEASTERN OHIO NAT BANK	ASHTABULA	OH	84543	1599	3620	2352	0	3620	
4390370	ATHENS NATIONAL BANK	ATHENS	OH	44095	841	1487	53	0	1487	*
4390440	FIRST NB OF BARNESVILLE	BARNESVILLE	OH	45824	684	1215	0	0	1215	*
4390531	HUNTINGTON NATIONAL BANK	BELLEFONTAINE	OH	36013	914	1073	0	0	1073	*
4390540	FIRST NB OF BELLEVUE	BELLEVUE	OH	30359	514	619	0	0	619	*
4390550	UNION BANK AND SAVINGS CO	BELLEVUE	OH	46406	658	1145	171	0	1145	*
4390610	FIRST NB OF CLERMONT CTY	BETHEL	OH	20269	709	389	0	0	389	*
4390670	CITIZENS NB OF BLUFFTON	BLUFFTON	OH	22440	336	568	0	0	568	*
4390700	HUNTINGTON BK OF WOOD CTY	BOWLING GREEN	OH	81401	1077	2738	1269	0	2738	
4390770	BROOKVILLE NATIONAL BANK	BROOKVILLE	OH	16360	382	268	0	0	268	*
4390780	CITIZENS NB OF BRYAN	BRYAN	OH	71392	887	2292	721	0	2292	
4390790	FIRST NB IN BRYAN	BRYAN	OH	28116	558	679	0	0	679	*
4390805	CRAWFORD COUNTY NB BUCYRUS	BUCYRUS	OH	18979	405	471	0	0	471	*
4390810	FARMERS CITIZENS BANK	BUCYRUS	OH	27423	405	840	0	0	840	*
4390830	SECOND NB OF BUCYRUS	BUCYRUS	OH	30549	547	821	0	0	821	*
4390840	FIRST NB OF BURTON	BURTON	OH	53027	992	1643	188	0	1643	*
4390860	FIRST NB OF CADIZ	CADIZ	OH	38744	373	1241	326	0	1241	*
4390910	CENTRAL NB AT CAMBRIDGE	CAMBRIDGE	OH	49661	1301	849	0	0	849	*
4390930	FIRST NB OF CAMBRIDGE	CAMBRIDGE	OH	51124	1254	1424	90	0	1424	*
4390990	FARMERS NB OF CANFIELD	CANFIELD	OH	67326	1140	2136	684	0	2136	*
4390995	CTRL TC OF NRTHESTRN OH NA	CANTON	OH	283499	5046	11301	5293	3536	7765	
4391020	HARTER BK & TR CO	CANTON	OH	358491	5705	14076	5439	6676	7400	
4391030	PEOPLES-MERCHANTS TRUST CO	CANTON	OH	144217	4364	3132	1514	0	3132	
4391040	UNITED NATIONAL BANK & TR CO	CANTON	OH	114169	4250	1653	8	0	1653	
4391080	FIRST NB AT CARROLLTON	CARROLLTON	OH	24042	436	555	0	0	555	*
4391090	CASTALIA BANKING CO	CASTALIA	OH	15586	231	311	0	0	311	*
4391105	CITIZENS CMRCL BK & TR CO	CELINA	OH	64874	996	1597	246	0	1597	
4391120	FIRST NAT BK OF MERCER CTY	CELINA	OH	74457	897	2195	803	0	2195	
4391130	CHARDON SAVINGS BANK CO	CHARDON	OH	57263	1031	1791	542	0	1791	*
4391132	GEAUGA COUNTY NAT BANK	CHARDON	OH	15662	434	186	0	0	186	*
4391150	CTZS NB OF CHILLICOTHE	CHILLICOTHE	OH	29729	755	557	0	0	557	*
4391160	FIRST NB OF CHILLICOTHE	CHILLICOTHE	OH	67192	1386	1805	336	0	1805	*
4391200	CENTRAL TRUST COMPANY NA	CINCINNATI	OH	789677	17270	28622	5196	15871	12751	
4391230	FIFTH THIRD BANK	CINCINNATI	OH	696926	16847	29067	5040	14906	14161	
4391240	FIRST NB OF CINCINNATI	CINCINNATI	OH	897433	14471	41788	5085	25819	15969	
4391290	PROVIDENT BANK	CINCINNATI	OH	419977	10170	13971	4843	3671	10300	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4391310	SOUTHERN OHIO BANK	CINCINNATI	OH	190660	3272	7119	4886	0	7119	
4391340	FIRST NB OF CIRCLEVILLE	CIRCLEVILLE	OH	29538	387	812	0	0	812	*
4391350	SECOND NB OF CIRCLEVILLE	CIRCLEVILLE	OH	22877	381	347	0	0	347	*
4391361	THIRD NAT BK OF CIRCLEVILLE	CIRCLEVILLE	OH	25684	465	610	0	0	610	*
4391410	CAPITAL NATIONAL BANK	CLEVELAND	OH	151377	1761	7250	5356	41	7209	
4391420	CENTRAL NB OF CLEVELAND	CLEVELAND	OH	1262818	34701	15591	5288	6075	9516	
4391430	CLEVELAND TRUST CO	CLEVELAND	OH	2946704	38546	131090	5191	93551	37539	
4391445	FIRST BANK NA	CLEVELAND	OH	29211	551	1096	0	0	1096	*
4391470	NATIONAL CITY BANK	CLEVELAND	OH	1656389	17435	67627	5145	47608	20019	
4391495	SOCIETY NB OF CLEVELAND	CLEVELAND	OH	1032464	18245	35436	5383	25763	9673	
4391500	UNION COMMERCE BANK	CLEVELAND	OH	792414	8012	38253	5609	28437	9816	
4391560	NATIONAL UNION BANK	COLUMBIANA	OH	37957	537	972	33	0	972	*
4391590	CITY NB&TR CO OF COLUMBUS	COLUMBUS	OH	670767	11440	30378	5170	17927	12451	
4391610	HUNTINGTON NB OF COLUMBUS	COLUMBUS	OH	838042	27641	19732	4976	5843	13889	
4391640	OHIO NB OF COLUMBUS	COLUMBUS	OH	1142638	24933	29902	4935	14729	15173	
4391730	CORTLAND SAVINGS & BKNG CO	CORTLAND	OH	77972	1334	1908	702	0	1908	
4391740	COSHOCTON NATIONAL BANK	COSHOCTON	OH	73456	1250	2008	714	0	2008	
4391750	FIRST NB OF COSHOCTON	COSHOCTON	OH	65249	578	2068	764	0	2068	
4391760	WESTERN OHIO NB & TR CO	COVINGTON	OH	26517	524	517	0	0	517	*
4391885	CENTRAL TC OF MNTGMRY CTY NA	DAYTON	OH	25833	543	613	0	0	613	*
4391890	FIRST NATIONAL BANK	DAYTON	OH	322340	6934	13045	5126	4351	8694	
4391910	THIRD NB&TC OF DAYTON	DAYTON	OH	319471	8654	12395	5296	3398	8997	
4391920	WINTERS NB & TR CO	DAYTON	OH	641345	14289	26726	5144	14222	12504	
4391925	NATIONAL BANK OF DEFIANCE	DEFIANCE	OH	31619	355	933	341	0	933	*
4391930	STATE BANK AND TRUST CO	DEFIANCE	OH	55621	1266	2101	699	0	2101	*
4391950	FIRST NB OF DELAWARE	DELAWARE	OH	52784	925	941	0	0	941	*
4391960	COMMERCIAL BANK	DELPHOS	OH	35265	554	919	0	0	919	*
4391970	PEOPLES NB OF DELPHOS	DELPHOS	OH	35899	386	958	16	0	958	*
4392000	PEOPLES SAVINGS BANK CO	DELTA	OH	21015	260	626	0	0	626	*
4392040	PEOPLES NATIONAL BK & TR CO	DOVER	OH	68470	673	2453	1167	0	2453	
4392080	FIRST NB OF E LIVERPOOL	EAST LIVERPOOL	OH	40697	2161	195	0	0	195	*
4392090	POTTERS BANK AND TRUST CO	EAST LIVERPOOL	OH	22603	995	279	0	0	279	*
4392100	FIRST NB AT EAST PALESTINE	EAST PALESTINE	OH	16671	480	118	0	0	118	*
4392120	EATON NATIONAL BK AND TR CO	EATON	OH	24019	246	775	0	0	775	*
4392130	PREBLE CTY NB OF EATON	EATON	OH	37973	447	1081	0	0	1081	*
4392190	ELYRIA SVGS & TRUST NAT BK	ELYRIA	OH	186679	3112	6387	4750	0	6387	
4392195	FIRST NB OF ELYRIA	ELYRIA	OH	38543	731	929	0	0	929	*
4392200	LORAIN CTY SAVINGS & TR CO	ELYRIA	OH	139261	3208	3512	2098	0	3512	
4392222	EUCLID NATIONAL BANK	EUCLID	OH	227452	3190	9127	5303	1961	7166	
4392223	FARMERS AND MERCHANTS BANK	FAIRBORN	OH	26434	766	743	0	0	743	*
4392225	FIRST NB OF FAIRBORN	FAIRBORN	OH	29516	1262	331	0	0	331	*
4392260	FIRST NAT BK OF FINDLAY	FINDLAY	OH	105973	1623	3892	2035	0	3892	
4392270	OHIO BANK AND SAVINGS CO	FINDLAY	OH	43941	869	1403	124	0	1403	*
4392275	CITIZENS NB OF FLUSHING	FLUSHING	OH	14300	260	281	0	0	281	*
4392280	COMMUNITY NATIONAL BANK	FLUSHING	OH	14159	156	377	0	0	377	*
4392290	FIRST NAT BK OF FOREST	FOREST	OH	14716	151	396	0	0	396	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4392310	LORAMIE BANKING CO	FORT LORAMIE	OH	16785	117	549	0	0	549	*
4392340	COMMERICAL BK & SVGS CO	FOSTORIA	OH	39824	655	933	0	0	933	*
4392351	TRI-COUNTY NAT BANK	FOSTORIA	OH	83990	1718	2026	588	0	2026	
4392370	HUNTINGTON NB OF FRANKLIN	FRANKLIN	OH	28211	1308	188	0	0	188	*
4392425	CROGHAN COLONIAL BANK	FREMONT	OH	71325	1415	1742	83	0	1742	
4392445	LIBERTY NB OF FREMONT	FREMONT	OH	36132	677	884	0	0	884	*
4392470	FIRST NB OF GALION	GALION	OH	24173	583	520	0	0	520	*
4392490	FIRST NB OF GALLIPOLIS	GALLIPOLIS	OH	19996	692	83	0	0	83	*
4392540	GENOA BANKING CO	GENOA	OH	20029	421	362	0	0	362	*
4392630	HOME BANKING CO	GIBSONBURG	OH	35926	174	1112	196	0	1112	*
4392670	PEOPLES NB OF GREENFIELD	GREENFIELD	OH	22827	721	355	0	0	355	*
4392700	GREENVILLE NATIONAL BANK	GREENVILLE	OH	50077	759	1554	340	0	1554	*
4392720	SECOND NB OF GREENVILLE	GREENVILLE	OH	43318	863	1148	0	0	1148	*
4392770	FIRST NB & TR CO OF HAMILTON	HAMILTON	OH	135739	4520	3034	1153	0	3034	
4392780	SECOND NB OF HAMILTON	HAMILTON	OH	73761	1721	2000	677	0	2000	*
4392820	FIRST NB OF HARRISON	HARRISON	OH	18846	453	424	0	0	424	*
4392860	FRMRS & TRDRS NB OF HLSBRO	HILLSBORO	OH	25408	220	903	0	0	903	*
4392870	HILLSBORO BANK & SVGS CO	HILLSBORO	OH	34967	432	1155	0	0	1155	*
4392890	MERCHANTS NB OF HILLSBORO	HILLSBORO	OH	28177	285	898	0	0	898	*
4392940	CITIZENS NB OF IRONTON	IRONTON	OH	31960	1088	73	0	0	73	*
4392951	FIRST NAT BK OF IRONTON	IRONTON	OH	71188	1987	1616	0	0	1616	*
4392960	FIRST NB OF JACKSON	JACKSON	OH	56115	1165	1487	0	0	1487	*
4393060	HUNTINGTN PORTAGE NB OF KENT	KENT	OH	94542	1745	3069	1873	0	3069	
4393068	HARDIN NATIONAL BANK	KENTON	OH	19227	375	457	0	0	457	*
4393070	HUNTINGTN FIRST NB OF KENTON	KENTON	OH	34720	483	896	0	0	896	*
4393100	KILLBUCK SAVINGS BANK CO	KILLBUCK	OH	28475	571	582	0	0	582	*
4393150	FARMERS BANKING CO	LAKEVIEW	OH	22819	367	617	0	0	617	*
4393160	FAIRFIELD NB OF LANCASTER	LANCASTER	OH	45434	550	1719	334	0	1719	*
4393180	HOCKING VLY NB OF LANCASTER	LANCASTER	OH	48239	1257	1203	0	0	1203	*
4393190	LANCASTER NATIONAL BANK	LANCASTER	OH	19735	1114	0	0	0	0	*
4393220	LEBANON CITIZENS NB	LEBANON	OH	35379	625	1382	29	0	1382	*
4393265	HUNTINGTON FIRST NB OF LIMA	LIMA	OH	100366	2157	2866	1112	0	2866	
4393285	TOWER NB OF LIMA	LIMA	OH	39003	959	937	0	0	937	*
4393340	FMRS & MRCHTS BK OF LOGAN	LOGAN	OH	30817	789	689	0	0	689	*
4393360	FIRST NB OF LONDON	LONDON	OH	28265	459	600	0	0	600	*
4393365	HUNTINGTON NATIONAL BANK	LONDON	OH	23927	464	807	0	0	807	*
4393370	CENTRAL SEC NB OF LORAIN CTY	LORAIN	OH	98964	2991	1509	271	0	1509	
4393380	CITY BANK COMPANY	LORAIN	OH	44104	1441	465	0	0	465	*
4393385	FIRST LORAIN TRUST CO	LORAIN	OH	40132	446	1078	401	0	1078	*
4393400	LORAIN NATIONAL BANK	LORAIN	OH	134506	4154	2976	1787	0	2976	
4393416	NATIONAL BANK OF LOVELAND	LOVELAND	OH	20372	986	84	0	0	84	*
4393460	EXCHANGE BANK	LUCKEY	OH	22027	264	598	0	0	598	*
4393490	VINTON CTY NB OF MCARTHUR	MCARTHUR	OH	21142	317	751	0	0	751	*
4393520	CTZS NB OF MC CONNELSVILLE	MC CONNELSVILLE	OH	14424	191	360	0	0	360	*
4393530	1ST NB OF MC CONNELSVILLE	MC CONNELSVILLE	OH	17386	224	481	0	0	481	*
4393610	FARMERS SAVINGS AND TRUST CO	MANSFIELD	OH	98597	1397	3905	2072	0	3905	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4393660	CITIZENS NB OF MARIETTA	MARIETTA	OH	46368	552	1513	177	0	1513	*
4393720	NATIONAL CITY BK OF MARION	MARION	OH	101932	2287	3065	1060	0	3065	
4393750	FIRST NB OF MARYSVILLE	MARYSVILLE	OH	31302	908	576	0	0	576	*
4393760	FIRST MASON BANK	MASON	OH	19056	291	645	0	0	645	*
4393770	FIRST NB IN MASSILLON	MASSILLON	OH	71540	2034	1281	118	0	1281	
4393830	OLD PHOENIX NB OF MEDINA	MEDINA	OH	144316	2949	4046	2347	0	4046	
4393870	FIRST NATIONAL BANK	MIAMISBURG	OH	30510	1041	745	0	0	745	*
4393940	CLERMONT NATIONAL BANK	MILFORD	OH	79049	2038	2726	1066	0	2726	*
4393960	ADAMS BANK	MILLERSBURG	OH	17918	217	521	0	0	521	*
4393970	COMMERCIAL AND SAVINGS BANK	MILLERSBURG	OH	31878	236	1106	134	0	1106	*
4393985	CONSUMERS NATIONAL BANK	MINERVA	OH	13783	329	140	0	0	140	*
4393990	MINERVA BANKING COMPANY	MINERVA	OH	22794	246	582	82	0	582	*
4394020	MINSTER STATE BANK	MINSTER	OH	21022	177	692	0	0	692	*
4394040	FIRST NB OF MIDDLETOWN	MONROE	OH	104703	4052	2045	660	0	2045	
4394070	NB OF MONTPELIER	MONTPELIER	OH	24112	294	618	0	0	618	*
4394090	FIRST NB OF WARREN CTY	MORROW	OH	17955	575	171	0	0	171	*
4394130	PEOPLES BANK	MOUNT GILEAD	OH	37018	313	1345	169	0	1345	*
4394140	BROWN CTY NB OF MT ORAB	MOUNT ORAB	OH	14420	285	342	0	0	342	*
4394160	STERLING STATE BANK	MOUNT STERLING	OH	16053	140	563	0	0	563	*
4394170	1ST-KNOX NB IN MT VERNON	MOUNT VERNON	OH	84644	1233	2891	1281	0	2891	
4394180	KNOX COUNTY SAVINGS BANK	MOUNT VERNON	OH	28371	788	417	0	0	417	*
4394200	COMMUNITY BANK	NAPOLEON	OH	28479	831	458	0	0	458	*
4394250	FIRST NB OF NEWARK	NEWARK	OH	90318	1518	2064	581	0	2064	
4394270	PARK NATIONAL BANK	NEWARK	OH	161756	3889	3750	1871	0	3750	
4394290	FIRST NB IN NEW BREMEN	NEW BREMEN	OH	16960	199	429	0	0	429	*
4394370	PPL NB OF NEW LEXINGTON	NEW LEXINGTON	OH	15664	387	331	0	0	331	*
4394390	PERRY COUNTY BANK	NEW LEXINGTON	OH	23216	331	598	0	0	598	*
4394440	OHIO BANK & TRUST COMPANY	NEW PHILADELPHIA	OH	38219	900	699	0	0	699	*
4394500	NEW WATERFORD BANK	NEW WATERFORD	OH	15965	406	213	0	0	213	*
4394520	DOLLAR SAVINGS BANK CO	NILES	OH	20005	311	624	0	0	624	*
4394530	NILES BANK CO	NILES	OH	46988	1528	403	0	0	403	*
4394598	MID-AMERICA NB & TR CO	NORTHWOOD	OH	114179	2288	2724	1383	0	2724	
4394590	CTZNS NB OF NORWALK	NORWALK	OH	26493	387	816	0	0	816	*
4394600	HURON CTY BANKING CO NA	NORWALK	OH	73672	716	2480	903	0	2480	
4394640	NB OF OAK HARBOR	OAK HARBOR	OH	25224	231	655	16	0	655	*
4394650	OAK HARBOR STATE BANK CO	OAK HARBOR	OH	23078	192	659	2	0	659	*
4394680	OBERLIN SAVINGS BANK CO	OBERLIN	OH	41332	621	1259	189	0	1259	*
4394720	FIRST NATIONAL BANK	ORRVILLE	OH	53053	1073	1440	15	0	1440	*
4394730	ORRVILLE SAVINGS BANK	ORRVILLE	OH	23356	197	818	0	0	818	*
4394830	LAKE CTY NB OF PAINESVILLE	PAINESVILLE	OH	259211	4436	8017	5058	648	7369	
4394831	LAKESHORE TRUST COMPANY	PAINESVILLE	OH	105378	1240	4304	3031	0	4304	
4394840	FIRST NB OF PANDORA	PANDORA	OH	18710	98	679	0	0	679	*
4394845	AMERICAN NATIONAL BANK	PARMA	OH	24854	972	66	0	0	66	*
4394870	NB OF PAULDING	PAULDING	OH	19578	242	657	0	0	657	*
4394900	CITIZENS SAVINGS BANK CO	PEMBERVILLE	OH	13019	113	341	0	0	341	*
4394910	CITIZENS BANKING CO	PERRYSBURG	OH	21340	469	518	0	0	518	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4394970	MIAMI CITIZENS NB & TR CO	PIQUA	OH	65637	1347	2446	915	0	2446	*
4394980	PIQUA NATIONAL BANK & TR CO	PIQUA	OH	43214	1589	638	0	0	638	*
4395005	FIRST NB OF MANSFIELD	PLYMOUTH	OH	203612	6182	3837	915	0	3837	
4395030	FMRS BK & SVGS CO OF POMEROY	POMEROY	OH	18786	478	269	0	0	269	*
4395040	POMEROY NATIONAL BANK	POMEROY	OH	23821	603	450	0	0	450	*
4395050	AMERICAN BANK	PORT CLINTON	OH	35277	270	1185	148	0	1185	*
4395060	PORT CLINTON NATIONAL BANK	PORT CLINTON	OH	34908	552	901	0	0	901	*
4395070	NB OF PORTSMOUTH	PORTSMOUTH	OH	49702	2195	0	0	0	0	*
4395090	SECURITY CENTRAL NAT BANK	PORTSMOUTH	OH	93294	3578	803	0	0	803	
4395130	QUAKER CITY NATIONAL BANK	QUAKER CITY	OH	20398	381	441	0	0	441	*
4395165	FIRST NB & TC OF RAVENNA	RAVENNA	OH	77097	1226	2497	1317	0	2497	
4395180	SECOND NB OF RAVENNA	RAVENNA	OH	55967	1216	1364	327	0	1364	*
4395203	CENTRAL TRUST COMPANY	REYNOLDSBURG	OH	79593	1586	2300	840	0	2300	
4395210	RICHWOOD BANKING CO	RICHWOOD	OH	19097	419	417	0	0	417	*
4395250	CHIPPEWA VALLEY BANK	RITTMAN	OH	18504	537	230	0	0	230	*
4395320	BANK OF RUSSELLVILLE CO	RUSSELLVILLE	OH	14689	111	478	0	0	478	*
4395365	BELMONT CTY NB	ST CLAIRSVILLE	OH	58011	1532	1474	155	0	1474	*
4395390	ST HENRY BANK	ST HENRY	OH	21494	163	619	0	0	619	*
4395400	HOME BANKING CO	ST MARYS	OH	32202	528	900	0	0	900	*
4395420	FARMERS NB OF SALEM	SALEM	OH	67219	1434	1872	382	0	1872	*
4395430	FIRST NB OF SALEM	SALEM	OH	54433	751	1598	519	0	1598	*
4395450	CITIZENS BANKING COMPANY	SANDUSKY	OH	78680	839	2499	873	0	2499	
4395460	THIRD NB OF SANDUSKY	SANDUSKY	OH	70023	1441	1552	205	0	1552	
4395470	WESTERN SECURITY BANK	SANDUSKY	OH	61856	1116	1418	10	0	1418	*
4395560	CITIZENS BANK OF SHELBY	SHELBY	OH	19508	474	381	0	0	381	*
4395570	FIRST NB OF SHELBY	SHELBY	OH	28540	798	549	0	0	549	*
4395610	CITIZENS BAUGHMAN NAT BK	SIDNEY	OH	60116	1195	2050	479	0	2050	*
4395620	FIRST NAT EXCH BK OF SIDNEY	SIDNEY	OH	33518	612	1016	0	0	1016	*
4395630	CITIZENS STATE BANK	SILVERTON	OH	23610	930	310	0	0	310	*
4395730	FIRST NB OF SPRINGFIELD	SPRINGFIELD	OH	104066	3360	1817	395	0	1817	
4395740	HUNTINGTN LGDA NB OF SPGFLD	SPRINGFIELD	OH	55113	1271	1586	262	0	1586	*
4395742	SECURITY NATIONAL BANK	SPRINGFIELD	OH	105601	3082	1811	543	0	1811	
4395775	FIRST NB&TC IN STEUBENVILLE	STEUBENVILLE	OH	109817	3328	2348	1099	0	2348	
4395810	UNION SVNGS BK & TR CO	STEUBENVILLE	OH	50667	1417	1235	69	0	1235	*
4395840	FARMERS SAVINGS BANK	STONY RIDGE	OH	40763	671	933	0	0	933	*
4395910	SYLVANIA SAVINGS BANK CO	SYLVANIA	OH	167596	2558	4837	2434	0	4837	
4395940	COMMERCIAL NB OF TIFFIN	TIFFIN	OH	54726	991	1362	41	0	1362	*
4395950	FIRST NB OF TIFFIN	TIFFIN	CH	31199	533	637	0	0	637	*
4396005	FIRST NB OF TOLEDO	TOLEDO	OH	395710	12646	8481	5059	5	8476	
4396020	OHIO CITIZENS TRUST CO	TOLEDO	OH	388762	10224	10562	5149	2280	8282	
4396050	TOLEDO TRUST CO	TOLEDO	OH	577244	9593	23563	5211	13582	9981	
4396060	TROTWOOD BANK INC	TROTWOOD	OH	36816	797	976	0	0	976	*
4396071	FIRST NAT BK & TR CO	TROY	OH	78587	1585	2470	891	0	2470	*
4396130	1ST CTZNS NB OF UPR SANDUSKY	UPPER SANDUSKY	OH	48171	413	1462	240	0	1462	*
4396140	CHAMPAIGN NAT BK OF URBANA	URBANA	OH	22453	411	608	0	0	608	*
4396150	CITIZENS NAT BANK OF URBANA	URBANA	OH	30759	646	859	0	0	859	*

MEMBER BANKS | BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 | 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4396190	PEOPLES BANK & TRUST COMPANY	VAN WERT	OH	33548	532	920	0	0	920	*
4396200	VAN WERT NATIONAL BANK	VAN WERT	OH	60814	1251	1761	237	0	1761	*
4396220	PEOPLES NATIONAL BANK	VERSAILLES	OH	20460	227	658	0	0	658	*
4396260	HUNTINGTN 1ST NB OF MDNA CTY	WADSWORTH	OH	39026	438	1039	162	0	1039	*
4396270	WAKEMAN BANK CO	WAKEMAN	OH	14866	203	358	0	0	358	*
4396280	FIRST NAT BK OF WAPAKONETA	WAPAKONETA	OH	55828	882	1755	284	0	1755	*
4396290	PEOPLES NB OF WAPAKONETA	WAPAKONETA	OH	30268	237	955	197	0	955	*
4396300	SECOND NAT BANK OF WARREN	WARREN	OH	182287	4788	3990	1593	0	3990	
4396310	UNION SAVINGS AND TRUST CO	WARREN	OH	203999	3067	7071	4680	0	7071	
4396330	FIRST NB OF WASH COURT HOUSE	WASH COURT HOUSE	OH	29812	455	1016	0	0	1016	*
4396370	PEOPLES STATE BANK	WAUSEON	OH	26384	357	747	0	0	747	*
4396380	FIRST NAT BANK OF WAVERLY	WAVERLY	OH	31407	1075	313	0	0	313	*
4396410	WAYNESVILLE NATIONAL BANK	WAYNESVILLE	OH	18668	190	542	0	0	542	*
4396430	FIRST NAT BK OF WELLSTON	WELLSTON	OH	15206	318	284	0	0	284	*
4396450	TWIN VALLEY BANK	WEST ALEXANDRIA	OH	13597	355	217	0	0	217	*
4396610	CLTN CTY NBCTC OF WILMINGTON	WILMINGTON	OH	54192	773	2133	669	0	2133	*
4396620	FIRST NAT BK OF WILMINGTON	WILMINGTON	OH	25169	579	589	0	0	589	*
4396650	HUNTINGTON BK OF WOODVILLE	WOODVILLE	OH	25315	162	802	102	0	802	*
4396670	CITIZENS NAT BK OF WOOSTER	WOOSTER	OH	36278	780	1120	0	0	1120	*
4396690	WAYNE COUNTY NB OF WOOSTER	WOOSTER	OH	79367	1514	2956	1567	0	2956	
4396710	CTZNS FIRST NB OF GREENE CTY	XENIA	OH	37932	998	880	0	0	880	*
4396720	XENIA NATIONAL BANK	XENIA	OH	29110	965	664	0	0	664	*
4396750	DOLLAR SAVINGS & TRUST CO	YOUNGSTOWN	OH	356772	10907	7337	3786	0	7337	
4396760	MAHONING NB OF YOUNGSTOWN	YOUNGSTOWN	OH	243526	7677	4366	1859	0	4366	
4396780	UNION NAT BK OF YOUNGSTOWN	YOUNGSTOWN	OH	252056	4487	8918	5254	1722	7196	
4396790	CITIZENS NB IN ZANESVILLE	ZANESVILLE	OH	63652	2372	764	0	0	764	*
4396800	FIRST NAT BK OF ZANESVILLE	ZANESVILLE	OH	83010	1761	2851	1469	0	2851	

OF 257 BANKS AFFECTED IN STATE 134 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
98 HAVE NO REQURED RESERVE BALANCE

10400010	FIRST NAT BK & TR CO OF ADA	ADA	OK	59421	353	2368	960	0	2368	*
10400060	FIRST NAT BK OF ALTUS	ALTUS	OK	33585	396	1445	40	0	1445	*
10400070	NATIONAL BK OF CMRC OF ALTUS	ALTUS	OK	21555	348	766	0	0	766	*
10400090	CENTRAL NAT BK OF ALVA	ALVA	OK	31253	326	1083	0	0	1083	*
10400160	EXCHANGE NAT BK & TR CO	ARDMORE	OK	62326	1012	2325	1031	0	2325	*
10400170	FIRST NAT BK & TR OF ARDMORE	ARDMORE	OK	70378	369	3299	1832	0	3299	*
10400210	FIRST NB IN BARTLESVILLE	BARTLESVILLE	OK	143773	1207	10347	4660	2747	7600	
10400215	PLAZA NB OF BARTLESVILLE	BARTLESVILLE	OK	31328	486	757	0	0	757	*
10400260	FIRST NAT BK OF BETHANY	BETHANY	OK	45832	506	1807	361	0	1807	*
10400300	FIRST NAT BK & TR CO	BLACKWELL	OK	21817	263	696	0	0	696	*
10400400	AMERICAN NB OF BRISTOW	BRISTOW	OK	20844	217	603	0	0	603	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10400440	FIRST NAT BK OF BROKEN ARROW	BROKEN ARROW	OK	35976	594	1247	110	0	1247	*
10400570	FIRST NAT BK OF CHANDLER	CHANDLER	OK	17540	137	602	0	0	602	*
10400580	UNION NAT BK OF CHANDLER	CHANDLER	OK	16991	149	500	0	0	500	*
10400660	FIRST NATIONAL BK & TR CO	CHICKASHA	OK	39776	460	1532	277	0	1532	*
10400670	OK NB & TR CO OF CHICKASHA	CHICKASHA	OK	44892	397	1999	707	0	1999	*
10400680	FIRST NAT BK IN CLAREMORE	CLAREMORE	OK	27177	328	873	0	0	873	*
10400740	FIRST NAT BK IN CLINTON	CLINTON	OK	23174	277	878	0	0	878	*
10400810	CORDELL NATIONAL BANK	CORDELL	OK	30784	136	1015	221	0	1015	*
10400820	FARMERS NAT BK OF CORDELL	CORDELL	OK	22829	118	753	90	0	753	*
10400900	FARMERS NAT BK OF CUSHING	CUSHING	OK	21359	314	700	0	0	700	*
10400910	FIRST NAT BK OF CUSHING	CUSHING	OK	29713	237	1150	54	0	1150	*
10400930	FIRST NAT BK OF DEWEY	DEWEY	OK	22693	489	577	0	0	577	*
10401040	OKLAHOMA NB OF DUNCAN	DUNCAN	OK	33519	238	1284	50	0	1284	*
10401050	SECURITY NB & TR OF DUNCAN	DUNCAN	OK	97319	694	4337	2340	0	4337	
11401070	FIRST NAT BANK IN DURANT	DURANT	OK	37135	690	1092	0	0	1092	*
10401100	FIRST NAT BK OF EDMOND	EDMOND	OK	20035	267	691	0	0	691	*
10401130	FARMERS NAT BK OF ELK CITY	ELK CITY	OK	24568	375	894	0	0	894	*
10401160	CITIZENS NAT BK & TR CO	EL RENO	OK	23709	192	953	0	0	953	*
10401170	FIRST NB & TR CO OF EL RENO	EL RENO	OK	31934	342	1149	0	0	1149	*
10401180	CENTRAL NAT BK & TR	ENID	OK	95493	1042	3274	1513	0	3274	*
10401190	FIRST NB & TR CO OF ENID	ENID	OK	58669	710	2392	868	0	2392	*
10401200	SECURITY NAT BK OF ENID	ENID	OK	55600	433	2320	1018	0	2320	*
10401230	FAIRVIEW STATE BANK	FAIRVIEW	OK	16469	61	554	0	0	554	*
10401285	FARMERS & MERCHANTS NAT BK	FAIRVIEW	OK	15963	99	591	0	0	591	*
10401340	FIRST NAT BK IN FREDICK	FREDERICK	OK	19828	164	839	0	0	839	*
10401470	FIRST NAT BK OF GUTHRIE	GUTHRIE	OK	26691	439	698	0	0	698	*
10401500	FIRST NB OF GUYMON	GUYMON	OK	27153	141	1430	149	0	1430	*
10401610	FIRST NAT BK OF HENNESSEY	HENNESSEY	OK	15633	61	520	0	0	520	*
10401640	FIRST NAT BK IN HOBART	HOBART	OK	15847	188	478	0	0	478	*
10401650	1ST NB & TR CO OF HOLDENVLLE	HOLDENVILLE	OK	31394	175	1249	79	0	1249	*
10401680	FIRST NAT BK IN HOMINY	HOMINY	OK	16403	239	505	0	0	505	*
11401710	CITIZENS STATE BANK	HUGO	OK	18136	345	398	0	0	398	*
11401720	SECURITY FIRST NATIONAL BANK	HUGO	OK	26258	450	557	0	0	557	*
11401730	IDABEL NATIONAL BANK	IDABEL	OK	26777	462	782	0	0	782	*
10401870	PEOPLES NAT BK OF KINGFISHER	KINGFISHER	OK	31671	191	1324	70	0	1324	*
10401930	AMERICAN NAT BK OF LAWTON	LAWTON	OK	37636	448	1818	410	0	1818	*
10401938	CITIZENS NAT BANK OF LAWTON	LAWTON	OK	14223	203	377	0	0	377	*
10401940	CITY NATIONAL BK & TR CO	LAWTON	OK	57120	743	2494	1277	0	2494	*
10402020	FIRST NAT BK & TR CO OF	MC ALESTER	OK	74953	893	2316	712	0	2316	
10402030	NATIONAL BANK OF	MC ALESTER	OK	52791	402	2107	584	0	2107	*
11402050	FIRST NAT BANK IN MADILL	MADILL	OK	16895	379	269	0	0	269	*
10402140	STATE NAT BK OF MARLOW	MARLOW	OK	21853	320	678	0	0	678	*
10402240	FIRST NAT BK OF MIAMI	MIAMI	OK	42682	947	814	0	0	814	*
10402253	AMERICAN NB OF MIDWEST CITY	MIDWEST CITY	OK	27495	617	689	0	0	689	*
10402255	FIRST NB OF MIDWEST CITY	MIDWEST CITY	OK	42199	1973	371	0	0	371	*
10402340	CITIZENS NAT BK OF MUSKOGEE	MUSKOGEE	OK	46617	633	1972	600	0	1972	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10402360	FIRST NB & TR CO OF MUSKOGEE	MUSKOGEE	OK	54691	752	1922	492	0	1922	*
10402420	CITY NATIONAL BANK & TR	NORMAN	OK	44834	409	1693	621	0	1693	*
10402430	FIRST NATIONAL BK & TR	NORMAN	OK	36139	473	1234	10	0	1234	*
10402440	SECURITY NATIONAL BK AND TR	NORMAN	OK	75227	461	3134	1971	0	3134	
10402450	FIRST NAT BK OF NOWATA	NOWATA	OK	20798	164	718	0	0	718	*
10402455	VICTORY NAT BK OF NOWATA	NOWATA	OK	15381	163	517	0	0	517	*
10402520	CENTRAL NATIONAL BANK	OKLAHOMA CITY	OK	79048	505	3443	2261	0	3443	
10402525	CITIZENS NAT BK & TR CO	OKLAHOMA CITY	OK	114182	691	4974	3080	0	4974	
10402530	CITY NAT BK &TR CO	OKLAHOMA CITY	OK	49992	649	1930	813	0	1930	*
10402540	FIDELITY BANK N A	OKLAHOMA CITY	OK	324643	1843	18246	5444	9606	8640	
10402560	FIRST NATIONAL BK & TR	OKLAHOMA CITY	OK	867695	2304	50813	5795	40531	10282	
10402563	FIRST NAT BANK OF BRITTON	OKLAHOMA CITY	OK	39439	348	1214	388	0	1214	*
10402564	FRIENDLY NAT BANK IN SW	OKLAHOMA CITY	OK	46941	515	1680	320	0	1680	*
10402570	LIBERTY NATIONAL BK & TR CO	OKLAHOMA CITY	OK	740191	3474	36736	5892	28914	7822	
10402580	OKLAHOMA NAT BANK & TR CO	OKLAHOMA CITY	OK	56470	664	2341	866	0	2341	*
10402585	PENN SQUARE BANK NA	OKLAHOMA CITY	OK	63299	478	3063	1684	0	3063	*
10402620	CITIZENS NAT BK & TR CO	OKMULGEE	OK	25324	458	859	0	0	859	*
10402622	FIRST NATIONAL BANK & TRUST	OKMULGEE	OK	39323	488	1565	271	0	1565	*
10402640	FIRST NB OF PAULS VALLEY	PAULS VALLEY	OK	19791	242	747	0	0	747	*
10402650	PAULS VALLEY NATIONAL BANK	PAULS VALLEY	OK	18910	208	810	0	0	810	*
10402720	FIRST NAT BK & TR CO	PERRY	OK	35087	194	1348	421	0	1348	*
10402750	FIRST NATIONAL BK & TR	PONCA CITY	OK	59427	658	2346	805	0	2346	*
10402755	PIONEER NATIONAL BANK	PONCA CITY	OK	19552	272	542	0	0	542	*
10402790	CENTRAL NAT BK OF POTEAU	POTEAU	OK	27805	242	855	0	0	855	*
10402800	FIRST NAT BANK OF PRAGUE	PRAGUE	OK	19012	95	636	0	0	636	*
10402810	PRAGUE NATIONAL BANK	PRAGUE	OK	21764	97	844	4	0	844	*
10402830	FIRST NAT BK OF PRYOR	PRYOR	OK	23952	230	936	0	0	936	*
10402850	MC CLAIN CTY NATIONAL BK	PURCELL	OK	30739	143	1160	109	0	1160	*
10402970	NATIONAL BANK OF SALLISAW	SALLISAW	OK	23127	268	765	0	0	765	*
10402990	AMERICAN NATIONAL BK & TR	SAPULPA	OK	40867	354	1774	434	0	1774	*
10402995	SECURITY NAT BK OF SAPULPA	SAPULPA	OK	21409	355	682	0	0	682	*
10403010	FIRST NAT BK OF SAYRE	SAYRE	OK	17478	78	669	0	0	669	*
10403070	AMERICAN NB&TC OF SHAWNEE	SHAWNEE	OK	70837	1360	2117	668	0	2117	*
10403080	FEDERAL NAT BK & TR	SHAWNEE	OK	96568	1243	3556	2244	0	3556	
10403130	FIRST NAT BK OF STIGLER	STIGLER	OK	23258	225	852	0	0	852	*
10403140	FIRST NAT BK & TR	STILLWATER	OK	52189	2329	0	0	0	0	*
10403150	STILLWATER NAT BK & TR	STILLWATER	OK	56368	458	2160	681	0	2160	*
10403220	FIRST NAT BK OF TAHLEQUAH	TAHLEQUAH	OK	37383	426	1167	51	0	1167	*
10403350	FIRST NAT BK IN TONKAWA	TONKAWA	OK	16374	166	519	0	0	519	*
10403367	BANK OF OKLAHOMA NA	TULSA	OK	665181	7133	30602	5697	20980	9622	
10403380	FIRST NAT BK & TR OF TULSA	TULSA	OK	654668	7417	31642	5908	22024	9618	
10403390	FOURTH NAT BK OF TULSA	TULSA	OK	224554	892	12913	5692	5426	7487	
10403393	GUARANTY NATIONAL BANK	TULSA	OK	52746	860	1350	219	0	1350	*
10403425	UTICA NATIONAL BANK & TR CO	TULSA	OK	181817	1989	8263	5548	1330	6933	
10403426	UNION NATIONAL BANK	TULSA	OK	21829	410	361	0	0	361	*
10403510	FIRST NATIONAL BK & TR	VINITA	OK	42904	451	1504	121	0	1504	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10403620	SECURITY STATE BANK	WEATHERFORD	OK	20170	159	791	0	0	791	*
10403750	BANK OF WOODWARD	WOODWARD	OK	39136	744	1372	0	0	1372	*
10403810	FIRST NAT BK OF YUKON	YUKON	OK	32689	307	1089	55	0	1089	*
10403820	YUKON NATIONAL BANK	YUKON	OK	34334	300	1171	175	0	1171	*

OF 107 BANKS AFFECTED IN STATE 50 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
49 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12410230	FOREST GROVE NATIONAL BANK	FOREST GROVE	OR	23427	352	777	0	0	777	*
12410380	FIRST NB OF MC MINNVILLE	MC MINNVILLE	OR	25948	240	1075	0	0	1075	*
12410383	CRATER NATIONAL BANK	MEDFORD	OR	43718	939	1322	46	0	1322	*
12410465	NATIONAL SECURITY BANK	NEWPORT	OR	26760	296	886	0	0	886	*
12410520	FIRST NAT BANK OF OREGON	PORTLAND	OR	2816713	39670	132075	5086	86351	45724	
12410560	UNITED STATES NATIONAL BANK	PORTLAND	OR	2653299	35216	132872	5117	89196	43676	
12410592	DOUGLAS NATIONAL BANK	ROSEBURG	OR	55758	538	2481	1256	0	2481	*

OF 7 BANKS AFFECTED IN STATE 3 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
2 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4420036	FIRST NAT BANK AT ALBION	ALBION	PA	14910	241	375	0	0	375	*
3420075	FIRST NAT BK OF ALLENTOWN	ALLENTOWN	PA	640526	10189	18123	5136	10738	7385	
3420099	MERCHANTS NB OF ALLENTOWN	ALLENTOWN	PA	410076	8979	8830	5044	1616	7214	
3420204	PHILADELPHIA NATIONAL BANK	ARDMORE	PA	2452375	44090	137561	5529	88804	48757	
3420234	CITIZENS NB OF ASHLAND	ASHLAND	PA	23205	608	264	0	0	264	*
3420270	FARMERS NAT BK OF ATHENS	ATHENS	PA	15466	351	202	0	0	202	*
3420297	FIRST NAT BANK OF AVOCA	AVOCA	PA	21565	379	357	0	0	357	*
3420327	CENTRAL-PENN NATIONAL BANK	BALA-CYNWYD	PA	613613	15472	22017	5153	10557	11460	
3420328	FIRST PENNSYLVANIA BANK NA	BALA-CYNWYD	PA	3433931	42176	147521	5336	109965	37556	
3420329	GIRARD BANK	BALA-CYNWYD	PA	2110485	66320	61924	5036	26133	35791	
3420342	MERCHANTS NAT BK OF BANGOR	BANGOR	PA	40032	249	1209	376	0	1209	*
3420360	FIRST NAT BANK OF BATH	BATH	PA	29744	309	770	47	0	770	*
4420369	BEAVER TRUST COMPANY	BEAVER	PA	72590	3167	820	0	0	820	*
3420423	FIRST NAT BANK IN BEDFORD	BEDFORD	PA	27312	673	779	0	0	779	*
3420432	HARTLEY NAT BK OF BEDFORD	BEDFORD	PA	21724	438	571	0	0	571	*
4420532	NATIONAL BK OF WESTERN PA	BERLIN	PA	52910	596	1722	298	0	1722	*
4420540	PHILSON NAT BANK OF BERLIN	BERLIN	PA	13002	107	358	0	0	358	*
3420576	FIRST NAT BANK OF BERWICK	BERWICK	PA	41473	367	1276	181	0	1276	*
3420720	BLUE BALL NATIONAL BANK	BLUE BALL	PA	62144	1178	1548	0	0	1548	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3420756	NAT BANK OF BOYERTOWN	BOYERTOWN	PA	109129	1510	3362	1731	0	3362	
4420837	BRIDGEVILLE TRUST COMPANY	BRIDGEVILLE	PA	58505	906	1921	651	0	1921	*
3420891	BROWNSTOWN NATIONAL BANK	BROWNSTOWN	PA	23637	353	608	0	0	608	*
3420920	PROVIDENT NATIONAL BANK	BRYN MAWR	PA	1332658	25428	64544	5497	44439	20105	
3421026	FIRST NAT BK OF CANTON	CANTON	PA	18027	229	452	0	0	452	*
3421035	FIRST NB OF CARBONDALE	CARBONDALE	PA	80895	1636	1370	0	0	1370	
4421099	FIRST NAT BK OF CARMICHAELS	CARMICHAELS	PA	21876	462	558	0	0	558	*
3421161	SOUTH SIDE NAT BANK	CATAWISSA	PA	18791	368	346	0	0	346	*
3421305	SOUTHEAST NATIONAL BK OF PA	CHESTER	PA	485981	9229	19633	5412	10975	8658	
3421377	CENTRAL PA NATIONAL BANK	CLAYSBURG	PA	55651	1681	754	0	0	754	*
3421404	COUNTY NATIONAL BANK	CLEARFIELD	PA	77695	1239	3063	1377	0	3063	*
3421685	ADAMS COUNTY NAT BANK	CUMBERLAND TWP	PA	105892	1452	2939	968	0	2939	
3421710	DALE NATIONAL BANK	DALE	PA	53834	1204	1057	0	0	1057	*
3421755	FIRST NB OF DANVILLE	DANVILLE	PA	38460	536	950	0	0	950	*
3421809	DENVER NATIONAL BANK	DENVER	PA	41475	597	1159	0	0	1159	*
3421872	DOWNINGTOWN NATIONAL BANK	DOWNINGTOWN	PA	42380	773	1161	0	0	1161	*
3421926	DEPOSIT NATIONAL BANK	DU BOIS	PA	121744	2146	3959	1806	0	3959	
3421971	FIRST NB OF DUNMORE	DUNMORE	PA	34026	432	836	58	0	836	*
3422043	EASTON NAT BK & TR CO	EASTON	PA	148189	2548	4087	2246	0	4087	
3422142	LAUREL NATIONAL BANK	EBENSBURG	PA	111837	1970	3159	1613	0	3159	
3422160	PEOPLES NB OF EDWARDSVILLE	EDWARDSVILLE	PA	36237	448	814	130	0	814	*
3422268	ELVERSON NATIONAL BANK	ELVERSON	PA	18350	307	481	0	0	481	*
4422286	FARMERS NAT BK OF EMLENTON	EMLENTON	PA	13941	109	451	0	0	451	*
3422322	EPHRATA NATIONAL BANK	EPHRATA	PA	71326	987	2066	627	0	2066	
4422394	CITIZENS NB OF EVANS CITY	EVANS CITY	PA	78059	4622	0	0	0	0	*
3422412	FIRST NAT BANK OF EVERETT	EVERETT	PA	28765	578	749	0	0	749	*
3422448	FIRST NAT BANK OF FAIRFIELD	FAIRFIELD	PA	13972	610	0	0	0	0	*
3422484	FIRST NAT BANK IN FLEETWOOD	FLEETWOOD	PA	17806	291	383	0	0	383	*
3422520	COMMUNITY NATIONAL BANK	FOREST CITY	PA	25806	507	418	0	0	418	*
3422574	FIRST NB OF FREDERICKSBURG	FREDERICKSBURG	PA	13778	314	227	0	0	227	*
4422628	VALLEY NATIONAL BANK	FREEPORT	PA	34362	326	1273	0	0	1273	*
4422646	FIRST NAT BANK OF FRYBURG	FRYBURG	PA	17369	68	708	0	0	708	*
4422682	FIRST NAT BANK OF GARRETT	GARRETT	PA	19108	112	613	36	0	613	*
3422709	GETTYSBURG NATIONAL BANK	GETTYSBURG	PA	74277	976	2356	1095	0	2356	
3422790	CITIZENS NB OF GREENCASTLE	GREENCASTLE	PA	45039	391	1396	118	0	1396	*
3422799	FIRST NAT BK OF GREENCASTLE	GREENCASTLE	PA	27920	538	528	0	0	528	*
4422830	SOUTHWEST NATIONAL BK OF PA	GREENSBURG	PA	184786	3448	6057	4199	0	6057	
4422844	FIRST NAT BK OF MERCER CTY	GREENVILLE	PA	145004	3211	2937	1442	0	2937	
3422899	PEOPLES NB OF SUSQUEHANNA	HALLSTEAD	PA	23038	651	230	0	0	230	*
3422961	HARLEYSVILLE NB & TR CO	HARLEYSVILLE	PA	45597	943	1015	0	0	1015	*
3423010	COMMONWEALTH NATIONAL BK	HARRISBURG	PA	685006	16108	20584	5325	11513	9071	
3423096	FIRST NAT BANK OF HAWLEY	HAWLEY	PA	18476	111	528	32	0	528	*
3423132	HAZLETON NATIONAL BANK	HAZLETON	PA	113919	1847	2738	870	0	2738	
3423140	PEOPLES FIRST NB & TR CO	HAZLETON	PA	122483	3902	980	0	0	980	
4423186	FIRST NAT BANK OF HERMINIE	HERMINIE	PA	31913	575	701	0	0	701	*
3423204	HERSHEY NATIONAL BANK	HERSHEY	PA	60852	696	2480	1182	0	2480	*

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3423285	HONESDALE NATIONAL BANK	HONESDALE	PA	29569	455	673	0	0	673	*
3423303	FIRST NAT BK OF HONEY BROOK	HONEY BROOK	PA	20351	173	632	0	0	632	*
3423366	GRANGE NB OF LYCOMING CTY	HUGHESVILLE	PA	18109	245	434	0	0	434	*
3423393	PENN CENTRAL NATIONAL BANK	HUNTINGDON	PA	64803	1223	1711	375	0	1711	*
3423411	UNION NB&TR CO OF HUNTINGDON	HUNTINGDON	PA	55016	876	1560	511	0	1560	*
4423456	NAT BANK OF THE COMMONWEALTH	INDIANA	PA	173146	3684	5097	3999	0	5097	
4423465	SAVINGS & TRUST CO OF PA	INDIANA	PA	121977	1523	5030	3066	0	5030	
4423510	PITTSBURGH NATIONAL BANK	JEANNETTE	PA	2403317	31718	131784	5078	85654	46130	
3423546	FIRST NAT BANK OF JERMYN	JERMYN	PA	70392	1091	1573	213	0	1573	
3423573	FIRST NAT BANK OF JESSUP	JESSUP	PA	14700	310	151	0	0	151	*
3423575	JIM THORPE NATIONAL BANK	JIM THORPE	PA	13644	271	244	0	0	244	*
3423609	MOXHAM NAT BANK OF JOHNSTOWN	JOHNSTOWN	PA	60563	1670	1288	213	0	1288	*
3423618	UNITED STATES NATIONAL BANK	JOHNSTOWN	PA	305266	7460	7932	5462	1464	6468	
3423645	NATIONAL BK & TR CO	KENNETT SQUARE	PA	51348	680	1951	838	0	1951	*
4423681	FARMERS NAT BK OF KITTANNING	KITTANNING	PA	20226	244	642	0	0	642	*
4423690	MERCHANTS NB OF KITTANNING	KITTANNING	PA	28733	618	692	0	0	692	*
3423762	GRANGE NAT BK OF WYOMING	LACEYVILLE	PA	18089	170	428	0	0	428	*
3423771	FIRST NAT BK OF LAKE ARIEL	LAKE ARIEL	PA	12652	77	338	0	0	338	*
3423808	NATIONAL CENTRAL BANK	LANCASTER	PA	1067749	14808	38903	5070	26744	12159	
3423870	CITIZENS NAT BK OF LANSFORD	LANSFORD	PA	13539	118	324	0	0	324	*
4423906	CMRC NB OF WESTMORELAND CTY	LATROBE	PA	52600	1209	1133	0	0	1133	*
3423942	FARMERS TRUST CO OF LEBANON	LEBANON	PA	31597	356	970	0	0	970	*
3423969	LEBANON VALLEY NATIONAL BK	LEBANON	PA	116253	2505	2674	465	0	2674	
3423987	PEOPLES NAT BANK OF LEBANON	LEBANON	PA	44549	957	952	0	0	952	*
4424005	FIRST NAT BANK OF LEECHBURG	LEECHBURG	PA	39860	802	784	0	0	784	*
3424014	FIRST NAT BANK OF LEESPORT	LEESPORT	PA	34725	476	773	0	0	773	*
3424058	LEWISBURG NATIONAL BANK	LEWISBURG	PA	28794	480	692	0	0	692	*
3424096	UNION NAT BANK OF LEWISBURG	LEWISBURG	PA	15857	233	383	0	0	383	*
3424104	LEWISTOWN TRUST COMPANY	LEWISTOWN	PA	23124	414	579	0	0	579	*
3424122	RUSSELL NAT BK OF LEWISTOWN	LEWISTOWN	PA	80515	1860	1701	645	0	1701	
3424194	COMMUNITY NAT BK OF S PA	LITTLESTOWN	PA	28912	668	417	0	0	417	*
3424257	LUZERNE NATIONAL BANK	LUZERNE	PA	22877	418	356	0	0	356	*
3424302	FIRST NB OF MC CONNELLSBURG	MC CONNELLSBURG	PA	20285	297	597	0	0	597	*
3424311	FULTON COUNTY NATIONAL BANK	MC CONNELLSBURG	PA	15281	241	401	0	0	401	*
4424347	MCKEESPORT NATIONAL BANK	MC KEESPORT	PA	60503	2468	694	0	0	694	*
3424473	MANHEIM NATIONAL BANK	MANHEIM	PA	30179	369	810	4	0	810	*
3424491	FIRST CITIZENS NAT BK	MANSFIELD	PA	44899	672	1218	0	0	1218	*
3424500	FIRST NAT BANK OF MAPLETON	MAPLETON	PA	24029	563	363	0	0	363	*
4424563	MARION CENTER NATIONAL BANK	MARION CENTER	PA	14580	181	372	0	0	372	*
4424572	MARS NATIONAL BANK	MARS	PA	35427	484	1277	7	0	1277	*
4424603	SECOND NAT BK OF MASONTOWN	MASONTOWN	PA	27923	641	477	0	0	477	*
4424672	FIRST NATIONAL BANK OF PA	MEADVILLE	PA	396052	6039	13344	5078	5741	7603	
3424752	FIRST NAT BK OF MERCERSBURG	MERCERSBURG	PA	15645	159	443	0	0	443	*
4424770	CITIZENS NB OF MEYERSDALE	MEYERSDALE	PA	15442	125	522	0	0	522	*
3424739	SWINEFORD NB OF MIDDLEBURG	MIDDLEBURG	PA	33449	584	750	0	0	750	*
3424790	TRI-COUNTY NATIONAL BANK	MIDDLEBURG	PA	66164	884	1899	517	0	1899	

MEMBER BANKS | BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 | 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4424815	FIRST NAT BANK OF MIDLAND	MIDLAND	PA	13192	238	272	0	0	272	*
3424860	JUNIATA VALLEY NAT BK	MIFFLINTOWN	PA	50595	763	1351	225	0	1351	*
3424869	FIRST NAT BK OF PIKE CTY	MILFORD	PA	30352	406	795	49	0	795	*
3424890	UPPER DAUPHIN NAT BANK	MILLERSBURG	PA	34931	690	724	0	0	724	*
3424914	FARMERS NB & TR CO	MILLHEIM	PA	18594	402	375	0	0	375	*
3424932	FIRST NAT BK OF MILLVILLE	MILLVILLE	PA	14256	220	343	0	0	343	*
3424950	FIRST NAT BANK OF MILTON	MILTON	PA	15945	347	389	0	0	389	*
3424968	FIRST NAT BK OF MINERSVILLE	MINERSVILLE	PA	18070	295	354	0	0	354	*
4425013	NATIONAL BK OF BEAVER CTY	MONACA	PA	24777	1214	0	0	0	0	*
3425076	COUNTY NAT BANK OF MONTROSE	MONTROSE	PA	57983	765	1631	319	0	1631	*
3425121	LIBERTY ST BK OF MT CARMEL	MOUNT CARMEL	PA	15586	207	363	0	0	363	*
3425130	UNION NB OF MOUNT CARMEL	MOUNT CARMEL	PA	21766	647	127	0	0	127	*
3425166	UNION NATIONAL MT JOY BK	MOUNT JOY	PA	31200	391	889	0	0	889	*
3425283	NANTICOKE NATIONAL BANK	NANTICOKE	PA	29149	387	516	0	0	516	*
3425328	NAZARETH NAT BK & TR CO	NAZARETH	PA	66943	1075	1400	116	0	1400	
3425337	SECOND NAT BANK OF NAZARETH	NAZARETH	PA	40377	590	1004	0	0	1004	*
3425346	NEFFS NATIONAL BANK	NEFFS	PA	15979	114	426	0	0	426	*
4425427	CITIZENS NB OF NEW CASTLE	NEW CASTLE	PA	35506	1105	408	0	0	408	*
4425436	FIRST NB OF LAWRENCE CTY	NEW CASTLE	PA	102080	1659	3864	2464	0	3864	
3425472	CUMBERLAND CTY NAT BK	NEW CUMBERLAND	PA	236221	3807	8311	5134	965	7346	
3425508	NEW HOLLAND FARMERS NAT BK	NEW HOLLAND	PA	62290	867	1950	790	0	1950	*
3425517	SOLEBURY NB OF NEW HOPE	NEW HOPE	PA	31412	435	854	0	0	854	*
3425598	FIRST NATIONAL BK & TR CO	NEWTOWN	PA	40070	991	959	0	0	959	*
3425616	NEW TRIPOLI NATIONAL BANK	NEW TRIPOLI	PA	18814	202	484	0	0	484	*
3425652	FIRST NB OF NICHOLSON	NICHOLSON	PA	22959	390	426	0	0	426	*
3425697	CEMENT N B NORTHAMPTON PA	NORTHAMPTON	PA	101579	1835	1952	548	0	1952	
4425724	NATIONAL BANK OF NORTH EAST	NORTH EAST	PA	27795	637	591	0	0	591	*
3425733	NORTHUMBERLAND NAT BK	NORTHUMBERLAND	PA	17049	372	374	0	0	374	*
3425832	NAT BANK OF OLYPHANT	OLYPHANT	PA	28648	444	553	0	0	553	*
3425835	COLUMBIA CTY FARMERS NB	ORANGEVILLE	PA	30346	406	801	0	0	801	*
3425850	ORRSTOWN BANK	ORRSTOWN	PA	13250	59	434	0	0	434	*
3425904	FIRST NB OF PALMERTON	PALMERTON	PA	44288	695	1010	0	0	1010	*
3425976	FIRST NB OF PECKVILLE	PECKVILLE	PA	29602	662	334	0	0	334	*
3425985	FIRST NB OF PEN ARGYL	PEN ARGYL	PA	19131	247	420	0	0	420	*
3425994	PEN ARGYL NATIONAL BANK	PEN ARGYL	PA	29253	480	593	0	0	593	*
4426620	EQUIBANK NA	PITTSBURGH	PA	1818828	34909	55557	5111	39764	15793	
4426696	IRON AND GLASS BANK	PITTSBURGH	PA	31830	788	835	0	0	835	*
4426723	MELLON BANK NA	PITTSBURGH	PA	5531314	44152	285070	4929	186431	98639	
4426822	UNION NAT BK OF PITTSBURGH	PITTSBURGH	PA	892600	13473	43602	5055	28009	15593	
3426957	PORTAGE NATIONAL BANK	PORTAGE	PA	30364	622	617	0	0	617	*
3426966	FIRST NB OF PORT ALLEGANY	PORT ALLEGANY	PA	14715	143	481	0	0	481	*
3426975	PORTLAND NATIONAL BANK	PORTLAND	PA	17911	215	430	0	0	430	*
3427056	MINERS NAT BK OF POTTSVILLE	POTTSVILLE	PA	69415	1322	1682	0	0	1682	
3427065	PENNSYLVANIA N B & TRUST CO	POTTSVILLE	PA	287145	5166	9558	5696	3513	6045	
4427119	KEYSTONE NATIONAL BANK	PUNXSUTAWNEY	PA	108224	1297	3688	2140	0	3688	
3427137	QUAKERTOWN NATIONAL BANK	QUAKERTOWN	PA	44864	615	1155	122	0	1155	*

MEMBER BANKS   BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7   1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3427155	FARMERS NB OF QUARRYVILLE	QUARRYVILLE	PA	28229	324	862	0	0	862	*
3427326	RIDGWAY NATIONAL BANK	RIDGWAY	PA	17781	250	532	0	0	532	*
4427410	CENTURY NAT BK & TR CO	ROCHESTER	PA	50930	1830	655	0	0	655	*
3427430	FIDELITY BANK	ROSEMONT	PA	1681296	54575	53404	5412	28647	24757	
4427605	FIRST NAT BANK OF SCOTTDALE	SCOTTDALE	PA	32439	971	520	0	0	520	*
3427677	SCRANTON NATIONAL BANK	SCRANTON	PA	90821	1190	2226	176	0	2226	
3427695	THIRD NAT BK & TR CO	SCRANTON	PA	151078	3430	3155	1623	0	3155	
3427767	MARKET STREET NATIONAL BANK	SHAMOKIN	PA	15742	388	278	0	0	278	*
4427821	MC DOWELL NAT BK OF SHARON	SHARON	PA	162791	3543	3630	2410	0	3630	
4427830	MERCHANTS AND MFGRS NAT BK	SHARON	PA	40915	591	1064	83	0	1064	*
3427875	MERCHANTS NB OF SHENANDOAH	SHENANDOAH	PA	21820	454	289	0	0	289	*
3427920	FIRST NAT BK OF SHIPPENSBURG	SHIPPENSBURG	PA	39515	645	842	127	0	842	*
3427929	PEOPLES NB OF SHIPPENSBURG	SHIPPENSBURG	PA	32551	515	815	0	0	815	*
3427974	CITIZENS NB OF SLATINGTON	SLATINGTON	PA	18179	253	375	0	0	375	*
4428001	FIRST NB OF SLIPPERY ROCK	SLIPPERY ROCK	PA	31467	438	912	0	0	912	*
4428032	SOMERSET TRUST CO	SOMERSET	PA	52773	2420	293	0	0	293	*
3428100	UNION NAT BK & TR CO	SOUDERTON	PA	141015	2280	4852	3068	0	4852	
3428163	SPRING GROVE NATIONAL BANK	SPRING GROVE	PA	24642	467	403	0	0	403	*
3428190	PEOPLES NAT BK OF CNTRL PA	STATE COLLEGE	PA	59467	1770	1411	0	0	1411	*
3428253	FIRST NAT BANK OF STRASBURG	STRASBURG	PA	74828	1063	2205	939	0	2205	
3428316	FIRST NATIONAL TRUST BANK	SUNBURY	PA	92484	1556	2487	1260	0	2487	
3428496	FIRST NAT BK OF BRADFORD CTY	TOWANDA	PA	40828	1064	637	0	0	637	*
3428577	FIRST BLAIR CTY NAT BK	TYRONE	PA	19656	743	318	0	0	318	*
4428622	GALLATIN NATIONAL BANK	UNIONTOWN	PA	306590	7714	8159	4856	0	8159	
4428712	WARREN NATIONAL BANK	WARREN	PA	159837	3049	4110	2646	0	4110	
4428725	FIRST NAT BANK & TRUST CO	WASHINGTON	PA	184694	3249	6482	3890	0	6482	
3428757	FARMERS NB OF WATSONTOWN	WATSONTOWN	PA	16482	143	453	0	0	453	*
3428766	WATSONTOWN NATIONAL BANK	WATSONTOWN	PA	13757	188	330	0	0	330	*
3428784	CITIZENS NAT BK & TR CO	WAYNESBORO	PA	30978	795	432	0	0	432	*
3428793	FIRST NAT BK & TR CO	WAYNESBORO	PA	60780	1075	1529	0	0	1529	*
3428874	FIRST NB OF WEST CHESTER	WEST CHESTER	PA	52816	731	2111	954	0	2111	*
3428982	FIRST EASTERN BANK N A	WILKES-BARRE	PA	447930	10942	10022	4692	0	10022	
3429027	WYOMING NB OF WILKES-BARRE	WILKES-BARRE	PA	176586	3542	4011	2451	0	4011	
3429090	FIDELITY NATL BANK OF PA	WILLIAMSPORT	PA	121176	2076	3435	1880	0	3435	
3429117	WILLIAMSPORT NATIONAL BANK	WILLIAMSPORT	PA	93783	2172	2362	960	0	2362	
4429144	CITIZENS NAT BK IN WINDBER	WINDBER	PA	40544	1314	349	0	0	349	*
3429225	FIRST NATIONAL BK OF WYOMING	WYOMING	PA	23256	467	418	0	0	418	*
3429252	DROVERS & MECHANICS NB	YORK	PA	79312	2551	864	0	0	864	
4429333	FIRST NAT BANK OF YOUNGWOOD	YOUNGWOOD	PA	21394	365	514	0	0	514	*

OF 196 BANKS AFFECTED IN STATE 118 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
59 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1440050	NEWPORT NATIONAL BANK	NEWPORT	RI	40016	0	2833	1376	0	2833	*
1440130	COLUMBUS NB OF RHODE ISLAND	PROVIDENCE	RI	118843	1316	3785	2596	567	3218	
1440165	INDUSTRIAL NAT BK OF RI	PROVIDENCE	RI	1497099	12382	63671	5100	51913	11758	
1440270	R I HOSPITAL TRUST NAT BANK	PROVIDENCE	RI	864516	14352	30674	5297	23924	6750	

OF 4 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
1 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5450190	CITIZENS & SOUTHERN NB OF SC	CHARLESTON	SC	607562	18978	29098	5269	13680	15418	
5450210	SOUTH CAROLINA NATIONAL BANK	CHARLESTON	SC	911544	29378	40615	5120	19552	21063	
5450305	FIRST NATIONAL BANK OF S C	COLUMBIA	SC	542310	14202	26781	5166	12823	13958	
5450325	REPUBLIC NATIONAL BANK	COLUMBIA	SC	20769	134	780	0	0	780	*
5450360	CONWAY NATIONAL BANK	CONWAY	SC	43951	882	1724	475	0	1724	*
5450420	CAROLINA NAT BK OF EASLEY	EASLEY	SC	37359	1213	921	0	0	921	*
5450510	GUARANTY BANK AND TRUST CO	FLORENCE	SC	51427	1066	1809	555	0	1809	*
5450650	BANK OF HARTSVILLE	HARTSVILLE	SC	21303	621	635	0	0	635	*
5450660	FIRST CAROLINA NATIONAL BANK	HARTSVILLE	SC	36564	796	1398	5	0	1398	*
5450710	FIRST NAT BANK OF HOLLY HILL	HOLLY HILL	SC	24639	638	615	0	0	615	*
5451060	FIRST NAT BK IN ORANGEBURG	ORANGEBURG	SC	69442	1443	2333	946	0	2333	*
5451160	ROCK HILL NAT BANK	ROCK HILL	SC	43821	846	1602	236	0	1602	*
5451260	NATIONAL BANK OF SC	SUMTER	SC	117105	2937	4621	2826	0	4621	

OF 13 BANKS AFFECTED IN STATE 4 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
6 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9460010	ABERDEEN NATIONAL BANK	ABERDEEN	SD	84080	461	3053	1238	0	3053	
9460015	FARMERS & MRCH BK & TR CO	ABERDEEN	SD	33433	256	979	37	0	979	*
9460020	FIRST NATL BK OF ABERDEEN	ABERDEEN	SD	208997	1806	7521	3915	642	6879	
9460030	STATE BK OF ALCESTER	ALCESTER	SD	20715	58	763	52	0	763	*
9460060	CITIZENS STATE BANK	ARLINGTON	SD	13437	71	443	0	0	443	*
9460110	BANK OF BELLE FOURCHE	BELLE FOURCHE	SD	37937	277	1315	58	0	1315	*
9460130	FIRST NB OF BERESFORD	BERESFORD	SD	17402	84	640	0	0	640	*
9460190	FIRST NB IN BROOKINGS	BROOKINGS	SD	53935	391	1986	402	0	1986	*
9460310	CITIZENS STATE BANK	CLARK	SD	15873	219	409	0	0	409	*
9460330	DEUEL CO NB OF CLEAR LAKE	CLEAR LAKE	SD	19527	56	714	59	0	714	*
9460540	FARMERS STATE BANK	FLANDREAU	SD	22703	70	871	71	0	871	*
9460570	FIRST NB OF FREEMAN	FREEMAN	SD	14656	141	385	0	0	385	*
9460740	FARMERS AND MERCHANTS BANK	HURON	SD	51263	406	1762	188	0	1762	*

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MEMBER BANKS   BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7   1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9460840	BANK OF LEMMON	LEMMON	SD	21283	75	801	48	0	801	*
9460850	FIRST NB IN LEMMON	LEMMON	SD	27119	56	1037	141	0	1037	*
9460980	FIRST NB OF MILLER	MILLER	SD	24072	111	800	91	0	800	*
9460990	HAND COUNTY STATE BANK	MILLER	SD	13569	32	461	0	0	461	*
9461000	COMMERCIAL TRUST & SVGS BANK	MITCHELL	SD	53417	481	1593	140	0	1593	*
9461010	FIRST MITCHELL NAT BANK	MITCHELL	SD	56640	465	1901	381	0	1901	*
9461020	CITIZENS BK OF MOBRIDGE	MOBRIDGE	SD	18882	97	604	10	0	604	*
9461120	FIRST NB IN PHILIP	PHILIP	SD	21373	103	790	12	0	790	*
9461140	FIRST NB IN PIERRE	PIERRE	SD	32507	257	1081	42	0	1081	*
9461150	PIERRE NATIONAL BANK	PIERRE	SD	39502	408	1489	87	0	1489	*
9461190	FIRST NB OF THE BLACK HILLS	RAPID CITY	SD	224811	2187	8977	4780	1129	7848	
9461240	MCCOOK COUNTY NATIONAL BANK	SALEM	SD	14234	70	498	0	0	498	*
9461280	FIRST NB IN SIOUX FALLS	SIOUX FALLS	SD	111715	1836	4253	2290	0	4253	
9461290	NATIONAL BANK OF S D	SIOUX FALLS	SD	405518	3575	15871	4810	6653	9218	
9461300	NW NAT BK OF SIOUX FALLS	SIOUX FALLS	SD	280927	2256	11047	4759	2721	8326	
9461321	UNITED NATIONAL BANK	SIOUX FALLS	SD	122929	1174	4437	2343	0	4437	
9461323	VALLEY NATIONAL BANK	SIOUX FALLS	SD	39000	415	1246	0	0	1246	*
9461325	WESTERN STATE BANK	SIOUX FALLS	SD	59856	765	1557	111	0	1557	*
9461330	ROBERTS CTY NB OF SISSETON	SISSETON	SD	20052	127	724	0	0	724	*
9461540	FIRST NAT BK OF WATERTOWN	WATERTOWN	SD	51728	526	1620	275	0	1620	*
9461560	SECURITY BANK AND TRUST CO	WEBSTER	SD	20047	117	680	0	0	680	*
9461625	RANCHERS NATIONAL BANK	WINNER	SD	17866	52	611	20	0	611	*
9461650	FIRST DAKOTA NATL BK	YANKTON	SD	31214	206	1168	142	0	1168	*
9461655	VALLEY STATE BANK	YANKTON	SD	16594	174	450	0	0	450	*

OF 37 BANKS AFFECTED IN STATE 10 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
23 HAVE NO REQURED RESERVE BALANCE

6470070	CITIZENS NAT BANK OF ATHENS	ATHENS	TN	20149	265	643	0	0	643	*
6470090	FIRST NB & TC ATHENS TN	ATHENS	TN	36037	909	809	0	0	809	*
6470340	FIRST NAT BK OF CENTERVILLE	CENTERVILLE	TN	24274	319	744	0	0	744	*
6470380	AMERICAN NAT BANK AND TR CO	CHATTANOOGA	TN	442077	8049	15485	5241	6464	9021	
6470385	COMMERCE UN BK CHATTANOOGA	CHATTANOOGA	TN	45360	322	1775	635	0	1775	*
6470388	FIRST TN BANK NA CHATTANOOGA	CHATTANOOGA	TN	270396	9201	7265	3088	0	7265	
6470420	FIRST NAT BK OF CLARKSVILLE	CLARKSVILLE	TN	76599	1545	2442	1244	0	2442	
6470470	CLEVELAND NATIONAL BANK	CLEVELAND	TN	53174	1276	1595	439	0	1595	*
6470495	HAMILTON FIRST NAT BANK	CLINTON	TN	30427	673	812	0	0	812	*
6470535	FIRST FARMERS & MERCHANTS NB	COLUMBIA	TN	64018	1312	1961	850	0	1961	*
6470560	FIRST TN BANK NA COOKEVILLE	COOKEVILLE	TN	67723	1037	1870	955	0	1870	
6470570	FIRST NB OF POLK CTY	COPPERHILL	TN	27098	350	666	0	0	666	*
6470640	FIRST NAT BK OF CROSSVILLE	CROSSVILLE	TN	48521	480	1767	636	0	1767	*
6470700	FIRST NB OF FRANKLIN CTY	DECHERD	TN	19915	722	239	0	0	239	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6470710	FIRST NAT BANK OF DICKSON	DICKSON	TN	34221	494	1008	0	0	1008	*
8470810	FIRST CITIZENS NATIONAL BANK	DYERSBURG	TN	75920	1382	2562	1247	0	2562	
6470910	UNION NB OF FAYETTEVILLE	FAYETTEVILLE	TN	51774	737	1494	317	0	1494	*
6470950	HARPETH NB OF FRANKLIN	FRANKLIN	TN	61097	719	2224	1175	0	2224	*
6470987	CMMRC UNION BK OF SUMNER CTY	GALLATIN	TN	38459	460	1094	155	0	1094	*
6470990	FIRST & PPLS NB OF GALLATIN	GALLATIN	TN	27162	984	193	0	0	193	*
6471025	FIRST NAT BK OF GATLINBURG	GATLINBURG	TN	22926	1152	0	0	0	0	*
6471080	FIRST NB OF GREENEVILLE	GREENEVILLE	TN	46639	1099	1379	102	0	1379	*
8471205	FIRST NAT BK OF GIBSON CTY	HUMBOLDT	TN	15837	409	257	0	0	257	*
8471260	FIRST NAT BK OF JACKSON	JACKSON	TN	94365	2400	2220	1031	0	2220	
8471270	NB OF COMMERCE OF JACKSON	JACKSON	TN	80150	1536	2143	1044	0	2143	
8471280	SECOND NB OF JACKSON	JACKSON	TN	81817	1249	2580	1513	0	2580	
6471310	FIRST NB OF JEFFERSON CITY	JEFFERSON CITY	TN	22709	942	30	0	0	30	*
6471350	MOUNTAIN EMPIRE BANK	JOHNSON CITY	TN	18769	380	456	0	0	456	*
6471400	FIRST NAT BK OF SULLIVAN CTY	KINGSPORT	TN	178781	8111	2040	0	0	2040	
6471405	1ST TN BK NA KNGSPRT/BRISTOL	KINGSPORT	TN	45816	2210	736	0	0	736	*
6471490	PARK NAT BANK OF KNOXVILLE	KNOXVILLE	TN	355658	5810	13273	5394	5727	7546	
6471510	FIRST NAT BK OF LA FOLLETTE	LA FOLLETTE	TN	19286	313	444	0	0	444	*
6471520	PEOPLES NB OF LA FOLLETTE	LA FOLLETTE	TN	22617	378	622	0	0	622	*
6471530	CY & CTY BK OF ANDERSON CTY	LAKE CITY	TN	45646	681	1046	180	0	1046	*
6471535	CMMRC UN BK OF LAWRENCE CTY	LAWRENCEBURG	TN	31887	287	958	199	0	958	*
6471540	FIRST NB OF LAWRENCEBURG	LAWRENCEBURG	TN	38535	496	1165	150	0	1165	*
6471543	LAWRENCE COUNTY BANK	LAWRENCEBURG	TN	16385	254	344	0	0	344	*
6471560	FIRST NB OF LOUDON CTY	LENOIR CITY	TN	36696	562	861	42	0	861	*
6471570	FIRST NAT BK OF LEWISBURG	LEWISBURG	TN	33184	728	678	0	0	678	*
8471600	FIRST NB OF LEXINGTON	LEXINGTON	TN	30136	338	1079	0	0	1079	*
6471635	FIRST NATIONAL BANK	LIVINGSTON	TN	23302	309	634	0	0	634	*
6471670	1ST HRTG BK OF LOUDON CTY NA	LOUDON	TN	25181	269	632	75	0	632	*
6471730	FIRST NAT BK OF MCMINNVILLE	MCMINNVILLE	TN	52454	747	1675	675	0	1675	*
6471760	FIRST NAT BK OF MANCHESTER	MANCHESTER	TN	21218	409	529	0	0	529	*
6471810	BLOUNT NATIONAL BANK	MARYVILLE	TN	81864	1661	2241	1008	0	2241	
8471849	CITY NATIONAL BANK	MEMPHIS	TN	27804	448	679	0	0	679	*
8471852	COMMERCE UNION BK OF MEMPHIS	MEMPHIS	TN	61539	216	2757	1755	0	2757	*
8471860	FIRST TN BK NA MEMPHIS	MEMPHIS	TN	1047210	39979	20279	5226	5806	14473	
8471870	NATIONAL BANK OF COMMERCE	MEMPHIS	TN	464680	8343	16581	5490	8831	7750	
8471887	UNITED AM BK IN MEMPHIS	MEMPHIS	TN	82372	975	3108	1693	0	3108	
8471890	UNION PLANTERS NATIONAL BANK	MEMPHIS	TN	737562	19158	26420	5334	14390	12030	
6472020	FIRST BK OF MT PLEASANT	MOUNT PLEASANT	TN	19971	493	387	0	0	387	*
6472037	CMMRC UN BK OF RUTHERFD CTY	MURFREESBORO	TN	60155	1042	1324	171	0	1324	*
6472039	FIRST TN BK NA MURFREESBORO	MURFREESBORO	TN	23970	498	524	0	0	524	*
6472080	COMMERCE UNION BANK	NASHVILLE	TN	882383	9779	34680	5249	24373	10307	
6472085	FIRST AMERICAN NATIONAL BANK	NASHVILLE	TN	970363	18790	37927	5386	25605	12322	
6472087	FIRST TENNESSEE BK NA NSHVLE	NASHVILLE	TN	31354	540	839	29	0	839	*
6472100	THIRD NAT BK IN NASHVILLE	NASHVILLE	TN	869676	9165	39801	5397	28321	11480	
6472102	UNITED AMER BK OF NASHVILLE	NASHVILLE	TN	101831	898	3714	2231	67	3647	
6472125	NATIONAL BANK OF NEWPORT	NEWPORT	TN	26561	603	630	0	0	630	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6472190	FIRST NATIONAL BK OF ONEIDA	ONEIDA	TN	27040	323	855	0	0	855	*
6472260	FIRST NAT BANK OF PIKEVILLE	PIKEVILLE	TN	13666	343	193	0	0	193	*
6472290	FIRST NAT BANK OF PULASKI	PULASKI	TN	52077	603	1602	445	0	1602	*
6472370	FIRST NAT BK AND TR CO	ROCKWOOD	TN	26465	628	560	0	0	560	*
6472520	FIRST NB OF SHELBYVILLE	SHELBYVILLE	TN	41630	591	1366	345	0	1366	*
6472530	PEOPLES NB OF SHELBYVILLE	SHELBYVILLE	TN	38550	598	1193	159	0	1193	*
6472590	FIRST NATIONAL BK OF SPARTA	SPARTA	TN	36390	875	648	0	0	648	*
6472620	FIRST NAT BK OF SPRINGFIELD	SPRINGFIELD	TN	24800	671	501	0	0	501	*
6472780	FIRST NB OF TULLAHOMA	TULLAHOMA	TN	24091	436	848	0	0	848	*
6472790	TRADERS NB OF TULLAHOMA	TULLAHOMA	TN	27300	532	735	0	0	735	*
8472810	OLD AND THIRD NATIONAL BANK	UNION CITY	TN	58107	527	1912	557	0	1912	*
6472930	FARMERS NATIONAL BANK	WINCHESTER	TN	33146	473	1068	0	0	1068	*

OF 72 BANKS AFFECTED IN STATE 33 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
30 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11480013	ABILENE NATIONAL BANK	ABILENE	TX	43089	438	1604	230	0	1604	*
11480020	CITIZENS NAT BK IN ABILENE	ABILENE	TX	152825	1654	6565	4617	0	6565	
11480030	FIRST NAT BANK OF ABILENE	ABILENE	TX	157509	2179	6131	4149	0	6131	
11480035	FIRST STATE BANK	ABILENE	TX	170215	1438	6503	4307	0	6503	
11480055	ALAMO HEIGHTS NATIONAL BK	ALAMO HGHTS	TX	36739	358	1426	88	0	1426	*
11480062	BANK OF HARRIS COUNTY N A	ALDINE	TX	19654	320	677	0	0	677	*
11480070	ALICE NATIONAL BANK	ALICE	TX	61046	717	3029	1413	0	3029	*
11480095	FIRST NAT BANK IN ALPINE	ALPINE	TX	20796	268	873	0	0	873	*
11480125	FIRST NATIONAL BANK	ALVIN	TX	25658	534	773	0	0	773	*
11480140	AMARILLO NATIONAL BANK	AMARILLO	TX	263379	2240	12242	5348	4355	7887	
11480150	AMERICAN NAT BK OF AMARILLO	AMARILLO	TX	138366	1135	5605	3350	0	5605	
11480160	FIRST NB OF AMARILLO	AMARILLO	TX	367109	4087	16255	5265	7563	8692	
11480168	TASCOSA NATIONAL BANK	AMARILLO	TX	39369	545	1392	217	0	1392	*
11480210	FIRST NAT BANK OF ANGLETON	ANGLETON	TX	29951	446	1113	0	0	1113	*
11480255	ARLINGTON NATIONAL BANK	ARLINGTON	TX	34634	523	1411	81	0	1411	*
11480265	FIRST NAT BANK IN ARLINGTON	ARLINGTON	TX	85246	1288	3131	1819	0	3131	
11480300	FIRST NAT BANK OF ATHENS	ATHENS	TX	39032	546	1683	377	0	1683	*
11480310	ATLANTA NATIONAL BANK	ATLANTA	TX	22046	326	791	0	0	791	*
11480330	AMERICAN NAT BANK OF AUSTIN	AUSTIN	TX	227585	2028	12502	5996	5044	7458	
11480340	AUSTIN NATIONAL BANK	AUSTIN	TX	461850	4809	23756	5537	14602	9154	
11480350	CAPITAL NAT BANK IN AUSTIN	AUSTIN	TX	381543	3004	19703	5398	10812	8891	
11480360	CITIZENS NATIONAL BANK	AUSTIN	TX	31619	857	907	0	0	907	*
11480370	CITY NAT BANK OF AUSTIN	AUSTIN	TX	339491	2496	21451	5743	12340	9111	
11480430	FIRST NAT BANK OF BALLINGER	BALLINGER	TX	21318	183	854	0	0	854	*
11480490	FIRST NAT BANK OF BASTROP	BASTROP	TX	17002	270	446	0	0	446	*
11480510	FIRST NAT BK OF BAY CITY	BAY CITY	TX	59220	360	3297	1750	0	3297	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11480515	CITIZENS NATIONAL BK AND TR	BAYTOWN	TX	74204	1598	3436	1797	0	3436	*
11480530	AMERICAN NAT BK OF BEAUMONT	BEAUMONT	TX	179368	3019	7911	5314	452	7459	
11480537	CITIZENS NATIONAL BANK	BEAUMONT	TX	18247	348	502	0	0	502	*
11480540	FIRST SECURITY NATIONAL BANK	BEAUMONT	TX	208530	4850	8427	5570	666	7761	
11480542	GATEWAY NATIONAL BANK	BEAUMONT	TX	23072	391	803	0	0	803	*
11480570	COMMERCIAL NB OF BEEVILLE	BEEVILLE	TX	27459	462	1067	0	0	1067	*
11480580	FIRST NAT BANK OF BEEVILLE	BEEVILLE	TX	21665	309	841	0	0	841	*
11480593	FIRST NATIONAL BANK	BELLAIRE	TX	29998	255	1111	47	0	1111	*
11480595	FIRST STATE BK OF BELLAIRE	BELLAIRE	TX	109251	1370	5992	3853	0	5992	
11480620	FIRST NAT BANK OF BELLVILLE	BELLVILLE	TX	25338	258	770	0	0	770	*
11480640	PEOPLES NAT BANK OF BELTON	BELTON	TX	23472	216	996	0	0	996	*
11480690	FIRST NAT BK IN BIG SPRING	BIG SPRING	TX	58340	792	3050	1593	0	3050	*
11480700	STATE NAT BK OF BIG SPRING	BIG SPRING	TX	39449	419	2011	613	0	2011	*
11480805	FIRST NAT BANK OF BORGER	BORGER	TX	33884	303	1303	32	0	1303	*
11480820	FIRST NAT BANK OF BOWIE	BOWIE	TX	37745	284	1668	247	0	1668	*
11480850	BRADY NATIONAL BANK	BRADY	TX	19574	172	726	0	0	726	*
11480860	COMMERCIAL NAT BANK OF BRADY	BRADY	TX	18410	207	609	0	0	609	*
11480875	CITIZENS NATIONAL BANK	BRECKENRIDGE	TX	24399	107	914	127	0	914	*
11480880	FIRST NB IN BRECKENRIDGE	BRECKENRIDGE	TX	32466	325	1144	0	0	1144	*
11480900	THE BRENHAM NATIONAL BANK	BRENHAM	TX	26873	308	925	0	0	925	*
11480910	FIRST NAT BANK OF BRENHAM	BRENHAM	TX	51047	415	2038	511	0	2038	*
11480970	FIRST NAT BK OF BROWNFIELD	BROWNFIELD	TX	25048	261	972	0	0	972	*
11480990	FIRST NAT BK AT BROWNSVILLE	BROWNSVILLE	TX	147238	4162	3229	1443	0	3229	
11480995	NATIONAL BANK OF COMMERCE	BROWNSVILLE	TX	39401	816	1260	140	0	1260	*
11481000	PAN AMERICAN BANK	BROWNSVILLE	TX	117991	1862	4301	2698	0	4301	
11481010	CITIZENS NAT BK AT BROWNWOOD	BROWNWOOD	TX	21518	290	728	0	0	728	*
11481020	FIRST NAT BK IN BROWNWOOD	BROWNWOOD	TX	46715	658	1989	579	0	1989	*
11481030	CITY NAT BANK OF BRYAN	BRYAN	TX	61111	695	2642	1043	0	2642	*
11481040	FIRST NAT BANK OF BRYAN	BRYAN	TX	46859	304	2186	764	0	2186	*
11481090	FIRST NAT BK IN BURKBURNETT	BURKBURNETT	TX	20683	272	660	0	0	660	*
11481200	CITIZENS NAT BK OF CAMERON	CAMERON	TX	25848	259	901	0	0	901	*
11481210	FIRST NAT BANK IN CAMERON	CAMERON	TX	19156	216	696	0	0	696	*
11481240	FIRST NAT BANK IN CANYON	CANYON	TX	39984	332	1475	229	0	1475	*
11481270	FIRST NAT BANK OF CARTHAGE	CARTHAGE	TX	23961	234	895	0	0	895	*
11481320	FIRST NAT BANK IN CENTER	CENTER	TX	16632	182	527	0	0	527	*
11481450	FIRST NAT BANK IN CISCO	CISCO	TX	19967	298	652	0	0	652	*
11481470	FARMERS STATE BANK & TR CO	CLARENDON	TX	15731	107	523	0	0	523	*
11481500	RED RIVER NB IN CLARKSVILLE	CLARKSVILLE	TX	19120	471	415	0	0	415	*
11481530	CLEBURNE NATIONAL BANK	CLEBURNE	TX	34723	452	1277	0	0	1277	*
11481535	FIRST NAT BANK IN CLEBURNE	CLEBURNE	TX	42943	541	1924	466	0	1924	*
11481580	FIRST COLEMAN NATIONAL BANK	COLEMAN	TX	23773	182	905	0	0	905	*
11481595	UNIVERSITY NB OF COLLEGE STA	COLLEGE STATION	TX	36541	506	1400	77	0	1400	*
11481610	CITY NB OF COLORADO CITY	COLORADO CITY	TX	23268	208	1071	0	0	1071	*
11481640	COMANCHE NATIONAL BANK	COMANCHE	TX	22028	143	888	0	0	888	*
11481670	FIRST NAT BANK OF COMMERCE	COMMERCE	TX	21871	280	728	0	0	728	*
11481690	FIRST NAT BANK IN CONROE	CONROE	TX	71330	564	3808	2425	0	3808	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11481723	AMERICAN NATIONAL BANK	CORPUS CHRISTI	TX	33184	560	1392	102	0	1392	*
11481731	CORPUS CHRISTI BANK AND TR	CORPUS CHRISTI	TX	157770	2348	6410	4319	0	6410	
11481740	CORPUS CHRISTI NATIONAL BANK	CORPUS CHRISTI	TX	256936	3120	12019	5440	4198	7821	
11481744	FIRST NB OF FLOUR BLUFF	CORPUS CHRISTI	TX	30518	171	1178	190	0	1178	*
11481746	GUARANTY BATIONAL BK & TR	CORPUS CHRISTI	TX	51612	445	2792	1266	0	2792	*
11481747	GULFWAY NB OF CORPUS CHRISTI	CORPUS CHRISTI	TX	19339	262	663	0	0	663	*
11481749	MERCANTILE NAT BANK	CORPUS CHRISTI	TX	37054	616	1488	141	0	1488	*
11481758	CORSICANA NATIONAL BANK	CORISICANA	TX	16564	206	575	0	0	575	*
11481760	FIRST NAT BK OF CORSICANA	CORSICANA	TX	74123	774	3333	1713	0	3333	*
11481770	STATE NAT BK OF CORSICANA	CORSICANA	TX	22941	291	820	0	0	820	*
11481936	ALLIED FIRST NB OF CROCKETT	CROCKETT	TX	31011	489	965	0	0	965	*
11481975	BROOKHOLLOW NATIONAL BANK	DALLAS	TX	20336	237	907	0	0	907	*
11481977	CITIZENS NAT BK OF DALLAS	DALLAS	TX	88822	1736	3545	1912	0	3545	*
11481985	COMMERCIAL NATIONAL BANK	DALLAS	TX	20898	541	493	0	0	493	*
11481987	COMMONWEALTH NATIONAL BANK	DALLAS	TX	36492	517	1665	352	0	1665	*
11481999	DALLAS NAT BANK IN DALLAS	DALLAS	TX	41314	459	1728	388	0	1728	*
11482020	FIRST NAT BANK IN DALLAS	DALLAS	TX	2425545	9297	152623	5120	104114	48509	
11482023	FIRST SECURITY NB OF DALLAS	DALLAS	TX	20395	442	760	0	0	760	*
11482047	INWOOD NATIONAL BANK	DALLAS	TX	30882	377	1191	0	0	1191	*
11482052	MAIN STREET NAT BK OF DALLAS	DALLAS	TX	22936	208	826	0	0	826	*
11482065	NORTHPARK NAT BANK	DALLAS	TX	76077	1222	3128	1571	0	3128	*
11482070	MERCANTILE NAT BK AT DALLAS	DALLAS	TX	1191652	7508	61120	5633	47401	13719	
11482090	NAT BK OF COMMERCE OF DALLAS	DALLAS	TX	228002	2346	10641	5591	3022	7619	
11482100	REPUBLIC NAT BANK OF DALLAS	DALLAS	TX	2531408	10237	150042	5130	102309	47733	
11482108	TX CMRC BANK-NORTHWEST NA	DALLAS	TX	22164	490	652	0	0	652	*
11482118	UNITED NATIONAL BANK	DALLAS	TX	66059	435	3729	2206	0	3729	*
11482120	TEXAS BANK & TRUST COMPANY	DALLAS	TX	355897	2083	16743	5188	8237	8506	
11482123	TRINITY NATIONAL BANK	DALLAS	TX	20535	444	497	0	0	497	*
11482170	FIRST NAT BK IN DECATUR	DECATUR	TX	22751	299	959	0	0	959	*
11482210	DEL RIO NATIONAL BANK	DEL RIO	TX	37060	1201	691	0	0	691	*
11482220	CITIZENS NAT BK OF DENISON	DENISON	TX	53511	535	2217	783	0	2217	*
11482230	STATE NAT BANK OF DENISON	DENISON	TX	50708	561	1978	551	0	1978	*
11482240	FIRST DENTON CTY NB OF DNTON	DENTON	TX	54175	708	2101	415	0	2101	*
11482370	DUBLIN NATIONAL BANK	DUBLIN	TX	19490	163	720	0	0	720	*
11482375	FIRST NAT BANK OF DUMAS	DUMAS	TX	18604	427	197	0	0	197	*
11482380	FIRST STATE BANK	DUMAS	TX	23458	352	811	0	0	811	*
11482385	FIRST NATIONAL BANK	DUNCANVILLE	TX	34747	375	1490	372	0	1490	*
11482390	FIRST NAT BK OF EAGLE LAKE	EAGLE LAKE	TX	25282	374	964	0	0	964	*
11482400	FIRST NAT BK OF EAGLE PASS	EAGLE PASS	TX	44259	1208	1021	0	0	1021	*
11482430	EASTLAND NATIONAL BANK	EASTLAND	TX	24787	432	678	0	0	678	*
11482460	FIRST NAT BANK IN EDINBURG	EDINBURG	TX	39055	533	1293	135	0	1293	*
11482500	FIRST NAT BANK OF EL CAMPO	EL CAMPO	TX	26874	235	1487	184	0	1487	*
11482551	BASSETT NAT BANK	EL PASO	TX	31032	557	1114	0	0	1114	*
11482552	BANK OF EL PASO	EL PASO	TX	63220	621	2581	1014	0	2581	*
11482556	CONTINENTAL NATIONAL BANK	EL PASO	TX	27562	256	1084	0	0	1084	*
11482560	EL PASO NATIONAL BANK	EL PASO	TX	413410	5100	17201	5362	8986	8215	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11482564	NORTHGATE NATIONAL BANK	EL PASO	TX	22498	521	496	0	0	496	*
11482565	FIRST CITY NB OF EL PASO	EL PASO	TX	113599	2984	2831	1408	0	2831	
11482570	STATE NAT BK OF EL PASO	EL PASO	TX	394806	4382	17844	5688	10346	7498	
11482620	CITIZENS NAT BANK IN ENNIS	ENNIS	TX	34911	434	1337	13	0	1337	*
11482635	FIRST NATIONAL BANK	EULESS	TX	25851	283	956	0	0	956	*
11482760	1ST CITY NB OF FLORESVILLE	FLORESVILLE	TX	19769	214	710	0	0	710	*
11482770	FIRST NAT BK OF FLOYDADA	FLOYDADA	TX	24354	214	1049	0	0	1049	*
11482812	FORT HOOD NATIONAL BANK	FORT HOOD	TX	22402	1348	0	0	0	0	*
11482815	FIRST NATIONAL BANK	FORT STOCKTON	TX	22976	252	770	12	0	770	*
11482828	CITY NATIONAL BANK	FORT WORTH	TX	59056	675	2439	899	0	2439	*
11482830	CONTINENTAL NB OF FT WORTH	FORT WORTH	TX	331425	2545	14996	5403	7259	7737	
11482840	FIRST NAT BK OF FORT WORTH	FORT WORTH	TX	738793	5952	38949	5553	27659	11290	
11482845	FORT WORTH BANK & TRUST	FORT WORTH	TX	47626	940	1643	260	0	1643	*
11482850	FORT WORTH NATIONAL BANK	FORT WORTH	TX	896227	9530	50842	5461	35939	14903	
11482863	GATEWAY NATIONAL BANK	FORT WORTH	TX	29625	330	1176	0	0	1176	*
11482890	SUMMIT NATIONAL BANK	FORT WORTH	TX	22369	259	717	0	0	717	*
11482930	FREDERICKSBURG NATIONAL BANK	FREDERICKSBURG	TX	36348	320	1284	0	0	1284	*
11482950	FIRST FREEPORT NATIONAL BANK	FREEPORT	TX	49845	612	1994	757	0	1994	*
11482990	GAINESVLE NB IN GAINESVLE	GAINESVILLE	TX	31101	427	1030	0	0	1030	*
11483008	BANK OF GALVESTON NA	GALVESTON	TX	21330	379	667	0	0	667	*
11483020	FIRST HUTCHINGS SEALY NAT BK	GALVESTON	TX	115110	1088	5123	3351	0	5123	
11483035	MOODY NAT BK OF GALVESTON	GALVESTON	TX	59992	917	2328	891	0	2328	*
11483040	UNITED STATES NATIONAL BANK	GALVESTON	TX	103135	654	4792	3164	429	4363	
11483061	COLONIAL NATIONAL BANK	GARLAND	TX	28458	827	477	0	0	477	*
11483063	FIRST NAT BK IN GARLAND	GARLAND	TX	87570	1204	4093	2173	0	4093	*
11483100	NATIONAL BANK OF GATESVILLE	GATESVILLE	TX	20663	223	750	0	0	750	*
11483130	FIRST NAT BK IN GEORGE WEST	GEORGE WEST	TX	17546	104	695	0	0	695	*
11483150	FIRST NAT BANK OF GIDDINGS	GIDDINGS	TX	28127	241	999	0	0	999	*
11483160	FARMERS AND MERCHANTS NAT BK	GILMER	TX	18631	264	681	0	0	681	*
11483170	FIRST NAT BANK OF GILMER	GILMER	TX	20246	401	589	0	0	589	*
11483220	FIRST NAT BK OF GONZALES	GONZALES	TX	25426	254	1015	0	0	1015	*
11483290	FIRST NAT BANK IN GRAHAM	GRAHAM	TX	29429	234	1230	24	0	1230	*
11483300	GRAHAM NATIONAL BANK	GRAHAM	TX	36450	221	1664	395	0	1664	*
11483310	FIRST NAT BANK OF GRANBURY	GRANBURY	TX	21851	146	989	0	0	989	*
11483325	FIRST NB IN GRAND PRAIRIE	GRAND PRAIRIE	TX	26343	370	865	0	0	865	*
11483335	MIDWAY NATIONAL BANK	GRAND PRAIRIE	TX	22654	373	799	0	0	799	*
11483400	CITIZENS NB OF GREENVILLE	GREENVILLE	TX	44001	528	1469	444	0	1469	*
11483410	FIRST GREENVILLE NAT BANK	GREENVILLE	TX	34047	556	1231	46	0	1231	*
11483497	FIRST NAT BK OF HAMILTON	HAMILTON	TX	15252	90	524	0	0	524	*
11483500	HAMILTON NATIONAL BANK	HAMILTON	TX	22483	149	772	0	0	772	*
11483520	FARMERS AND MERCHANTS NAT BK	HAMLIN	TX	19477	112	826	0	0	826	*
11483550	FIRST NAT BANK OF HARLINGEN	HARLINGEN	TX	87077	1429	3746	1946	0	3746	*
11483560	HARLINGEN NATIONAL BANK	HARLINGEN	TX	60598	830	2145	739	0	2145	*
11483576	FIRST NAT BK OF STAFFORD	HARRIS COUNTY	TX	45733	469	1771	424	0	1771	*
11483590	HASKELL NATIONAL BANK	HASKELL	TX	23728	247	1030	0	0	1030	*
11483650	CITIZENS NB OF HENDERSON	HENDERSON	TX	61736	489	2895	1429	0	2895	*

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11483660	FIRST NAT BANK OF HENDERSON	HENDERSON	TX	35414	366	1546	196	0	1546	*
11483680	FIRST NAT BANK OF HEREFORD	HEREFORD	TX	45964	518	1922	536	0	1922	*
11483788	BANK OF HOUSTON	HOUSTON	TX	46251	389	2052	645	0	2052	*
11483789	BANK OF THE SOUTHWEST NA	HOUSTON	TX	1019827	7715	51598	5408	37186	14412	
11483794	CENTRAL NATIONAL BANK	HOUSTON	TX	25794	372	1018	0	0	1018	*
11483796	CAPITAL NATIONAL BANK	HOUSTON	TX	340793	2010	16581	5298	8196	8385	
11483815	FIRST CITY NB OF HOUSTON	HOUSTON	TX	2607908	14377	162181	5580	120744	41437	
11483830	GUARANTY NATIONAL BANK	HOUSTON	TX	38836	961	1079	0	0	1079	*
11483836	FIRST CITY BANK-NORTHEAST NA	HOUSTON	TX	18745	375	438	0	0	438	*
11483837	1ST INTRNTL BK IN HUSTN NA	HOUSTON	TX	365442	2842	18073	5626	9713	8360	
11483870	HOUSTON NATIONAL BANK	HOUSTON	TX	511678	2268	31585	5563	20925	10660	
11483881	LOCKWOOD NATIONAL BANK	HOUSTON	TX	83714	813	3375	1437	0	3375	*
11483882	LONG POINT NB OF HOUSTON	HOUSTON	TX	53318	724	2392	950	0	2392	*
11483885	MACGREGOR PARK NATIONAL BANK	HOUSTON	TX	58660	1272	2146	846	0	2146	*
11483893	NATIONAL STANDARD BANK	HOUSTON	TX	26372	244	1046	63	0	1046	*
11483895	PLAZA COMMERCE BANK,NA	HOUSTON	TX	26848	313	1302	111	0	1302	*
11483909	REPUBLIC NATIONAL BANK	HOUSTON	TX	72246	596	3223	1903	0	3223	*
11483915	SAN FELIPE NATIONAL BANK	HOUSTON	TX	31728	422	1290	18	0	1290	*
11483918	SOUTHERN NAT BANK	HOUSTON	TX	231430	1420	11953	5275	3940	8013	
11483926	TEXAS COMMERCE BANK NA	HOUSTON	TX	2082478	9241	144045	5804	107603	36442	
11483962	VILLAGE NATIONAL BANK	HOUSTON	TX	20830	311	664	0	0	664	*
11483964	WEST LOOP NATIONAL BANK	HOUSTON	TX	21631	321	952	0	0	952	*
11483969	WESTBURY NATIONAL BANK	HOUSTON	TX	25819	462	884	0	0	884	*
11484005	AMERICAN NATIONAL BANK	HUMBLE	TX	18981	203	679	0	0	679	*
11484020	FIRST NAT BK OF HUNTSVILLE	HUNTSVILLE	TX	54817	773	2183	692	0	2183	*
11484030	HUNTSVILLE NATIONAL BANK	HUNTSVILLE	TX	33851	1016	600	0	0	600	*
11484032	FIRST NATIONAL BANK	HURST	TX	87058	959	1093	0	0	1093	*
11484130	FIRST NB OF JACKSONVILLE	JACKSONVILLE	TX	28634	520	1074	0	0	1074	*
11484155	FIRST NATIONAL BANK	JASPER	TX	23032	390	951	0	0	951	*
11484165	FIRST NAT BK OF JEFFERSON	JEFFERSON	TX	19938	185	727	0	0	727	*
11484255	KATY NATIONAL BANK	KATY	TX	27357	418	945	0	0	945	*
11484260	FARMERS AND MERCHANTS NAT BK	KAUFMAN	TX	22789	356	762	0	0	762	*
11484340	FIRST NAT BANK OF KERRVILLE	KERRVILLE	TX	62059	821	2304	672	0	2304	*
11484350	KILGORE FIRST NATIONAL BANK	KILGORE	TX	44509	404	2226	805	0	2226	*
11484360	FIRST NATIONAL BANK	KILLEEN	TX	73439	2786	1424	0	0	1424	*
11484367	HIGHLAND LAKES NAT BANK	KINGSLAND	TX	37887	152	1317	274	0	1317	*
11484370	KLEBERG FIRST NATIONAL BANK	KINGSVILLE	TX	47693	670	2176	810	0	2176	*
11484380	MERCANTILE NB OF KINGSVILLE	KINGSVILLE	TX	25995	490	662	0	0	662	*
11484475	FIRST NATIONAL BANK	LA GRANGE	TX	22033	192	806	0	0	806	*
11484485	FIRST NATIONAL BANK	LAKE JACKSON	TX	20219	288	683	0	0	683	*
11484510	FIRST NAT BANK OF LAMESA	LAMESA	TX	48684	314	2284	862	0	2284	*
11484520	LAMESA NATIONAL BANK	LAMESA	TX	53030	330	2762	1184	0	2762	*
11484530	FIRST NAT BANK OF LAMPASAS	LAMPASAS	TX	22720	195	893	0	0	893	*
11484540	PEOPLES NAT BK OF LAMPASAS	LAMPASAS	TX	16969	391	432	0	0	432	*
11484550	FIRST NAT BK OF LANCASTER	LANCASTER	TX	32904	357	1056	0	0	1056	*
11484555	BAYSHORE NAT BK OF LA PORTE	LA PORTE	TX	23370	610	727	0	0	727	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11484573	CITY NAT BANK OF LAREDO	LAREDO	TX	18335	396	468	0	0	468	*
11484580	LAREDO NATIONAL BANK	LAREDO	TX	258567	2475	10069	4887	2154	7915	
11484590	UNION NAT BANK OF LAREDO	LAREDO	TX	87635	1056	3038	1651	0	3038	
11484640	FIRST NAT BANK OF LEVELLAND	LEVELLAND	TX	31426	474	1080	0	0	1080	*
11484655	LEWISVILLE NATIONAL BANK	LEWISVILLE	TX	24707	378	649	0	0	649	*
11484680	FIRST LIBERTY NATIONAL BANK	LIBERTY	TX	30838	402	1259	15	0	1259	*
11484740	FIRST NAT BK OF LIVINGSTON	LIVINGSTON	TX	28246	325	1011	0	0	1011	*
11484780	FIRST LOCKHART NATIONAL BANK	LOCKHART	TX	21973	177	840	0	0	840	*
11484810	FIRST NAT BANK OF LONGVIEW	LONGVIEW	TX	72188	1403	2884	1229	0	2884	*
11484820	LONGVIEW NATIONAL BANK	LONGVIEW	TX	89519	877	4264	2780	0	4264	
11484890	FIRST NAT BANK AT LUBBOCK	LUBBOCK	TX	316760	2893	11845	4727	3112	8733	
11484900	LUBBOCK NATIONAL BANK	LUBBOCK	TX	278669	2552	12092	5472	4647	7445	
11484905	PLAINS NAT BANK OF LUBBOCK	LUBBOCK	TX	73339	677	3488	1918	0	3488	*
11484907	SECURITY NAT BANK OF LUBBOCK	LUBBOCK	TX	23960	434	772	0	0	772	*
11484908	TEXAS COMMERCE BANK NA	LUBBOCK	TX	145868	1109	7507	5080	1491	6016	
11484930	LUFKIN NATIONAL BANK	LUFKIN	TX	79879	944	4007	2587	0	4007	*
11484990	FIRST NAT BANK OF MC ALLEN	MC ALLEN	TX	110338	2150	3833	2198	0	3833	
11484988	VALLEY NATIONAL BANK	MCALLEN	TX	17937	161	690	0	0	690	*
11485010	CENTRAL NAT BK OF MC KINNEY	MC KINNEY	TX	25688	286	991	0	0	991	*
11485020	COLLIN COUNTY NATIONAL BANK	MC KINNEY	TX	42970	704	1378	273	0	1378	*
11485050	FIRST NAT BK OF MADISONVILLE	MADISONVILLE	TX	25442	134	1084	19	0	1084	*
11485150	MARLIN NATIONAL BANK	MARLIN	TX	23002	290	737	0	0	737	*
11485160	FIRST NAT BANK OF MARSHALL	MARSHALL	TX	52487	856	2199	736	0	2199	*
11485170	MARSHALL NATIONAL BANK	MARSHALL	TX	56140	785	2134	641	0	2134	*
11485210	MASON NATIONAL BANK	MASON	TX	18077	287	546	0	0	546	*
11485260	FIRST NAT BANK OF MEMPHIS	MEMPHIS	TX	21053	167	779	0	0	779	*
11485300	FIRST NAT BANK OF MERCEDES	MERCEDES	TX	14317	249	343	0	0	343	*
11485350	FIRST NAT BANK OF MESQUITE	MESQUITE	TX	25639	782	473	0	0	473	*
11485390	FIRST NAT BANK OF MIDLAND	MIDLAND	TX	424706	2289	26454	5260	15429	11025	
11485400	THE MIDLAND NATIONAL BANK	MIDLAND	TX	188855	1005	10703	5306	2965	7738	
11485450	CITY NAT BK OF MINERAL WELLS	MINERAL WELLS	TX	31736	346	1189	0	0	1189	*
11485460	FIRST NB IN MINERAL WELLS	MINERAL WELLS	TX	36626	356	1589	203	0	1589	*
11485470	FIRST NAT BANK OF MISSION	MISSION	TX	34187	558	1107	0	0	1107	*
11485495	FIRST NAT BANK OF MONAHANS	MONAHANS	TX	22659	278	782	0	0	782	*
11485570	FIRST NB IN MOUNT PLEASANT	MOUNT PLEASANT	TX	57135	533	2129	565	0	2129	*
11485630	COMMERCIAL NB IN NACOGDOCHES	NACOGDOCHES	TX	39764	468	1498	298	0	1498	*
11485640	STONE FORT NB OF NACOGDOCHES	NACOGDOCHES	TX	66903	965	2135	909	0	2135	*
11485656	NASSAU BAY NATIONAL BANK	NASSAU BAY	TX	44882	554	2417	999	0	2417	*
11485690	FIRST NB OF NEW BRAUNFELS	NEW BRAUNFELS	TX	37551	360	1874	510	0	1874	*
11485703	NEW BRAUNFELS NATIONAL BANK	NEW BRAUNFELS	TX	13604	111	408	0	0	408	*
11485760	FARMERS AND MERCHANTS NAT BK	NOCONA	TX	21680	98	877	0	0	877	*
11485795	NORTHEAST NB OF FORT WORTH	N RICHLAND HILLS	TX	64726	613	2627	1036	0	2627	*
11485810	FIRST NAT BK OF ODESSA	ODESSA	TX	109173	1605	5895	4102	0	5895	
11485825	NATIONAL BANK OF ODESSA	ODESSA	TX	53609	1764	1197	0	0	1197	*
11485828	STATE NATIONAL BANK	ODESSA	TX	61647	766	3548	1779	0	3548	*
11485860	OLTON STATE BANK	OLTON	TX	21174	90	829	0	0	829	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11485875	COUNTY NATIONAL BANK	ORANGE	TX	25756	550	718	0	0	718	*
11485880	FIRST CITY NAT BK OF ORANGE	ORANGE	TX	41301	670	2016	570	0	2016	*
11485930	OZONA NATIONAL BANK	OZONA	TX	31033	124	1442	318	0	1442	*
11485980	EAST TEXAS NB OF PALESTINE	PALESTINE	TX	25991	435	1080	0	0	1080	*
11486000	ROYALL NAT BK OF PALESTINE	PALESTINE	TX	24510	429	1049	0	0	1049	*
11486030	FIRST NAT BANK IN PAMPA	PAMPA	TX	54898	623	3009	1338	0	3009	*
11486050	FIRST NAT BANK OF PARIS	PARIS	TX	36555	455	1453	58	0	1453	*
11486060	LIBERTY NAT BANK IN PARIS	PARIS	TX	39527	515	1602	255	0	1602	*
11486073	PASADENA NATIONAL BANK	PASADENA	TX	55574	572	2164	965	0	2164	*
11486090	FIRST NAT BANK OF PECOS	PECOS	TX	24351	282	893	0	0	893	*
11486100	SECURITY STATE BK OF PECOS	PECOS	TX	29735	359	915	0	0	915	*
11486110	FIRST NAT BANK OF PERRYTON	PERRYTON	TX	34853	261	1697	348	0	1697	*
11486190	PITTSBURG NATIONAL BANK	PITTSBURG	TX	17375	232	557	0	0	557	*
11486200	CITY NAT BANK OF PLAINVIEW	PLAINVIEW	TX	47401	311	2272	790	0	2272	*
11486205	FIRST NATIONAL BANK	PLAINVIEW	TX	25493	169	988	0	0	988	*
11486220	FIRST NAT BANK OF PLANO	PLANO	TX	31877	492	1278	81	0	1278	*
11486240	FIRST NB IN PLEASANTON	PLEASANTON	TX	20136	239	770	0	0	770	*
11486260	FIRST NAT BK OF PORT ARTHUR	PORT ARTHUR	TX	119652	1029	5233	3519	444	4789	
11486278	FIRST NAT BK IN PORT LAVACA	PORT LAVACA	TX	27099	308	922	0	0	922	*
11486290	FIRST NAT BK OF PORT NECHES	PORT NECHES	TX	37215	722	1309	137	0	1309	*
11486300	FIRST NATIONAL BANK OF POST	POST	TX	24274	136	957	0	0	957	*
11486400	FIRST NAT BANK OF QUITMAN	QUITMAN	TX	23946	178	1070	0	0	1070	*
11486480	FIRST NAT BANK OF REFUGIO	REFUGIO	TX	24750	261	1259	7	0	1259	*
11486527	FIRST NB OF RICHARDSON	RICHARDSON	TX	20743	339	594	0	0	594	*
11486529	PROMENADE NATIONAL BANK	RICHARDSON	TX	22345	424	775	0	0	775	*
11486550	FIRST NB OF RICHMOND	RICHMOND	TX	19913	505	846	0	0	846	*
11486630	STATE NAT BANK OF ROBSTOWN	ROBSTOWN	TX	32119	265	1484	231	0	1484	*
11486670	FIRST NAT BANK OF ROCKPORT	ROCKPORT	TX	23789	284	947	0	0	947	*
11486740	FIRST NAT BANK OF ROSENBERG	ROSENBERG	TX	23045	282	1198	0	0	1198	*
11486880	CENTRAL NB OF SAN ANGELO	SAN ANGELO	TX	125766	2257	4647	3123	0	4647	
11486890	FIRST NAT BANK OF SAN ANGELO	SAN ANGELO	TX	59883	1022	2244	731	0	2244	*
11486900	SAN ANGELO NB OF SAN ANGELO	SAN ANGELO	TX	128297	1382	5447	3289	0	5447	
11486905	WEST SIDE NATIONAL BANK	SAN ANGELO	TX	21367	480	540	0	0	540	*
11486910	ALAMO NATIONAL BANK	SAN ANTONIO	TX	269891	3081	12426	5405	4766	7660	
11486930	BEXAR CTY NB OF SAN ANTONIO	SAN ANTONIO	TX	140496	1058	6509	4381	589	5920	
11486933	BROADWAY NATIONAL BANK	SAN ANTONIO	TX	132467	2156	5236	3116	0	5236	
11486935	BROOKS FLD NB OF SAN ANTONIO	SAN ANTONIO	TX	53005	699	2026	468	0	2026	*
11486937	CITIZENS NB OF SAN ANTONIO	SAN ANTONIO	TX	33738	1167	857	0	0	857	*
11486960	FIRST NAT BK OF SAN ANTONIO	SAN ANTONIO	TX	77886	556	3061	1794	0	3061	
11486970	FROST NAT BK OF SAN ANTONIO	SAN ANTONIO	TX	734293	10085	32667	5394	21577	11090	
11486980	GROOS NAT BK OF SAN ANTONIO	SAN ANTONIO	TX	25981	444	907	0	0	907	*
11486996	KELLY FLD NB OF SAN ANTONIO	SAN ANTONIO	TX	43293	359	2652	1103	0	2652	*
11486998	MAIN BANK AND TRUST	SAN ANTONIO	TX	59841	470	3510	2105	0	3510	*
11487010	NB OF COMMRCE OF SAN ANTONIO	SAN ANTONIO	TX	515184	4862	25224	5578	16178	9046	
11487020	NB OF FORT SAM HOUSTON	SAN ANTONIO	TX	126412	850	7576	4900	267	7309	
11487026	SECURITY NATIONAL BANK	SAN ANTONIO	TX	21142	290	808	0	0	808	*

MEMBER BANKS　　BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7　　1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11497040	WINDSOR PARK BANK NA	SAN ANTONIO	TX	41541	1314	848	0	0	848	*
11487060	FIRST NB OF SAN AUGUSTINE	SAN AUGUSTINE	TX	17219	208	444	0	0	444	*
11487130	FIRST NB OF SAN MARCOS	SAN MARCOS	TX	28491	354	1028	0	0	1028	*
11487140	STATE BANK AND TRUST COMPANY	SAN MARCOS	TX	34093	450	1137	0	0	1137	*
11487250	FIRST NAT BANK IN SEGUIN	SEGUIN	TX	26919	565	867	0	0	867	*
11487350	MERCHANTS AND PLANTERS NB	SHERMAN	TX	79862	1001	3179	1669	0	3179	
11487355	TEXOMA NATIONAL BANK	SHERMAN	TX	19989	442	515	0	0	515	*
11487375	FIRST NAT BK OF SILSBEE	SILSBEE	TX	18320	541	275	0	0	275	*
11487380	SILSBEE STATE BANK	SILSBEE	TX	26361	421	955	0	0	955	*
11487430	SNYDER NATIONAL BANK	SNYDER	TX	43415	319	2572	1077	0	2572	*
11487450	FIRST NAT BANK OF SONORA	SONORA	TX	23159	177	1123	0	0	1123	*
11487530	FARMERS FIRST NATIONAL BANK	STEPHENVILLE	TX	43176	663	1628	411	0	1628	*
11487630	CITY NB OF SULPHUR SPRINGS	SULPHUR SPRINGS	TX	26073	242	1085	0	0	1085	*
11487635	PEOPLES NB OF SULPHUR SPGS	SULPHUR SPRINGS	TX	18874	236	551	0	0	551	*
11487640	SULPHUR SPRINGS STATE BANK	SULPHUR SPRINGS	TX	40245	466	2010	566	0	2010	*
11487645	FIRST NAT BK	SWEETWATER	TX	33316	379	1085	0	0	1085	*
11487690	FIRST NAT BANK OF TAHOKA	TAHOKA	TX	29770	180	1347	39	0	1347	*
11487710	CITY NATIONAL BANK OF TAYLOR	TAYLOR	TX	25380	161	1083	0	0	1083	*
11487720	FIRST TAYLOR NATIONAL BANK	TAYLOR	TX	42431	419	1624	133	0	1624	*
11487738	CITIZENS NB OF TEMPLE	TEMPLE	TX	18452	581	267	0	0	267	*
11487740	FIRST NAT BANK OF TEMPLE	TEMPLE	TX	59848	876	2534	913	0	2534	*
11487750	TEMPLE NATIONAL BANK	TEMPLE	TX	74075	1208	2875	1335	0	2875	*
11487770	AMERICAN NAT BANK OF TERRELL	TERRELL	TX	58189	658	2199	522	0	2199	*
11487780	TEXARKANA NATIONAL BANK	TEXARKANA	TX	98800	1462	3413	1979	0	3413	
11487790	TEXAS CITY NATIONAL BANK	TEXAS CITY	TX	37513	1245	796	0	0	796	*
11487850	GUARANTY BOND STATE BANK	TOMBALL	TX	39622	464	1538	191	0	1538	*
11487920	FIRST NAT BANK OF TULIA	TULIA	TX	44644	207	1837	435	0	1837	*
11487950	CITIZENS FIRST NAT BK	TYLER	TX	130287	1225	7337	5400	0	7337	
11487955	HERITAGE NATIONAL BANK	TYLER	TX	31933	703	1029	0	0	1029	*
11487960	PEOPLES NAT BANK OF TYLER	TYLER	TX	151522	1392	7761	5413	479	7282	
11487970	TYLER BANK & TRUST CO	TYLER	TX	103467	2195	3616	2099	0	3616	
11487973	RANDOLPH FIELD NAT BK	UNIVERSAL CITY	TX	20612	361	653	0	0	653	*
11488070	HERRING NAT BANK OF VERNON	VERNON	TX	33614	419	1174	0	0	1174	*
11488030	WAGGONER NAT BK OF VERNON	VERNON	TX	53586	340	2258	684	0	2258	*
11488038	FIRST VICTORIA NATIONAL BANK	VICTORIA	TX	152801	1010	9576	5188	2001	7575	
11488090	VICTORIA BK & TR CO	VICTORIA	TX	251340	2157	15801	5209	6946	8855	
11488110	CITIZENS NAT BANK OF WACO	WACO	TX	194157	2300	9219	5674	1823	7396	
11488120	FIRST NATIONAL BANK OF WACO	WACO	TX	146109	2741	5344	3647	0	5344	
11488125	LAKE AIR NATIONAL BANK	WACO	TX	36154	476	1618	307	0	1618	*
11488130	TEXAS NAT BANK OF WACO	WACO	TX	42573	492	1793	586	0	1793	*
11488135	WESTVIEW NATIONAL BANK	WACO	TX	30692	394	1209	0	0	1209	*
11488170	CITIZENS NB IN WAXAHACHIE	WAXAHACHIE	TX	28586	432	942	0	0	942	*
11488190	CITIZENS NB OF WEATHERFORD	WEATHERFORD	TX	27265	253	978	0	0	978	*
11488200	FIRST NB OF WEATHERFORD	WEATHERFORD	TX	36176	369	1351	0	0	1351	*
11488210	MRCH & FRM ST BK OF WTHRFRD	WEATHERFORD	TX	47079	433	1735	336	0	1735	*
11488260	WELLINGTON STATE BANK	WELLINGTON	TX	21169	139	889	0	0	889	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11488280	FIRST NAT BANK OF WESLACO	WESLACO	TX	37279	665	998	0	0	998	*
11498370	SECURITY NB OF WHITESBORO	WHITESBORO	TX	17663	140	675	0	0	675	*
11498400	CITY NB IN WICHITA FALLS	WICHITA FALLS	TX	173546	2424	8024	5461	636	7388	
11498410	FIRST-WICHITA NATIONAL BANK	WICHITA FALLS	TX	222201	4026	8865	5255	1052	7813	
11498419	SOUTHWEST NB OF WICHITA FLS	WICHITA FALLS	TX	21621	309	743	0	0	743	*
11498490	FIRST NAT BK OF WINNSBORO	WINNSBORO	TX	21448	346	620	0	0	620	*
11498590	YOAKUM NATIONAL BANK	YOAKUM	TX	27010	324	952	0	0	952	*

OF 355 BANKS AFFECTED IN STATE 168 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
142 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12490130	BARNES BANKING CO	KAYSVILLE	UT	26038	266	929	0	0	929	*
12490140	FIRST NAT BK OF LAYTON	LAYTON	UT	20879	144	677	8	0	677	*
12490190	FIRST NAT BK OF LOGAN	LOGAN	UT	46828	657	1375	113	0	1375	*
12490270	BANK OF UTAH	OGDEN	UT	92396	1533	3391	1804	0	3391	
12490275	CITIZENS NATIONAL BANK	OGDEN	UT	19707	308	617	0	0	617	*
12490290	FIRST SECURITY BK OF UTAH NA	OGDEN	UT	1141027	12924	44805	5106	31708	13097	
12490400	CONTINENTAL BANK AND TR CO	SALT LAKE CITY	UT	169389	2098	7866	5327	603	7263	
12490430	TRACY COLLINS BK AND TR CO	SALT LAKE CITY	UT	145348	1331	7155	5269	74	7081	
12490470	WALKER BANK AND TR CO	SALT LAKE CITY	UT	567995	5999	28065	5468	18407	9658	
12490475	ZIONS FIRST NATL BANK	SALT LAKE CITY	UT	781458	4802	36546	5045	24526	12020	
12490495	VALLEY BANK AND TRUST CO	SOUTH SALT LAKE	UT	212513	4593	7134	4509	0	7134	

OF 11 BANKS AFFECTED IN STATE 2 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
4 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1500110	BRADFORD NATIONAL BANK	BRADFORD	VT	17256	232	474	0	0	474	*
1500150	VERMONT NATIONAL BANK	BRATTLEBORO	VT	182030	2583	5419	4123	198	5221	
1500260	CALEDONIA NB OF DANVILLE	DANVILLE	VT	14302	58	484	0	0	484	*
1500270	COMMUNITY NATIONAL BANK	DERBY LINE	VT	27822	341	807	1	0	807	*
1500390	FACTRY PT NB OF MANCHSTR CTR	MANCHESTER CENTER	VT	31471	429	836	7	0	836	*
1500410	NB OF MIDDLEBURY	MIDDLEBURY	VT	20163	353	566	0	0	566	*
1500490	CATAMOUNT NATIONAL BANK	NORTH BENNINGTON	VT	34129	654	643	0	0	643	*
1500570	RANDOLPH NATIONAL BANK	RANDOLPH	VT	24018	564	556	0	0	556	*
1500710	FIRST NB OF SPRINGFIELD	SPRINGFIELD	VT	54297	815	1359	564	0	1359	*
1500800	WOODSTOCK NATIONAL BANK	WOODSTOCK	VT	21105	120	716	70	0	716	*

OF 10 BANKS AFFECTED IN STATE 5 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
4 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5510020	WASHINGTON COUNTY NAT BK	ABINGDON	VA	40895	666	1385	17	0	1385	*
5510025	FIRST VIRGINIA BANK-CENTRAL	ALBEMARLE COUNTY	VA	19314	500	441	0	0	441	*
5510080	FIRST NB OF ALTAVISTA	ALTAVISTA	VA	26229	439	582	0	0	582	*
5510130	FARMERS NB OF APPOMATTOX	APPOMATTOX	VA	20811	310	490	0	0	490	*
5510183	HAMILTON BANK & TRUST CO	BAILEYS XROADS	VA	35461	382	1483	169	0	1483	*
5510190	FIRST NAT BK OF BASSETT	BASSETT	VA	44397	1138	805	0	0	805	*
5510220	BANK OF CLARKE COUNTY	BERRYVILLE	VA	20984	226	646	0	0	646	*
5510265	1ST N EXC BK OF MONTGMRY CTY	BLACKSBURG	VA	33712	496	1026	0	0	1026	*
5510270	NATIONAL BANK OF BLACKSBURG	BLACKSBURG	VA	29209	328	1020	0	0	1020	*
5510280	CITIZENS BANK AND TRUST CO	BLACKSTONE	VA	28751	513	604	0	0	604	*
5510312	SW VIRGINIA NAT BANK	BLUEFIELD	VA	27842	669	460	0	0	460	*
5510330	UNION BANK AND TRUST CO	BOWLING GREEN	VA	36096	503	1069	0	0	1069	*
5510360	PLANTERS BK OF BRIDGEWATER	BRIDGEWATER	VA	25431	236	896	57	0	896	*
5510390	FIRST NAT BK OF BROADWAY	BROADWAY	VA	17242	206	514	0	0	514	*
5510490	NATIONAL BANK AND TRUST CO	CHARLOTTESVILLE	VA	233392	4249	7582	4962	136	7446	
5510530	FIDELITY AMERICAN BANK	CHATHAM	VA	17700	163	590	0	0	590	*
5510534	FIRST & MRCH NB OF TIDEWATER	CHESAPEAKE	VA	127647	3954	3684	1633	0	3684	
5510570	BANK OF CHRISTIANSBURG	CHRISTIANSBURG	VA	37220	233	1233	283	0	1233	*
5510580	FIRST NB OF CHRISTIANSBURG	CHRISTIANSBURG	VA	37566	543	1045	9	0	1045	*
5510532	FIRST VA BANK OF THE SW	CHRISTIANSBURG	VA	28988	769	474	0	0	474	*
5510620	FIRST NB OF CLIFTON FORGE	CLIFTON FORGE	VA	26425	537	471	0	0	471	*
5510630	MOUNTAIN NB OF CLIFTON FORGE	CLIFTON FORGE	VA	14238	264	282	0	0	282	*
5510640	FARMERS EXC BK OF COEBURN	COEBURN	VA	27951	456	749	0	0	749	*
5510645	PIEDMONT TRUST BANK	COLLINSVILLE	VA	97797	2076	2433	1397	0	2433	
5510690	COVINGTON NATIONAL BANK	COVINGTON	VA	35370	833	600	0	0	600	*
5510740	FIDELITY AM BK NA CULPEPPER	CULPEPER	VA	43853	635	1248	0	0	1248	*
5510750	SECOND NB OF CULPEPER	CULPEPER	VA	43715	774	1183	0	0	1183	*
5510770	AM NAT BK&TR CO OF DANVILLE	DANVILLE	VA	61347	1610	1203	0	0	1203	*
5510830	FIRST NAT BANK OF DANVILLE	DANVILLE	VA	78416	2044	1734	375	0	1734	
5510870	FRM BK OF EDINBURG INC	EDINBURG	VA	14709	270	362	0	0	362	*
5510900	CITIZENS NB OF EMPORIA	EMPORIA	VA	28544	492	716	0	0	716	*
5510910	FIRST NB OF EMPORIA	EMPORIA	VA	20274	353	515	0	0	515	*
5510940	NATIONAL BANK OF FAIRFAX	FAIRFAX CTY	VA	130599	2541	4698	2542	0	4698	
5510944	FIRST VIRGINIA BANK	FAIRFAX CTY	VA	439523	7859	18785	5444	10214	8571	
5510960	FIRST NB OF FARMVILLE	FARMVILLE	VA	44762	376	1430	267	0	1430	*
5511090	FARMERS & MERCHANTS STATE BK	FREDERICKSBURG	VA	56506	1232	1675	225	0	1675	*
5511120	NAT BK OF FREDERICKSBURG	FREDERICKSBURG	VA	61674	1756	1445	0	0	1445	*
5511160	FIRST NAT BK OF GALAX	GALAX	VA	37851	307	1287	267	0	1287	*
5511265	GRUNDY NATIONAL BANK	GRUNDY	VA	45347	1316	807	0	0	807	*
5511268	MINERS & MERCHANTS B&TC	GRUNDY	VA	35144	618	1044	137	0	1044	*
5511285	FIDELITY AM BK NA HALIFAX	HALIFAX COUNTY	VA	25765	405	760	0	0	760	*
5511320	OLD PT NB OF PHOEBUS	HAMPTON	VA	47242	1207	1047	0	0	1047	*
5511325	HANOVER NATIONAL BANK	HANOVER CTY	VA	31446	411	1000	0	0	1000	*
5511350	ROCKINGHAM NATIONAL BANK	HARRISONBURG	VA	111182	1191	4124	2087	0	4124	
5511355	VALLEY NATIONAL BANK	HARRISONBURG	VA	42876	485	1229	126	0	1229	*
5511360	BANK OF NORTHUMBERLAND INC	HEATHSVILLE	VA	15429	121	489	0	0	489	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5511362	FIDELITY AMER BK NA RICHMOND	HENRICO COUNTY	VA	15871	297	405	0	0	405	*
5511363	NB BANK OF RICHMOND	HENRICO CTY	VA	15474	431	179	0	0	179	*
5511365	VIRGINIA NAT BANK/HENRY CTY	HENRY CTY	VA	16744	616	115	0	0	115	*
5511370	FIDELITY AM BK NA NRTHRN VA	HERNDON	VA	23548	486	650	0	0	650	*
5511425	FIRST VIRGINIA BANK-SOUTH	HURT	VA	36145	605	780	86	0	780	*
5511430	GRAYSON NATIONAL BANK	INDEPENDENCE	VA	20551	418	379	0	0	379	*
5511450	POWELL VALLEY NATIONAL BANK	JONESVILLE	VA	27871	188	1051	63	0	1051	*
5511470	BANK OF LANCASTER	KILMARNCCK	VA	29741	274	1026	2	0	1026	*
5511475	CHESAPEAKE NATIONAL BANK	KILMARNOCK	VA	19632	308	497	0	0	497	*
5511520	PEOPLES NB OF LEESBURG	LEESBURG	VA	35465	244	1470	236	0	1470	*
5511545	UNITED VA BK / ROCKBRIDGE	LEXINGTCN	VA	28109	391	928	0	0	928	*
5511590	FIRST NB OF LURAY	LURAY	VA	22628	524	420	0	0	420	*
5511600	PAGE VALLEY NB OF LURAY	LURAY	VA	17975	290	488	0	0	488	*
5511625	FIDELITY AMERICAN BANK NA	LYNCHBURG	VA	384119	6648	11007	4842	2304	8703	
5511630	UNITED VA BK / FIRST NAT	LYNCHBURG	VA	119491	2507	3550	1830	0	3550	
5511632	VIRGINIA NAT BK/LYNCHBURG	LYNCHBURG	VA	16883	399	395	0	0	395	*
5511695	FIRST MANASSAS BANK & TR CO	MANASSAS	VA	21614	529	583	0	0	583	*
5511730	MARSHALL NAT BK & TR	MARSHALL	VA	19126	200	707	0	0	707	*
5511740	FIRST NB OF MARTINVILLE	MARTINVILLE	VA	131765	3291	2292	11	0	2292	
5511760	FARMERS BANK OF MATHEWS	MATHEWS	VA	22122	374	565	0	0	565	*
5511770	MIDDLEBURG NATIONAL BANK	MIDDLEBURG	VA	20955	103	860	0	0	860	*
5511841	FIRST NATIONAL BANK	NARROWS	VA	35304	727	769	0	0	769	*
5511890	CITIZENS NATIONAL BANK	NEW MARKET	VA	22326	254	581	0	0	581	*
5511950	DOMINION NB OF TIDEWATER	NORFOLK	VA	114348	2874	3500	1734	0	3500	
5511983	UNITED VA BK/SEABOARD NAT	NORFOLK	VA	364212	11519	11888	5275	2746	9142	
5511985	VIRGINIA NATIONAL BANK	NORFOLK	VA	1739573	40504	59326	5077	35423	23903	
5512030	FIRST NB IN ONANCOCK	ONANCOCK	VA	19614	268	577	0	0	577	*
5512040	FARMERS&MRCH NB IN ONLEY	ONLEY	VA	33034	531	744	0	0	744	*
5512160	FIRST NB OF POQUOSON	POQUOSON	VA	16479	203	387	0	0	387	*
5512185	FIDELITY AM BK NA TIDEWATER	PORTSMOUTH	VA	104892	4212	1314	0	0	1314	
5512203	FIRST VA BANK-MANASSAS NAT	PRNC WILLIAM CTY	VA	33507	1520	507	0	0	507	*
5512240	FIRST VIRGINIA BANK-FIRST NA	PURCELLVILLE	VA	23821	273	811	0	0	811	*
5512260	FIRST & MRCH NAT BK	RADFORD	VA	44112	916	998	0	0	998	*
5512300	STATE BANK OF REMINGTON INC	REMINGTON	VA	15718	256	340	0	0	340	*
5512330	RICHLANDS NATIONAL BANK	RICHLANDS	VA	25089	468	487	0	0	487	*
5512345	BANK OF VIRGINIA	RICHMOND	VA	522515	8446	16286	4991	7253	9033	
5512350	CENTRAL NAT BK OF RICHMOND	RICHMOND	VA	307546	4474	11122	5118	3493	7629	
5512365	DOMINION NB OF RICHMOND	RICHMOND	VA	103610	1730	4522	2610	0	4522	
5512370	FIRST&MERCHANTS NB	RICHMOND	VA	1017912	16889	43925	4879	26022	17903	
5512375	FIRST VIRGINIA BK-COLONIAL	RICHMOND	VA	51422	1407	1028	0	0	1028	*
5512410	SOUTHERN BANK AND TRUST CO	RICHMOND	VA	173280	2633	5930	4415	172	5758	
5512430	UNITED VIRGINIA BANK	RICHMOND	VA	725602	8458	28620	5042	17078	11542	
5512440	VIRGINIA NAT BANK/RICHMOND	RICHMOND	VA	62252	724	2899	1364	0	2899	*
5512460	FIRST NAT EXCHANGE BK	ROANOKE	VA	773874	7361	33008	5184	23119	5889	
5512481	NEW BANK OF ROANOKE	ROANOKE	VA	11043	309	0	0	0	0	*
5512482	COLONIAL-AMERICAN NAT BK	ROANOKE COUNTY	VA	188292	3337	5644	3861	0	5644	

MEMBER BANKS | BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 | 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5512483	FDLTY AM BK NA ROANOKE VLLY	ROANOKE COUNTY	VA	16736	337	324	0	0	324	*
5512484	FIRST VA BK OF ROANOKE VLY	ROANOKE COUNTY	VA	51314	1130	1093	0	0	1093	*
5512485	UNTD VA BK OF ROANOKE NA	ROANOKE CTY	VA	49091	1282	951	0	0	951	*
5512490	BANKERS TRUST CO	ROCKY MOUNT	VA	32617	387	866	0	0	866	*
5512500	PEOPLES NATIONAL BANK	ROCKY MOUNT	VA	40277	626	965	0	0	965	*
5512510	ROUND HILL NATIONAL BANK	ROUND HILL	VA	15141	118	455	0	0	455	*
5512630	SOUTH BOSTON B&TC	SOUTH BOSTON	VA	37561	879	757	0	0	757	*
5512632	UNTD VA BK/CTZNS OF S BOSTON	SOUTH BOSTON	VA	30911	398	957	17	0	957	*
5512640	CITIZENS BANK INC	SOUTH HILL	VA	26750	551	628	0	0	628	*
5512653	ALEXANDRIA NAT BK OF N VA	SPRINGFIELD	VA	135153	3069	4309	2644	0	4309	
5512655	NORTHERN VIRGINIA BANK	SPRINGFIELD	VA	127026	3448	4084	2228	0	4084	
5512725	UNITED VA BK / NAT VALLEY	STAUNTON	VA	41774	734	1323	24	0	1323	*
5512740	FIRST NB OF STRASBURG	STRASBURG	VA	24427	279	677	0	0	677	*
5512748	FIRST VIRGINIA BANK N A	STRASBURG	VA	47768	617	1386	293	0	1386	*
5512760	FIRST NAT BK OF STUART	STUART	VA	25676	736	254	0	0	254	*
5512840	SOUTHSIDE BANK	TAPPAHANNOCK	VA	31407	452	925	0	0	925	*
5512850	BANK OF TAZEWELL COUNTY	TAZEWELL	VA	50222	1059	1315	0	0	1315	*
5512860	TAZEWELL NATIONAL BANK	TAZEWELL	VA	30940	425	1188	0	0	1188	*
5512880	FIRST NB OF TROUTVILLE	TROUTVILLE	VA	13487	221	298	0	0	298	*
5512904	DOMINION NB OF NORTHERN VA	VIENNA	VA	138353	4474	4989	2589	0	4989	
5512911	UNITED VIRGINIA BANK-NAT	VIENNA	VA	456059	10373	18216	5262	8678	9538	
5512940	FAUQUIER NB OF WARRENTON	WARRENTON	VA	39949	358	1573	227	0	1573	*
5512950	PEOPLES NB OF WARRENTON	WARRENTON	VA	21260	433	620	0	0	620	*
5512960	NORTHERN NECK ST BK	WARSAW	VA	25847	339	815	0	0	815	*
5512975	DOMINION NATIONAL BANK	WASHINGTON CTY	VA	69619	1329	2451	1166	0	2451	*
5512980	BANK OF WAVERLY	WAVERLY	VA	15475	234	427	0	0	427	*
5513050	UNITED VA BK OF WILLIAMSBURG	WILLIAMSBURG	VA	69652	1671	1889	746	0	1889	*
5513070	FARMERS & MERCHANTS NAT BK	WINCHESTER	VA	144096	2964	4264	2830	0	4264	
5513080	SHENANDOAH VALLEY NB	WINCHESTER	VA	61269	943	1869	767	0	1869	*
5513101	WISE COUNTY NATIONAL BANK	WISE	VA	63209	955	2829	1548	0	2829	*
5513145	F&M NAT BK OF THE PENINSULA	YORK COUNTY	VA	125119	4550	3217	925	0	3217	
5513150	FIRST NAT BANK OF YORKTOWN	YORKTOWN	VA	16500	447	275	0	0	275	*

OF 124 BANKS AFFECTED IN STATE 74 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
38 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12530050	BELLINGHAM NATIONAL BANK	BELLINGHAM	WA	71375	1301	2899	1514	0	2899	*
12530160	NORTHWEST NATIONAL BANK	CLARK COUNTY	WA	27182	322	1003	0	0	1003	*
12530290	FIRST NAT BK OF ENUMCLAW	ENUMCLAW	WA	38582	431	1184	35	0	1184	*
12530468	SOUTH SOUND NATIONAL BANK	LACEY	WA	23723	490	698	0	0	698	*
12530665	FARMERS & MERCHANTS BANK	OPPORTUNITY	WA	35687	627	1156	0	0	1156	*
12530851	PACIFIC NB OF WASHINGTON	SEATTLE	WA	1005888	18389	36440	5097	22566	13874	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12530860	PEOPLES NAT BANK OF WASH	SEATTLE	WA	937993	17021	40233	5146	25213	15020	
12530867	RAINIER NATIONAL BANK	SEATTLE	WA	2318452	35315	108568	5222	74772	33796	
12530870	SEATTLE-FIRST NATIONAL BANK	SEATTLE	WA	4044962	69347	174553	5081	109985	64568	
12530880	SEATTLE TRUST AND SAVINGS BK	SEATTLE	WA	344774	6313	12227	5010	3923	8304	
12530980	FIRST NB IN SPOKANE	SPOKANE	WA	59830	1334	2033	681	0	2033	*
12530990	OLD NB OF WASHINGTON	SPOKANE	WA	783816	15250	29037	5093	16789	12248	
12531020	FIRST NB OF STANWOOD	STANWOOD	WA	23677	356	614	0	0	614	*
12531030	PUGET SOUND NATIONAL BANK	TACOMA	WA	456618	11764	12717	5024	3566	9151	

OF 14 BANKS AFFECTED IN STATE 4 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
3 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5540010	FIRST NAT BK OF ALDERSON	ALDERSON	WV	18392	101	674	0	0	674	*
5540060	BECKLEY NATIONAL BANK	BECKLEY	WV	117526	1559	3781	2579	349	3432	
5540070	RALEIGH COUNTY NAT BK	BECKLEY	WV	114319	2383	3536	2252	0	3536	
5540085	FIRST NAT BANK OF BELLE	BELLE	WV	21650	574	343	0	0	343	*
5540090	CTZ NB OF BERKELEY SPGS	BERKELEY SPRINGS	WV	17044	295	552	0	0	552	*
5540120	FIRST NAT BANK OF BLUEFIELD	BLUEFIELD	WV	84688	752	3327	1735	0	3327	
5540130	FLAT TOP NAT BK OF BLUEFIELD	BLUEFIELD	WV	103873	1708	3868	2411	0	3868	
5540150	BRUCETON BANK	BRUCETON MILLS	WV	24775	293	755	0	0	755	*
5540170	CENTRAL NB OF BUCKHANNON	BUCKHANNON	WV	46629	733	1296	0	0	1296	*
5540230	CHARLESTON NATIONAL BANK	CHARLESTON	WV	201072	5050	6653	4276	0	6653	
5540235	CITY NAT BK OF CHARLESTON	CHARLESTON	WV	53672	751	1698	492	0	1698	*
5540240	KANAWHA BK & TR CO NA	CHARLESTON	WV	136932	1061	5927	4012	563	5364	
5540250	KANAWHA VALLEY BANK NA	CHARLESTON	WV	259036	3601	9543	5285	2479	7064	
5540260	NAT BK OF CMRC OF CHARLESTON	CHARLESTON	WV	118642	3259	2506	564	0	2506	
5540280	PEOPLES BK OF CHARLES TOWN	CHARLES TOWN	WV	17354	189	551	0	0	551	*
5540290	EMPIRE NB OF CLARKSBURG	CLARKSBURG	WV	58146	539	2002	582	0	2002	*
5540320	UNION NB OF CLARKSBURG	CLARKSBURG	WV	143724	1690	5564	3865	0	5564	
5540390	CITIZENS NB OF ELKINS	ELKINS	WV	46925	878	1216	0	0	1216	*
5540415	RONCEVERTE NATIONAL BANK	FAIRLEA	WV	27545	392	769	0	0	769	*
5540420	CITY NB OF FAIRMONT	FAIRMONT	WV	56974	404	2145	767	0	2145	*
5540425	COMMUNITY BANK AND TRUST NA	FAIRMONT	WV	52908	598	1573	367	0	1573	*
5540430	FIRST NB IN FAIRMONT	FAIRMONT	WV	79695	1816	1801	446	0	1801	
5540490	BANK OF GASSAWAY	GASSAWAY	WV	24949	276	811	0	0	811	*
5540495	GAULEY NATIONAL BANK	GAULEY BRIDGE	WV	27397	253	1774	439	0	1774	*
5540515	BLUEVILLE BANK OF GRAFTON	GRAFTON	WV	35366	447	1016	157	0	1016	*
5540550	LINCOLN NB OF HAMLIN	HAMLIN	WV	27058	403	786	0	0	786	*
5540580	FIRST NB OF HINTON	HINTON	WV	19235	332	442	0	0	442	*
5540590	NB OF SUMMERS OF HINTON	HINTON	WV	25822	363	760	0	0	760	*
5540620	FIRST HUNTINGTON NB	HUNTINGTON	WV	135007	2144	4944	2413	0	4944	
5540630	GUARANTY NB OF HUNTINGTON	HUNTINGTON	WV	86938	1497	3196	1568	0	3196	

MEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5540635	HUNTINGTON TR & SVGS BK	HUNTINGTON	WV	57609	1057	1801	719	0	1801	*
5540645	VALLEY NB OF HUNTINGTON	HUNTINGTON	WV	16311	515	270	0	0	270	*
5540650	PUTNAM COUNTY BANK	HURRICANE	WV	41480	206	1394	335	0	1394	*
5540690	NATIONAL BK OF KEYSER	KEYSER	WV	26836	434	691	0	0	691	*
5540700	FIRST NB OF KEYSTONE	KEYSTONE	WV	19214	211	545	0	0	545	*
5540710	ALBRIGHT NB OF KINGWOOD	KINGWOOD	WV	32830	568	1092	0	0	1092	*
5540720	GREENBRIER VALLEY BANK	LEWISBURG	WV	22218	308	734	0	0	734	*
5540730	NATIONAL BK OF LOGAN	LOGAN	WV	69834	1273	2586	979	0	2586	*
5540760	BOONE NB OF MADISON	MADISON	WV	33945	281	1167	175	0	1167	*
5540800	CITIZENS NB OF MARTINSBURG	MARTINSBURG	WV	32540	258	1155	48	0	1155	*
5540820	OLD NB OF MARTINSBURG	MARTINSBURG	WV	47198	1435	898	0	0	898	*
5540830	PPL NB OF MARTINSBURG W VA	MARTINSBURG	WV	25322	532	575	0	0	575	*
5540840	MATEWAN NATIONAL BANK	MATEWAN	WV	34985	753	661	0	0	661	*
5540890	MERCH NB OF MONTGOMERY	MONTGOMERY	WV	27729	696	500	0	0	500	*
5540900	MONTGOMERY NATIONAL BANK	MONTGOMERY	WV	29923	571	846	0	0	846	*
5540910	S BR VLY NB OF MOOREFIELD	MOOREFIELD	WV	16116	253	501	0	0	501	*
5540930	FIRST NB OF MORGANTOWN	MORGANTOWN	WV	107125	1127	4567	2472	0	4567	
5540933	SUNCREST NATIONAL BANK	MORGANTOWN	WV	24008	777	209	0	0	209	*
4540940	FIRST NAT BK AT MOUNDSVILLE	MOUNDSVILLE	WV	25402	323	810	0	0	810	*
5540980	PEOPLES BK OF MULLENS	MULLENS	WV	33883	583	902	0	0	902	*
4541000	FIRST NB OF NEW MARTINSVILLE	NEW MARTINSVILLE	WV	25219	536	642	0	0	642	*
5541020	FIRST CLARK NB OF NORTHFORK	NORTHFORK	WV	20885	297	551	0	0	551	*
5541030	MERCHANTS & MINERS NAT BK	OAK HILL	WV	30891	450	962	0	0	962	*
5541060	PARKERSBURG NATIONAL BANK	PARKERSBURG	WV	109277	2282	2780	1260	0	2780	
5541090	UNION TRUST NATIONAL BANK	PARKERSBURG	WV	44848	899	1155	9	0	1155	*
5541140	POTOMAC VALLEY BANK	PETERSBURG	WV	20841	164	769	0	0	769	*
5541158	BARBOUR COUNTY BANK	PHILIPPI	WV	16178	202	359	0	0	359	*
5541160	FIRST NB OF PHILIPPI	PHILIPPI	WV	23945	307	698	0	0	698	*
5541190	CITIZENS NB OF PT PLEASANT	POINT PLEASANT	WV	38895	506	1206	18	0	1206	*
5541200	PRINCETON BANK AND TRUST CO	PRINCETON	WV	75327	821	2520	827	0	2520	
5541223	WESTERN GREENBRIER NAT BANK	RAINELLE	WV	18166	360	491	0	0	491	*
5541240	CHERRY RIVER NB OF RICHWOOD	RICHWOOD	WV	15844	257	351	0	0	351	*
5541250	BANK OF RIPLEY	RIPLEY	WV	17097	265	448	0	0	448	*
5541260	FIRST NB OF RIPLEY	RIPLEY	WV	27594	675	501	0	0	501	*
5541270	BANK OF ROMNEY	ROMNEY	WV	20769	248	712	0	0	712	*
5541280	FIRST NB OF ROMNEY	ROMNEY	WV	15552	235	442	0	0	442	*
5541290	FIRST NB IN RONCEVERTE	RONCEVERTE	WV	26654	298	829	0	0	829	*
5541320	BANK OF ST ALBANS	ST ALBANS	WV	56961	705	1962	698	0	1962	*
5541325	CITIZENS NATIONAL BANK	ST ALBANS	WV	22366	669	268	0	0	268	*
5541340	PLEASANTS COUNTY BANK	ST MARYS	WV	16981	238	466	0	0	466	*
5541400	FIRST NB OF S CHARLESTON	SOUTH CHARLESTON	WV	29431	337	1027	24	0	1027	*
5541410	FIRST NB OF SPENCER	SPENCER	WV	29823	270	960	0	0	960	*
5541430	THE TRADERS BANK	SPENCER	WV	30982	318	1012	54	0	1012	*
5541440	FARMERS & MERCHANTS BK	SUMMERSVILLE	WV	30761	446	931	0	0	931	*
5541460	HOME NB OF SUTTON	SUTTON	WV	23129	281	691	0	0	691	*
5541470	FIRST NB OF TERRA ALTA	TERRA ALTA	WV	19321	220	571	0	0	571	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5541505	OHIO VALLEY NB OF VIENNA	VIENNA	WV	24211	622	584	0	0	584	*
4541564	FIRST NATIONAL BANK	WEIRTON	WV	19948	775	55	0	0	55	*
4541567	WEIRTON NATIONAL BANK	WEIRTON	WV	12239	256	133	0	0	133	*
5541570	MCDOWELL CTY NAT BK	WELCH	WV	51157	1266	1413	0	0	1413	*
4541590	WELLSBURG NATIONAL BANK	WELLSBURG	WV	21175	286	605	0	0	605	*
5541610	WESTON NATIONAL BANK	WESTON	WV	27586	734	451	0	0	451	*
4541650	FIRST NB & TR CO OF WHEELING	WHEELING	WV	57409	1314	1236	0	0	1236	*
4541654	FIRST WV BK NA-WARWOOD	WHEELING	WV	15933	483	113	0	0	113	*
4541670	HALF DOLLAR TR & SVGS BK	WHEELING	WV	45840	941	1259	24	0	1259	*
4541680	SECURITY NAT BK & TRUST CO	WHEELING	WV	64717	1604	1674	146	0	1674	*
4541720	WHEELING DOLLAR SVGS & TR CO	WHEELING	WV	106353	2373	3177	1163	0	3177	
5541730	BANK OF WHITE SULPHUR SPG	WHITE SULPHUR SPG	WV	21291	487	429	0	0	429	*
5541750	FIRST NB OF WILLAMSON	WILLIAMSON	WV	40376	914	805	0	0	805	*
5541760	NAT BK OF CMRC OF WILLIAMSON	WILLIAMSON	WV	44560	671	1466	435	0	1466	*

OF 90 BANKS AFFECTED IN STATE 55 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
32 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7550120	FIDELITY SAVINGS BANK	ANTIGO	WI	29657	503	817	0	0	817	*
7550150	FIRST NB OF APPLETON	APPLETON	WI	139072	1995	4160	2388	0	4160	
9550220	UNION NAT BK OF ASHLAND	ASHLAND	WI	26741	268	844	38	0	844	*
9550260	FIRST NAT BK OF BALDWIN	BALDWIN	WI	19857	97	673	34	0	673	*
7550300	BARABOO NATIONAL BANK	BARABOO	WI	41967	333	1484	86	0	1484	*
7550310	FIRST NB & TRCO OF BARABOO	BARABOO	WI	18733	202	511	0	0	511	*
9550340	FIRST NAT BK OF BARRON	BARRON	WI	13470	79	434	0	0	434	*
7550360	AMERICAN NB OF BEAVER DAM	BEAVER DAM	WI	39587	353	1196	202	0	1196	*
7550380	1 NB & TRCO OF BEAVER DAM	BEAVER DAM	WI	40408	583	943	0	0	943	*
7550430	FIRST NB & TR CO OF BELOIT	BELOIT	WI	66049	929	2085	810	0	2085	*
7550450	FARMERS AND MERCHANTS BANK	BERLIN	WI	15139	172	382	0	0	382	*
7550460	FIRST NB OF BERLIN	BERLIN	WI	15416	213	350	0	0	350	*
9550540	PEOPLES ST BK OF BLOOMER	BLOOMER	WI	18430	178	582	0	0	582	*
7550640	BANK OF BRODHEAD	BRODHEAD	WI	18803	132	507	17	0	507	*
7550656	FIRST WISCONSIN NATIONAL BK	BROOKFIELD	WI	27230	772	525	0	0	525	*
7550690	BANK OF BURLINGTON	BURLINGTON	WI	47267	389	1376	403	0	1376	*
9550900	FIRST NB OF CHIPPEWA FALLS	CHIPPEWA FALLS	WI	39551	448	1131	9	0	1131	*
9550910	NORTHWESTERN BANK	CHIPPEWA FALLS	WI	40808	591	1037	0	0	1037	*
7550972	FIRST NB OF CLINTONVILLE	CLINTONVILLE	WI	18017	216	446	0	0	446	*
7551070	FIRST NB OF COLUMBUS	COLUMBUS	WI	20065	156	627	0	0	627	*
7551125	FIRST NB OF CUDAHY	CUDAHY	WI	18259	230	515	0	0	515	*
7551170	CITIZENS NB OF DARLINGTON	DARLINGTON	WI	21074	117	731	21	0	731	*
7551230	WISCONSIN STATE BANK	DELAVAN	WI	20882	159	602	20	0	602	*
9551340	SECURITY NB OF DURAND	DURAND	WI	26767	186	887	13	0	887	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9551350	FIRST NAT BK OF EAGLE RIVER	EAGLE RIVER	WI	18222	240	471	0	0	471	*
9551370	AMERICAN NATIONAL BK & TR	EAU CLAIRE	WI	101672	1836	3080	1521	0	3080	
9551380	FIRST WISC NAT BANK	EAU CLAIRE	WI	119693	2166	3453	1533	0	3453	
7551450	FIRST NB OF ELKHORN	ELKHORN	WI	38174	300	1304	41	0	1304	*
7551520	UNION BANK AND TRUST CO	EVANSVILLE	WI	14582	107	482	0	0	482	*
7551580	FIRST WIS NB OF FOND DU LAC	FOND DU LAC	WI	85288	1134	2885	1441	0	2885	
7551590	NAT EXC BK&TR OF FOND DU LAC	FOND DU LAC	WI	71566	1077	2529	1062	0	2529	*
7551680	RACINE COUNTY NATIONAL BANK	FRANKSVILLE	WI	39014	473	1216	41	0	1216	*
7551815	FIRST NB OF GLENDALE	GLENDALE	WI	32269	488	869	0	0	869	*
7551885	CITIZENS AMERICAN BANK NA	GREEN BAY	WI	29682	624	579	0	0	579	*
7551900	KELLOGG CITIZENS NAT BANK	GREEN BAY	WI	201309	4565	5110	3092	0	5110	
7551929	SOUTHRIDGE BANK OF GREENDALE	GREENDALE	WI	21515	1269	0	0	0	0	*
7551933	FIRST WISC NAT BK OF SO GATE	GREENFIELD	WI	28726	602	578	0	0	578	*
7552010	FIRST NB OF HARTFORD	HARTFORD	WI	27629	389	728	0	0	728	*
9552040	PEOPLES NAT BK OF HAYWARD	HAYWARD	WI	31123	260	971	52	0	971	*
7552110	STATE BK OF HOWARDS GVE	HOWARDS GROVE	WI	13509	86	389	0	0	389	*
9552120	FIRST NAT BK OF HUDSON	HUDSON	WI	18762	213	596	0	0	596	*
7552200	FIRST NATIONAL BANK	JANESVILLE	WI	51006	890	1291	218	0	1291	*
7552220	ROCK CTY NB OF JANESVILLE	JANESVILLE	WI	30751	630	860	0	0	860	*
7552330	BROWN NB OF KENOSHA	KENOSHA	WI	70888	1031	2159	1101	0	2159	
7552340	FIRST NB OF KENOSHA	KENOSHA	WI	122070	2653	3240	1659	0	3240	
7552345	KENOSHA NATIONAL BANK	KENOSHA	WI	52706	447	1789	793	0	1789	*
9552441	FIRST BANK NA	LA CROSSE	WI	357284	7372	12457	5284	4149	8308	
9552442	FIRST NAT BK OF LA CROSSE	LA CROSSE	WI	94232	1936	2529	734	0	2529	
9552480	PIONEER NB OF LADYSMITH	LADYSMITH	WI	16646	152	544	0	0	544	*
7552505	CITIZENS NATIONAL BANK	LAKE GENEVA	WI	21812	292	586	0	0	586	*
7552510	FIRST NB OF LAKE GENEVA	LAKE GENEVA	WI	31726	317	1006	123	0	1006	*
7552720	FIRST WI NB OF MADISON	MADISON	WI	261827	3888	12064	5282	3988	8076	
7552810	FIRST NB IN MANITOWOC	MANITOWOC	WI	48764	581	1321	101	0	1321	*
7552830	MANITOWOC SAVINGS BANK N A	MANITOWOC	WI	87576	1086	2764	1166	0	2764	
7552880	FIRST NB OF MARINETTE	MARINETTE	WI	16779	270	319	0	0	319	*
7552890	STEPHENSON NB OF MARINETTE	MARINETTE	WI	27454	457	684	0	0	684	*
7552920	MARKESAN STATE BANK	MARKESAN	WI	12370	102	330	0	0	330	*
7552940	CITIZENS NAT BANK & TRUST	MARSHFIELD	WI	50547	591	1565	0	0	1565	*
7553040	FIRST NB OF MENASHA	MENASHA	WI	25111	287	693	23	0	693	*
9553070	FIRST NAT BK OF MENOMONIE	MENOMONIE	WI	26249	218	822	20	0	822	*
7553180	FIRST WISCONSIN NAT BANK	MILWAUKEE	WI	1646020	21745	79530	5466	57995	21535	
7553260	MARINE NATIONAL EXCHANGE BK	MILWAUKEE	WI	457697	10987	16433	5353	6617	9816	
7553270	M&I MARSHALL & ILSLEY BANK	MILWAUKEE	WI	645450	16137	25586	5147	12297	13289	
7553271	M&I NORTHERN BANK	MILWAUKEE	WI	112447	1640	4052	2309	0	4052	
7553292	NORTHRIDGE BANK	MILWAUKEE	WI	22657	1138	0	0	0	0	*
7553400	FIRST NB OF MONROE	MONROE	WI	59824	580	1854	280	0	1854	*
7553490	FIRST NB OF NEENAH	NEENAH	WI	65432	1151	1707	584	0	1707	*
7553500	MARINE NAT BANK	NEENAH	WI	54079	316	2159	1136	0	2159	*
7553510	FIRST NB AT NEILLSVILLE	NEILLSVILLE	WI	17162	127	517	0	0	517	*
9553630	FIRST NB OF NEW RICHMOND	NEW RICHMOND	WI	17061	173	426	0	0	426	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7553698	TRI-CY NB OF OAK CREEK	OAK CREEK	WI	17797	544	258	0	0	258	*
7553720	FIRST NB OF OCONOMOWOC	OCONOMOWOC	WI	25471	567	565	0	0	565	*
7553730	FIRST NB OF OCONTO	OCONTO	WI	20216	355	428	0	0	428	*
7553900	FIRST WI NB OF OSHKOSH	OSHKOSH	WI	113971	2039	2790	1253	0	2790	
7553920	OSHKOSH NATIONAL BANK	OSHKOSH	WI	46462	629	1231	34	0	1231	*
9553850	FIRST NAT BK OF PARK FALLS	PARK FALLS	WI	23006	210	638	38	0	638	*
7553870	PESHTIGO NATIONAL BANK	PESHTIGO	WI	14486	104	402	0	0	402	*
7553940	FIRST NB OF PLATTEVILLE	PLATTEVILLE	WI	24316	173	805	154	0	805	*
7553960	STATE NB OF PLATTEVILLE	PLATTEVILLE	WI	23533	160	780	21	0	780	*
7553990	FIRST NB OF PORTAGE	PORTAGE	WI	38902	580	1007	0	0	1007	*
7554030	FIRST NB OF PORT WASHINGTON	PORT WASHINGTON	WI	16118	206	448	0	0	448	*
7554120	FARMERS MERCHANTS NAT BK	PRINCETON	WI	20365	180	528	46	0	528	*
7554160	FIRST NATIONAL BK AND TR	RACINE	WI	133142	2599	3628	1866	0	3628	
7554164	HERITAGE NB OF RACINE	RACINE	WI	18750	628	346	0	0	346	*
7554169	M&I AMERICAN BANK & TRUST CO	RACINE	WI	57500	1369	1369	0	0	1369	*
9554250	FIRST NB OF RHINELANDER	RHINELANDER	WI	39666	786	817	0	0	817	*
9554270	FIRST WISCONSIN NAT BANK	RICE LAKE	WI	35008	621	800	0	0	800	*
7554330	FIRST NB OF RIPON	RIPON	WI	18176	323	378	0	0	378	*
9554350	FIRST NAT BK OF RIVER FALLS	RIVER FALLS	WI	27111	360	765	0	0	765	*
9554410	FIRST NB OF ST CROIX FALLS	ST CROIX FALLS	WI	15145	129	442	0	0	442	*
7554440	FIRST NB OF SEYMOUR	SEYMOUR	WI	27718	387	650	0	0	650	*
7554490	SHAWANO NATIONAL BANK	SHAWANO	WI	57773	354	1742	495	0	1742	*
7554500	CITIZENS BANK OF SHEBOYGAN	SHEBOYGAN	WI	172944	2534	5417	3535	0	5417	
7554530	SECURITY FIRST NATIONAL BANK	SHEBOYGAN	WI	111799	965	4933	3405	0	4933	
7554675	UNIONNAT BK & TRUST CO	SPARTA	WI	19426	340	538	0	0	538	*
7554750	CITIZENS NB OF STEVENS PNT	STEVENS POINT	WI	52595	794	1551	225	0	1551	*
7554760	FIRST NB OF STEVENS PNT	STEVENS POINT	WI	69964	737	2302	865	0	2302	*
7554790	FIRST NB OF STOUGHTON	STOUGHTON	WI	22138	466	422	0	0	422	*
7554820	BANK OF STURGEON BAY	STURGEON BAY	WI	75763	1269	2072	614	0	2072	
7554825	FIRST NB OF STURGEON BAY	STURGEON BAY	WI	21036	272	554	0	0	554	*
9554860	FIRST NB OF SUPERIOR	SUPERIOR	WI	40383	919	735	0	0	735	*
9554870	NAT BK OF CMRC IN SUPERIOR	SUPERIOR	WI	51919	578	1590	205	0	1590	*
7555030	FIRST NB IN VIROQUA	VIROQUA	WI	14430	151	404	0	0	404	*
7555180	MRCH NB OF WATERTOWN	WATERTOWN	WI	24371	216	819	0	0	819	*
7555200	FIRST NB OF WAUKESHA	WAUKESHA	WI	152252	1802	5627	3917	0	5627	
7555205	MARINE NB OF WAUKESHA	WAUKESHA	WI	28568	559	645	0	0	645	*
7555250	FARMERS ST BK OF WAUPACA	WAUPACA	WI	20271	368	460	0	0	460	*
7555260	FIRST NB OF WAUPACA	WAUPACA	WI	19914	408	359	0	0	359	*
7555270	NAT BK OF WAUPUN	WAUPUN	WI	23766	252	746	0	0	746	*
7555280	STATE BK OF WAUPUN	WAUPUN	WI	26604	218	836	60	0	836	*
7555300	FIRST AMERICAN NAT BANK	WAUSAU	WI	150270	2367	5082	3072	0	5082	
7555305	FIRST WI NB OF WAUSAU	WAUSAU	WI	26147	302	778	0	0	778	*
7555340	FIRST NB IN WAUWATOSA	WAUWATOSA	WI	47972	354	1652	428	0	1652	*
7555370	MILWAUKEE COUNTY BANK	WEST ALLIS	WI	98158	931	3354	1818	0	3354	
7555390	FIRST NB OF W BEND	WEST BEND	WI	62551	396	3269	1687	0	3269	*
7555510	FIRST NB OF WI RAPIDS	WISCONSIN RAPIDS	WI	55965	655	1848	563	0	1848	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7555520	WOOD CTY NB OF WIS RAPIDS	WISCONSIN RAPIDS	WI	67213	1373	1720	269	0	1720	*

OF 117 BANKS AFFECTED IN STATE 56 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
56 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10560040	FIRST NAT BK OF BUFFALO	BUFFALO	WY	18638	155	811	0	0	811	*
10560070	FIRST NAT BK OF CASPER	CASPER	WY	158837	1417	7498	5088	275	7223	
10560073	HILLTOP NATIONAL BANK	CASPER	WY	34038	607	943	0	0	943	*
10560080	WYOMING NAT BK OF CASPER	CASPER	WY	186271	639	8298	4389	1833	6465	
10560090	AMERICAN NB OF CHEYENNE	CHEYENNE	WY	75601	1320	2428	1042	0	2428	*
10560095	FIRST WY BANK NA CHEYENNE	CHEYENNE	WY	52579	311	2503	1337	0	2503	*
10560098	FIRST WY BK NA E CHEYENNE	CHEYENNE	WY	22082	587	480	0	0	480	*
10560100	FIRST NAT BK & TR CO	CHEYENNE	WY	70735	655	2619	1185	0	2619	*
10560130	SHOSHONE FIRST NAT BK	CODY	WY	32828	298	1180	0	0	1180	*
10560170	FIRST NAT BK IN EVANSTON	EVANSTON	WY	24155	124	914	42	0	914	*
10560180	FIRST WYOMING BANK EVANSTON	EVANSTON	WY	21647	256	507	0	0	507	*
10560185	FIRST NATIONAL BANK	GILLETTE	WY	31972	282	1176	73	0	1176	*
10560190	STOCKMENS BANK & TRUST CO	GILLETTE	WY	81461	634	3757	2245	0	3757	
10560240	JACKSON STATE BANK	JACKSON	WY	43535	351	1636	564	0	1636	*
10560260	FIRST WYOMING BK NA KEMMERER	KEMMERER	WY	46510	312	2041	812	0	2041	*
10560280	FIRST WYOMING BANK NA LANDER	LANDER	WY	33369	423	1217	10	0	1217	*
10560310	BANK OF LARAMIE	LARAMIE	WY	27752	201	1160	0	0	1160	*
10560320	FIRST NB OF LARAMIE	LARAMIE	WY	51651	603	2032	823	0	2032	*
10560330	FIRST NB OF LOVELL	LOVELL	WY	15355	193	515	0	0	515	*
10560370	FIRST STATE BK OF NEWCASTLE	NEWCASTLE	WY	22300	109	883	13	0	883	*
10560398	AMERICAN NAT BK OF POWELL	POWELL	WY	16877	163	545	0	0	545	*
10560390	FIRST NAT BK OF POWELL	POWELL	WY	36353	132	1530	204	0	1530	*
10560410	FIRST WYOMING BK NA RAWLINS	RAWLINS	WY	41472	269	1506	299	0	1506	*
10560420	RAWLINS NATIONAL BANK	RAWLINS	WY	39273	473	1437	15	0	1437	*
10560425	AMERICAN NATIONAL BANK	RIVERTON	WY	28489	187	1028	47	0	1028	*
10560430	FIRST NAT BANK OF RIVERTON	RIVERTON	WY	48223	419	2046	624	0	2046	*
10560460	ROCK SPRINGS NATIONAL BANK	ROCK SPRINGS	WY	58551	956	1606	187	0	1606	*
10560490	FIRST NB OF SHERIDAN	SHERIDAN	WY	43401	286	2120	753	0	2120	*
10560500	SUNDANCE STATE BANK	SUNDANCE	WY	19798	52	938	0	0	938	*
10560510	FIRST NB IN THERMOPOLIS	THERMOPOLIS	WY	21798	193	782	0	0	782	*
10560520	CITIZENS NAT BK & TR CO	TORRINGTON	WY	33455	170	1466	170	0	1466	*
10560530	FIRST NATIONAL BANK	TORRINGTON	WY	18611	112	779	0	0	779	*
10560540	FIRST NB IN WHEATLAND	WHEATLAND	WY	20963	107	792	6	0	792	*
10560560	FIRST NB IN WORLAND	WORLAND	WY	23835	179	879	0	0	879	*

OF 34 BANKS AFFECTED IN STATE 12 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
20 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW RECBAL	(6) DIF (3)-(5)
2720055	BANCO DE SANTANDER-PR NA	SAN JUAN	PR	66155	311	2664	1922	75	2589

OF 1 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6010010	BANK OF ABBEVILLE	ABBEVILLE	AL	23421	240	0	0	0	0	*
6010015	FIRST BANK OF ALABASTER	ALABASTER	AL	15370	374	0	0	0	0	*
6010030	ALEXANDER CITY BANK	ALEXANDER CITY	AL	19940	340	0	0	0	0	*
6010065	CITIBANC OF AL ANDALUSIA AL	ANDALUSIA	AL	29491	362	0	0	0	0	*
6010070	COMMERCIAL BANK	ANDALUSIA	AL	40644	502	0	0	0	0	*
6010120	BANK OF ARAB	ARAB	AL	17585	282	0	0	0	0	*
6010123	SECURITY BANK AND TRUST CO	ARAB	AL	16533	454	0	0	0	0	*
6010190	BANK OF ATMORE	ATMORE	AL	32781	298	0	20	0	0	*
6010205	EXCHANGE BANK	ATTALLA	AL	16694	267	0	0	0	0	*
6010229	AUBURN BANK & TRUST CO	AUBURN	AL	14606	212	0	0	0	0	*
6010250	BALDWIN COUNTY BANK	BAY MINETTE	AL	24743	436	0	0	0	0	*
6010258	FIRST ALA BK OF MOBILE CTY	BAYOU LA BATRE	AL	18528	383	0	0	0	0	*
6010295	BANK OF THE SOUTHEAST	BIRMINGHAM	AL	28729	802	0	0	0	0	*
6010305	CENTRAL BANK OF BIRMINGHAM	BIRMINGHAM	AL	510662	3050	0	5459	17509	-17509	
6010310	FIRST AL BANK OF BIRMINGHAM	BIRMINGHAM	AL	319352	6672	0	5170	3201	-3201	
6010323	METROBANK	BIRMINGHAM	AL	34024	667	0	0	0	0	*
6010350	BANK OF BLOUNTSVILLE	BLOUNTSVILLE	AL	21242	304	0	0	0	0	*
6010370	SAND MOUNTAIN BANK	BOAZ	AL	28540	582	0	0	0	0	*
6010390	BANK OF BREWTON	BREWTON	AL	22737	457	0	0	0	0	*
6010450	CHOCTAW BANK OF BUTLER	BUTLER	AL	24032	333	0	0	0	0	*
6010520	CHEROKEE COUNTY BANK	CENTRE	AL	26687	402	0	0	0	0	*
6010530	FARMERS AND MERCHANTS BANK	CENTRE	AL	32458	326	0	28	0	0	*
6010690	BANK OF DADEVILLE	DADEVILLE	AL	16584	282	0	0	0	0	*
6010693	FIRST STATE BK OF DECATUR	DECATUR	AL	36175	587	0	0	0	0	*
6010720	ROBERTSON BANKING CO	DEMOPOLIS	AL	25302	541	0	0	0	0	*
6010780	ELBA EXCHANGE BANK	ELBA	AL	20833	212	0	0	0	0	*
6010805	CITIZENS BANK	ENTERPRISE	AL	31130	308	0	146	0	0	*
6010810	ENTERPRISE BANKING COMPANY	ENTERPRISE	AL	58470	487	0	818	0	0	*
6010820	EUFAULA BANK AND TRUST CO	EUFAULA	AL	31237	278	0	29	0	0	*
6010870	CITIZENS BANK	FAYETTE	AL	18426	312	0	0	0	0	*
6010890	ESCAMBIA COUNTY BANK	FLOMATON	AL	18092	229	0	0	0	0	*
6010920	FARMERS AND MERCHANTS BANK	FOLEY	AL	27402	387	0	0	0	0	*
6010922	SOUTH BALDWIN BANK	FOLEY	AL	22471	328	0	0	0	0	*
6010925	FORT PAYNE BANK	FORT PAYNE	AL	23507	492	0	0	0	0	*
6010930	FORT DEPOSIT BANK	FORT DEPOSIT	AL	19465	306	0	0	0	0	*
6010960	ALABAMA CITY BANK	GADSDEN	AL	35235	715	0	0	0	0	*
6010990	EAST GADSDEN BANK	GADSDEN	AL	25700	248	0	0	0	0	*
6010995	AMERICAN BANK	GENEVA	AL	15812	282	0	0	0	0	*
6011030	CITIZENS BANK	GENEVA	AL	20872	123	0	0	0	0	*
6011055	GREENVILLE BANK	GREENVILLE	AL	23359	597	0	0	0	0	*
6011080	1ST AL BANK OF GUNTERSVILLE	GUNTERSVILLE	AL	23018	345	0	0	0	0	*
6011110	TRADERS AND FARMERS BANK	HALEYVILLE	AL	43308	675	0	0	0	0	*
6011140	CITIZENS BANK OF HARTSELLE	HARTSELLE	AL	25051	385	0	0	0	0	*
6011143	FIRST AL BANK OF HARTSELLE	HARTSELLE	AL	20928	502	0	0	0	0	*
6011160	BANK OF HEFLIN	HEFLIN	AL	29855	574	0	0	0	0	*
6011165	BANK OF HUNTSVILLE	HUNTSVILLE	AL	48563	838	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6011220	JACKSON BANK AND TRUST CO	JACKSON	AL	23446	422	0	0	0	0	*
6011225	MERCHANTS BANK	JACKSON	AL	20138	411	0	0	0	0	*
6011237	CENTRAL BK CF WALKER CTY	JASPER	AL	17827	682	0	0	0	0	*
6011270	BANK OF LEXINGTON	LEXINGTON	AL	22204	236	0	0	0	0	*
6011300	MC MILLAN AND COMPANY BANKER	LIVINGSTON	AL	17850	448	0	0	0	0	*
6011310	LUVERNE BANK AND TRUST CO	LUVERNE	AL	17821	241	0	0	0	0	*
6011350	MARION BANK AND TRUST CO	MARION	AL	20390	323	0	0	0	0	*
6011376	COMMERCIAL GUARANTY BANK	MCBILE	AL	70466	1160	0	1125	0	0	*
6011420	MERCHANTS AND PLANTERS BANK	MONTEVALLO	AL	15553	161	0	0	0	0	*
6011460	BANK OF MOULTON	MOULTON	AL	22675	675	0	0	0	0	*
6011470	CITIZENS BANK	MCULTON	AL	19172	382	0	0	0	0	*
6011505	BANK OF EAST ALABAMA	OPELIKA	AL	34333	921	0	0	0	0	*
6011550	BANK OF OZARK	OZARK	AL	39381	673	0	0	0	0	*
6011565	PEOPLES BANK	PELL CITY	AL	18146	411	0	0	0	0	*
6011585	F&M BANK OF RUSSELL CTY	PHENIX CITY	AL	17640	524	0	0	0	0	*
6011590	PHENIX GIRARD BANK	PHENIX CITY	AL	21856	674	0	0	0	0	*
6011610	FARMERS AND MERCHANTS BANK	PIEDMONT	AL	13907	212	0	0	0	0	*
6011640	BANK OF PRATTVILLE	PRATTVILLE	AL	36125	686	0	0	0	0	*
6011649	COOSA VALLEY BANK	RAINBOW CITY	AL	17795	243	0	0	0	0	*
6011730	EAST LAUDERDALE BANKING CO	ROGERSVILLE	AL	17941	263	0	0	0	0	*
6011740	CITIZENS BANK AND SAVINGS CO	RUSSELLVILLE	AL	17002	345	0	0	0	0	*
6011780	J C JACOBS BANKING CO INC	SCOTTSBORO	AL	28569	345	0	0	0	0	*
6011785	CITIZENS BANK AND TRUST CO	SELMA	AL	24795	330	0	0	0	0	*
6011860	BANK OF SULLIGENT	SULLIGENT	AL	14873	308	0	0	0	0	*
6011920	BANK OF TALLASSEE	TALLASSEE	AL	19184	344	0	0	0	0	*
6011935	BANK OF THOMASVILLE	THOMASVILLE	AL	27026	551	0	0	0	0	*
6011970	TROY BANK AND TRUST COMPANY	TROY	AL	35249	579	0	0	0	0	*
6012080	BANK OF VERNON	VERNON	AL	17216	223	0	0	0	0	*
6012125	CITIZENS BK OF WETUMPKA AL	WETUMPKA	AL	17380	368	0	0	0	0	*

OF 75 BANKS AFFECTED IN STATE 67 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
6 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12020002	ALASKA BANK CF COMMERCE	ANCHORAGE	AK	125202	2387	0	2763	0	0	
12020007	ALASKA PACIFIC BANK	ANCHORAGE	AK	43939	270	0	671	0	0	*
12020008	ALASKA STATEBANK	ANCHORAGE	AK	115184	1793	0	2700	0	0	
12020016	PEOPLES BANK AND TRUST CO	ANCHORAGE	AK	38139	460	0	309	0	0	*
12020022	UNITED BANK ALASKA	ANCHORAGE	AK	37190	124	0	411	0	0	*
12020060	B M BEHRENDS BANK	JUNEAU	AK	36732	352	0	436	0	0	*

OF 6 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
6 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12040056	STATE BANK	LAKE HAVASU CITY	AZ	25475	376	0	0	0	0	*
12040060	ARIZONA BANK	PHOENIX	AZ	1137864	11432	0	5228	36299	-36299	
12040062	CONTINENTAL BANK	PHOENIX	AZ	195072	1477	0	5200	1928	-1928	
12040095	GREAT WESTERN BANK & TRUST	PHOENIX	AZ	264876	3002	0	5159	4132	-4132	
12040097	THUNDERBIRD BANK	PHOENIX	AZ	57105	654	0	1100	0	0	*
12040099	UNITED BANK OF ARIZONA	PHOENIX	AZ	391942	3322	0	5153	9820	-9820	
12040129	CITY BANK	SUN CITY	AZ	17146	133	0	0	0	0	*
12040145	UNION BANK	TUCSON	AZ	101287	637	0	3362	0	0	

OF 8 BANKS AFFECTED IN STATE 2 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
2 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8050020	BANK CF AMITY	AMITY	AR	16322	116	0	0	0	0	*
8050030	CITIZENS FIRST STATE BANK	ARKADELPHIA	AR	18616	249	0	0	0	0	*
8050040	ELK HORN BANK AND TRUST CO	ARKADELPHIA	AR	22967	198	0	0	0	0	*
8050050	MERCHANTS AND PLANTERS BANK	ARKADELPHIA	AR	16478	224	0	0	0	0	*
8050140	BENTON STATE BANK	BENTON	AR	44228	832	0	0	0	0	*
8050145	UNION BANK	BENTON	AR	35930	645	0	0	0	0	*
8050150	BANK OF BENTONVILLE	BENTONVILLE	AR	42577	487	0	160	0	0	*
8050155	CITIZENS BANK	BENTONVILLE	AR	17026	245	0	0	0	0	*
8050200	CITIZENS BANK	BOONEVILLE	AR	28779	403	0	0	0	0	*
8050220	BANK OF BRINKLEY	BRINKLEY	AR	22978	294	0	0	0	0	*
8050230	BANK OF CABOT	CABOT	AR	27262	567	0	0	0	0	*
8050260	MERCHANTS AND PLANTERS BANK	CAMDEN	AR	30964	701	0	0	0	0	*
8050270	CITIZENS BANK & TRUST	CARLISLE	AR	19693	216	0	0	0	0	*
8050325	ARKANSAS STATE BANK	CLARKSVILLE	AR	15573	355	0	0	0	0	*
8050335	CLINTON STATE BANK	CLINTON	AR	27167	361	0	0	0	0	*
8050345	FIRST STATE BK AND TR CO	CONWAY	AR	58241	508	0	833	0	0	*
8050350	CORNING BANK	CORNING	AR	24213	340	0	0	0	0	*
8050370	DANVILLE STATE BANK	DANVILLE	AR	24582	307	0	0	0	0	*
8050380	BANK OF DARDANELLE	DARDANELLE	AR	16542	565	0	0	0	0	*
8050420	FARMERS AND MERCHANTS BANK	DES ARC	AR	16234	164	0	0	0	0	*
8050430	DE WITT BANK AND TRUST CO	DE WITT	AR	27378	188	0	0	0	0	*
8050470	MERCHANTS AND FARMERS BANK	DUMAS	AR	22844	500	0	0	0	0	*
8050500	EXCHANGE BANK AND TRUST CO	EL DORADO	AR	35552	831	0	0	0	0	*
8050620	FORDYCE BANK AND TRUST CO	FORDYCE	AR	17292	311	0	0	0	0	*
8050640	PLANTERS BANK AND TRUST CO	FORREST CITY	AR	33601	571	0	0	0	0	*
8050710	BANK OF GRAVETTE	GRAVETTE	AR	17645	123	0	0	0	0	*
8050730	FARMERS BANK	GREENWOOD	AR	16579	377	0	0	0	0	*
8050800	BANK CF HARRISBURG	HARRISBURG	AR	18042	219	0	0	0	0	*
8050820	SECURITY BANK	HARRISON	AR	46759	566	0	442	0	0	*
8050850	CLEBURNE COUNTY BANK	HEBER SPRINGS	AR	24140	380	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8050975	FIRST JACKSONVILLE BANK	JACKSONVILLE	AR	34781	1098	0	0	0	0	*
8050985	BANK OF NORTHEAST ARKANSAS	JONESBORO	AR	26653	372	0	0	0	0	*
8050990	CITIZENS BANK OF JONESBORO	JONESBORO	AR	93310	503	0	2661	0	0	
8050998	FIRST BK AND TR OF JONESBORO	JONESBORO	AR	28819	580	0	0	0	0	*
8051000	MERCANTILE BANK	JONESBORO	AR	80389	1069	0	1273	0	0	
8051080	BANK OF LAKE VILLAGE	LAKE VILLAGE	AR	19816	249	0	0	0	0	*
8051140	BANK OF LINCOLN	LINCOLN	AR	15863	195	0	0	0	0	*
8051175	PULASKI BANK AND TRUST CO	LITTLE ROCK	AR	41935	324	0	312	0	0	*
8051210	FIRST STATE BANK	LONOKE	AR	22016	379	0	0	0	0	*
8051220	BANK OF MC CRORY	MC CRORY	AR	26020	407	0	0	0	0	*
8051230	MC GEHEE BANK	MC GEHEE	AR	34229	974	0	0	0	0	*
8051250	FARMERS BANK AND TRUST CO	MAGNOLIA	AR	22776	517	0	0	0	0	*
8051270	BANK OF MALVERN	MALVERN	AR	24915	283	0	0	0	0	*
8051400	UNION BANK OF MENA	MENA	AR	26044	317	0	0	0	0	*
8051420	MONETTE STATE BANK	MONETTE	AR	16326	150	0	0	0	0	*
8051430	COMMERCIAL BANK AND TRUST CO	MONTICELLO	AR	24328	408	0	0	0	0	*
8051440	UNION BANK AND TRUST CO	MONTICELLO	AR	30280	409	0	0	0	0	*
8051450	FIRST STATE BANK	MORRILTON	AR	31066	457	0	0	0	0	*
8051460	PEOPLES BANK & TRUST CO	MOUNTAIN HOME	AR	48414	466	0	337	0	0	*
8051480	BANK OF MONTGOMERY COUNTY	MOUNT IDA	AR	15034	229	0	0	0	0	*
8051500	PIKE COUNTY BANK	MURFREESBORO	AR	15629	211	0	0	0	0	*
8051555	MRCH & PLANTERS BANK	NEWPORT	AR	26557	432	0	0	0	0	*
8051560	TWIN CITY BANK	NORTH LITTLE ROCK	AR	97470	931	0	2392	0	0	
8051580	PLANTERS BANK	OSCEOLA	AR	19229	346	0	0	0	0	*
8051590	BANK OF OZARK	OZARK	AR	22515	267	0	0	0	0	*
8051620	SECURITY BANK	PARAGOULD	AR	42555	553	0	0	0	0	*
8051710	BANK OF POCAHONTAS	POCAHONTAS	AR	22322	333	0	0	0	0	*
8051750	FARMERS AND MERCHANTS BANK	PRAIRIE GROVE	AR	18850	323	0	0	0	0	*
8051760	BANK OF PRESCOTT	PRESCOTT	AR	19946	475	0	0	0	0	*
8051815	FRMS & MRCH BANK	ROGERS	AR	26519	317	0	0	0	0	*
8051858	FIRST SECURITY BANK	SEARCY	AR	40766	514	0	167	0	0	*
8051880	GRANT COUNTY BANK	SHERIDAN	AR	17941	260	0	0	0	0	*
8051905	ARKANSAS STATE BANK	SILOAM SPRINGS	AR	18219	262	0	0	0	0	*
8051920	SMACKOVER STATE BANK	SMACKOVER	AR	17769	263	0	0	0	0	*
8051960	FIRST STATE BANK	SPRINGDALE	AR	63381	828	0	813	0	0	*
8052000	FARMERS AND MERCHANTS BANK	STUTTGART	AR	52804	840	0	530	0	0	*
8052040	BANK OF TRUMANN	TRUMANN	AR	19286	322	0	0	0	0	*
8052090	CITIZENS BANK AND TRUST CO	VAN BUREN	AR	23831	414	0	0	0	0	*
8052100	PEOPLES BK & TR CO	VAN BUREN	AR	18462	296	0	0	0	0	*
8052130	BANK OF WALDRON	WALDRON	AR	19254	265	0	0	0	0	*
8052160	WARREN BANK & TRUST CO	WARREN	AR	31807	707	0	0	0	0	*
8052170	BANK OF WEINER	WEINER	AR	19433	112	0	0	0	0	*
8052175	MERCHANTS AND FARMERS BANK	WEST HELENA	AR	29173	634	0	0	0	0	*
8052180	BANK OF WEST MEMPHIS	WEST MEMPHIS	AR	40328	466	0	43	0	0	*
8052240	CROSS COUNTY BANK	WYNNE	AR	22149	286	0	0	0	0	*
8052260	BANK OF YELLVILLE	YELLVILLE	AR	16110	236	0	0	0	0	*

OF 76 BANKS AFFECTED IN STATE 64 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
12 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9274105	SECOND NW NB OF MINNEAPOLS	MINNEAPOLIS	MN	36482	231	1598	338	0	1598	*
9274110	THIRD NW NB OF MINNEAPOLS	MINNEAPOLIS	MN	48099	419	1679	493	0	1679	*
9274155	1ST NB IN MONTEVIDEO	MONTEVIDEO	MN	40961	414	1127	129	0	1127	*
9274185	FIRST NATIONAL BANK	MONTGOMERY	MN	14911	120	380	0	0	380	*
9274210	FIRST NB IN MOORHEAD	MOORHEAD	MN	78032	320	3136	1386	0	3136	
9274235	PEOPLES NATIONAL BANK	MORA	MN	23688	140	714	56	0	714	*
9274420	FIDELITY ST BK OF NEW PRAGUE	NEW PRAGUE	MN	13736	64	466	0	0	466	*
9274510	FIRST NATL BK OF NORTHFIELD	NORTHFIELD	MN	18719	89	682	24	0	682	*
9274520	NORTHFIELD NATIONAL BANK	NORTHFIELD	MN	16798	156	478	0	0	478	*
9274530	NORTHWESTERN STATE BANK	NORTHFIELD	MN	21127	167	646	4	0	646	*
9274535	VALLEY NATIONAL BANK	NORTH MANKATO	MN	21438	184	667	0	0	667	*
9274665	TRI CTY ST BK OF ORTONVILLE	ORTONVILLE	MN	12788	93	355	0	0	355	*
9274670	FIRST NAT BK OF OSAKIS	OSAKIS	MN	12750	74	400	0	0	400	*
9274710	FIRST NAT BK OF OWATONNA	OWATONNA	MN	30556	201	1083	251	0	1083	*
9274713	NORTHWESTERN NB OF OWATONNA	OWATONNA	MN	55240	433	2168	737	0	2168	*
9274740	CITIZENS NB OF PARK RAPIDS	PARK RAPIDS	MN	18674	357	472	0	0	472	*
9274930	FIRST NAT BK OF PINE CITY	PINE CITY	MN	20909	127	752	8	0	752	*
9274860	FIRST NB OF PIPESTONE	PIPESTONE	MN	29079	202	1032	0	0	1032	*
9274870	PIPESTONE NATIONAL BANK	PIPESTONE	MN	14627	76	513	0	0	513	*
9274890	FIRST NB OF PLAINVIEW	PLAINVIEW	MN	20785	89	698	32	0	698	*
9274890	PEOPLES STATE BANK	PLAINVIEW	MN	14359	100	428	0	0	428	*
9275000	FIRST NW NB OF RED WING	RED WING	MN	30904	261	1002	80	0	1002	*
9275010	GOODHUE CTY NB OF RED WING	RED WING	MN	42926	398	1301	263	0	1301	*
9275020	FIRST NORTHWESTERN NAT BK	REDWOOD FALLS	MN	36672	214	1115	185	0	1115	*
9275068	SUMMIT ST BK OF RICHFIELD	RICHFIELD	MN	24345	453	789	0	0	789	*
9275090	FIRST NB OF ROCHESTER	ROCHESTER	MN	102134	1456	3268	1601	0	3268	
9275095	NW NB OF ROCHESTER	ROCHESTER	MN	117534	1813	3067	1485	0	3067	
9275300	FIRST NB IN ST CHARLES	ST CHARLES	MN	18787	113	519	3	0	519	*
9275320	FIRST AMER NB OF ST CLOUD	ST CLOUD	MN	88405	1079	2554	1285	0	2554	
9275340	ST CLOUD NAT BK & TR CO	ST CLOUD	MN	42461	517	1223	118	0	1223	*
9275350	ZAPP NATIONAL BANK	ST CLOUD	MN	55887	813	1440	174	0	1440	*
9275370	FIRST NB AT ST JAMES	ST JAMES	MN	16055	218	315	0	0	315	*
9275394	SHELARD NATIONAL BANK	ST LOUIS PARK	MN	16140	284	442	0	0	442	*
9275396	PARK NATIONAL PARK	ST LOUIS PARK	MN	24053	304	829	0	0	829	*
9275410	AMERICAN NAT BAK & TR CO	ST PAUL	MN	219510	4012	6828	4384	0	6828	
9275480	FIRST NB OF ST PAUL	ST PAUL	MN	1259522	7389	57356	5231	43361	13995	
9275520	LIBERTY STATE BANK	ST PAUL	MN	32534	277	1180	13	0	1180	*
9275530	MIDWAY NB OF ST PAUL	ST PAUL	MN	107984	1443	4111	2415	0	4111	
9275545	NW NAT BK OF ST PAUL	ST PAUL	MN	219883	1562	8624	4936	1332	7292	
9275575	SUMMIT NATIONAL BANK	ST PAUL	MN	18715	372	413	0	0	413	*
9275590	FIRST NB OF ST PETER	ST PETER	MN	29729	187	918	197	0	918	*
9275655	FIRST NATIONAL BANK	SAUK CENTRE	MN	19258	110	569	22	0	569	*
9275700	FIRST NB OF SHAKOPEE	SHAKOPEE	MN	27668	374	1006	0	0	1006	*
9275783	NW NB OF S ST PAUL	SOUTH ST PAUL	MN	64239	389	2142	1090	0	2142	*
9275940	FIRST NATIONAL BANK	STILLWATER	MN	46126	306	1541	616	0	1541	*
9276090	1ST NWSTRN NB OF TWO HARBORS	TWO HARBORS	MN	18468	152	531	0	0	531	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW RECBAL	(6) DIF (3)-(5)	
9276200	FIRST NB OF VIRGINIA	VIRGINIA	MN	57475	652	1579	475	0	1579	*
9276210	NW STATE BK OF VIRGINIA	VIRGINIA	MN	62601	1097	1284	343	0	1284	
9276240	FIRST NB BK OF WACONIA	WACONIA	MN	23128	187	793	0	0	793	*
9276250	FIRST NB OF WADENA	WADENA	MN	16521	161	512	0	0	512	*
9276260	WADENA STATE BANK	WADENA	MN	18022	163	630	0	0	630	*
9276262	PLAZA PARK STATE BANK	WAITE PARK	MN	19204	539	256	0	0	256	*
9276270	FIRST NB OF WALKER	WALKER	MN	20189	110	801	0	0	801	*
9276350	FIRST NAT BK OF WASECA	WASECA	MN	30432	288	950	4	0	950	*
9276565	CITIZENS NB OF WILLMAR	WILLMAR	MN	20379	317	397	0	0	397	*
9276570	FIRST NB OF WILLMAR	WILLMAR	MN	38177	422	1081	186	0	1081	*
9276590	FIRST NB OF WINDOM	WINDOM	MN	22698	104	803	62	0	803	*
9276630	FIRST NORTHWESTERN NAT BANK	WINONA	MN	68217	935	1736	434	0	1736	
9276640	MERCHANTS NB OF WINONA	WINONA	MN	85267	585	2914	1714	0	2914	
9276650	WINONA NAT & SAVINGS BK	WINONA	MN	50887	514	1460	596	0	1460	*
9276685	FIRST NB IN WORTHINGTON	WORTHINGTON	MN	47265	591	1286	0	0	1286	*

OF 154 BANKS AFFECTED IN STATE 68 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
79 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW RECBAL	(6) DIF (3)-(5)	
6280165	METROPOLITAN NATIONAL BANK	BILOXI	MS	16614	332	340	0	0	340	*
8280325	FIRST NAT BK OF CLARKSDALE	CLARKSDALE	MS	34062	763	640	0	0	640	*
8280390	FIRST COLUMBUS NATIONAL BANK	CCLUMBUS	MS	72200	1137	2806	872	0	2806	*
8280400	MERCHANTS AND FARMERS BANK	COLUMBUS	MS	41947	1333	899	0	0	899	*
8280425	NAT BK OF CMRC OF CORINTH	CORINTH	MS	35343	545	1299	217	0	1299	*
6280590	BANK CF FOREST	FOREST	MS	22227	300	752	0	0	752	*
8280650	FIRST NAT BK OF GREENVILLE	GREENVILLE	MS	53142	1148	1363	241	0	1363	*
6280720	GULF NATIONAL BANK	GULFPORT	MS	48979	1777	683	0	0	683	*
6280740	CITIZENS BK OF HATTIESBURG	HATTIESBURG	MS	46983	1675	784	0	0	784	*
6280750	FIRST MISSISSIPPI NAT BK	HATTIESBURG	MS	259227	6708	9967	5988	2813	7154	
6280900	DEPOSIT GUARANTY NAT BANK	JACKSON	MS	825483	10641	39382	5670	28920	10462	
6280910	FIRST NAT BANK OF JACKSON	JACKSON	MS	724352	14701	30537	6029	22630	7907	
6280960	COMMERCIAL NB AND TRUST CO	LAUREL	MS	80659	1992	2138	1196	0	2138	
6280970	FIRST NATIONAL BK OF LAUREL	LAUREL	MS	66847	1323	1714	271	0	1714	*
8281010	FIRST NAT BK OF HOLMES CTY	LEXINGTON	MS	24844	386	745	0	0	745	*
6281190	CITIZENS NAT BK OF MERIDIAN	MERIDIAN	MS	78061	2048	1708	563	0	1708	
6281250	PASCAGOULA MOSS POINT BANK	MOSS POINT	MS	55599	2504	1233	0	0	1233	*
6281270	BRITTON AND KOONTZ FIRST NB	NATCHEZ	MS	34617	914	929	0	0	929	*
8281305	FIRST NATIONAL BANK	NEW ALBANY	MS	44868	967	1458	279	0	1458	*
6281325	FIRST NATIONAL BK OF NEWTON	NEWTON	MS	16109	276	352	0	0	352	*
6281355	FIRST NB OF JACKSON CTY	OCEAN SPRINGS	MS	40382	1472	661	0	0	661	*
8281400	FIRST NAT BANK OF OXFORD	OXFORD	MS	27255	392	1011	0	0	1011	*
6281405	CITIZENS NATIONAL BANK	PASCAGOULA	MS	16028	257	410	0	0	410	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12060013	CONTINENTAL BANK	ALHAMBRA	CA	57908	375	0	1202	0	0	*
12060018	HERITAGE BANK	ANAHEIM	CA	32410	392	0	35	0	0	*
12060047	MID&STATE BANK	ARROYO GRANDE	CA	75097	1830	0	1149	0	0	*
12060075	CALIFORNIA REPUBLIC BANK	BAKERSFIELD	CA	61808	1546	0	236	0	0	*
12060145	SHASTA COUNTY BANK	BURNEY	CA	24673	426	0	0	0	0	*
12060167	CHINO VALLEY BANK	CHINO	CA	28580	714	0	0	0	0	*
12060240	CITIZENS BK OF COSTA MESA	COSTA MESA	CA	31281	317	0	46	0	0	*
12060350	BANK OF DOWNEY	DOWNEY	CA	41781	678	0	138	0	0	*
12060353	GOLDEN STATE BANK	DOWNEY	CA	138484	2044	0	4252	0	0	
12060365	FIRST SECURITY BANK	ELK GROVE	CA	20674	417	0	0	0	0	*
12060440	SCOTT VALLEY BANK	FORT JONES	CA	20660	467	0	0	0	0	*
12060441	BANK OF LOLETA	FORTUNA	CA	20788	260	0	0	0	0	*
12060442	FREMONT BANK	FREMONT	CA	47098	770	0	343	0	0	*
12060457	REPUBLIC BANK	GARDENA	CA	34236	390	0	218	0	0	*
12060460	GAVILAN BANK	GILROY	CA	46306	1066	0	0	0	0	*
12060468	GOLD COUNTRY BANK	GRASS VALLEY	CA	17962	316	0	0	0	0	*
12060480	COMMONWEALTH BANK	HAWTHORNE	CA	21149	95	0	0	0	0	*
12060495	BANK OF HEMET	HEMET	CA	31940	640	0	0	0	0	*
12060526	PACIFIC CITY BANK	HUNTINGTON BEACH	CA	31526	868	0	0	0	0	*
12060535	COMMUNITY BANK	HUNTINGTON PARK	CA	229652	1363	0	5170	4347	-4347	
12060538	BANK OF IRVINE	IRVINE	CA	21965	241	0	0	0	0	*
12060559	LA JOLLA BANK &TRUST CO	LA JOLLA	CA	42282	309	0	592	0	0	*
12060560	BANK OF LAKE COUNTY	LAKEPORT	CA	27399	507	0	0	0	0	*
12060562	GROSSMONT BANK	LA MESA	CA	56866	286	0	1593	0	0	*
12060595	COAST BANK	LONG BEACH	CA	40956	438	0	0	0	0	*
12060614	HARBOR BANK	LONG BEACH	CA	27369	330	0	0	0	0	*
12060630	AMERICAN CITY BANK	LOS ANGELES	CA	132337	683	0	5170	569	-569	
12060632	BANK OF FINANCE	LOS ANGELES	CA	28147	530	0	0	0	0	*
12060644	CALIFORNIA KOREA BANK	LOS ANGELES	CA	47078	276	0	402	0	0	*
12060645	CALIFORNIA OVERSEAS BANK	LOS ANGELES	CA	50471	362	0	805	0	0	*
12060663	CATHAY BANK	LOS ANGELES	CA	79837	773	0	1309	0	0	
12060665	CENTURY BANK	LOS ANGELES	CA	52257	453	0	1248	0	0	*
12060680	FIRST LOS ANGELES BANK	LOS ANGELES	CA	129148	260	0	5127	417	-417	
12060686	FIRST PACIFIC BANK	LOS ANGELES	CA	41130	230	0	712	0	0	*
12060698	GILMORE COMMERCIAL & SVGS BK	LOS ANGELES	CA	33077	270	0	98	0	0	*
12060702	IMPERIAL BANK	LOS ANGELES	CA	329899	1986	0	5151	10559	-10559	
12060703	INDEPENDENCE BANK	LOS ANGELES	CA	93801	804	0	2439	0	0	
12060706	JAPAN CALIFORNIA BANK	LOS ANGELES	CA	62610	224	0	1501	0	0	*
12060708	LLOYDS BANK CALIFORNIA	LOS ANGELES	CA	1450256	12182	0	5156	49641	-49641	
12060713	MANUFACTURERS BANK	LOS ANGELES	CA	415400	1122	0	5169	15426	-15426	
12060718	MITSUBISHI BANK OF CALIF	LOS ANGELES	CA	201145	2709	0	5139	1585	-1585	
12060719	MITSUI BANK OF CA	LOS ANGELES	CA	101066	108	0	2575	595	-595	
12060744	TOKAI BK OF CALIFORNIA	LOS ANGELES	CA	102528	485	0	3643	142	-142	
12060745	TRANS-WORLD BANK	LOS ANGELES	CA	47548	823	0	244	0	0	*
12060756	WESTERN BANK OF COMMERCE	LOS ANGELES	CA	31373	223	0	497	0	0	*
12060763	FIRST STATE BK OF SOUTH CA	LYWOOD	CA	32859	693	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12060800	CENTER STATE BANK	MODESTO	CA	35768	955	0	0	0	0	*
12060880	NAPA VALLEY BANK	NAPA	CA	31869	729	0	0	0	0	*
12060884	AMERICAN STATE BANK	NEWPORT BEACH	CA	35072	184	0	221	0	0	*
12060885	BANK OF NEWPORT	NEWPORT BEACH	CA	94670	914	0	2287	0	0	
12060942	FIRST ENTERPRISE BANK	OAKLAND	CA	22314	146	0	0	0	0	*
12061010	BANK OF A LEVY	OXNARD	CA	187290	2513	0	5101	154	-154	
12061048	CAMINO-CALIFORNIA BANK	PALO ALTO	CA	22516	233	0	0	0	0	*
12061060	CZ CM TR&SVG BK OF PASADENA	PASADENA	CA	22541	216	0	0	0	0	*
12061118	VALENCIA BANK	PLACENTIA	CA	50226	534	0	750	0	0	*
12061161	NORTH VALLEY BANK	REDDING	CA	32156	497	0	0	0	0	*
12061166	BANK OF REDLANDS	REDLANDS	CA	22374	246	0	18	0	0	*
12061180	MECHANICS BANK	RICHMOND	CA	223740	2830	0	5119	1068	-1068	
12061190	BANK OF RIO VISTA	RIO VISTA	CA	20877	122	0	24	0	0	*
12061220	FIRST CITY BANK	ROSEMEAD	CA	91140	1337	0	2070	0	0	
12061230	CITIZENS BK OF ROSEVILLE	ROSEVILLE	CA	26032	249	0	4	0	0	*
12061250	CAPITOL BANK OF COMMERCE	SACRAMENTO	CA	36028	114	0	242	0	0	*
12061265	RIVER CITY BANK	SACRAMENTO	CA	62048	1558	0	573	0	0	*
12061326	PENINSULA BK OF SAN DIEGO	SAN DIEGO	CA	21090	172	0	0	0	0	*
12061330	SAN DIEGO TRUST & SAVINGS BK	SAN DIEGO	CA	422435	12881	0	5053	3548	-3548	
12061395	AMERICAN ASIAN BANK	SAN FRANCISCO	CA	23024	69	0	17	0	0	*
12061420	BANK OF CANTON OF CALIFORNIA	SAN FRANCISCO	CA	157258	525	0	2543	2175	-2175	
12061430	BANK OF MONTREAL CALIFORNIA	SAN FRANCISCO	CA	55442	168	0	1949	0	0	*
12061432	BANK OF THE ORIENT	SAN FRANCISCO	CA	74672	446	0	1684	0	0	*
12061434	BK OF TRADE OF SAN FRANCISCO	SAN FRANCISCO	CA	16305	132	0	0	0	0	*
12061437	BARCLAYS BANK OF CALIF	SAN FRANCISCO	CA	515121	5704	0	5252	15120	-15120	
12061440	CALIFORNIA CANADIAN BANK	SAN FRANCISCO	CA	348210	2281	0	5179	7281	-7281	
12061441	CALIFORNIA FIRST BANK	SAN FRANCISCO	CA	1927653	20937	0	5198	70327	-70327	
12061443	CHARTERED BANK OF LONDON	SAN FRANCISCO	CA	282161	3251	0	5141	3854	-3854	
12061446	COMMERCIAL BANK OF SAN FRAN	SAN FRANCISCO	CA	32458	123	0	354	0	0	*
12061454	FRENCH BANK OF CALIFORNIA	SAN FRANCISCO	CA	78889	201	0	1871	41	-41	
12061460	HIBERNIA BANK	SAN FRANCISCO	CA	404483	4013	0	5099	7140	-7140	
12061465	HONGKONG BK OF CALIFORNIA	SAN FRANCISCO	CA	131144	849	0	3003	376	-376	
12061473	PHILIPPINE BANK OF CALIF	SAN FRANCISCO	CA	13869	45	0	4	0	0	*
12061475	REDWOOD BANK	SAN FRANCISCO	CA	109060	594	0	3343	0	0	
12061483	SANWA BK OF CALIFORNIA	SAN FRANCISCO	CA	272371	935	0	5238	6281	-6281	
12061485	SUMITOMO BANK OF CALIFORNIA	SAN FRANCISCO	CA	1005886	7782	0	5225	34051	-34051	
12061487	TORONTO DOMINION BK OF CALIF	SAN FRANCISCO	CA	56011	116	0	1369	0	0	*
12061489	WESTERN BRADFORD TRUST CO	SAN FRANCISCO	CA	14499	2	0	172	0	0	*
12061525	COMMUNITY BANK OF SAN JOSE	SAN JOSE	CA	61578	1002	0	900	0	0	*
12061532	PACIFIC VALLEY BANK	SAN JOSE	CA	29579	130	0	532	0	0	*
12061548	FIRST CENTRAL COAST BANK	SAN LUIS OBISPO	CA	32963	1026	0	0	0	0	*
12061555	BANK OF MARIN	SAN RAFAEL	CA	187787	1400	0	5112	1770	-1770	
12061597	WESTLANDS BANK	SANTA ANA	CA	115207	154	0	4257	720	-720	
12061630	BANK OF SANTA CLARA	SANTA CLARA	CA	20182	314	0	0	0	0	*
12061670	SANTA MONICA BANK	SANTA MONICA	CA	163190	1816	0	5115	258	-258	
12061687	BANK OF SONOMA COUNTY	SANTA ROSA	CA	64176	1108	0	545	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12061690	EXCHANGE BANK	SANTA ROSA	CA	164712	1825	0	5106	22	-22	
12061730	HOME BANK	SIGNAL HILL	CA	91333	1789	0	1943	0	0	*
12061769	BANK OF AGRICULTURE AND COMM	STOCKTON	CA	21791	444	0	0	0	0	*
12061770	BANK OF STOCKTON	STOCKTON	CA	169818	1864	0	4165	441	-441	
12061780	UNION SAFE DEPOSIT BANK	STOCKTON	CA	126585	1000	0	3714	140	-140	
12061852	ELDORADO BANK	TUSTIN	CA	36967	454	0	451	0	0	*
12061856	SANTIAGO BANK	TUSTIN	CA	53323	554	0	930	0	0	*
12061860	SAVINGS BK OF MENDOCINO CTY	UKIAH	CA	72258	1225	0	694	0	0	
12061895	VACA VALLEY BANK	VACAVILLE	CA	37233	801	0	0	0	0	*
12061922	SOUTHWEST BANK	VISTA	CA	133354	2214	0	3557	0	0	
12061924	AMERICAN BANK & TRUST CO	WALNUT CREEK	CA	15165	116	0	0	0	0	*
12061926	BANK OF CONTRA COSTA	WALNUT CREEK	CA	27838	348	0	0	0	0	*
12061930	BANK OF ALEX BROWN	WALNUT GROVE	CA	51916	496	0	691	0	0	*
12061980	BANK OF WILLITS	WILLITS	CA	16646	336	0	0	0	0	*

OF 106 BANKS AFFECTED IN STATE 31 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
47 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10080034	ARAPAHOE BANK AND TRUST	ARAPAHOE COUNTY	CO	23026	293	0	0	0	0	*
10080038	ARVADA STATE BANK	ARVADA	CO	35926	467	0	0	0	0	*
10080050	BANK OF ASPEN	ASPEN	CO	34242	876	0	0	0	0	*
10080077	PEOPLES BANK & TRUST CO	AURORA	CO	54523	721	0	610	0	0	*
10080079	UNITED BANK OF AURORA	AURORA	CO	26817	435	0	0	0	0	*
10080128	UNITED BANK OF BOULDER	BOULDER	CO	51528	1010	0	250	0	0	*
10080133	UNITED BK OF BROOMFIELD	BROOMFIELD	CO	25430	600	0	0	0	0	*
10080140	FARMERS STATE BANK	BRUSH	CO	18059	130	0	0	0	0	*
10080210	BANK OF DOUGLAS COUNTY	CASTLE ROCK	CO	18061	115	0	0	0	0	*
10080244	AMERICAN HERITAGE BK & TR CO	COLORADO SPRINGS	CO	23024	399	0	0	0	0	*
10080245	CENTRAL COLORADO BANK	COLORADO SPRINGS	CO	66557	1027	0	1040	0	0	*
10080296	UNITED BK OF COLORADO SPGS	COLORADO SPRINGS	CO	31766	787	0	0	0	0	*
10080300	CITIZENS STATE BANK	CORTEZ	CO	16751	270	0	0	0	0	*
10080310	MOFFAT COUNTY STATE BANK	CRAIG	CO	35354	276	0	138	0	0	*
10080340	COLORADO BK & TR CO	DELTA	CO	28242	272	0	0	0	0	*
10080352	BANK OF DENVER	DENVER	CO	35186	611	0	0	0	0	*
10080361	CENTURY BANK AND TRUST	DENVER	CO	24368	316	0	0	0	0	*
10080390	COLORADO STATE BANK	DENVER	CO	73321	1265	0	1308	0	0	*
10080455	GUARANTY BANK AND TRUST COMP	DENVER	CO	80686	366	0	1963	0	0	
10080485	MOUNTAIN STATES BANK	DENVER	CO	66984	642	0	1316	0	0	*
10080489	MID STATES BANK	DENVER	CO	25833	349	0	0	0	0	*
10080495	NORTH DENVER BANK	DENVER	CO	36153	599	0	0	0	0	*
10080497	SOUTHWEST STATE BANK	DENVER	CO	36188	743	0	0	0	0	*
10080500	UNION BANK & TRUST	DENVER	CO	50117	407	0	806	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10080528	BANK OF DURANGO	DURANGO	CO	23143	355	0	0	0	0	*
10080737	BANK OF GLENWOOD	GLENWOOD SPRINGS	CO	16681	222	0	0	0	0	*
10080820	UNITED BANK OF GREELEY	GREELEY	CO	55541	484	0	973	0	0	*
10080926	CHATFIELD BANK	JEFFERSON COUNTY	CO	22174	377	0	0	0	0	*
10081015	JEFFERSON BANK & TRUST	LAKEWOOD	CO	113860	792	0	3838	0	0	
10081050	COMMERCIAL BK OF LEADVILLE	LEADVILLE	CO	17437	288	0	0	0	0	*
10081074	UNITED BANK OF LITTLETON	LITTLETON	CO	49833	463	0	674	0	0	*
10081095	UNITED BANK OF LONGMONT	LONGMONT	CO	19356	334	0	0	0	0	*
10081115	HOME STATE BANK	LOVELAND	CO	21772	188	0	0	0	0	*
10081290	MINNEQUA BANK	PUEBLO	CO	43234	663	0	143	0	0	*
10081300	PUEBLO BANK & TRUST CO	PUEBLO	CO	54668	739	0	618	0	0	*
10081305	UNITED BANK OF PUEBLO	PUEBLO	CO	32121	399	0	0	0	0	*
10081423	BANK OF VAIL	VAIL	CO	22899	1127	0	0	0	0	*

OF 37 BANKS AFFECTED IN STATE 24 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
13 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2090093	CITYTRUST	BRIDGEPORT	CT	487264	7429	0	5132	10987	-10987	
2090115	LAFAYETTE BANK AND TRUST CO	BRIDGEPORT	CT	68723	1597	0	993	0	0	*
1090205	CHESTER BANK	CHESTER	CT	24436	158	0	106	0	0	*
2090270	DANBURY BANK & TRUST COMPANY	DANBURY	CT	26886	449	0	0	0	0	*
1090466	CTZNS BK & TC OF GLASTONBURY	GLASTONBURY	CT	30148	694	0	0	0	0	*
1090470	GLASTONBURY BANK AND TR CO	GLASTONBURY	CT	41399	746	0	37	0	0	*
2090500	PUTNAM TRUST CO	GREENWICH	CT	155375	1584	0	5127	177	-177	
1090523	CHARTER OAK BK & TR CO	HARTFORD	CT	33486	595	0	0	0	0	*
1090530	CONSTITUTION BANK & TR CO	HARTFORD	CT	39582	989	0	0	0	0	*
1090595	GUARANTY BANK & TRUST CO	HARTFORD	CT	33464	576	0	0	0	0	*
1090665	UNITED BANK AND TRUST CO	HARTFORD	CT	166893	2852	0	4856	0	0	
1090710	SALISBURY BANK & TRUST CO	LAKEVILLE	CT	18686	284	0	0	0	0	*
1090780	HOME BANK AND TRUST COMPANY	MERIDEN	CT	64907	1407	0	822	0	0	*
1090980	NEW BRITAIN BANK AND TR CO	NEW BRITAIN	CT	68338	1131	0	1487	0	0	*
1091070	FIRST BANK	NEW HAVEN	CT	359894	8644	0	5112	5415	-5415	
1091110	SECOND NEW HAVEN BANK	NEW HAVEN	CT	261937	6656	0	5105	922	-922	
1091131	UNION TRUST COMPANY	NEW HAVEN	CT	807163	17721	0	5240	21582	-21582	
1091198	NEW MILFORD BK AND TR CO	NEW MILFORD	CT	16434	288	0	0	0	0	*
1091225	COMMUNITY BANKING CO	NORTH BRANFORD	CT	45668	1243	0	0	0	0	*
2091240	MERCHANTS BANK AND TRUST CO	NORWALK	CT	64138	1379	0	1134	0	0	*
1091330	PLAINVILLE TRUST COMPANY	PLAINVILLE	CT	39072	893	0	0	0	0	*
1091420	SEYMOUR TRUST COMPANY	SEYMOUR	CT	35161	726	0	0	0	0	*
2091440	VALLEY BANK + TR CO	SHELTON	CT	17733	397	0	0	0	0	*
1091450	SIMSBURY BANK AND TRUST CO	SIMSBURY	CT	55411	662	0	862	0	0	*
1091460	SOUTHINGTON BANK & TRUST CO	SOUTHINGTON	CT	25218	955	0	0	0	0	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1091505	SOUTH WINDSOR BK & TR CO	SOUTH WINDSOR	CT	20517	630	0	0	0	0	*
2091528	FIDELITY TRUST CO	STAMFORD	CT	109587	1387	0	2800	0	0	
2091530	FIRST STAMFORD BANK & TR CO	STAMFORD	CT	34375	480	0	0	0	0	*
1091610	TERRYVILLE TRUST COMPANY	TERRYVILLE	CT	15459	571	0	0	0	0	*
1091740	COLONIAL BANK AND TRUST CO	WATERBURY	CT	453184	7976	0	5172	8806	-8806	
1091755	MATTATUCK BANK & TRUST CO	WATERBURY	CT	57358	1031	0	468	0	0	*
2091800	WESTPORT BANK & TRUST CO	WESTPORT	CT	82934	1010	0	2105	0	0	*
1091820	WILLIMANTIC TRUST COMPANY	WILLIMANTIC	CT	55381	849	0	706	0	0	*
1091882	NORTH AMERICAN BANK & TR CO	WOLCOTT	CT	21622	281	0	0	0	0	*

OF 34 BANKS AFFECTED IN STATE 16 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
12 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3100050	FARMERS BK OF THE ST OF DEL	DOVER	DE	314591	6308	0	5160	6793	-6793	
3100145	SUSSEX TRUST COMPANY	LAUREL	DE	79261	1033	0	1090	0	0	
3100180	MILFORD TRUST COMPANY	MILFORD	DE	18829	200	0	0	0	0	*
3100280	BALTIMORE TRUST COMPANY	SELBYVILLE	DE	48208	847	0	60	0	0	*
3100325	BANK OF DELAWARE	WILMINGTON	DE	524384	8081	0	5315	13511	-13511	
3100360	DELAWARE TRUST COMPANY	WILMINGTON	DE	438402	6048	0	5157	10183	-10183	
3100385	PEOPLES BANK & TRUST CO	WILMINGTON	DE	25878	925	0	0	0	0	*
3100410	WILMINGTON TRUST COMPANY	WILMINGTON	DE	882559	8115	0	5341	35569	-35569	

OF 8 BANKS AFFECTED IN STATE 2 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
2 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5110070	INDUSTRIAL BK OF WASHINGTON	WASHINGTON	DC	49730	1246	0	0	0	0	*

OF 1 BANKS AFFECTED IN STATE 1 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6120030	STATE BANK OF APOPKA	APOPKA	FL	38845	698	0	0	0	0	*
6120042	FIRST STATE BANK OF ARCADIA	ARCADIA	FL	15103	349	0	0	0	0	*
6120050	SUN BANK OF AUBURNDALE	AUBURNDALE	FL	24140	531	0	0	0	0	*
6120060	AVON CITRUS BANK	AVON PARK	FL	25939	438	0	0	0	0	*

NONMEMBER BANKS   BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7   1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6120065	CITRUS & CHEMICAL BANK	BARTOW	FL	36785	534	0	182	0	0	*
6120074	BARNETT BANK OF BAYSHORE	BAYSHORE GARDENS	FL	49789	533	0	281	0	0	*
6120078	BANK OF BELLEVIEW	BELLEVIEW	FL	23120	284	0	0	0	0	*
6120079	BANK OF BELLE GLADE	BELLE GLADE	FL	18660	450	0	0	0	0	*
6120090	ELLIS BANK OF BLOUNTSTOWN	BLOUNTSTOWN	FL	18987	337	0	0	0	0	*
6120100	BANK OF BONIFAY	BONIFAY	FL	18081	225	0	0	0	0	*
6120105	FIRST BK&TR OF PALM BCH CTY	BOYNTON BEACH	FL	137201	1422	0	2852	557	-557	
6120125	BRANDON STATE BANK	BRANDON	FL	34536	487	0	52	0	0	*
6120140	HERNANDO STATE BANK	BROOKSVILLE	FL	43346	690	0	32	0	0	*
6120141	BARNETT BANK OF JACARANDA	BROWARD COUNTY	FL	21947	364	0	0	0	0	*
6120155	FLORIDA BANK AT BUSHNELL	BUSHNELL	FL	18187	520	0	0	0	0	*
6120157	CAPE CORAL BANK	CAPE CORAL	FL	120348	640	0	2192	1003	-1003	
6120164	COMBANK/CASSELBERRY	CASSELBERRY	FL	37619	238	0	189	0	0	*
6120175	LEVY COUNTY STATE BANK	CHIEFLAND	FL	18911	404	0	0	0	0	*
6120190	BANK OF CLEARWATER	CLEARWATER	FL	120670	1311	0	2980	0	0	
6120197	COMMUNITY BK OF CLEARWATER	CLEARWATER	FL	19260	250	0	0	0	0	*
6120198	CLEARWATER BEACH BANK	CLEARWATER	FL	25919	340	0	0	0	0	*
6120199	EXCHANGE B&TC OF CLEARWATER	CLEARWATER	FL	57092	772	0	493	0	0	*
6120202	FLORIDA BANK OF COMMERCE	CLEARWATER	FL	17352	343	0	0	0	0	*
6120204	NORTHEAST BANK OF CLEARWATER	CLEARWATER	FL	23360	382	0	0	0	0	*
6120236	BARNETT BK OF COLLIER CTY	COLLIER COUNTY	FL	26590	418	0	0	0	0	*
6120254	SUN BANK OF MIAMI	CORAL GABLES	FL	242580	6175	0	5065	1080	-1080	
6120257	BANK OF CORAL SPRINGS	CORAL SPRINGS	FL	25082	819	0	0	0	0	*
6120260	FLGSHP PPLS BK OF CRSCNT CY	CRESCENT CITY	FL	18721	445	0	0	0	0	*
6120285	CRYSTAL RIVER BANK	CRYSTAL RIVER	FL	20323	565	0	0	0	0	*
6120290	BANK OF PASCO COUNTY	DADE CITY	FL	50807	519	0	511	0	0	*
6120292	SOUTHEAST BANK OF DADELAND	DADE COUNTY	FL	41451	430	0	542	0	0	*
6120293	SKYLAKE STATE BANK	DADE COUNTY	FL	22420	253	0	0	0	0	*
6120294	MIAMI LAKES FIRST STATE BANK	DADE COUNTY	FL	23625	644	0	0	0	0	*
6120300	DANIA BANK	DANIA	FL	118804	866	0	3320	309	-309	
6120304	BARNETT BANK OF DAYTONA BCH	DAYTONA BEACH	FL	46308	803	0	117	0	0	*
6120330	FLORIDA BANK & TRUST CO	DAYTONA BEACH	FL	83351	1226	0	573	0	0	
6120331	SUN BANK OF VOLUSIA CTY	DAYTONA BEACH	FL	86416	2330	0	801	0	0	
6120335	SOUTHEAST BANK OF DEERFIELD	DEERFIELD BEACH	FL	88164	1883	0	1457	0	0	
6120336	DEERFIELD BEACH STATE BANK	DEERFIELD BEACH	FL	24256	426	0	0	0	0	*
6120365	DE LAND STATE BANK	DE LAND	FL	37016	493	0	0	0	0	*
6120370	FLORIDA BANK AT DELAND	DE LAND	FL	29987	1002	0	0	0	0	*
6120382	SOUTHEAST BANK OF DELTONA	DELTONA	FL	19712	625	0	0	0	0	*
6120395	DUNNELLON STATE BANK	DUNNELLON	FL	16010	473	0	0	0	0	*
6120397	ENGLEWOOD BANK AND TRUST	ENGLEWOOD	FL	53022	721	0	357	0	0	*
6120400	ATLANTIC BANK OF EUSTIS	EUSTIS	FL	35550	627	0	0	0	0	*
6120431	BARNETT BK OF FT LAUDERDALE	FORT LAUDERDALE	FL	34116	393	0	186	0	0	*
6120441	FLORIDA BANK AT FT LAUDERDAL	FORT LAUDERDALE	FL	38724	409	0	31	0	0	*
6120442	SOUTHEAST BANK OF BROWARD	FORT LAUDERDALE	FL	28302	350	0	9	0	0	*
6120443	SE BANK OF GALT OCEAN MILE	FORT LAUDERDALE	FL	42400	466	0	518	0	0	*
6120449	SE EVERGLDS BK OF FT LDRDLE	FT LAUDERDALE	FL	50415	582	0	1159	0	0	*

NONMEMBER BANKS   BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7   1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6120462	FLAGSHIP BANK OF FORT MYERS	FORT MYERS	FL	34230	492	0	0	0	0	*
6120470	LEE COUNTY BANK	FORT MYERS	FL	165732	1639	0	4269	779	-779	
6120490	SUN BANK OF ST LUCIE COUNTY	FORT PIERCE	FL	81063	2753	0	738	0	0	*
6120483	BARNETT BANK OF FORT WALTON	FORT WALTON BEACH	FL	22885	174	0	0	0	0	*
6120485	FIRST CITY BK OF FT WALTON	FORT WALTON BEACH	FL	23692	331	0	0	0	0	*
6120514	SUN BANK OF GAINESVILLE	GAINESVILLE	FL	44138	690	0	463	0	0	*
6120530	BANK OF GREEN COVE SPRINGS	GREEN COVE SPGS	FL	27842	574	0	0	0	0	*
6120556	ROYAL TR BK OF ST PETERSBURG	GULF PORT	FL	24632	542	0	0	0	0	*
6120560	FLAGSHIP BANK OF HAINES CITY	HAINES CITY	FL	28813	482	0	0	0	0	*
6120563	BANK OF HALLANDALE & TR CO	HALLANDALE	FL	83804	1268	0	1912	0	0	*
6120567	POPULAR BANK OF HIALEAH	HIALEAH	FL	24131	891	0	0	0	0	*
6120575	HIALEAH-MIAMI SPRGS FIRST ST	HIALEAH	FL	102660	1662	0	2266	0	0	*
6120578	NORTH HIALEAH FIRST STATE BK	HIALEAH	FL	31104	624	0	0	0	0	*
6120587	BARNETT BANK OF HOLLYWOOD	HOLLYWOOD	FL	88443	2472	0	704	0	0	*
6120592	THE ISLAND BANK	HOLMES BEACH	FL	29364	659	0	0	0	0	*
6120593	SOUTHEAST BANK OF HOLLYWOOD	HOLLYWOOD	FL	72170	642	0	1990	0	0	*
6120598	BARNETT BANK OF HOMESTEAD	HOMESTEAD	FL	52009	699	0	572	0	0	*
6120610	BANK OF INVERNESS	INVERNESS	FL	50046	723	0	202	0	0	*
6120615	AMERICAN BEACH BLVD BANK	JACKSONVILLE	FL	16478	391	0	0	0	0	*
6120626	ATLANTIC BANK OF SPRINGFIELD	JACKSONVILLE	FL	92648	914	0	1855	0	0	
6120627	ATL BK LAKE FOREST	JACKSONVILLE	FL	39404	439	0	74	0	0	*
6120628	ATL BK SO JACKSONVILLE	JACKSONVILLE	FL	30073	946	0	0	0	0	*
6120629	ATL BK W JACKSONVILLE	JACKSONVILLE	FL	42089	583	0	53	0	0	*
6120638	BARNETT BANK OF MURRAY HILL	JACKSONVILLE	FL	57295	957	0	553	0	0	*
6120639	BARNETT BANK OF REGENCY	JACKSONVILLE	FL	27821	436	0	0	0	0	*
6120641	BARNETT BANK OF SAN JOSE	JACKSONVILLE	FL	32691	622	0	0	0	0	*
6120645	FIRST GUARANTY BK & TR CO	JACKSONVILLE	FL	30395	376	0	0	0	0	*
6120662	SE FIRST BK OF JACKSONVILLE	JACKSONVILLE	FL	43313	448	0	600	0	0	*
6120675	FLGSHP ST BK OF JACKSONVILLE	JACKSONVILLE	FL	49293	191	0	1047	0	0	*
6120679	SUN BANK OF JACKSONVILLE	JACKSONVILLE	FL	40079	287	0	324	0	0	*
6120706	JENSEN BEACH BANK	JENSON BEACH	FL	33740	791	0	0	0	0	*
6120707	COMMERCIAL BANK OF KENDALL	KENDALL	FL	49137	642	0	683	0	0	*
6120709	KEY BISCAYNE BANK & TRUST CO	KEY BISCAYNE	FL	31539	237	0	198	0	0	*
6120715	KEY WEST STATE BANK	KEY WEST	FL	27610	710	0	0	0	0	*
6120718	EXCHANGE BANK OF OSCEOLA	KISSIMMEE	FL	16522	385	0	0	0	0	*
6120730	FLAGSHIP BANK OF LAKE ALFRED	LAKE ALFRED	FL	15129	254	0	0	0	0	*
6120760	STATE EXCHANGE BANK	LAKE CITY	FL	45983	669	0	0	0	0	*
6120764	BARNETT BK OF LAKELAND	LAKELAND	FL	40018	558	0	371	0	0	*
6120785	IMPERIAL BANK OF LAKELAND	LAKELAND	FL	38367	411	0	41	0	0	*
6120790	PEOPLES BANK OF LAKELAND	LAKELAND	FL	211713	2591	0	5198	978	-978	
6120795	FIRST BANK OF LAKE PLACID	LAKE PLACID	FL	24157	331	0	0	0	0	*
6120800	ATLANTIC B&T OF LAKE WALES	LAKE WALES	FL	27459	829	0	0	0	0	*
6120812	FIRST STATE BANK	LANTANA	FL	34473	623	0	0	0	0	*
6120813	BANK OF INDIAN ROCKS	LARGO	FL	55880	973	0	312	0	0	*
6120814	ATLANTIC BANK OF LARGO	LARGO	FL	33994	928	0	0	0	0	*
6120815	SOUTHEAST FIRST BK OF LARGO	LARGO	FL	80422	2133	0	202	0	0	

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6120816	SUN BANK OF LAUDERDALE BEACH	LDRDLE BY THE SEA	FL	43814	854	0	307	0	0	*
6120817	COMMUNITY BANK OF LARGO	LARGO	FL	27022	431	0	0	0	0	*
6120823	CENTURY BANK OF LEE COUNTY	LEHIGH ACRES	FL	31817	187	0	212	0	0	*
6120830	FIRST CMRCL BK OF LIVE OAK	LIVE OAK	FL	23991	372	0	0	0	0	*
6120843	ELLIS LONGBOAT KEY BANK	LONGBOAT KEY	FL	28662	254	0	67	0	0	*
6120855	MADEIRA BEACH BANK	MADEIRA BEACH	FL	43392	610	0	30	0	0	*
6120867	ELLIS MANASOTA BANK	MANATEE COUNTY	FL	21455	238	0	0	0	0	*
6120875	MARATHON BANK	MARATHON	FL	36739	572	0	87	0	0	*
6120880	CITIZENS STATE BANK	MARIANNA	FL	32892	381	0	27	0	0	*
6120890	FIRST BANK OF MARIANNA	MARIANNA	FL	31708	682	0	0	0	0	*
6120905	CENTRAL BANK & TRUST CO	MIAMI	FL	85356	981	0	2039	0	0	*
6120906	BANK OF MIAMI	MIAMI	FL	159046	1319	0	4175	819	-819	
6120907	CENTRAL BANK OF NORTH DADE	MIAMI	FL	29232	722	0	0	0	0	*
6120920	COCONUT GROVE BANK	MIAMI	FL	68907	760	0	1935	0	0	*
6120925	COMMERCIAL BANK & TRUST CO	MIAMI	FL	86539	1203	0	1847	0	0	
6120996	TOTALBANK	MIAMI	FL	63020	427	0	1156	0	0	*
6121005	INTERCONTINENTAL BANK	MIAMI BEACH	FL	163217	2377	0	4800	0	0	
6121035	SANTA ROSA STATE BANK	MILTON	FL	22723	415	0	0	0	0	*
6121036	SOUTHEAST BANK OF MIRAMAR	MIRAMAR	FL	29538	845	0	0	0	0	*
6121040	FARMERS AND MERCHANTS BANK	MONTICELLO	FL	17235	363	0	0	0	0	*
6121045	BANK OF MOUNT DORA	MOUNT DORA	FL	25211	327	0	0	0	0	*
6121065	BARNETT BANK OF NAPLES	NAPLES	FL	99830	936	0	2941	0	0	
6121069	OCEAN STATE BANK	NEPTUNE BEACH	FL	24302	561	0	0	0	0	*
6121073	ELLIS SECURITY BANK	NEW PORT RICHEY	FL	48642	440	0	447	0	0	*
6121076	PPLS ST BK OF NEW PT RCHEY	NEW PORT RICHEY	FL	59103	609	0	731	0	0	*
6121077	CAPITAL BANK	NORTH BAY VILLAGE	FL	83878	1640	0	1220	0	0	*
6121080	SOUTHEAST BANK OF NEW SMYRNA	NEW SMYRNA BEACH	FL	39011	786	0	12	0	0	*
6121086	FIRST AMERICAN BANK	NORTH PALM BEACH	FL	69171	916	0	1159	0	0	*
6121092	NORTH PORT BANK	NORTH PORT	FL	17764	388	0	0	0	0	*
6121120	OKEECHOBEE COUNTY BANK	OKEECHOBEE	FL	28662	483	0	0	0	0	*
6121125	SOUTHEAST BK OF ORANGE PARK	ORANGE PARK	FL	23507	557	0	0	0	0	*
6121138	FLAGSHIP BANK OF ORLANDO	ORLANDO	FL	54970	469	0	839	0	0	*
6121141	ATLANTIC BANK OF ORLANDO	ORLANDO	FL	64687	1289	0	673	0	0	*
6121152	LANDMARK BANK OF ORLANDO	ORLANDO	FL	38864	609	0	0	0	0	*
6121160	BANK OF PAHOKEE	PAHOKEE	FL	20348	354	0	80	0	0	*
6121175	BANK OF PALM BEACH AND TR CO	PALM BEACH	FL	92736	663	0	2322	0	0	
6121177	BARNETT BK OF W DELRAY BEACH	PLAM BEACH COUNTY	FL	22233	532	0	0	0	0	*
6121181	1ST MRNE BK OF PALM BCH GDNS	PALM BCH GARDENS	FL	19914	312	0	0	0	0	*
6121185	PALMETTO BANK AND TRUST CO	PALMETTO	FL	52968	828	0	336	0	0	*
6121200	COMMERCIAL BK IN PANAMA CITY	PANAMA CITY	FL	73586	1092	0	1547	0	0	*
6121206	COMMNTY BK OF W PASCO	PASCO COUNTY	FL	60712	1285	0	0	0	0	*
6121207	ROYAL TR BANK OF BROWARD CTY	PEMBROKE PINES	FL	19795	506	0	0	0	0	*
6121209	BARNETT BANK OF PENSACOLA	PENSACOLA	FL	75234	1060	0	1110	0	0	*
6121219	1ST AMERICAN BK OF PENSACOLA	PENSACOLA	FL	78153	1017	0	1079	0	0	*
6121242	WEST PENSACOLA BANK	PENSACOLA	FL	32611	575	0	0	0	0	*
6121243	BANK OF PERRINE	PERRINE	FL	29460	754	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6121244	EXCHANGE BANK OF DUNEDIN	PINELLAS COUNTY	FL	14668	310	0	0	0	0	*
6121252	ELLIS FIRST PARK BANK	PINELLAS PARK	FL	26349	416	0	0	0	0	*
6121253	BARNETT BANK OF PLANTATION	PLANTATION	FL	40816	862	0	0	0	0	*
6121260	HILLSBORO BANK	PLANT CITY	FL	76919	1058	0	1304	0	0	
6121261	PALM STATE BANK	PINELLAS COUNTY	FL	21840	399	0	0	0	0	*
6121277	FL COAST BANK OF POMPANO BCH	POMPANO BEACH	FL	145406	1908	0	4432	0	0	
6121278	PORT CHARLOTTE BK & TRUST CO	PORT CHARLOTTE	FL	81697	1571	0	537	0	0	
6121300	CITIZENS BK & TR CO	QUINCY	FL	19340	572	0	0	0	0	*
6121310	QUINCY STATE BANK	QUINCY	FL	35232	454	0	0	0	0	*
6121314	BANK OF BREVARD	ROCKLEDGE	FL	15792	270	0	0	0	0	*
6121315	FIRST MARINE B&TC OF PALM B	RIVIERA BEACH	FL	88093	1576	0	1772	0	0	*
6121317	FIRST RUSKIN BANK	RUSKIN	FL	26734	583	0	0	0	0	*
6121320	ATLANTIC BK OF ST AUGUSTINE	ST AUGUSTINE	FL	37910	598	0	0	0	0	*
6121340	SUN BANK OF ST CLOUD	ST CLOUD	FL	31287	795	0	0	0	0	*
6121343	CENTRAL PLAZA BK & TR CO	ST PETERSBURG	FL	88843	1114	0	1279	0	0	
6121344	COMMNTY BK OF ST PETERSBURG	ST PETERSBURG	FL	18233	278	0	0	0	0	*
6121347	CENTURY BANK OF PINELLAS CTY	ST PETERSBURG	FL	17569	658	0	0	0	0	*
6121367	ST PETERSBURG BANK AND TRUST	ST PETERSBURG	FL	124913	1121	0	2149	295	-295	
6121371	COMMUNITY BK OF NORTHSIDE	ST PETERSBURG	FL	15793	224	0	0	0	0	*
6121372	RUTHLAND CENTRAL BANK	ST PETERSBURG	FL	20060	238	0	0	0	0	*
6121373	SUN BK & TC OF ST PETERSBURG	ST PETERSBURG	FL	73013	858	0	1141	0	0	*
6121375	FIRST GULF BCH BK AND TR CO	ST PETERSBURG BCH	FL	55643	567	0	689	0	0	*
6121379	FLAGSHIP US BK SEMINOLE	SANFORD	FL	19363	531	0	0	0	0	*
6121380	FLAGSHIP BANK OF SANFORD	SANFORD	FL	28079	1142	0	0	0	0	*
6121391	ELLIS COMMERCIAL BANK	SARASOTA	FL	16791	199	0	0	0	0	*
6121393	ELLIS AMERICAN BANK	SARASOTA	FL	39700	586	0	0	0	0	*
6121398	SE BANK OF ST ARMANDS	SARASOTA	FL	45821	380	0	409	0	0	*
6121401	PAN AMERICAN BK IN SARASOTA	SARASOTA	FL	62887	526	0	1010	0	0	*
6121410	ELLIS SARASOTA BK + TRUST CO	SARASOTA	FL	190839	979	0	4781	1326	-1326	
6121414	SOUTHEAST BANK OF SEBASTIAN	SEBASTIAN	FL	16839	385	0	0	0	0	*
6121420	BARNETT BANK OF SEBRING	SEBRING	FL	72808	620	0	1277	0	0	
6121423	COMMUNITY BANK OF PINELLAS	SEMINOLE	FL	107109	1744	0	2405	0	0	
6121430	FLORIDA BANK AT STARKE	STARKE	FL	16729	309	0	0	0	0	*
6121445	SUN CITY CENTER BANK	SUN CITY CENTER	FL	25445	300	0	0	0	0	*
6121449	BARNETT BANK OF TALLAHASEE	TALLAHASSEE	FL	77384	1570	0	939	0	0	*
6121453	FLORIDA ST BK OF TALLAHASSEE	TALLAHASSEE	FL	18517	297	0	0	0	0	*
6121457	FLGSHP PPL BK OF TALLAHASSEE	TALLAHASSEE	FL	23283	586	0	0	0	0	*
6121460	LEWIS STATE BANK	TALLAHASSEE	FL	60218	1839	0	0	0	0	*
6121465	SUMMIT BANK	TAMARAC	FL	34498	634	0	0	0	0	*
6121468	ATLANTIC BANK OF TAMPA	TAMPA	FL	60343	1253	0	170	0	0	*
6121475	CENTRAL BANK OF TAMPA	TAMPA	FL	33528	598	0	0	0	0	*
6121493	FLGSHP BK OF TOWN N COUNTRY	TAMPA	FL	18509	567	0	0	0	0	*
6121496	LANDMARK BANK OF TAMPA	TAMPA	FL	63823	807	0	1027	0	0	*
6121522	PEOPLES BK OF HLSBOROUGH CTY	TAMPA	FL	41298	325	0	230	0	0	*
6121524	SEMINOLE BANK OF TAMPA	TAMPA	FL	54046	925	0	479	0	0	*
6121526	SOUTHEAST BANK OF TAMPA	TAMPA	FL	29111	126	0	5	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6121528	SUN BANK OF TAMPA BAY	TAMPA	FL	28598	589	0	0	0	0	*
6121529	UNIVERSITY STATE BANK	TAMPA	FL	19650	616	0	0	0	0	*
6121535	ELLIS SPRINGS BANK	TARPON SPRINGS	FL	34817	367	0	209	0	0	*
6121540	FLAGSHIP BANK OF TAVARES	TAVARES	FL	27784	812	0	0	0	0	*
6121543	EXCHANGE BK OF TEMPLE TERR	TEMPLE TERRACE	FL	41527	1150	0	0	0	0	*
6121557	SOUTHEAST BK OF TITUSVILLE	TITUSVILLE	FL	31136	386	0	0	0	0	*
6121558	FIRST BANK OF TREASURE ISL	TREASURE ISLAND	FL	20114	316	0	0	0	0	*
6121570	UMATILLA STATE BANK	UMATILLA	FL	20574	552	0	0	0	0	*
6121580	VALPARAISO BANK & TRUST CO	VALPARAISO	FL	35113	965	0	0	0	0	*
6121588	SOUTHEAST BANK OF VENICE	VENICE	FL	22396	563	0	0	0	0	*
6121590	VENICE NOKOMIS BANK & TR CO	VENICE	FL	73711	757	0	1083	0	0	
6121593	BEACH BANK OF VERO BEACH	VERO BEACH	FL	35407	466	0	77	0	0	*
6121600	1ST CITRUS BK IND RIV CTY	VERO BEACH	FL	64445	1310	0	546	0	0	*
6121610	WAUCHULA STATE BANK	WAUCHULA	FL	33935	504	0	0	0	0	*
6121615	MERCHANTS BANK OF MIAMI	WEST MIAMI	FL	75314	1335	0	1144	0	0	*
6121622	BARNETT BK OF WEST PALM BCH	WEST PALM BEACH	FL	30264	441	0	0	0	0	*
6121623	CENTRAL BK OF PALM BCH CTY	WEST PALM BEACH	FL	51065	830	0	606	0	0	*
6121625	CITIZENS BANK OF PALM BEACH	WEST PALM BEACH	FL	37507	1169	0	0	0	0	*
6121628	FLAGSHIP BK OF W PALM BEACH	WEST PALM BEACH	FL	55968	957	0	701	0	0	*
6121631	MALL BANK	WEST PALM BEACH	FL	28267	1294	0	0	0	0	*
6121700	COMBANK/WINTER PARK	WINTER PARK	FL	73258	415	0	1635	0	0	*
6121705	SOUTHEAST BEACH STATE BANK	WOODLAWN	FL	19773	386	0	0	0	0	*
6121730	CITIZENS BANK OF PASCO	ZEPHYRHILLS	FL	16908	371	0	0	0	0	*
6121732	FLAGSHIP BK OF ZEPHYRHILLS	ZEPHYRHILLS	FL	48257	1177	0	0	0	0	*

OF 212 BANKS AFFECTED IN STATE 113 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
90 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6130100	CTZ AND SOUTHRN BK OF ALBANY	ALBANY	GA	90734	1880	0	1944	0	0	*
6130110	FIRST STATE BANK AND TR CO	ALBANY	GA	78217	1782	0	885	0	0	*
6130118	SEC BK & TR CO OF ALBANY	ALBANY	GA	23988	407	0	0	0	0	*
6130139	FULTON COUNTY BANK	ALPHARETTA	GA	19812	345	0	0	0	0	*
6130150	BANK OF COMMERCE	AMERICUS	GA	34844	781	0	0	0	0	*
6130160	CITIZENS BANK OF AMERICUS	AMERICUS	GA	28713	469	0	0	0	0	*
6130180	ASHBURN BANK	ASHBURN	GA	21012	200	0	0	0	0	*
6130190	CITIZENS BANK	ASHBURN	GA	21898	258	0	0	0	0	*
6130200	FIRST AMERICAN BK & TR CO	ATHENS	GA	26779	400	0	0	0	0	*
6130370	C & S BK OF COBB CTY	AUSTELL	GA	59237	1467	0	642	0	0	*
6130375	CTZ & SOUTHERN DEKALB BK	AVONDALE ESTATES	GA	75066	336	0	2664	0	0	*
6130380	CTZ BK & TR CO OF BAINBRIDGE	BAINBRIDGE	GA	24961	536	0	0	0	0	*
6130430	BAXLEY STATE BANK	BAXLEY	GA	24002	551	0	0	0	0	*
6130455	UNION COUNTY BANK	BLAIRSVILLE	GA	16891	313	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6130480	FANNIN COUNTY BANK	BLUE RIDGE	GA	20137	357	0	0	0	0	*
6130630	CAIRO BANKING COMPANY	CAIRO	GA	19667	359	0	0	0	0	*
6130670	PLANTERS AND CITIZENS BANK	CAMILLA	GA	18989	282	0	0	0	0	*
6130680	BANK OF CANTON	CANTON	GA	28812	678	0	0	0	0	*
6130690	ETOWAH BANK	CANTON	GA	31755	454	0	0	0	0	*
6130710	PEOPLES BANK	CARROLLTON	GA	32990	1207	0	0	0	0	*
6130745	PEACHTREE BANK AND TRUST CO	CHAMBLEE	GA	84066	1290	0	2053	0	0	*
6130750	COHUTTA BANKING COMPANY	CHATSWORTH	GA	25225	718	0	0	0	0	*
6130790	HABERSHAM BANK	CLARKESVILLE	GA	38999	507	0	0	0	0	*
6130820	BANK OF CLAYTON	CLAYTON	GA	21839	400	0	0	0	0	*
6130823	PEOPLES BANK	CLEVELAND	GA	20796	254	0	0	0	0	*
6130890	COLUMBUS BANK AND TR CO	COLUMBUS	GA	185319	3592	0	4642	0	0	
6130930	TRUST COMPANY OF COLUMBUS	COLUMBUS	GA	34390	1053	0	0	0	0	*
6131010	CORDELE BANKING COMPANY	CORDELE	GA	31385	445	0	0	0	0	*
6131020	FIRST STATE BANK IN CORDELE	CORDELE	GA	20382	560	0	0	0	0	*
6131030	CORNELIA BANK	CORNELIA	GA	30341	503	0	0	0	0	*
6131050	BANK OF COVINGTON	COVINGTON	GA	32403	406	0	0	0	0	*
6131090	BANK OF CUMMING	CUMMING	GA	35802	296	0	83	0	0	*
6131095	FORSYTH COUNTY BANK	CUMMING	GA	20059	295	0	0	0	0	*
6131110	BANK OF DAHLONEGA	DAHLONEGA	GA	21136	310	0	0	0	0	*
6131130	BANK OF DALTON	DALTON	GA	22681	616	0	0	0	0	*
6131150	HARDWICK BANK & TRUST CO	DALTON	GA	42727	1392	0	0	0	0	*
6131190	BANK OF DAWSON	DAWSON	GA	20824	228	0	0	0	0	*
6131200	BANK OF TERRELL	DAWSON	GA	34439	445	0	0	0	0	*
6131207	CITIZENS & STHRN EMORY BANK	DE KALB COUNTY	GA	202834	2537	0	5224	2275	-2275	
6131275	FARMERS BANK	DOUGLAS	GA	39325	1211	0	0	0	0	*
6131277	CITIZENS BANK	DOUGLASVILLE	GA	25199	541	0	0	0	0	*
6131280	COMMERCIAL BANK	DOUGLASVILLE	GA	38123	799	0	0	0	0	*
6131290	CTZ & SOUTHERN BK OF DUBLIN	DUBLIN	GA	48713	963	0	40	0	0	*
6131300	FARMERS AND MERCHANTS BANK	DUBLIN	GA	30111	295	0	0	0	0	*
6131305	MORRIS STATE BANK	DUBLIN	GA	20990	450	0	0	0	0	*
6131320	BANK OF DULUTH	DULUTH	GA	18842	374	0	0	0	0	*
6131330	BANK OF EASTMAN	EASTMAN	GA	20134	351	0	0	0	0	*
6131340	CITIZENS BANK & TRUST CO	EASTMAN	GA	18647	276	0	0	0	0	*
6131355	CTZNS & SO BK OF FULTON CTY	EAST POINT	GA	116313	1257	0	3522	0	0	
6131410	GRANITE CITY BANK	ELBERTON	GA	25733	474	0	0	0	0	*
6131430	BANK OF ELLIJAY	ELLIJAY	GA	21208	366	0	0	0	0	*
6131480	CITIZENS BANK	FOLKSTON	GA	19093	637	0	0	0	0	*
6131484	BANK OF FOREST PARK	FOREST PARK	GA	34335	522	0	0	0	0	*
6131496	C & S BK OF CLAYTON CTY	FOREST PARK	GA	35566	1244	0	0	0	0	*
6131550	CITIZENS BANK	GAINESVILLE	GA	32527	999	0	0	0	0	*
6131600	GLENNVILLE BANK AND TRUST CO	GLENNVILLE	GA	15334	656	0	0	0	0	*
6131620	BANK OF GREENSBORO	GREENSBORO	GA	16490	135	0	0	0	0	*
6131625	CITIZENS UNION BANK	GREENSBORO	GA	14808	185	0	0	0	0	*
6131640	COMMERCIAL BANK AND TRUST CO	GRIFFIN	GA	81822	1511	0	954	0	0	
6131655	GWINETT BANK & TRUST CO	GWINETT COUNTY	GA	24440	702	0	0	0	0	*

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6131685	CAPITAL CITY BANK	HAPEVILLE	GA	24350	344	0	0	0	0	*
6131710	CITIZENS & SO BK OF HART CTY	HARTWELL	GA	25959	455	0	0	0	0	*
6131800	C + S BANK	JACKSON	GA	15201	330	0	0	0	0	*
6131820	JASPER BANKING COMPANY	JASPER	GA	17435	309	0	0	0	0	*
6131850	TRUST CO BK OF CLAYTON CTY	JONESBORO	GA	22325	672	0	0	0	0	*
6131890	BANK OF LA FAYETTE	LA FAYETTE	GA	25596	679	0	0	0	0	*
6131900	C & S BANK OF WEST GEORGIA	LA GRANGE	GA	53795	1015	0	430	0	0	*
6131915	PEOPLES BANK OF LA GRANGE	LA GRANGE	GA	18965	431	0	0	0	0	*
6131955	GWINNETT COMMERCIAL BANK	LAWRENCEVILLE	GA	22089	198	0	0	0	0	*
6132090	GEORGIA STATE BANK	MABLETON	GA	34938	698	0	0	0	0	*
6132105	CENTRAL BANK OF GEORGIA	MACON	GA	19940	377	0	0	0	0	*
6132115	GEORGIA BANK AND TRUST CO	MACON	GA	86071	1286	0	1802	0	0	
6132160	BANK OF MANCHESTER	MANCHESTER	GA	15679	244	0	0	0	0	*
6132175	COMMERCIAL BANK OF COBB CTY	MARIETTA	GA	35312	982	0	0	0	0	*
6132178	FIRST BANK & TRUST CO	MARIETTA	GA	86304	1886	0	1511	0	0	*
6132220	METTER BANKING COMPANY	METTER	GA	16825	257	0	0	0	0	*
6132243	CTZ&S BK OF MILLEDGEVILLE	MILLEDGEVILLE	GA	27621	414	0	0	0	0	*
6132250	EXCHANGE BANK	MILLEDGEVILLE	GA	21859	693	0	0	0	0	*
6132260	MERCHANTS AND FARMERS BANK	MILLEDGEVILLE	GA	18695	325	0	0	0	0	*
6132300	FARMERS BANK	MONRCE	GA	21487	367	0	0	0	0	*
6132343	FIRST BANK OF CLAYTON COUNTY	MORROW	GA	22985	405	0	0	0	0	*
6132350	CITIZENS & S BK OF COLQUITT	MOULTRIE	GA	29696	409	0	2	0	0	*
6132410	CTZ & SOUTHERN NEWNAN BK	NEWNAN	GA	34159	492	0	0	0	0	*
6132440	C & S BANK OF GWINNETT	NORCROSS	GA	24651	646	0	0	0	0	*
6132597	COBB COUNTY BANK	POWDER SPRINGS	GA	22037	554	0	0	0	0	*
6132630	TATTNALL BANK	REIDSVILLE	GA	16058	215	0	0	0	0	*
6132680	NORTHWEST GEORGIA BANK	RINGGOLD	GA	23873	602	0	0	0	0	*
6132683	BANK OF THE SOUTH	RIVERDALE	GA	22819	499	0	0	0	0	*
6132685	CLAYTON COUNTY BANK	RIVERDALE	GA	20763	923	0	0	0	0	*
6132705	CITIZ & SOUTHERN BK ROCKDALE	ROCKDALE COUNTY	GA	33106	865	0	0	0	0	*
6132710	ROCKMART BANK	ROCKMART	GA	17975	815	0	0	0	0	*
6132735	ROME BANK AND TRUST CO	ROME	GA	40228	608	0	0	0	0	*
6132737	ROSSVILLE BANK	ROSSVILLE	GA	28928	783	0	0	0	0	*
6132740	ROSWELL BANK	ROSWELL	GA	45927	914	0	0	0	0	*
6132750	TRI COUNTY BANK	ROYSTON	GA	17594	319	0	0	0	0	*
6132765	COASTAL BANK OF GEORGIA	ST SIMONS ISLAND	GA	20547	653	0	0	0	0	*
6132770	GEO D WARTHEN BANK	SANDERSVILLE	GA	22024	264	0	0	0	0	*
6132825	FIRST BANK OF SAVANNAH	SAVANNAH	GA	34912	726	0	0	0	0	*
6132932	COBB BANK + TRUST CO	SMYRNA	GA	22816	275	0	0	0	0	*
6132937	GWINETT COUNTY BANK	SNELLVILLE	GA	18378	625	0	0	0	0	*
6132990	C & S BANK OF EFFINGHAM CTY	SPRINGFIELD	GA	23149	400	0	0	0	0	*
6133010	FIRST BULLOCH BK AND TR CO	STATESBORO	GA	31132	842	0	0	0	0	*
6133020	SEA ISLAND BANK	STATESBORO	GA	47644	495	0	346	0	0	*
6133030	FARMERS AND MERCHANTS BANK	SUMMERVILLE	GA	25135	600	0	0	0	0	*
6133060	CITIZENS BANK	SWAINSBORO	GA	23507	476	0	0	0	0	*
6133070	BANK OF SCREVEN COUNTY	SYLVANIA	GA	17698	285	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6133075	BANK OF WORTH COUNTY	SYLVESTER	GA	18839	352	0	0	0	0	*
6133080	SYLVESTER BANKING COMPANY	SYLVESTER	GA	20419	236	0	0	0	0	*
6133125	BANK OF UPSON	THOMASTON	GA	19995	598	0	0	0	0	*
6133130	CTZ & SUTHRN BK OF THOMASTON	THOMASTCN	GA	30959	543	0	0	0	0	*
6133140	C & S BK OF THOMAS CTY	THOMASVILLE	GA	40566	674	0	0	0	0	*
6133150	COMMERCIAL BANK	THOMASVILLE	GA	43767	768	0	97	0	0	*
6133160	BANK OF THOMSON	THOMSON	GA	27204	398	0	0	0	0	*
6133180	C & S BANK OF TIFTON	TIFTON	GA	30942	383	0	0	0	0	*
6133185	CITIZENS BANK OF TIFTON	TIFTON	GA	22977	534	0	0	0	0	*
6133190	FARMERS BANK OF TIFTON	TIFTON	GA	26266	413	0	0	0	0	*
6133210	BANK CF TOCCOA	TOCCOA	GA	26932	485	0	0	0	0	*
6133215	CITIZENS BANK OF TOCCOA	TOCCOA	GA	25765	795	0	0	0	0	*
6133270	FARMERS BANK	UNION POINT	GA	18007	229	0	0	0	0	*
6133285	FIRST STATE BANK	VALDOSTA	GA	30965	528	0	0	0	0	*
6133342	C & S BANK OF HOUSTON CTY	WARNER ROBINS	GA	24291	615	0	0	0	0	*
6133345	CITIZENS STATE BANK	WARNER ROBINS	GA	32523	575	0	27	0	0	*
6133355	FARMERS AND MERCHANTS BANK	WASHINGTON	GA	16361	265	0	0	0	0	*
6133360	WASH LOAN & BANKING CO	WASHINGTON	GA	19476	394	0	0	0	0	*
6133385	SOUTHERN BANK	WAYCROSS	GA	30346	714	0	0	0	0	*
6133428	BANK OF BARROW	WINDER	GA	26948	376	0	0	0	0	*

OF 126 BANKS AFFECTED IN STATE 108 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
17 HAVE NO REQURED RESERVE BALANCE

12150020	AMERICAN SECURITY BANK	HONOLULU	HI	229078	3847	0	5072	0	0	
12150030	BANK OF HAWAII	HONOLULU	HI	1175653	17539	0	5145	33274	-33274	
12150055	CENTRAL PACIFIC BANK	HONOLULU	HI	272853	4255	0	5166	1061	-1061	
12150058	CITY BANK	HONOLULU	HI	151048	2790	0	2745	0	0	
12150065	FIRST HAWAIIAN BANK	HONOLULU	HI	1024771	15850	0	5156	27242	-27242	
12150090	LIBERTY BANK	HONOLULU	HI	125013	2190	0	2302	0	0	

OF 6 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
3 HAVE NO REQURED RESERVE BALANCE

12160130	INTER MOUNTAIN STATE BANK	CASCADE	ID	22064	283	0	0	0	0	*
12160243	BANK OF COMMERCE	IDAHO FALLS	ID	50081	518	0	604	0	0	*
12160300	FIRST BANK & TRUST CO OF ID	MALAD CITY	ID	31988	393	0	0	0	0	*
12160350	IDAHO BANK AND TRUST CO	POCATELLO	ID	286432	2422	0	5194	4423	-4423	

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12160365	VALLEY BANK	REXBURG	ID	143050	1803	0	2684	0	0	
12160410	FIRST BANK OF TROY	TROY	ID	24599	185	0	0	0	0	*

OF 6 BANKS AFFECTED IN STATE 3 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
2 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7170020	ADDISON STATE BANK	ADDISON	IL	44110	452	0	244	0	0	*
7170080	ALGONQUIN STATE BANK	ALGONQUIN	IL	21072	288	0	0	0	0	*
7170125	ALSIP BANK	ALSIP	IL	34468	401	0	0	0	0	*
8170140	ALTON BANKING AND TRUST CO	ALTON	IL	54477	1094	0	194	0	0	*
8170145	BANK OF ALTON	ALTON	IL	19721	435	0	0	0	0	*
7170210	STATE BANK OF ANNAWAN	ANNAWAN	IL	17204	110	0	0	0	0	*
7170230	STATE BANK OF ANTIOCH	ANTIOCH	IL	67424	501	0	986	0	0	
7170260	GERBER STATE BANK	ARGENTA	IL	14736	76	0	0	0	0	*
7170285	BK & TR CO OF ARLINGTON HTS	ARLINGTON HEIGHTS	IL	82300	578	0	1496	0	0	
7170290	NORTH POINT STATE BANK	ARLINGTON HEIGHTS	IL	28558	537	0	0	0	0	*
7170291	NORTHWEST TR & SAVINGS BANK	ARLINGTON HEIGHTS	IL	25989	426	0	0	0	0	*
7170350	ASHTON BANK & TRUST CO	ASHTON	IL	13149	124	0	0	0	0	*
7170430	STATE BANK OF AUBURN	AUBURN	IL	18127	230	0	0	0	0	*
7170455	FIRST AMERICAN BK OF AURORA	AURORA	IL	26652	374	0	0	0	0	*
7170540	BARTLETT STATE BANK	BARTLETT	IL	20343	258	0	0	0	0	*
7170560	BATAVIA BANK	BATAVIA	IL	23490	468	0	0	0	0	*
7170590	FIRST STATE BANK	BEARDSTOWN	IL	17134	324	0	0	0	0	*
8170625	BANK OF BELLEVILLE	BELLEVILLE	IL	65677	775	0	823	0	0	*
8170627	BANKERS TRUST COMPANY	BELLEVILLE	IL	32880	379	0	38	0	0	*
7170665	BANK OF BELLWOOD	BELLWOOD	IL	32535	437	0	0	0	0	*
7170668	BOONE STATE BANK	BELVIDERE	IL	13568	330	0	0	0	0	*
7170680	UNITED BK OF BELVIDERE	BELVIDERE	IL	36366	414	0	20	0	0	*
7170690	STATE BANK OF BEMENT	BEMENT	IL	18241	115	0	0	0	0	*
7170705	BENSENVILLE STATE BANK	BENSENVILLE	IL	67296	532	0	996	0	0	
8170720	BANK OF BENTON	BENTON	IL	57654	476	0	767	0	0	*
8170725	BENTON COMMUNITY BANK	BENTON	IL	30002	326	0	0	0	0	*
7170728	BANK OF CMMRC IN BERKELEY	BERKELEY	IL	28878	430	0	0	0	0	*
7170765	BLOOMINGDALE STATE BANK	BLOOMINGDALE	IL	32126	719	0	0	0	0	*
7170780	CORN BELT BANK	BLOOMINGTON	IL	78998	406	0	2057	0	0	*
7170790	MCLEAN COUNTY BANK	BLOOMINGTON	IL	55573	812	0	489	0	0	*
7170825	HERITAGE/COUNTY BK & TR CO	BLUE ISLAND	IL	100377	732	0	2650	15	-15	
7170905	BRIDGEVIEW BANK & TRUST CO	BRIDGEVIEW	IL	23488	542	0	0	0	0	*
7170925	BROADVIEW-WESTCHESTER ST BK	BROADVIEW	IL	36513	758	0	0	0	0	*
7170965	BANK OF BUFFALO GROVE	BUFFALO GROVE	IL	30769	324	0	32	0	0	*
7170985	BURBANK STATE BANK	BURBANK	IL	15752	486	0	0	0	0	*
7171000	FARMERS AND MERCHANTS ST BK	BUSHNELL	IL	29276	187	0	109	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8171020	FIRST BANK AND TRUST CO	CAIRO	IL	28847	314	0	0	0	0	*
7171035	FIRST STATE BANK	CALUMET CITY	IL	30768	832	0	0	0	0	*
7171037	RIVER OAKS BK & TR CO	CALUMET CITY	IL	35961	314	0	109	0	0	*
7171095	CANTON STATE BANK	CANTON	IL	28352	512	0	0	0	0	*
7171098	COMMUNITY BANK AND TRUST CO	CANTON	IL	21730	334	0	0	0	0	*
8171109	BANK OF CARBONDALE	CARBONDALE	IL	16585	595	0	0	0	0	*
8171125	UNIVERSITY BK OF CARBONDALE	CARBONDALE	IL	21699	609	0	0	0	0	*
8171160	FARMERS AND MERCHANTS BANK	CARLYLE	IL	20255	280	0	0	0	0	*
8171200	WHITE COUNTY BANK	CARMI	IL	29801	235	0	23	0	0	*
8171210	CARROLLTON BANK	CARROLLTON	IL	22434	141	0	0	0	0	*
7171250	MARINE TRUST COMPANY OF	CARTHAGE	IL	23965	205	0	0	0	0	*
7171260	CARY STATE BANK	CARY	IL	23521	299	0	0	0	0	*
7171262	1ST SCRTY BK OF CARY-GROVE	CARY	IL	14795	213	0	0	0	0	*
7171265	BANK OF CASEY	CASEY	IL	21079	225	0	0	0	0	*
8171295	FIRST STATE BANK	CENTRALIA	IL	13982	244	0	0	0	0	*
7171330	FARMERS STATE BK OF CHADWICK	CHADWICK	IL	14739	85	0	0	0	0	*
7171335	BANK OF ILLINOIS	CHAMPAIGN	IL	61949	596	0	853	0	0	*
7171350	COMMERCIAL BANK OF CHAMPAIGN	CHAMPAIGN	IL	47200	515	0	322	0	0	*
7171420	STATE BANK OF CHERRY	CHERRY	IL	15376	147	0	0	0	0	*
7171425	BANK OF CHERRY VALLEY	CHERRY VALLEY	IL	14391	324	0	0	0	0	*
7171470	AETNA BANK	CHICAGO	IL	98398	979	0	2146	0	0	
7171475	ALL AMERICAN BANK OF CHICAGO	CHICAGO	IL	18221	355	0	0	0	0	*
7171480	AMALGAMATED TRUST & SVGS BK	CHICAGO	IL	192941	985	0	5166	1542	-1542	
7171492	ASHLAND STATE BANK	CHICAGO	IL	20000	422	0	0	0	0	*
7171494	BANCO DI ROMA (CHICAGO)	CHICAGO	IL	128488	179	0	2798	1773	-1773	
7171495	BANK OF CHICAGO	CHICAGO	IL	46870	567	0	415	0	0	*
7171502	BANK OF RAVENSWOOD	CHICAGO	IL	140062	1582	0	3422	0	0	
7171511	BEVERLY BANK	CHICAGO	IL	145136	1352	0	3673	338	-338	
7171515	CAPITOL BANK OF CHICAGO	CHICAGO	IL	48266	723	0	276	0	0	*
7171525	CHICAGO BANK OF COMMERCE	CHICAGO	IL	80393	800	0	1709	0	0	
7171530	CHICAGO CITY BANK AND TRUST	CHICAGO	IL	134345	1690	0	3070	0	0	
7171542	CHICAGO-TOKYO BANK	CHICAGO	IL	188632	419	0	3095	3373	-3373	
7171548	CLEARING BANK	CHICAGO	IL	50150	770	0	346	0	0	*
7171552	COLONIAL BANK AND TRUST CO	CHICAGO	IL	128544	1047	0	2546	508	-508	
7171557	COMM BK & TR CO OF EDGEWATER	CHICAGO	IL	19198	483	0	0	0	0	*
7171623	EAST SIDE BANK & TRUST CO	CHICAGO	IL	45624	524	0	258	0	0	*
7171629	FIRST PACIFIC BK OF CHICAGO	CHICAGO	IL	152848	638	0	3395	1598	-1598	
7171631	FIRST STATE BANK OF CHICAGO	CHICAGO	IL	42832	493	0	146	0	0	*
7171632	FORD CITY BANK & TRUST CO	CHICAGO	IL	148071	2123	0	3411	0	0	
7171635	GARFIELD RIDGE TR & SVG	CHICAGO	IL	40863	498	0	50	0	0	*
7171643	GLADSTONE-NRWOOD TR&SVGS BK	CHICAGO	IL	15665	269	0	0	0	0	*
7171648	HIGHLAND COMMUNITY BANK	CHICAGO	IL	26293	373	0	0	0	0	*
7171649	HYDE PARK BANK & TRUST CO	CHICAGO	IL	101689	952	0	2503	0	0	
7171651	INDEPENDENCE BANK OF CHICAGO	CHICAGO	IL	58928	1506	0	0	0	0	*
7171652	HARTFORD PLAZA BANK	CHICAGO	IL	29099	331	0	44	0	0	*
7171653	ILLINOIS STATE BANK	CHICAGO	IL	31443	578	0	0	0	0	*

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7171654	IRVING BANK	CHICAGO	IL	30608	507	0	0	0	0	*
7171655	JEFFERSON STATE BANK	CHICAGO	IL	73554	1270	0	452	0	0	
7171657	HERITAGE/PULLMAN BK & TR CO	CHICAGO	IL	184273	2665	0	4633	100	-100	
7171685	LAKESIDE BANK	CHICAGO	IL	38213	1026	0	0	0	0	*
7171720	LAWNDALE TRUST & SAVINGS BK	CHICAGO	IL	33693	774	0	0	0	0	*
7171755	MADISON BANK AND TRUST CO	CHICAGO	IL	90394	757	0	2362	0	0	*
7171765	MANUFACTURERS BANK	CHICAGO	IL	114264	779	0	3777	0	0	
7171768	MARINA BANK	CHICAGO	IL	61774	546	0	1011	0	0	*
7171810	METROPOLITAN BANK & TRUST CO	CHICAGO	IL	54780	1019	0	0	0	0	*
7171834	MID TOWN BANK OF CHICAGO	CHICAGO	IL	16828	222	0	0	0	0	*
7171835	MOUNT GREENWOOD BANK	CHICAGO	IL	70067	1137	0	318	0	0	
7171905	NORTH BANK	CHICAGO	IL	30899	283	0	0	0	0	*
7171931	OAK TRUST AND SAVINGS BANK	CHICAGO	IL	31173	741	0	0	0	0	*
7171936	PETERSON BANK	CHICAGO	IL	29964	279	0	82	0	0	*
7171940	PIONEER BANK & TRUST CO	CHICAGO	IL	287418	1584	0	4413	4157	-4157	
7171955	REPUBLIC BANK OF CHICAGO	CHICAGO	IL	37824	719	0	0	0	0	*
7171978	S CENTRAL BK & TC OF CHICAGO	CHICAGO	IL	18917	156	0	0	0	0	*
7171980	SOUTH CHICAGO SAVINGS BK	PO CHICAGO	IL	133670	954	0	2196	892	-892	
7172040	UNITED OF AMERICA BANK	CHICAGO	IL	29950	417	0	0	0	0	*
7172070	UPPER AVENUE BANK	CHICAGO	IL	138135	754	0	4072	594	-594	
7172094	WATER TOWER TR &SAVINGS BK	CHICAGO	IL	19221	303	0	0	0	0	*
7172105	HERITAGE/OLYMPIA BANK	CHICAGO HEIGHTS	IL	37227	345	0	162	0	0	*
7172160	CICERO STATE BANK	CICERO	IL	39958	906	0	0	0	0	*
7172215	BANK OF CLARENDON HILLS	CLARENDON HILLS	IL	34500	340	0	87	0	0	*
8172220	CLAY CITY BANKING COMPANY	CLAY CITY	IL	17483	133	0	0	0	0	*
7172260	JOHN WARNER BANK	CLINTON	IL	29187	337	0	80	0	0	*
8172320	STATE BANK OF COLLINSVILLE	COLLINSVILLE	IL	34850	529	0	0	0	0	*
7172375	HERITAGE BK OF COUNTRY CLUB	CNTRY CLB HILLS	IL	19679	248	0	0	0	0	*
7172377	EDGEWOOD BANK	COUNTRYSIDE	IL	40452	636	0	0	0	0	*
7172378	STATE BK OF COUNTRYSIDE	COUNTRYSIDE	IL	19094	487	0	0	0	0	*
7172395	HERITAGE BANK	CREST HILL	IL	24494	383	0	0	0	0	*
7172398	CRETE TRUST & SAVINGS BANK	CRETE	IL	18768	257	0	0	0	0	*
7172410	HOME STATE BANK	CRYSTAL LAKE	IL	50722	590	0	569	0	0	*
7172420	STATE BANK OF CUBA	CUBA	IL	12946	132	0	0	0	0	*
7172465	BANK OF DANVILLE	DANVILLE	IL	20649	611	0	0	0	0	*
7172495	DARIEN BANK	DARIEN	IL	30341	712	0	0	0	0	*
7172542	NORTHTOWN BK OF DECATUR	DECATUR	IL	41528	824	0	0	0	0	*
7172545	SOY CAPITAL BK & TR CO	DECATUR	IL	38996	607	0	0	0	0	*
7172550	DEERFIELD STATE BANK	DEERFIELD	IL	26707	316	0	0	0	0	*
7172608	DES PLAINES BANK	DES PLAINES	IL	39139	568	0	0	0	0	*
7172700	FIRST BANK OF DUNDEE	DUNDEE	IL	21353	236	0	0	0	0	*
8172770	ILLINOIS STATE BANK	EAST ALTON	IL	41699	520	0	316	0	0	*
7172780	EAST DUBUQUE SAVINGS BANK	EAST DUBUQUE	IL	14210	146	0	0	0	0	*
7172790	TRI-STATE BK OF E DUBUQUE	EAST DUBUQUE	IL	17207	149	0	0	0	0	*
7172800	STATE BK OF EAST MOLINE	EAST MOLINE	IL	58271	1085	0	47	0	0	*
7172805	COMMUNITY BK OF E PEORIA	EAST PEORIA	IL	20567	435	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8172815	EDGEMONT BANK & TRUST CO	EAST ST LOUIS	IL	67920	975	0	622	0	0	
8172850	UNION BANK	EAST ST LOUIS	IL	33352	946	0	0	0	0	*
7172900	KANE CTY BANK & TRUST CO	ELBURN	IL	18993	132	0	0	0	0	*
8172910	C P BURNETT AND SONS BANKERS	ELDORADO	IL	30028	392	0	0	0	0	*
8172920	FIRST STATE BANK	ELDORADO	IL	15611	375	0	0	0	0	*
7172954	LARKIN BANK	ELGIN	IL	19397	412	0	0	0	0	*
7172970	ELIZABETH STATE BANK	ELIZABETH	IL	20742	102	0	75	0	0	*
7172935	BANK OF ELK GROVE VILLAGE	ELK GROVE VILLAGE	IL	89642	587	0	2280	0	0	
7172998	BANK OF ELMHURST	ELMHURST	IL	40549	372	0	216	0	0	*
7173010	YORK STATE BANK & TRUST CO	ELMHURST	IL	61032	525	0	676	0	0	*
7173023	FIRST SECURITY TR AND SVG	ELMWOOD PARK	IL	97164	901	0	2945	0	0	
7173028	MIDWEST BANK AND TRUST CO	ELMWOOD PARK	IL	82096	535	0	1844	0	0	
7173040	WOODFORD COUNTY BANK	EL PASO	IL	20704	157	0	0	0	0	*
7173090	EVANSTON BANK	EVANSTON	IL	43728	543	0	65	0	0	*
7173133	EVERGREEN PLAZA BANK	EVERGREEN PARK	IL	44260	559	0	0	0	0	*
7173137	HERITAGE/STANDARD BK & TR CO	EVERGREEN PARK	IL	90838	1266	0	1634	0	0	
8173175	WAYNE COUNTY BK & TR CO	FAIRFIELD	IL	34000	256	0	103	0	0	*
8173195	LINCOLN TRAIL BANK & TR CO	FAIRVIEW HEIGHTS	IL	25749	368	0	0	0	0	*
7173210	FARMER CITY STATE BANK	FARMER CITY	IL	24020	217	0	0	0	0	*
7173220	BANK OF FARMINGTON	FARMINGTON	IL	14873	178	0	0	0	0	*
7173240	FLANAGAN STATE BANK	FLANAGAN	IL	15086	67	0	0	0	0	*
7173280	FORRESTON STATE BANK	FORRESTON	IL	14688	81	0	0	0	0	*
7173285	FOX LAKE STATE BANK	FOX LAKE	IL	29091	598	0	0	0	0	*
7173290	FRANKFORT STATE BANK	FRANKFORT	IL	21045	405	0	0	0	0	*
7173313	FIRST STATE BANK & TRUST CO	FRANKLIN PARK	IL	41623	415	0	141	0	0	*
7173315	FRANKLIN PARK BANK	FRANKLIN PARK	IL	57328	661	0	527	0	0	*
7173365	GALENA STATE BANK & TRUST CO	GALENA	IL	17568	161	0	0	0	0	*
7173370	BANK OF	GALESBURG	IL	37768	482	0	0	0	0	*
7173420	CENTRAL TRUST AND SAVINGS BK	GENESEO	IL	34799	185	0	254	0	0	*
7173460	GENOA STATE BANK	GENOA	IL	14691	271	0	0	0	0	*
8173520	PEOPLES ST BK OF GILLESPIE	GILLESPIE	IL	18355	206	0	0	0	0	*
7173560	DU PAGE BANK & TRUST COMPANY	GLEN ELLYN	IL	63647	715	0	729	0	0	*
7173562	1 SECRTY BK OF GLEN ELLYN	GLEN ELLYN	IL	28818	363	0	0	0	0	*
7173565	FIRST TRUST AND SAVINGS BANK	GLENVIEW	IL	27426	313	0	0	0	0	*
7173570	GLENVIEW STATE BANK	GLENVIEW	IL	183715	1303	0	4522	1530	-1530	
7173573	HERITAGE/GLENWOOD BANK	GLENWOOD	IL	40061	426	0	70	0	0	*
8173645	AM HRTAGE BK OF GRANITE CITY	GRANITE CITY	IL	20611	682	0	0	0	0	*
8173670	GRANITE CITY TR & SVG BK	GRANITE CITY	IL	56325	980	0	475	0	0	*
7173798	FIRST ST BK&TC OF HANOVER PK	HANOVER PARK	IL	27861	654	0	0	0	0	*
8173800	BANK OF CALHOUN COUNTY	HARDIN	IL	18592	140	0	0	0	0	*
8173805	BANK OF HARRISBURG	HARRISBURG	IL	37205	152	0	402	0	0	*
7173840	FIRST STATE BANK	HARVARD	IL	22771	170	0	18	0	0	*
7173850	HARVARD STATE BANK	HARVARD	IL	22327	225	0	0	0	0	*
7173865	FIRST STATE BANK	HARVEY	IL	17846	265	0	0	0	0	*
7173868	PARKWAY BANK & TRUST CO	HARWOOD HEIGHTS	IL	78151	554	0	1391	0	0	
7173875	STATE BANK OF HAVANA	HAVANA	IL	24675	287	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7173900	HENRY STATE BANK	HENRY	IL	17281	91	0	0	0	0	*
8173910	BANK OF HERRIN	HERRIN	IL	35548	705	0	0	0	0	*
7173935	BANK OF HICKORY HILLS	HICKORY HILLS	IL	62561	642	0	1087	0	0	*
8173940	FMRS & MRCHTS BK OF HIGHLAND	HIGHLAND	IL	57207	485	0	655	0	0	*
7173965	BANK OF HIGHLAND PARK	HIGHLAND PARK	IL	61115	420	0	755	0	0	*
7173975	BANK OF HIGHWOOD	HIGHWOOD	IL	26306	393	0	0	0	0	*
7174015	BANK OF HILLSIDE	HILLSIDE	IL	17472	636	0	0	0	0	*
7174025	BANK OF HINSDALE	HINSDALE	IL	21375	223	0	0	0	0	*
7174065	BANK OF HOMEWOOD	HOMEWOOD	IL	50387	780	0	140	0	0	*
7174067	COMMUNITY BK OF HMWD-FLOSSMR	HOMEWOOD	IL	24488	222	0	0	0	0	*
7174100	STATE BK OF HUNTLEY	HUNTLEY	IL	16225	198	0	0	0	0	*
8174175	COMMUNITY TRUST BANK	IRVINGTON	IL	16972	59	0	15	0	0	*
7174180	ITASCA STATE BANK	ITASCA	IL	58740	303	0	845	0	0	*
8174220	FARMERS STATE BANK & TR CO	JACKSONVILLE	IL	52982	801	0	356	0	0	*
8174230	JERSEY STATE BANK	JERSEYVILLE	IL	21368	309	0	0	0	0	*
8174240	STATE BANK OF JERSEYVILLE	JERSEYVILLE	IL	36082	591	0	0	0	0	*
7174255	EAST JOLIET BANK	JOLIET	IL	18182	343	0	0	0	0	*
7174263	LOUIS JOLIET BK AND TR CO	JOLIET	IL	61138	809	0	553	0	0	*
7174315	FIRST BANK OF MEADOWVIEW	KANKAKEE	IL	42173	416	0	211	0	0	*
7174325	PEOPLES BANK OF MARY CREST	KANKAKEE	IL	26789	402	0	0	0	0	*
7174440	LA GRANGE STATE BANK	LA GRANGE	IL	102086	1283	0	1981	0	0	
7174445	BANK OF LA GRANGE PARK	LA GRANGE PARK	IL	36997	316	0	141	0	0	*
7174480	STATE BK OF LK ZURICH	LAKE ZURICH	IL	33737	549	0	0	0	0	*
7174490	EXCHANGE STATE BANK	LANARK	IL	15611	72	0	0	0	0	*
7174503	BANK OF LANSING	LANSING	IL	39266	557	0	0	0	0	*
8174570	LEBANON TRUST & SAVINGS BANK	LEBANON	IL	14025	156	0	0	0	0	*
7174600	CITIZENS STATE BANK	LENA	IL	20734	72	0	66	0	0	*
7174610	LENA STATE BANK	LENA	IL	14821	86	0	0	0	0	*
7174630	LE ROY STATE BANK	LE ROY	IL	17878	205	0	0	0	0	*
7174640	FARMERS STATE BANK	LEWISTOWN	IL	18695	277	0	0	0	0	*
7174660	PEOPLES BANK OF LEXINGTON	LEXINGTON	IL	16204	61	0	0	0	0	*
7174715	LOGAN COUNTY BANK	LINCOLN	IL	14653	264	0	0	0	0	*
7174725	BANK OF LINCOLNWOOD	LINCOLNWOOD	IL	101236	1369	0	1867	0	0	
7174727	BANK OF LISLE	LISLE	IL	37571	573	0	0	0	0	*
8174740	LITCHFIELD BANK AND TRUST CO	LITCHFIELD	IL	19103	250	0	0	0	0	*
7174773	BANK OF YORKTOWN	LOMBARD	IL	31900	492	0	0	0	0	*
7174774	MAIN BANK OF LOMBARD	LOMBARD	IL	16637	376	0	0	0	0	*
7174775	STATE BANK OF LOMBARD	LOMBARD	IL	38293	538	0	0	0	0	*
7174778	WEST SURBURBAN BANK	LOMBARD	IL	72069	893	0	926	0	0	*
7174805	UNITED BK OF LOVES PARK	LOVES PARK	IL	41820	836	0	0	0	0	*
7174815	BANK OF LYONS	LYONS	IL	21391	288	0	0	0	0	*
7174960	MARENGO STATE BANK	MARENGO	IL	26713	418	0	0	0	0	*
8174975	BANK OF EGYPT	MARION	IL	30076	565	0	0	0	0	*
8174990	BANK OF MARION	MARION	IL	40888	630	0	213	0	0	*
7174992	TRI-STATE BANK	MARKHAM	IL	24042	459	0	0	0	0	*
7175020	MARTINSVILLE STATE BANK	MARTINSVILLE	IL	15880	85	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7175055	MATTESON-RICHTON BANK	MATTESON	IL	42766	697	0	0	0	0	*
7175085	MAYWOOD PROVISO STATE BANK	MAYWOOD	IL	33313	349	0	8	0	0	*
7175112	MERCHANTS & MNFACTRERS SB	MELROSE PARK	IL	20764	351	0	0	0	0	*
7175140	FIRST STATE BANK	MENDOTA	IL	34258	291	0	170	0	0	*
7175215	MIDLOTHIAN STATE BANK	MIDLOTHIAN	IL	38688	631	0	0	0	0	*
7175217	BLACKHAWK STATE BANK	MILAN	IL	27454	480	0	0	0	0	*
7175220	CITIZENS SB OF MILFORD	MILFORD	IL	15861	244	0	0	0	0	*
7175260	1ST FARMERS ST BK OF MINIER	MINIER	IL	14185	65	0	0	0	0	*
7175275	TRI-COUNTY BK OF MINOOKA	MINOOKA	IL	13663	198	0	0	0	0	*
7175340	MONMOUTH TR NAD SVGS BK	MONMOUTH	IL	28305	229	0	35	0	0	*
7175365	FIRST STATE BANK	MONTICELLO	IL	23467	138	0	39	0	0	*
7175410	SMITH TRUST AND SAVINGS BANK	MORRISON	IL	36610	349	0	96	0	0	*
7175412	WHITESIDE COUNTY BANK	MORRISON	IL	13709	135	0	0	0	0	*
7175433	MORTON COMMUNITY BANK	MORTON	IL	15614	278	0	0	0	0	*
8175455	BANK OF MOUNT CARMEL	MOUNT CARMEL	IL	26148	359	0	0	0	0	*
8175460	SECURITY BANK AND TRUST CO	MOUNT CARMEL	IL	60730	433	0	1154	0	0	*
7175503	COUNTRYSIDE BANK	MOUNT PROSPECT	IL	29414	385	0	0	0	0	*
7175510	MOUNT PROSPECT STATE BANK	MOUNT PROSPECT	IL	165898	726	0	3512	1513	-1513	
8175550	FARMERS ST BK OF MT STERLING	MOUNT STERLING	IL	17405	130	0	0	0	0	*
8175555	BANK OF ILLINOIS	MOUNT VERNON	IL	19934	244	0	0	0	0	*
8175560	FIRST BANK AND TRUST CO	MT VERNON	IL	39460	494	0	144	0	0	*
8175565	SC BK&TR CO OF MT VERNON	MOUNT VERNON	IL	67074	405	0	1662	0	0	*
7175570	MT ZION STATE BANK	MOUNT ZION	IL	17353	118	0	0	0	0	*
7175625	BANK OF NAPERVILLE	NAPERVILLE	IL	71701	479	0	1329	0	0	
8175700	STATE BANK OF NEW ATHENS	NEW ATHENS	IL	14884	191	0	0	0	0	*
7175750	NEW LENOX STATE BANK	NEW LENOX	IL	37997	440	0	9	0	0	*
8175780	PEOPLES STATE BANK	NEWTON	IL	41566	407	0	173	0	0	*
7175796	DEMPSTER PLAZA STATE BANK	NILES	IL	25118	249	0	0	0	0	*
7175808	BANK OF ILLINOIS IN NORMAL	NORMAL	IL	16318	238	0	0	0	0	*
7175825	PLAZA DRIVE&IN BANK	NORRIDGE	IL	27549	558	0	0	0	0	*
8175830	NORRIS CITY STATE BANK	NORRIS CITY	IL	14485	122	0	0	0	0	*
7175835	NORTHBROOK TRUST AND SAVINGS	NORTHBROOK	IL	76454	602	0	1305	0	0	
7175843	BANK OF NORTHFIELD	NORTHFIELD	IL	24833	260	0	0	0	0	*
7175846	FIRST SECRTY BK OF OAK BROOK	OAK BROOK	IL	21038	299	0	0	0	0	*
7175848	OAK BROOK BANK	OAK BROOK	IL	71560	367	0	1461	0	0	*
7175851	BANK OF OAKBROOK TERRACE	OAKBROOK TERRACE	IL	16242	439	0	0	0	0	*
7175855	INTERSTATE BK OF OAK FOREST	OAK FOREST	IL	29515	586	0	0	0	0	*
7175867	HERITAGE BANK OF OAK LAWN	OAK LAWN	IL	19602	244	0	0	0	0	*
7175870	OAK LAWN TR AND SVG BK	OAK LAWN	IL	58198	712	0	500	0	0	*
7175880	AVENUE BANK AND TRUST CO	OAK PARK	IL	95727	1030	0	1815	0	0	
7175890	FIRST BANK OF OAK PARK	OAK PARK	IL	65696	715	0	1010	0	0	*
7175910	SUBURBAN TR AND SVG BK	OAK PARK	IL	66040	692	0	852	0	0	*
8175938	BANK OF O FALLON	O FALLON	IL	28019	204	0	88	0	0	*
8176010	OLNEY TRUST AND BANKING CO	OLNEY	IL	28138	315	0	0	0	0	*
7176030	ANDERSON STATE BANK	ONEIDA	IL	15467	107	0	0	0	0	*
7176080	STATE BANK OF ORION	ORION	IL	25260	127	0	134	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7176090	ORLAND STATE BANK	ORLAND PARK	IL	51310	884	0	246	0	0	*
7176105	OSWEGO COMMUNITY BANK	OSWEGO	IL	17727	223	0	0	0	0	*
7176112	ILLINOIS TR & SAV BANK	OTTAWA	IL	13473	232	0	0	0	0	*
7176117	FIRST BANK & TRUST CO	PALATINE	IL	29321	408	0	0	0	0	*
8176130	FARMERS STATE BANK	PALESTINE	IL	17325	190	0	0	0	0	*
7176155	PALOS BANK AND TRUST CO	PALOS HEIGHTS	IL	49567	762	0	174	0	0	*
7176165	PEOPLES BANK OF PANA	PANA	IL	26227	347	0	0	0	0	*
7176180	EDGAR COUNTY BANK AND TR CO	PARIS	IL	22521	286	0	0	0	0	*
7176185	BANK OF PARK FOREST	PARK FOREST	IL	45843	376	0	432	0	0	*
7176196	FIRST STATE BANK & TRUST CO	PARK RIDGE	IL	44112	396	0	306	0	0	*
7176310	JEFFERSON TRUST AND SAVINGS	PEORIA	IL	125874	3307	0	1409	0	0	
7176313	MADISON PARK BANK	PEORIA	IL	27458	433	0	0	0	0	*
7176318	SHERIDAN BANK	PEORIA	IL	40556	994	0	0	0	0	*
7176320	SO SIDE TRUST AND SAVINGS BA	PEORIA	IL	44693	795	0	0	0	0	*
7176330	PEOTONE BK AND TRUST CO	PEOTONE	IL	22313	263	0	0	0	0	*
7176338	COLONIAL TRUST & SAVINGS BK	PERU	IL	18989	198	0	0	0	0	*
8176390	MURPHY WALL STATE BK & TR CO	PINCKNEYVILLE	IL	20031	281	0	0	0	0	*
8176410	FARMERS STATE BANK	PITTSFIELD	IL	34621	354	0	17	0	0	*
7176450	COMMUNITY BK OF PLANO	PLANO	IL	15611	223	0	0	0	0	*
7176560	FIRST STATE BANK	PRINCETON	IL	37789	298	0	239	0	0	*
7176565	PRINCEVILLE STATE BANK	PRINCEVILLE	IL	16606	146	0	0	0	0	*
8176590	ILLINOIS ST BK OF QUINCY	QUINCY	IL	70684	577	0	1684	0	0	*
8176600	MERCHANTILE TR & SVGS BK	QUINCY	IL	78247	610	0	1639	0	0	
8176630	STATE STREET BANK AND TRUST	QUINCY	IL	28665	537	0	0	0	0	*
8176632	TOWN & CNT BK OF QUINCY	QUINCY	IL	16394	338	0	0	0	0	*
7176647	BANK OF RANTOUL	RANTOUL	IL	23147	392	0	0	0	0	*
7176670	RARITAN STATE BANK	RARITAN	IL	19188	94	0	32	0	0	*
8176740	GALLATIN COUNTY STATE BANK	RIDGWAY	IL	16929	127	0	0	0	0	*
7176750	RIVERDALE BANK	RIVERDALE	IL	69767	542	0	1147	0	0	
7176760	RIVER FOREST ST BK&TR CO	RIVER FOREST	IL	80223	256	0	1893	54	-54	
7176765	RIVER GROVE ST BANK	RIVER GROVE	IL	14054	209	0	0	0	0	*
8176800	CRAWFORD COUNTY STATE BANK	ROBINSON	IL	32594	392	0	0	0	0	*
7176848	ALPINE STATE BANK	ROCKFORD	IL	17373	273	0	0	0	0	*
7176856	COLONIAL BK OF ROCKFORD	ROCKFORD	IL	24159	492	0	0	0	0	*
7176866	NORTHWEST BANK OF ROCKFORD	ROCKFORD	IL	17297	339	0	0	0	0	*
7176869	UNITED BANK OF SOUTHGATE	ROCKFORD	IL	16136	692	0	0	0	0	*
7176873	AMERICAN BANK OF ROCK ISLAND	ROCK ISLAND	IL	23359	387	0	0	0	0	*
7176885	MACKTOWN STATE BANK	ROCKTON	IL	15505	207	0	0	0	0	*
7176887	SUBRBN BK OF ROLLING MEADOWS	ROLLING MEADOWS	IL	20438	220	0	0	0	0	*
7176890	FIRST BANK OF ROMEOVILLE	ROMEOVILLE	IL	16271	204	0	0	0	0	*
7176910	ROSELLE ST BK & TRUST CO	ROSELLE	IL	86713	705	0	1546	0	0	
7176945	FIRST STATE BANK	ROUND LAKE	IL	22503	757	0	0	0	0	*
7177050	SANDWICH STATE BANK	SANDWICH	IL	28953	367	0	0	0	0	*
7177102	SCHAUMBURG STATE BANK	SCHAUMBURG	IL	44995	738	0	0	0	0	*
7177103	WOODFIELD BANK	SCHAUMBURG	IL	41960	500	0	398	0	0	*
7177104	HERITAGE BANK OF SCHAUMBURG	SCHAUMBURG	IL	19675	297	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7177130	FIRST STATE BANK OF SHANNON	SHANNON	IL	22115	78	0	114	0	0	*
8177200	CITIZENS STATE BANK	SHIPMAN	IL	19570	99	0	44	0	0	*
7177215	BANK OF SILVIS	SILVIS	IL	34498	522	0	0	0	0	*
7177223	OLD ORCHARD BK AND TR CO	SKOKIE	IL	95231	1051	0	1786	0	0	
7177225	SKOKIE TRUST AND SAVINGS BK	SKOKIE	IL	80085	669	0	1371	0	0	
7177240	FARMERS STATE BANK	SOMONAUK	IL	23047	207	0	0	0	0	*
7177260	SOUTH HOLLAND TR & SVG BK	SOUTH HOLLAND	IL	119529	663	0	2743	550	-550	
7177262	THORNRIDGE STATE BANK	SOUTH HOLLAND	IL	17270	376	0	0	0	0	*
7177293	BANK OF SPRINGFIELD	SPRINGFIELD	IL	13685	207	0	0	0	0	*
7177295	CAP BK & TR CO OF SPRNGFLD	SPRINGFIELD	IL	57507	568	0	472	0	0	*
7177302	FIRST STATE BANK	SPRINGFIELD	IL	13419	228	0	0	0	0	*
7177315	LAND OF LINCOLN BANK	SPRINGFIELD	IL	45626	688	0	0	0	0	*
7177325	TOWN AND COUNTRY BANK	SPRINGFIELD	IL	31071	346	0	29	0	0	*
7177330	SPRING VALLEY CITY BANK	SPRING VALLEY	IL	29508	559	0	0	0	0	*
7177455	BANK OF STRONGHURST	STRONGHURST	IL	15426	85	0	0	0	0	*
7177471	STATE BANK OF SULLIVAN	SULLIVAN	IL	14972	158	0	0	0	0	*
7177472	ARGO STATE BANK	SUMMIT	IL	35998	716	0	0	0	0	*
7177510	FIRST TR AND SVG BK	TAYLORVILLE	IL	59788	1060	0	747	0	0	*
7177580	BREMEN BANK & TRUST CO	TINLEY PARK	IL	59226	1080	0	185	0	0	*
7177585	TINLEY PARK BANK	TINLEY PARK	IL	26538	601	0	0	0	0	*
7177650	STATE BANK OF TOULON	TOULON	IL	22203	83	0	94	0	0	*
7177735	CHAMPAIGN COUNTY BK & TR CO	URBANA	IL	43470	902	0	0	0	0	*
8177820	DROVERS STATE BANK	VIENNA	IL	14597	133	0	0	0	0	*
8177870	FRMR & MRCHT ST BK OF VIRDEN	VIRDEN	IL	18739	180	0	0	0	0	*
7177890	PETEFISH SKILES AND COMPANY	VIRGINIA	IL	18016	59	0	0	0	0	*
8177990	COMMERCIAL STATE BANK	WATERLOO	IL	15315	174	0	0	0	0	*
7178030	FIRST TRUST AND SVGS BK	WATSEKA	IL	29746	327	0	0	0	0	*
7178038	BANK OF WAUKEGAN	WAUKEGAN	IL	63940	896	0	441	0	0	*
7178090	WELLINGTON STATE BANK	WELLINGTON	IL	15228	87	0	0	0	0	*
7178130	WEST CHICAGO STATE BANK	WEST CHICAGO	IL	26431	529	0	0	0	0	*
8178150	BANK OF WEST FRANKFORT	WEST FRANKFORT	IL	34862	479	0	0	0	0	*
8178153	FIRST COMMUNITY BANK	WEST FRANKFORT	IL	24439	390	0	0	0	0	*
7178155	BANK OF WESTMONT	WESTMONT	IL	47763	577	0	151	0	0	*
7178184	BANK OF WHEATON	WHEATON	IL	66078	378	0	1260	0	0	*
7178190	GARY WHEATON BANK	WHEATON	IL	98093	1207	0	1465	0	0	
7178195	HAWTHORNE BANK	WHEATON	IL	36499	427	0	0	0	0	*
7178210	WHEELING TRUST & SAVINGS BK	WHEELING	IL	103700	496	0	2275	553	-553	
7178250	WILMETTE BANK	WILMETTE	IL	115725	610	0	3137	374	-374	
7178310	WINNETKA BANK	WINNETKA	IL	45985	380	0	358	0	0	*
7178345	HERITAGE BANK OF WOODRIDGE	WOODRIDGE	IL	14178	261	0	0	0	0	*
7178370	STATE BANK OF WOODSTOCK	WOODSTOCK	IL	42925	569	0	52	0	0	*
7178375	WORTH BANK AND TRUST	WORTH	IL	59902	749	0	676	0	0	*
8178445	BANK OF ZEIGLER	ZEIGLER	IL	36846	138	0	378	0	0	*
7178450	ZION STATE BANK & TRUST CO	ZION	IL	66479	645	0	827	0	0	

OF 356 BANKS AFFECTED IN STATE 213 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
126 HAVE NO REQURED RESERVE BALANCE

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7180020	AKRON EXCHANGE STATE BANK	AKRON	IN	16815	191	0	0	0	0	*
7180080	ANDERSON BANKING COMPANY	ANDERSON	IN	129848	3060	0	2313	0	0	
7180090	CITIZENS BANKING COMPANY	ANDERSON	IN	64260	2091	0	0	0	0	*
7180110	ANGOLA STATE BANK	ANGOLA	IN	18604	312	0	0	0	0	*
7180210	BARGERSVILLE STATE BANK	BARGERSVILLE	IN	21456	242	0	0	0	0	*
7180220	BATESVILLE STATE BANK	BATESVILLE	IN	18942	194	0	0	0	0	*
7180230	FIRST BANK & TRUST CO	BATESVILLE	IN	29292	463	0	0	0	0	*
8180280	STONE CITY BANK OF BEDFORD	BEDFORD	IN	18555	208	0	0	0	0	*
8180360	BLOOMFIELD STATE BANK	BLOOMFIELD	IN	42416	511	0	87	0	0	*
7180400	MONROE COUNTY STATE BANK	BLOOMINGTON	IN	55824	846	0	546	0	0	*
7180410	FARMERS AND MERCHANTS BANK	BLUFFTON	IN	39715	269	0	236	0	0	*
8180440	PEOPLES TRUST AND SAVINGS BK	BOONVILLE	IN	24471	201	0	0	0	0	*
7180450	FARMERS AND MERCHANTS BANK	BOSWELL	IN	17408	139	0	0	0	0	*
7180470	FIRST BK & TR CO OF CLAY CTY	BRAZIL	IN	51713	681	0	254	0	0	*
7180490	BREMEN STATE BANK	BREMEN	IN	35640	307	0	133	0	0	*
8180570	CITIZENS STATE BANK	BROWNSTOWN	IN	18778	140	0	0	0	0	*
8180585	PEOPLES BANK	BROWNSTOWN	IN	24427	518	0	0	0	0	*
7180620	PEOPLES STATE BANK	CAMBRIDGE CITY	IN	18611	343	0	0	0	0	*
7180640	CAMDEN STATE BANK	CAMDEN	IN	16550	129	0	0	0	0	*
7180665	FIDELITY BANK OF INDIANA	CARMEL	IN	23570	359	0	0	0	0	*
7180670	UNION STATE BANK	CARMEL	IN	67280	907	0	996	0	0	*
7180740	CHURUBUSCO STATE BANK	CHURUBUSCO	IN	27486	161	0	163	0	0	*
7180775	CLINTON STATE BANK	CLINTON	IN	25315	384	0	0	0	0	*
7180825	COLUMBUS BK & TRUST CO	COLUMBUS	IN	18859	240	0	0	0	0	*
7180840	IRWIN UNION BK AND TR CO	COLUMBUS	IN	167500	2595	0	4861	0	0	
8180890	CORYDON STATE BANK	CORYDON	IN	29234	270	0	40	0	0	*
8180900	OLD CAPITAL BK AND TR CO	CORYDON	IN	62461	699	0	547	0	0	*
7180910	FOUNTAIN TRUST COMPANY	COVINGTON	IN	30608	396	0	0	0	0	*
7180940	ELSTON BK AND TR CO	CRAWFORDSVILLE	IN	76977	755	0	1520	0	0	
7180970	COMMERCIAL BANK	CROWN POINT	IN	45756	564	0	196	0	0	*
7180990	STATE EXCHANGE BANK	CULVER	IN	92457	1001	0	1657	0	0	
8181010	DALE STATE BANK	DALE	IN	27679	495	0	0	0	0	*
7181030	DANVILLE STATE BANK	DANVILLE	IN	27402	377	0	0	0	0	*
7181068	DECATUR BANK AND TRUST CO	DECATUR	IN	17053	355	0	0	0	0	*
7181080	UNION BANK AND TRUST CO	DELPHI	IN	34548	281	0	98	0	0	*
7181170	EDINBURG STATE BANK	EDINBURG	IN	18151	413	0	0	0	0	*
7181210	ST JOSEPH VALLEY BANK	ELKHART	IN	221498	3069	0	5185	984	-984	
7181230	SECURITY BANK	ELWOOD	IN	21581	714	0	0	0	0	*
7181250	MORGAN COUNTY BANK & TR CO	EMINENCE	IN	15365	353	0	0	0	0	*
8181400	PEOPLES STATE BANK	FARMERSBURG	IN	21678	218	0	0	0	0	*
8181420	F & M BANK OF FORT BRANCH	FORT BRANCH	IN	23409	226	0	0	0	0	*
7181440	ANTHONY WAYNE BANK	FORT WAYNE	IN	108524	2890	0	715	0	0	
7181465	INDIANA BANK AND TRUST CO	FORT WAYNE	IN	227031	3445	0	5191	603	-603	
7181480	PEOPLES TRUST BANK	FORT WAYNE	IN	245305	2922	0	4673	1650	-1650	
7181490	FOWLER STATE BANK	FOWLER	IN	26174	212	0	0	0	0	*
7181500	PEOPLES SB OF FRANCESVILLE	FRANCESVILLE	IN	17230	116	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7181520	CLINTON COUNTY BK AND TR CO	FRANKFORT	IN	67650	887	0	957	0	0	*
7181530	FARMERS BANK	FRANKFORT	IN	81069	1015	0	1469	0	0	
7181540	FRANKLIN BANK & TR CO	FRANKLIN	IN	66589	906	0	808	0	0	*
7181560	UNION BANK AND TRUST COMPANY	FRANKLIN	IN	64811	693	0	889	0	0	*
7181640	FIRST VALLEY BANK	GAS CITY	IN	18466	551	0	0	0	0	*
7181660	BANK OF GENEVA	GENEVA	IN	28240	269	0	87	0	0	*
7181700	SALEM BANK AND TRUST COMPANY	GOSHEN	IN	138948	1824	0	2894	38	-38	
7181705	GRABILL BANK	GRABILL	IN	23060	223	0	0	0	0	*
7181740	GREENFIELD BANKING COMPANY	GREENFIELD	IN	76921	1116	0	1183	0	0	
7181748	HANCOCK BANK & TRUST	GREENFIELD	IN	44842	1151	0	0	0	0	*
7181750	DECATUR COUNTY BANK	GREENSBURG	IN	36125	399	0	81	0	0	*
7181760	UNION BANK AND TRUST COMPANY	GREENSBURG	IN	87588	998	0	1686	0	0	
7181780	STATE BANK OF GREENTOWN	GREENTOWN	IN	17733	165	0	0	0	0	*
7181820	HAMLET STATE BANK	HAMLET	IN	15792	105	0	0	0	0	*
7181840	HOOSIER STATE BK OF INDIANA	HAMMOND	IN	111076	3207	0	1332	0	0	
7181870	CITIZENS STATE BANK	HARTFORD CITY	IN	30761	320	0	0	0	0	*
7181895	BANK OF HIGHLAND	HIGHLAND	IN	46132	969	0	0	0	0	*
7181900	HILLSBORO STATE BANK	HILLSBORO	IN	17270	263	0	0	0	0	*
7181965	COMMUNITY STATE BANK	HUNTINGTON	IN	39197	507	0	13	0	0	*
7182100	PEOPLES BANK AND TRUST CO	INDIANAPOLIS	IN	73835	1052	0	1354	0	0	*
8182140	DUBOIS COUNTY BANK	JASPER	IN	102896	926	0	2308	108	-108	
8182150	GERMAN AMERICAN BANK	JASPER	IN	82955	844	0	1265	0	0	
8182160	CITIZENS BANK & TRUST CO	JEFFERSONVILLE	IN	84212	911	0	1950	0	0	
8182170	CLARK COUNTY STATE BANK	JEFFERSONVILLE	IN	46008	1012	0	157	0	0	*
7182180	CAMPBELL AND FETTER BANKERS	KENDALLVILLE	IN	36094	336	0	91	0	0	*
7182185	KENDALLVILLE BANK & TRUST CO	KENDALLVILLE	IN	26871	243	0	23	0	0	*
7182200	KENTLAND BANK	KENTLAND	IN	39908	508	0	0	0	0	*
7182230	FARMERS BANK AND TRUST CO	KNOX	IN	26354	533	0	0	0	0	*
7182240	UNION BANK AND TRUST CO	KOKOMO	IN	149676	3276	0	2940	0	0	
7182280	LAFAYETTE BANK AND TRUST CO	LAFAYETTE	IN	95792	840	0	2183	0	0	
7182320	FARMERS STATE BANK	LAGRANGE	IN	43173	404	0	230	0	0	*
7182350	FARMERS STATE BANK	LAPAZ	IN	29447	159	0	226	0	0	*
7182380	LA PORTE BANK AND TRUST CO	LA PORTE	IN	62755	797	0	819	0	0	*
7182420	BOONE COUNTY STATE BANK	LEBANON	IN	54470	812	0	697	0	0	*
7182430	CITIZENS BANK AND TRUST CO	LEBANON	IN	20242	435	0	0	0	0	*
7182440	PEOPLES STATE BANK	LEESBURG	IN	21737	74	0	115	0	0	*
7182470	AMERICAN STATE BANK	LIGONIER	IN	30549	284	0	67	0	0	*
8182500	PEOPLES TRUST COMPANY	LINTON	IN	56071	955	0	263	0	0	*
7182510	STATE BANK OF LIZTON	LIZTON	IN	28861	462	0	0	0	0	*
7182520	FARMERS & MERCHANTS STATE BK	LOGANSPORT	IN	40557	869	0	0	0	0	*
8182540	UNION BANK	LOOGOOTEE	IN	19132	180	0	0	0	0	*
8182590	FIRST BANK OF MADISON	MADISON	IN	23831	320	0	0	0	0	*
8182600	MADISON BANK AND TRUST CO	MADISON	IN	72961	841	0	1225	0	0	
7182675	INDIANA BANK AND TRUST CO	MARTINSVILLE	IN	27102	392	0	0	0	0	*
7182710	FARMERS STATE BANK	MENTONE	IN	20554	121	0	32	0	0	*
7182730	CITIZENS BK OF MICHIGAN CY	MICHIGAN CITY	IN	104515	1743	0	1861	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7182742	LAKESHORE BANK & TRUST CO	MICHIGAN CITY	IN	14925	205	0	0	0	0	*
7182760	FIRST STATE BANK	MIDDLEBURY	IN	27278	242	0	0	0	0	*
7182770	FARMERS ST BK OF HENRY CTY	MIDDLETOWN	IN	16360	334	0	0	0	0	*
7182820	VALLEY BANK & TRUST CO	MISHAWAKA	IN	86231	1195	0	1006	0	0	
6182830	BANK OF MITCHELL	MITCHELL	IN	14514	177	0	0	0	0	*
7182900	STATE AND SAVINGS BANK	MONTICELLO	IN	52937	755	0	639	0	0	*
7182910	BANK OF MONTPELIER	MONTPELIER	IN	14322	182	0	0	0	0	*
7182940	CITIZENS BANK	MOORESVILLE	IN	34266	509	0	0	0	0	*
7182953	CENTRAL BANK & TRUST	MORNINGSIDE	IN	26315	650	0	0	0	0	*
8182980	PEOPLES BANK AND TRUST CO	MOUNT VERNON	IN	41981	467	0	311	0	0	*
7182995	INDUSTRIAL TRUST & SVGS BANK	MUNCIE	IN	82980	1376	0	1172	0	0	
7183050	NASHVILLE STATE BANK	NASHVILLE	IN	20606	211	0	0	0	0	*
8183060	AMERICAN BANK	NEW ALBANY	IN	17983	441	0	0	0	0	*
8183070	FLOYD COUNTY BANK	NEW ALBANY	IN	39278	523	0	0	0	0	*
8183080	MUTUAL TRUST COMPANY	NEW ALBANY	IN	48346	811	0	49	0	0	*
8183090	UNION BK & TR OF NEW ALBANY	NEW ALBANY	IN	64112	1005	0	729	0	0	*
7183130	CITIZENS STATE BANK	NEW CASTLE	IN	64183	1289	0	753	0	0	*
7183180	NEW PALESTINE BANK	NEW PALESTINE	IN	23182	215	0	0	0	0	*
7183200	CITIZENS STATE BANK	NEWPORT	IN	29703	563	0	0	0	0	*
8183240	NEW WASHINGTON STATE BANK	NEW WASHINGTON	IN	17764	323	0	0	0	0	*
7183260	WAINWRIGHT BANK AND TRUST CO	NOBLESVILLE	IN	22058	292	0	0	0	0	*
7183270	AMERICAN STATE BANK	NORTH JUDSON	IN	28078	497	0	0	0	0	*
7183300	INDIANA LAWRENCE BK & TR CO	NORTH MANCHESTER	IN	44551	525	0	128	0	0	*
7183330	UNION BANK AND TRUST COMPANY	NORTH VERNON	IN	32810	307	0	39	0	0	*
7183340	COUNTING HOUSE BANK	NORTH WEBSTER	IN	18657	228	0	0	0	0	*
8183350	1ST BK&TR CO OF OKLAND CY	OAKLAND CITY	IN	18343	296	0	0	0	0	*
8183400	BANK OF ORLEANS	ORLEANS	IN	21387	230	0	0	0	0	*
7183420	OSSIAN STATE BANK	OSSIAN	IN	22287	195	0	2	0	0	*
7183450	STATE BANK OF OXFORD	OXFORD	IN	18253	231	0	0	0	0	*
8183460	HARRISON COUNTY BANK	PALMYRA	IN	13732	144	0	0	0	0	*
8183470	ORANGE COUNTY BANK	PAOLI	IN	26817	440	0	0	0	0	*
7183520	PENDLETON BANKING COMPANY	PENDLETON	IN	23763	495	0	0	0	0	*
7183540	PERU TRUST COMPANY	PERU	IN	47052	1058	0	0	0	0	*
7183550	WABASH VALLEY BK & TR CO	PERU	IN	56552	648	0	667	0	0	*
7183610	MARSHALL COUNTY BK & TR CO	PLYMOUTH	IN	54741	583	0	443	0	0	*
7183640	CITIZENS BK OF PORTLAND	PORTLAND	IN	31000	463	0	0	0	0	*
7183650	PEOPLES BANK	PORTLAND	IN	56929	699	0	385	0	0	*
8183690	GIBSON COUNTY BANK	PRINCETON	IN	37320	705	0	0	0	0	*
7183720	STATE BANK OF REMINGTON	REMINGTON	IN	15103	91	0	0	0	0	*
7183740	STATE BK OF RENSSELAER	RENSSELAER	IN	38042	431	0	69	0	0	*
7183810	RISING SUN STATE BANK	RISING SUN	IN	14842	264	0	0	0	0	*
7183820	TRI-COUNTY BANK & TRUST CO	ROACHDALE	IN	24019	179	0	16	0	0	*
7183830	STATE EXCHANGE BANK	ROANN	IN	13830	131	0	0	0	0	*
7183840	FARMERS AND MERCHANTS BANK	ROCHESTER	IN	28851	413	0	0	0	0	*
7183870	PARKE STATE BANK	ROCKVILLE	IN	31379	325	0	17	0	0	*
7183890	COMMUNITY STATE BANK	ROYAL CENTER	IN	21049	144	0	27	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8183940	FARMERS CITIZENS BANK	SALEM	IN	48044	666	0	148	0	0	*
7183970	SAN PIERRE STATE BANK	SAN PIERRE	IN	16357	214	0	0	0	0	*
8183975	SPENCER COUNTY BANK	SANTA CLAUS	IN	16261	244	0	0	0	0	*
8184020	JACKSON COUNTY BANK	SEYMOUR	IN	42454	946	0	0	0	0	*
7184060	AMERICAN STATE BANK	SHERIDAN	IN	20869	180	0	0	0	0	*
7184070	SHIPSHEWANA STATE BANK	SHIPSHEWANA	IN	42307	385	0	215	0	0	*
8184090	MARTIN COUNTY BANK	SHOALS	IN	15870	252	0	0	0	0	*
7184140	ST JOSEPH BANK AND TRUST CO	SOUTH BEND	IN	268251	2098	0	5202	4113	-4113	
7184190	FIRST BANK & TRUST CO	SPEEDWAY	IN	126799	1783	0	3334	0	0	
7184200	OWEN COUNTY STATE BANK	SPENCER	IN	40058	489	0	24	0	0	*
8184240	SULLIVAN STATE BANK	SULLIVAN	IN	50416	226	0	646	0	0	*
7184310	STATE BANK OF SYRACUSE	SYRACUSE	IN	25300	281	0	0	0	0	*
7184350	INDIANA STATE BANK	TERRE HAUTE	IN	62242	932	0	355	0	0	*
7184430	UNION TRUST COMPANY	UNION CITY	IN	20159	416	0	0	0	0	*
7184450	UNITED BANK	UPLAND	IN	18474	474	0	0	0	0	*
7184475	NORTHERN IND BK & TR CO	VALPARAISO	IN	125729	1734	0	2721	0	0	
8184520	VEVAY DEPOSIT BANK	VEVAY	IN	15284	186	0	0	0	0	*
8184540	SECURITY BK & TR CO	VINCENNES	IN	81096	1209	0	1259	0	0	
7184555	FRANCES SLOCUM BK & TR CO	WABASH	IN	25832	295	0	0	0	0	*
8184560	FARMERS BANK AND TRUST CO	WADESVILLE	IN	42088	262	0	298	0	0	*
7184590	STATE BK OF WALDRON	WALDRON	IN	22882	363	0	0	0	0	*
7184600	CASS COUNTY STATE BANK	WALTON	IN	19576	150	0	0	0	0	*
7184650	LAKE CITY BANK	WARSAW	IN	81143	870	0	1349	0	0	
8184660	CITIZENS BANK AND TRUST CO	WASHINGTON	IN	32642	363	0	0	0	0	*
8184680	STATE BK OF WASHINGTON	WASHINGTON	IN	21316	202	0	0	0	0	*
7184820	AMERICAN TR AND SVGS BANK	WHITING	IN	23351	488	0	0	0	0	*
7184830	FIRST BANK OF WHITING	WHITING	IN	86468	1260	0	1246	0	0	
7184850	CITIZENS STATE BANK	WILLIAMSPORT	IN	24655	275	0	0	0	0	*
7184880	PEOPLES LOAN & TRUST CO	WINCHESTER	IN	26448	557	0	0	0	0	*
7184890	RANDOLPH COUNTY BANK	WINCHESTER	IN	22925	379	0	0	0	0	*
7184900	UNION STATE BANK	WINDFALL	IN	18468	357	0	0	0	0	*
7184930	BANK OF WOLCOTT	WOLCOTT	IN	14431	93	0	0	0	0	*
7184960	FARMERS STATE BANK	WYATT	IN	29735	317	0	40	0	0	*
7184990	FARMERS STATE BANK	ZIONSVILLE	IN	20996	356	0	0	0	0	*

OF 172 BANKS AFFECTED IN STATE 93 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
73 HAVE NO REQURED RESERVE BALANCE

7190010	ACKLEY STATE BANK	ACKLEY	IA	22395	102	0	59	0	0	*
7190030	DALLAS COUNTY STATE BANK	ADEL	IA	35596	281	0	188	0	0	*
7190034	RACCOON VALLEY STATE BANK	ADEL	IA	15922	101	0	0	0	0	*
7190080	FIRST IOWA STATE BANK	ALBIA	IA	17926	229	0	0	0	0	*

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NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7190110	IOWA STATE BANK	ALGONA	IA	25701	260	0	0	0	0	*
7190125	THE SECURITY STATE BANK	ALGONA	IA	25359	225	0	0	0	0	*
7190200	UNION STORY TR & SVGS BANK	AMES	IA	36890	749	0	0	0	0	*
7190202	UNIVERSITY BANK & TRUST CO	AMES	IA	29894	289	0	29	0	0	*
7190210	CITIZENS SAVINGS BANK	ANAMOSA	IA	20772	151	0	0	0	0	*
7190240	ANKENY STATE BANK	ANKENY	IA	22535	508	0	0	0	0	*
7190340	ATLANTIC STATE BANK	ATLANTIC	IA	46319	255	0	408	0	0	*
7190350	FIRST WHITNEY BANK AND TRUST	ATLANTIC	IA	36364	183	0	249	0	0	*
7190370	AUDUBON STATE BANK	AUDUBON	IA	24117	131	0	71	0	0	*
7190400	AVOCA STATE BANK	AVOCA	IA	13899	85	0	0	0	0	*
7190410	CITIZENS SAVINGS BANK	AVOCA	IA	12803	61	0	0	0	0	*
7190490	STATE SAVINGS BANK	BEDFORD	IA	16938	138	0	0	0	0	*
7190500	CITIZENS STATE BANK	BELLEPLAINE	IA	22227	207	0	0	0	0	*
7190520	FIRST STATE BANK	BELMOND	IA	22952	79	0	129	0	0	*
7190524	NORTH IOWA STATE BANK	BELMOND	IA	13546	142	0	0	0	0	*
7190535	BETTENDORF BANK AND TRUST CO	BETTENDORF	IA	46456	861	0	0	0	0	*
7190538	SECURITY STATE TR & SVGS BK	BETTENDORF	IA	27432	327	0	0	0	0	*
7190560	DAVIS COUNTY SAVINGS BANK	BLOOMFIELD	IA	26890	401	0	0	0	0	*
7190580	BLUE GRASS SAVINGS BANK	BLUE GRASS	IA	14363	78	0	0	0	0	*
7190590	BOONE STATE BK & TR CO	BOONE	IA	35056	357	0	54	0	0	*
7190610	FARMERS SAVINGS BANK	BOYDEN	IA	12695	29	0	0	0	0	*
7190650	FIRST STATE BANK	BRITT	IA	22854	184	0	0	0	0	*
7190700	FARMERS TRUST & SAVINGS BK	BUFFALO CENTER	IA	20755	123	0	14	0	0	*
7190720	FARMERS & MERCHANTS BNK & TR	BURLINGTON	IA	47807	848	0	0	0	0	*
7190735	HAWKEYE BANK AND TRUST	BURLINGTON	IA	62660	980	0	776	0	0	*
7190800	HARTFORD CARLISLE SVGS BK	CARLISLE	IA	15540	150	0	0	0	0	*
7190820	CARROLL COUNTY STATE BANK	CARROLL	IA	24376	199	0	0	0	0	*
7190830	COMMERCIAL SAVINGS BANK	CARROLL	IA	26948	412	0	0	0	0	*
7190850	CASCADE STATE BANK	CASCADE	IA	14714	111	0	0	0	0	*
7190860	CEDAR FALLS TR & SVGS BK	CEDAR FALLS	IA	37567	398	0	113	0	0	*
7190873	MIDWAY BANK & TRUST	CEDAR FALLS	IA	16061	365	0	0	0	0	*
7190880	FIRST TRUST AND SAVINGS BANK	CEDAR RAPIDS	IA	40915	933	0	0	0	0	*
7190890	GUARANTY BANK AND TRUST CO	CEDAR RAPIDS	IA	35305	691	0	0	0	0	*
7190920	UNITED STATE BANK	CEDAR RAPIDS	IA	25151	419	0	0	0	0	*
7190960	IOWA TRUST AND SAVINGS BANK	CENTERVILLE	IA	38198	541	0	0	0	0	*
7190970	FIRST STATE BANK	CHARITON	IA	23362	297	0	0	0	0	*
7191000	COMMERCIAL TRUST AND SAVINGS	CHARLES CITY	IA	21661	314	0	0	0	0	*
7191010	FIRST SECURITY BK AND TR	CHARLES CITY	IA	39866	390	0	147	0	0	*
7191060	CHEROKEE STATE BANK	CHEROKEE	IA	32937	250	0	104	0	0	*
7191070	STEELE STATE BANK	CHEROKEE	IA	15231	230	0	0	0	0	*
7191090	CLARENCE SAVINGS BANK	CLARENCE	IA	13623	89	0	0	0	0	*
7191110	PAGE COUNTY STATE BANK	CLARINDA	IA	27762	225	0	61	0	0	*
7191118	BRENTON BANK & TRUST CO	CLARION	IA	18882	105	0	40	0	0	*
7191130	IOWA STATE BANK	CLARKSVILLE	IA	14785	189	0	0	0	0	*
7191145	COMMUNITY STATE BANK	CLEAR LAKE	IA	17885	179	0	0	0	0	*
7191200	IOWA STATE SAVINGS BANK	CLINTON	IA	27213	371	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7191280	IOWA SAVINGS BANK	COON RAPIDS	IA	22584	333	0	0	0	0	*
7191285	UNIBANK & TRUST	CORALVILLE	IA	21251	227	0	0	0	0	*
7191308	CITIZENS STATE BANK	CORYDON	IA	19811	216	0	0	0	0	*
7191310	CORYDON STATE BANK	CORYDON	IA	16501	91	0	0	0	0	*
7191330	COUNCIL BLUFFS SAVINGS BANK	COUNCIL BLUFFS	IA	92792	1248	0	1611	0	0	
7191350	STATE BANK & TRUST CO	COUNCIL BLUFFS	IA	53230	962	0	185	0	0	*
7191380	CRESCO UNION SAVINGS BANK	CRESCO	IA	24748	288	0	0	0	0	*
7191400	IOWA STATE SAVINGS BANK	CRESTON	IA	28610	388	0	0	0	0	*
7191440	BRENTON STATE BANK	DALLAS CENTER	IA	29671	191	0	157	0	0	*
7191460	DANVILLE STATE SAVINGS BANK	DANVILLE	IA	13161	98	0	0	0	0	*
7191480	FIRST TRUST AND SAVINGS BANK	DAVENPORT	IA	46931	967	0	0	0	0	*
7191490	NORTHWEST BANK & TRUST CO	DAVENPORT	IA	83926	721	0	1383	0	0	
7191510	DECORAH STATE BANK	DECORAH	IA	39240	501	0	0	0	0	*
7191520	SECURITY BANK AND TRUST CO	DECORAH	IA	26884	118	0	159	0	0	*
7191540	CRAWFORD CTY TR AND SVGS BK	DENISON	IA	23769	232	0	0	0	0	*
7191610	FIRST FEDERAL STATE BANK	DES MOINES	IA	39714	579	0	105	0	0	*
7191630	IOWA STATE BANK	DES MOINES	IA	26627	641	0	0	0	0	*
7191633	PLAZA STATE BANK	DES MOINES	IA	48219	566	0	310	0	0	*
7191650	DE WITT BANK AND TRUST CO	DEWITT	IA	28528	131	0	139	0	0	*
7191653	FIRST CENTRAL STATE BANK	DEWITT	IA	15128	81	0	0	0	0	*
7191700	CITIZENS STATE BANK	DONNELLSON	IA	14266	70	0	0	0	0	*
7191740	DUBUQUE BANK AND TRUST CO	DUBUQUE	IA	116538	1519	0	2039	0	0	
7191755	KEY CITY BANK & TRUST CO	DUBUQUE	IA	20787	259	0	0	0	0	*
7191780	LIBERTY TRUST AND SAVINGS BK	DURANT	IA	25846	163	0	103	0	0	*
7191800	FIDELITY BANK AND TRUST CO	DYERSVILLE	IA	18387	151	0	0	0	0	*
7191810	SECURITY SAVINGS BANK	EAGLE GROVE	IA	28164	209	0	103	0	0	*
7191820	EARLHAM SAVINGS BANK	EARLHAM	IA	14524	126	0	0	0	0	*
7191880	HARDIN COUNTY SAVINGS BANK	ELDORA	IA	28067	121	0	190	0	0	*
7191890	CENTRAL TR AND SVGS BK	ELDRIDGE	IA	34209	376	0	82	0	0	*
7191940	PALO ALTO COUNTY STATE BANK	EMMETSBURG	IA	28287	179	0	119	0	0	*
7191980	EMMET COUNTY STATE BANK	ESTHERVILLE	IA	36363	589	0	0	0	0	*
7191990	IOWA TRUST AND SAVINGS BANK	ESTHERVILLE	IA	27991	305	0	0	0	0	*
7192010	EXCHANGE STATE BANK	EXIRA	IA	13131	59	0	0	0	0	*
7192030	FAIRFAX STATE SAVINGS BANK	FAIRFAX	IA	15190	100	0	0	0	0	*
7192145	MANUFACTURERS BANK & TR CO	FOREST CITY	IA	22904	252	0	0	0	0	*
7192165	UNION TRUST AND SAVINGS BANK	FORT DODGE	IA	71543	772	0	966	0	0	*
7192180	IOWA STATE BANK	FORT MADISON	IA	15659	270	0	0	0	0	*
7192190	LEE COUNTY SAVINGS BANK	FORT MADISON	IA	27037	273	0	0	0	0	*
7192205	FARMERS SAVINGS BANK	FREMONT	IA	14578	52	0	0	0	0	*
7192290	GEORGE STATE BANK	GEORGE	IA	15762	82	0	0	0	0	*
7192450	ADAIR COUNTY STATE BANK	GREENFIELD	IA	15801	149	0	0	0	0	*
7192470	GRINNELL STATE BANK	GRINNELL	IA	16657	172	0	0	0	0	*
7192500	FARMERS SAVINGS BANK	GRUNDY CENTER	IA	18695	94	0	0	0	0	*
7192520	GUTHRIE COUNTY STATE BANK	GUTHRIE CENTER	IA	17414	111	0	0	0	0	*
7192530	SECURITY STATE BANK	GUTTENBERG	IA	14135	90	0	0	0	0	*
7192570	HAMPTON STATE BANK	HAMPTON	IA	21787	256	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7192610	SHELBY COUNTY STATE BANK	HARLAN	IA	27650	232	0	32	0	0	*
7192640	FARMERS STATE BANK	HAWARDEN	IA	15168	103	0	0	0	0	*
7192670	HAYESVILLE SAVINGS BANK	HAYESVILLE	IA	25231	150	0	169	0	0	*
7192690	HILLS BANK AND TRUST CO	HILLS	IA	42813	121	0	534	0	0	*
7192710	HOLSTEIN STATE BANK	HOLSTEIN	IA	16780	101	0	0	0	0	*
7192790	HUMBOLDT TRUST & SAVINGS BK	HUMBOLDT	IA	34607	320	0	136	0	0	*
7192810	IDA COUNTY STATE BANK	IDA GROVE	IA	34762	212	0	182	0	0	*
7192820	FARMERS STATE SAVINGS BANK	INDEPENDENCE	IA	29381	692	0	0	0	0	*
7192830	SECURITY STATE BANK	INDEPENDENCE	IA	23247	234	0	0	0	0	*
7192840	PEOPLES TRUST AND SAVINGS BK	INDIANOLA	IA	59579	547	0	666	0	0	*
7192850	WARREN CTY BRENTON BK & TR	INDIANOLA	IA	17484	110	0	0	0	0	*
7192885	HAWKEYE STATE BANK	IOWA CITY	IA	20239	240	0	0	0	0	*
7192890	IOWA STATE BK & TR COMPANY	IOWA CITY	IA	77033	938	0	1032	0	0	
7192900	CITIZENS STATE BANK	IOWA FALLS	IA	31809	162	0	164	0	0	*
7192910	IOWA FALLS STATE BANK	IOWA FALLS	IA	18440	178	0	0	0	0	*
7192940	HOME STATE BANK	JEFFERSON	IA	31398	155	0	224	0	0	*
7192950	JEFFERSON STATE BANK	JEFFERSON	IA	31482	137	0	297	0	0	*
7192960	FARMERS STATE BANK	JESUP	IA	15343	104	0	0	0	0	*
7192990	FARMERS SAVINGS BANK	KALONA	IA	16600	75	0	0	0	0	*
7193000	KALONA SAVINGS BANK	KALONA	IA	16342	65	0	0	0	0	*
7193020	KELLOGG SAVINGS BANK	KELLOGG	IA	19362	86	0	46	0	0	*
7193040	KEOKUK SAVINGS BK AND TR CO	KEOKUK	IA	24299	464	0	0	0	0	*
7193050	SECURITY STATE BANK	KEOKUK	IA	22179	320	0	0	0	0	*
7193060	STATE CENTRAL SAVINGS BANK	KEOKUK	IA	43379	624	0	126	0	0	*
7193070	FARMERS STATE BANK	KEOSAUQUA	IA	16201	188	0	0	0	0	*
7193120	KINGSLEY STATE BANK	KINGSLEY	IA	14862	54	0	0	0	0	*
7193160	IOWA STATE SAVINGS BANK	KNOXVILLE	IA	25243	363	0	0	0	0	*
7193190	FARMERS AND MERCHANTS STATE	LAKE MILLS	IA	16704	187	0	0	0	0	*
7193220	KERNDT BROTHERS SAVINGS BANK	LANSING	IA	19701	153	0	0	0	0	*
7193270	LAURENS STATE BANK	LAURENS	IA	19990	127	0	10	0	0	*
7193290	STATE BANK OF LAWLER	LAWLER	IA	12500	66	0	0	0	0	*
7193320	LE MARS SAVINGS BANK	LE MARS	IA	39763	544	0	35	0	0	*
7193341	DECATUR COUNTY STATE BANK	LEON	IA	21745	214	0	0	0	0	*
7193450	FARMERS & MERCHANTS SVGS BK	LONE TREE	IA	18655	81	0	42	0	0	*
7193650	MAPLETON TR AND SVGS BK	MAPLETON	IA	15504	52	0	0	0	0	*
7193660	JACKSON STATE BK & TR CO	MAQUOKETA	IA	49265	418	0	391	0	0	*
7193665	MAQUOKETA STATE BANK	MAQUOKETA	IA	44482	178	0	486	0	0	*
7193670	IOWA COUNTY SAVINGS BANK	MARENGO	IA	20600	174	0	0	0	0	*
7193695	FARMERS STATE BANK	MARION	IA	54035	451	0	690	0	0	*
7193710	COMMERCIAL STATE BANK	MARSHALLTOWN	IA	39923	552	0	0	0	0	*
7193720	FIDELITY BRENTON BK & TC	MARSHALLTOWN	IA	55297	733	0	273	0	0	*
7193745	AMERICAN STATE BANK	MASON CITY	IA	15699	330	0	0	0	0	*
7193810	MEDIAPOLIS SAVINGS BANK	MEDIAPOLIS	IA	16032	101	0	0	0	0	*
7194030	SECURITY STATE BANK	MOUNT AYR	IA	21397	91	0	35	0	0	*
7194040	HENRY COUNTY SAVINGS BANK	MOUNT PLEASANT	IA	31158	463	0	0	0	0	*
7194045	MOUNT PLEASANT BK AND TR	MOUNT PLEASANT	IA	29185	206	0	40	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7194090	FIRST NASHUA STATE BANK	NASHUA	IA	16048	115	0	0	0	0	*
7194120	STATE BK AND TR CO OF NEVADA	NEVADA	IA	22063	82	0	82	0	0	*
7194260	NORTHWOOD STATE BANK	NORTHWOOD	IA	15343	135	0	0	0	0	*
7194290	CITIZENS STATE BANK	OAKLAND	IA	15960	148	0	0	0	0	*
7194335	OELWEIN STATE BANK	OELWEIN	IA	25780	250	0	0	0	0	*
7194350	ONAWA STATE BANK	ONAWA	IA	23155	173	0	0	0	0	*
7194390	NWN SB OF ORANGE CITY	ORANGE CITY	IA	33470	161	0	239	0	0	*
7194410	CLARKE COUNTY STATE BANK	OSCEOLA	IA	26703	337	0	0	0	0	*
7194420	IOWA TRUST AND SAVINGS BANK	OSKALOOSA	IA	23752	209	0	0	0	0	*
7194430	MAHASKA STATE BANK	OSKALOOSA	IA	49756	458	0	416	0	0	*
7194470	SOUTH OTTUMWA SAVINGS BANK	OTTUMWA	IA	33795	582	0	0	0	0	*
7194530	PARKERSBURG STATE BANK	PARKERSBURG	IA	17721	135	0	0	0	0	*
7194550	MARION COUNTY STATE BANK	PELLA	IA	26989	189	0	78	0	0	*
7194580	PERRY STATE BANK	PERRY	IA	32435	498	0	0	0	0	*
7194660	COMMERCIAL STATE BANK	POCAHONTAS	IA	21318	73	0	71	0	0	*
7194710	CITIZENS STATE BANK	POSTVILLE	IA	13919	93	0	0	0	0	*
7194850	HOUGHTON STATE BANK	RED OAK	IA	39114	257	0	229	0	0	*
7194870	LINCOLN SAVINGS BANK	REINBECK	IA	23024	138	0	58	0	0	*
7194890	FARMERS SAVINGS BANK	REMSEN	IA	15735	48	0	0	0	0	*
7194900	FIRST TRUST AND SAVINGS BANK	REMSEN	IA	15514	94	0	0	0	0	*
7195025	LYON COUNTY STATE BANK	ROCK RAPIDS	IA	18287	111	0	5	0	0	*
7195030	ROCK RAPIDS STATE BANK	ROCK RAPIDS	IA	19035	151	0	0	0	0	*
7195040	VALLEY STATE BANK	ROCK VALLEY	IA	24665	170	0	29	0	0	*
7195060	UNION STATE BANK	ROCKWELL CITY	IA	12948	101	0	0	0	0	*
7195110	CITIZENS SAVINGS BANK	SAC CITY	IA	15459	137	0	0	0	0	*
7195120	SAC CITY STATE BANK	SAC CITY	IA	21141	109	0	57	0	0	*
7195180	FARMERS STATE BANK	SCHLESWIG	IA	18189	103	0	27	0	0	*
7195240	SECURITY STATE BANK	SHELDON	IA	30015	185	0	103	0	0	*
7195300	SIBLEY STATE BANK	SIBLEY	IA	14680	168	0	0	0	0	*
7195320	FIRST TRUST AND UNION SAVING	SIGOURNEY	IA	18576	74	0	62	0	0	*
7195330	KEOKUK COUNTY STATE BANK	SIGOURNEY	IA	16050	165	0	0	0	0	*
7195347	AMERICAN STATE BANK	SIOUX CENTER	IA	26332	128	0	152	0	0	*
7195400	MORNINGSIDE STATE BANK	SIOUX CITY	IA	14707	214	0	0	0	0	*
7195520	FARMERS TRUST AND SAVINGS BK	SPENCER	IA	31818	200	0	152	0	0	*
7195540	FIRST BANK AND TRUST	SPIRIT LAKE	IA	18208	345	0	0	0	0	*
7195656	RANDALL-STORY STATE BANK	STORY CITY	IA	12933	54	0	0	0	0	*
7195660	STORY COUNTY STATE BANK	STORY CITY	IA	17449	146	0	0	0	0	*
7195680	UNION BANK AND TRUST COMPANY	STRAWBERRY POINT	IA	13927	90	0	0	0	0	*
7195700	FIRST STATE BANK	STUART	IA	13189	85	0	0	0	0	*
7195750	TAMA STATE BANK	TAMA	IA	21640	249	0	0	0	0	*
7195800	FIRST SB OF THORNTON	THORNTON	IA	14321	123	0	0	0	0	*
7195830	TIPTON STATE BANK	TIPTON	IA	24776	122	0	122	0	0	*
7195850	STATE BK OF TOLEDO	TOLEDO	IA	23421	132	0	91	0	0	*
7195860	FARMERS SAVINGS BANK	TRAER	IA	24010	67	0	188	0	0	*
7195870	FIRST COMMUNITY BANK & TRUST	TRAER	IA	15442	74	0	0	0	0	*
7195990	BRENTON BK & TR CO OF VINTON	VINTON	IA	18233	141	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7196000	STATE BK OF VINTON	VINTON	IA	25404	355	0	0	0	0	*
7196010	WALCOTT TRUST AND SAVINGS BK	WALCOTT	IA	14887	134	0	0	0	0	*
7196030	WALL LAKE SAVINGS BANK	WALL LAKE	IA	22272	65	0	149	0	0	*
7196050	STATE BANK OF WAPELLO	WAPELLO	IA	15432	112	0	0	0	0	*
7196090	PEOPLES BANK AND TRUST CO	WATERLOO	IA	78836	1105	0	1066	0	0	
7196125	FARMERS AND MERCHANTS SAVING	WAUKON	IA	15739	144	0	0	0	0	*
7196130	WAUKON STATE BANK	WAUKON	IA	27125	354	0	0	0	0	*
7196150	STATE BANK OF WAVERLY	WAVERLY	IA	31524	444	0	0	0	0	*
7196200	FIRST STATE BANK	WEBSTER CITY	IA	23742	232	0	0	0	0	*
7196250	WEST BRANCH STATE BANK	WEST BRANCH	IA	16432	62	0	11	0	0	*
7196290	W DES MOINES STATE BANK	WEST DES MOINES	IA	57237	485	0	1179	0	0	*
7196310	WEST LIBERTY STATE BANK	WEST LIBERTY	IA	21069	178	0	0	0	0	*
7196355	FIRST TRUST AND SAVINGS BANK	WHEATLAND	IA	15663	126	0	0	0	0	*
7196390	FARMERS TRUST & SAVINGS BK	WILLIAMSBURG	IA	21935	166	0	38	0	0	*
7196400	SECURITY SAVINGS BANK	WILLIAMSBURG	IA	14796	92	0	0	0	0	*
7196409	WILTON SAVINGS BANK	WILTON	IA	21905	243	0	0	0	0	*
7196440	FARMERS AND MERCHANTS STATE	WINTERSET	IA	21090	105	0	76	0	0	*
7196450	UNION STATE BANK	WINTERSET	IA	28500	225	0	83	0	0	*
7196490	CITIZENS STATE BANK	WYOMING	IA	15451	148	0	0	0	0	*

*OF 207 BANKS AFFECTED IN STATE 131 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
76 HAVE NO REQURED RESERVE BALANCE

10200020	CITIZENS BANK OF ABILENE	ABILENE	KS	20936	182	0	0	0	0	*
10200370	STATE BANK OF ATWOOD	ATWOOD	KS	14231	77	0	0	0	0	*
10200390	PRAIRIE STATE BANK	AUGUSTA	KS	24819	412	0	0	0	0	*
10200550	GUARANTY STATE BANK	BELOIT	KS	19380	116	0	6	0	0	*
10200570	BENNINGTON STATE BANK	BENNINGTON	KS	15355	79	0	0	0	0	*
10200940	BANK OF COMMERCE	CHANUTE	KS	38506	317	0	291	0	0	*
10201000	PEOPLES STATE BANK	CHERRYVALE	KS	14004	94	0	0	0	0	*
10201160	FARMERS AND MERCHANTS BANK	COLBY	KS	28859	132	0	48	0	0	*
10201210	COLUMBUS STATE BANK	COLUMBUS	KS	18280	200	0	0	0	0	*
10201230	STATE BANK OF COLWICH	COLWICH	KS	20212	72	0	60	0	0	*
10201240	CLOUD COUNTY BANK & TRUST	CONCORDIA	KS	20742	107	0	0	0	0	*
10201260	FIRST BANK & TRUST	CONCORDIA	KS	16452	91	0	0	0	0	*
10201330	FARMERS AND DROVERS BANK	COUNCIL GROVE	KS	16742	130	0	0	0	0	*
10201390	FARMERS & MERCHANTS ST BK	DERBY	KS	77578	561	0	1192	0	0	
10201550	CITIZENS ST BK OF ELDORADO	EL DORADO	KS	25362	284	0	0	0	0	*
10201580	WALNUT VALLEY STATE BANK	ELDORADO	KS	28180	315	0	0	0	0	*
10201610	PEOPLES STATE BANK	ELLINWOOD	KS	23525	172	0	0	0	0	*
10201630	CITIZENS BANK & TRUST CO OF	ELLSWORTH	KS	23464	177	0	0	0	0	*
10201660	EMPORIA STATE BK & TRUST CO	EMPORIA	KS	32743	412	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10201670	LYON COUNTY STATE BANK	EMPORIA	KS	19272	194	0	0	0	0	*
10201750	HOME BANK & TR CO OF EUREKA	EUREKA	KS	17089	131	0	0	0	0	*
10201835	SECURITY STATE BANK	FORT SCOTT	KS	18127	326	0	0	0	0	*
10201890	STATE BANK OF FREDONIA	FREDONIA	KS	23421	166	0	18	0	0	*
10201940	FIDELITY STATE BANK	GARDEN CITY	KS	46674	388	0	486	0	0	*
10201951	WESTERN STATE BANK	GARDEN CITY	KS	18228	176	0	0	0	0	*
10201960	FARMERS BANK	GARDNER	KS	15024	151	0	0	0	0	*
10201980	GARNETT STATE SAVINGS BANK	GARNETT	KS	21622	156	0	12	0	0	*
10202115	SECURITY STATE BANK	GREAT BEND	KS	34038	271	0	144	0	0	*
10202300	FARMERS STATE BANK & TR CO	HAYS	KS	40603	302	0	295	0	0	*
10202320	HAYSVILLE STATE BANK	HAYSVILLE	KS	26114	243	0	0	0	0	*
10202410	CITIZENS STATE BANK & TR CO	HIAWATHA	KS	26329	161	0	63	0	0	*
10202420	MORRILL & JANES BK & TR CO	HIAWATHA	KS	20221	86	0	13	0	0	*
10202490	DENISON STATE BANK	HOLTON	KS	20383	116	0	0	0	0	*
10202580	HOXIE STATE BANK	HOXIE	KS	19556	66	0	33	0	0	*
10202610	CITIZENS STATE BANK	HUGOTON	KS	26659	213	0	0	0	0	*
10202650	CENTRAL STATE BANK	HUTCHINSON	KS	45617	621	0	147	0	0	*
10202700	INDEPENDENCE STATE BANK	INDEPENDENCE	KS	33102	465	0	0	0	0	*
10202730	ALLEN COUNTY BANK & TRUST	IOLA	KS	32916	529	0	0	0	0	*
10202740	IOLA STATE BANK	IOLA	KS	20165	304	0	0	0	0	*
10202885	ARROWHEAD S B OF KANSAS CITY	KANSAS CITY	KS	16031	187	0	0	0	0	*
10202890	BROTHERHOOD STATE BANK	KANSAS CITY	KS	59427	1277	0	91	0	0	*
10202905	DOUGLASS STATE BANK	KANSAS CITY	KS	20305	120	0	0	0	0	*
10202920	FIDELITY STATE BANK	KANSAS CITY	KS	20545	284	0	0	0	0	*
10202930	FIRST ST BK OF KANSAS CITY	KANSAS CITY	KS	25437	265	0	0	0	0	*
10202940	GUARANTY STATE BANK & TRUST	KANSAS CITY	KS	22949	505	0	0	0	0	*
10202950	HOME STATE BANK	KANSAS CITY	KS	50732	303	0	597	0	0	*
10202960	INDUSTRIAL STATE BANK	KANSAS CITY	KS	32479	332	0	19	0	0	*
10202980	KAW VALLEY STATE BK & TRUST	KANSAS CITY	KS	24014	352	0	0	0	0	*
10203010	ROSEDALE ST BK & TR CO	KANSAS CITY	KS	27182	314	0	0	0	0	*
10203025	TOWER STATE BANK	KANSAS CITY	KS	16844	260	0	0	0	0	*
10203030	TWIN CITY STATE BANK	KANSAS CITY	KS	31455	500	0	0	0	0	*
10203030	STATE BANK OF KINGMAN	KINGMAN	KS	16051	67	0	0	0	0	*
10203110	FIRST STATE BANK	KIOWA	KS	14886	86	0	0	0	0	*
10203195	DOUGLAS COUNTY STATE BANK	LAWRENCE	KS	38863	690	0	0	0	0	*
10203213	UNIVERSITY STATE BANK	LAWRENCE	KS	23064	598	0	0	0	0	*
10203270	LENEXA ST BK & TR CO	LENEXA	KS	25979	380	0	0	0	0	*
10203320	FIRST STATE BANK	LEOTI	KS	20379	118	0	0	0	0	*
10203350	CITIZENS STATE BANK	LIBERAL	KS	24899	301	0	0	0	0	*
10203630	HOME STATE BANK & TRUST CO	MC PHERSON	KS	16299	171	0	0	0	0	*
10203640	MCPHERSON ST BK & TR CO	MCPHERSON	KS	52770	324	0	541	0	0	*
10203650	PEOPLES BANK & TR CO	MCPHERSON	KS	22204	215	0	0	0	0	*
10203675	CITIZENS STATE BANK & TRUST	MANHATTAN	KS	29208	342	0	0	0	0	*
10203780	EXC BK OF SCHMIDT & KOSTER	MARYSVILLE	KS	27298	260	0	0	0	0	*
10203960	UNITED BANK OF MINNEAPOLIS	MINNEAPOLIS	KS	17232	105	0	0	0	0	*
10203875	CENTENNIAL BANK & TRUST	MISSION	KS	28460	317	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10203880	MISSION ST BK & TR CO	MISSION	KS	84151	401	0	1758	0	0	
10204080	KANSAS STATE BANK	NEWTON	KS	35246	480	0	0	0	0	*
10204170	FARMERS STATE BK OF OAKLEY	OAKLEY	KS	22067	106	0	0	0	0	*
10204230	PATRONS STATE BK & TR CO	OLATHE	KS	56688	713	0	742	0	0	*
10204405	METCALF STATE BANK	OVERLAND PARK	KS	33612	469	0	0	0	0	*
10204410	OVERLAND PARK ST BK & TR CO	OVERLAND PARK	KS	55095	1006	0	145	0	0	*
10204415	RANCHMART BANK & TR CO	OVERLAND PARK	KS	45093	455	0	124	0	0	*
10204417	VALLEY VIEW STATE BANK	OVERLAND PARK	KS	50265	661	0	173	0	0	*
10204460	CITIZENS STATE BANK	PAOLA	KS	14933	134	0	0	0	0	*
10204500	PARSONS COMMERCIAL BANK	PARSONS	KS	25177	470	0	0	0	0	*
10204580	FIRST STATE BANK & TRUST CO	PITTSBURG	KS	37563	795	0	0	0	0	*
10204678	SOUTHGATE BANK & TR CO	PRAIRIE VILLAGE	KS	107325	1034	0	1965	2	-2	
10204885	MIDAMERICAN BK & TR CO	ROELAND PARK	KS	79617	764	0	1382	0	0	
10204890	ROSE HILL STATE BANK	ROSE HILL	KS	16578	82	0	0	0	0	*
10204920	HOME STATE BANK	RUSSELL	KS	43168	128	0	482	0	0	*
10204930	RUSSELL STATE BANK	RUSSELL	KS	37116	192	0	277	0	0	*
10204940	FARMERS STATE BANK	SABETHA	KS	19898	99	0	0	0	0	*
10204960	CITIZENS STATE BANK	ST FRANCIS	KS	14457	65	0	0	0	0	*
10205025	FIRST STATE BK & TR CO	SALINA	KS	21687	421	0	0	0	0	*
10205040	PLANTERS STATE BK & TR CO	SALINA	KS	64513	767	0	1051	0	0	*
10205063	SECURITY STATE BANK	SCOTT CITY	KS	21251	124	0	0	0	0	*
10205110	CITIZENS STATE BANK	SENECA	KS	21921	124	0	46	0	0	*
10205155	CITIZENS STATE BANK	SHAWNEE	KS	20218	472	0	0	0	0	*
10205160	SHAWNEE STATE BANK	SHAWNEE	KS	66342	860	0	836	0	0	*
10205200	SMITH CTY ST BK & TR	SMITH CENTER	KS	21622	151	0	18	0	0	*
10205225	BANK OF KANSAS	SOUTH HUTCHINSON	KS	15367	242	0	0	0	0	*
10205420	BANK OF TESCOTT	TESCOTT	KS	13171	37	0	0	0	0	*
10205505	CAPITAL CITY ST BK & TR CO	TOPEKA	KS	16407	153	0	0	0	0	*
10205510	COMMERCE BANK & TRUST	TOPEKA	KS	56534	688	0	758	0	0	*
10205520	FIDELITY STATE BANK & TR CO	TOPEKA	KS	46142	342	0	536	0	0	*
10205535	HIGHLAND PARK BANK & TR	TOPEKA	KS	42139	530	0	66	0	0	*
10205540	KAW VALLEY ST BK & TR CO	TOPEKA	KS	36542	670	0	0	0	0	*
10205555	NORTH PLAZA STATE BANK	TOPEKA	KS	14412	319	0	0	0	0	*
10205565	SOUTHWEST STATE BANK	TOPEKA	KS	24924	508	0	0	0	0	*
10205580	TOPEKA BANK & TRUST	TOPEKA	KS	23754	405	0	0	0	0	*
10205670	GRANT COUNTY STATE BANK	ULYSSES	KS	38815	165	0	441	0	0	*
10205705	ARKANSAS VALLEY STATE BANK	VALLEY CENTER	KS	19720	305	0	0	0	0	*
10205775	TREGO WAKEENEY STATE BANK	WAKEENEY	KS	18398	108	0	0	0	0	*
10206015	BOULEVARD STATE BANK	WICHITA	KS	64883	1006	0	795	0	0	*
10206016	CENTRAL BANK & TRUST	WICHITA	KS	32991	463	0	0	0	0	*
10206017	CITY BANK & TRUST CO	WICHITA	KS	21466	376	0	0	0	0	*
10206018	EAST SIDE BANK AND TRUST	WICHITA	KS	32120	500	0	0	0	0	*
10206040	KANSAS STATE BANK & TR CO	WICHITA	KS	123399	816	0	4443	0	0	
10206045	SENECA ST BK OF WICHITA	WICHITA	KS	28019	571	0	0	0	0	*
10206058	TWIN LAKES STATE BANK	WICHITA	KS	29761	272	0	39	0	0	*
10206065	UNITED AMERICAN BK & TR CO	WICHITA	KS	32623	673	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10206075	WICHITA STATE BANK	WICHITA	KS	31382	335	0	0	0	0	*
10206165	WESTGATE STATE BANK	WYANDOTTE COUNTY	KS	22296	331	0	0	0	0	*
10206167	WYANDOTTE BANK	WYANDOTTE COUNTY	KS	20098	209	0	0	0	0	*
10206170	STATE EXCHANGE BANK	YATES CENTER	KS	17721	87	0	0	0	0	*

OF 115 BANKS AFFECTED IN STATE 77 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
37 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8210030	CITIZENS BANK	ALBANY	KY	20134	220	0	0	0	0	*
4210048	BANK OF ASHLAND INC	ASHLAND	KY	34748	541	0	0	0	0	*
4210105	AMERICAN FIDELITY BK & TR CO	BARBOURVILLE	KY	22803	501	0	0	0	0	*
8210120	FARMERS BANK AND TRUST CO	BARDSTOWN	KY	21344	350	0	0	0	0	*
8210130	WILSON & MUIR BK & TR CO	BARDSTOWN	KY	22132	344	0	0	0	0	*
8210170	BEAVER DAM DEPOSIT BANK	BEAVER DAM	KY	24279	344	0	0	0	0	*
4210190	BELLEVUE CMMRCL & SVGS BANK	BELLEVUE	KY	26308	550	0	0	0	0	*
8210210	BANK OF BENTON	BENTON	KY	39748	672	0	0	0	0	*
8210220	BANK OF MARSHALL COUNTY	BENTON	KY	46559	454	0	261	0	0	*
8210310	BOWLING GREEN BK & TR CO	BOWLING GREEN	KY	39120	697	0	30	0	0	*
8210340	FARMERS DEPOSIT BANK	BRANDENBURG	KY	23872	209	0	0	0	0	*
4210430	PEOPLES DEPOSIT BANK	BURLINGTON	KY	14630	301	0	0	0	0	*
8210450	TRIGG COUNTY FARMERS BANK	CADIZ	KY	33387	331	0	46	0	0	*
8210500	TAYLOR COUNTY BANK	CAMPBELLSVILLE	KY	24982	713	0	0	0	0	*
4210580	KY FRMS BK OF CATLETTSBURG	CATLETTSBURG	KY	35022	513	0	0	0	0	*
8210660	BANK OF CLARKSTON	CLARKSON	KY	19601	338	0	0	0	0	*
4210740	CORBIN DEPOSIT BANK & TR CO	CORBIN	KY	28277	494	0	0	0	0	*
4210780	COVINGTON TR & BNKNG CO	COVINGTON	KY	76519	1476	0	958	0	0	
8210840	CRESTWOOD STATE BANK	CRESTWOOD	KY	19889	281	0	0	0	0	*
8210895	BANK OF DANVILLE	DANVILLE	KY	22172	298	0	0	0	0	*
8211015	CITIZENS BK OF ELIZABETHTWN	ELIZABETHTOWN	KY	36414	865	0	0	0	0	*
8211040	FARMERS DEPOSIT BANK	EMINENCE	KY	19303	209	0	0	0	0	*
4211110	FARMERS DEPOSIT BANK	FLEMINGSBURG	KY	22297	271	0	0	0	0	*
4211120	PEOPLES BANK OF FLEMING CTY	FLEMINGSBURG	KY	26686	212	0	0	0	0	*
4211125	BOONE STATE BANK	FLORENCE	KY	27221	1194	0	0	0	0	*
4211130	FLORENCE DEPOSIT BANK	FLORENCE	KY	27556	514	0	0	0	0	*
4211150	FORT THOMAS BELLEVUE BANK	FORT THOMAS	KY	42973	833	0	0	0	0	*
8211170	FRMS BK & CAPITAL TR CO	FRANKFORT	KY	161691	1524	0	4550	1146	-1146	
8211195	FRANKLIN BANK AND TRUST CO	FRANKLIN	KY	22462	358	0	0	0	0	*
8211200	SIMPSON COUNTY BANK	FRANKLIN	KY	42787	740	0	0	0	0	*
4211250	FARMERS BANK AND TRUST CO	GEORGETOWN	KY	23738	359	0	0	0	0	*
8211300	CITIZENS BANK AND TRUST CO	GLASGOW	KY	56304	934	0	382	0	0	*
4211360	COMMERCIAL BK OF GRAYSON	GRAYSON	KY	23258	374	0	0	0	0	*
8211380	GREENSBURG DEPOSIT BANK	GREENSBURG	KY	21651	265	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8211405	FIRST STATE BANK	GREENVILLE	KY	40452	814	0	116	0	0	*
4211420	BANK OF HARLAN	HARLAN	KY	38194	1267	0	104	0	0	*
8211470	HARTFORD BANK AND TRUST CO	HARTFORD	KY	18088	342	0	0	0	0	*
8211480	HANCOCK BANK & TRUST CO	HAWESVILLE	KY	23767	325	0	0	0	0	*
4211490	CITIZENS STATE BANK	HAZARD	KY	22479	616	0	0	0	0	*
4211500	PEOPLES BANK	HAZARD	KY	51447	1364	0	166	0	0	*
8211530	FARMERS BANK AND TRUST CO	HENDERSON	KY	32165	456	0	0	0	0	*
8211610	FIRST CITY BK AND TR CO	HOPKINSVILLE	KY	73109	1629	0	804	0	0	*
8211630	HORSE CAVE STATE BANK	HORSE CAVE	KY	21663	263	0	0	0	0	*
4211680	INEZ DEPOSIT BANK	INEZ	KY	24623	993	0	0	0	0	*
8211710	FIRST STATE BANK	IRVINGTON	KY	24502	556	0	0	0	0	*
4211725	CITIZENS BANK	JACKSON	KY	23003	459	0	0	0	0	*
8211810	BANK OF OLDHAM COMPANY	LA GRANGE	KY	30383	526	0	0	0	0	*
8211895	CTZ BK&TR CO OF GRAYSON CTY	LEITCHFIELD	KY	21757	340	0	0	0	0	*
8211900	LEITCHFIELD DPST BK & TR CO	LEITCHFIELD	KY	18866	260	0	0	0	0	*
4211925	BANK OF LEXINGTON INC	LEXINGTON	KY	59967	715	0	918	0	0	*
4211930	CENTRAL BANK AND TRUST CO	LEXINGTON	KY	148428	2534	0	3975	0	0	
8212045	BANK OF LOUISVILLE-ROYAL BK	LOUISVILLE	KY	347476	4118	0	5188	7340	-7340	
8212170	STOCK YARDS BK & TR CO	LOUISVILLE	KY	44200	547	0	445	0	0	*
4212210	JACKSON COUNTY BANK	MC KEE	KY	19590	435	0	0	0	0	*
8212230	FRMRS BK & TR CO OF MADSNVLE	MADISONVILLE	KY	54105	665	0	872	0	0	*
8212240	KENTUCKY BANK AND TRUST CO	MADISONVILLE	KY	58339	831	0	962	0	0	*
8212245	PEOPLES BANK AND TRUST CO	MADISONVILLE	KY	50580	1268	0	137	0	0	*
4212270	FIRST STATE BANK	MANCHESTER	KY	26663	613	0	0	0	0	*
4212295	FIRST GUARANTY BANK	MARTIN	KY	35185	544	0	0	0	0	*
8212315	LIBERTY SAVINGS BANK	MAYFIELD	KY	42979	593	0	362	0	0	*
4212330	BANK OF MAYSVILLE	MAYSVILLE	KY	33935	426	0	0	0	0	*
4212380	COMMERCIAL BANK	MIDDLESBORO	KY	41613	1151	0	0	0	0	*
8212430	FARMERS BANK	MILTON	KY	14828	300	0	0	0	0	*
8212450	MONTICELLO BANKING COMPANY	MONTICELLO	KY	20588	416	0	0	0	0	*
8212510	UNION BANK AND TRUST COMPANY	MORGANFIELD	KY	24803	273	0	0	0	0	*
8212520	MORGANTOWN DEPOSIT BANK	MORGANTOWN	KY	23065	417	0	0	0	0	*
4212550	EXCHANGE BANK OF KENTUCKY	MOUNT STERLING	KY	28307	333	0	0	0	0	*
4212590	BANK OF MT VERNON	MOUNT VERNON	KY	20137	386	0	0	0	0	*
8212630	BANK OF MURRAY	MURRAY	KY	83744	804	0	1551	0	0	
8212640	PEOPLES BANK OF MURRAY	MURRAY	KY	55072	955	0	132	0	0	*
8212650	UNITED CITIZENS BK & TR CO	NEW CASTLE	KY	25571	334	0	0	0	0	*
4212770	PEOPLES BANK	OLIVE HILL	KY	24635	605	0	0	0	0	*
8212780	CENTRAL BANK AND TRUST CO	OWENSBORO	KY	70132	1207	0	1301	0	0	*
8212790	CITIZENS STATE BANK	OWENSBORO	KY	86852	1197	0	2074	0	0	*
8212840	PEOPLES BANK AND TRUST CO	OWENTON	KY	21429	147	0	7	0	0	*
8212870	CITIZENS BANK & TRUST CO	PADUCAH	KY	124479	2301	0	2699	0	0	
8212875	PADUCAH BANK AND TRUST CO	PADUCAH	KY	49216	1161	0	0	0	0	*
4212920	BOURBON AGRICLTRL BK & TR CO	PARIS	KY	32500	420	0	0	0	0	*
4212985	CITIZENS BANK OF PIKEVILLE	PIKEVILLE	KY	69755	1493	0	683	0	0	*
4213025	FIRST STATE BANK	PINEVILLE	KY	19148	696	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8213030	DEPOSIT BANK	PLEASUREVILLE	KY	15813	103	0	0	0	0	*
4213050	BANK JOSEPHINE	PRESTONSBURG	KY	50083	881	0	252	0	0	*
8213070	FARMERS BK & TR CO INC	PRINCETON	KY	31480	532	0	0	0	0	*
8213080	FIRST BK & TR CO	PRINCETON	KY	36853	553	0	0	0	0	*
8213090	PROVIDENCE STATE BANK	PROVIDENCE	KY	16400	334	0	0	0	0	*
4213105	RICHMOND BANK	RICHMOND	KY	15477	382	0	0	0	0	*
4213110	STATE BK & TR CO	RICHMOND	KY	57156	930	0	611	0	0	*
4213130	FIRST AND PEOPLES BANK	RUSSELL	KY	46088	1464	0	0	0	0	*
8213160	SOUTHERN DEPOSIT BANK	RUSSELLVILLE	KY	25612	309	0	0	0	0	*
8213270	KENTUCKY STATE BANK	SCOTTSVILLE	KY	17367	271	0	0	0	0	*
8213310	CITIZENS UNION BANK	SHELBYVILLE	KY	22784	392	0	0	0	0	*
8213340	SHELBY COUNTY TRUST BANK	SHELBYVILLE	KY	20668	154	0	0	0	0	*
8213360	PEOPLES BANK	SHEPHERDSVILLE	KY	18558	375	0	0	0	0	*
8213465	FIRST AND PEOPLES BANK	SPRINGFIELD	KY	22732	244	0	0	0	0	*
8213490	SPRINGFIELD STATE BANK	SPRINGFIELD	KY	27152	274	0	0	0	0	*
4213520	POWELL COUNTY BANK	STANTON	KY	19579	458	0	0	0	0	*
8213530	FARMERS STATE BANK	STURGIS	KY	21468	302	0	0	0	0	*
8213550	PEOPLES BANK	TAYLORSVILLE	KY	17155	242	0	0	0	0	*
8213570	DEPOSIT BANK OF MONROE CTY	TOMPKINSVILLE	KY	19460	317	0	0	0	0	*
4213640	CITIZENS DEPOSIT BANK	VANCEBURG	KY	28077	507	0	0	0	0	*
4213660	UNITED BANK AND TRUST CO	VERSAILLES	KY	28682	528	0	0	0	0	*
4213670	WOODFORD BANK AND TRUST CO	VERSAILLES	KY	30894	477	0	0	0	0	*
4213760	COMMERCIAL BANK	WEST LIBERTY	KY	24302	336	0	0	0	0	*
4213780	BANK OF WHITESBURG	WHITESBURG	KY	45892	941	0	0	0	0	*
4213785	FIRST SECURITY BANK	WHITESBURG	KY	19593	626	0	0	0	0	*
4213800	BANK OF MC CREARY COUNTY	WHITLEY CITY	KY	21170	676	0	0	0	0	*
4213820	BANK OF WILLIAMSBURG	WILLIAMSBURG	KY	24534	620	0	0	0	0	*
4213850	BANK OF WILLIAMSTOWN	WILLIAMSTOWN	KY	21179	213	0	0	0	0	*
4213880	PEOPLES COMMERCIAL BANK	WINCHESTER	KY	34270	406	0	0	0	0	*
4213900	WINCHESTER BANK	WINCHESTER	KY	51377	407	0	825	0	0	*

OF 110 BANKS AFFECTED IN STATE 82 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
26 HAVE NO REQURED RESERVE BALANCE

6220010	BANK OF ABBEYVILLE & TR CO	ABBEVILLE	LA	31543	1049	0	0	0	0	*
6220025	GULF COAST BANK	ABBEVILLE	LA	17876	261	0	0	0	0	*
6220030	GUARANTY BK AND TRUST CO	ALEXANDRIA	LA	150202	2645	0	4033	0	0	
6220052	CENTRAL PROGRESSIVE BANK	AMITE	LA	23480	545	0	0	0	0	*
6220071	BAKER BANK AND TRUST CO	E BATON ROUGE	LA	34041	904	0	0	0	0	*
11220075	BANK OF MOREHOUSE	BASTROP	LA	19304	754	0	0	0	0	*
6220085	AMERICAN BANK AND TRUST CO	BATON ROUGE	LA	459966	7117	0	5248	6160	-6160	
6220086	BATON ROUGE BANK & TRUST CO	BATON ROUGE	LA	67262	751	0	694	0	0	*

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NONMEMBER BANKS — BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 — 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6220087	CAPITAL BANK AND TRUST CO	BATON ROUGE	LA	214859	1728	0	4898	385	-385	
11220120	CADDO TRUST AND SAVINGS BK	BELCHER	LA	19935	321	0	0	0	0	*
11220145	PEOPLES BANK & TR CO	BLANCHARD	LA	18740	393	0	0	0	0	*
11220160	BOSSIER BANK AND TRUST CO	BOSSIER CITY	LA	133716	1046	0	3573	131	-131	
11220166	RED RIVER VALLEY BANK	BOSSIER CITY	LA	14879	166	0	0	0	0	*
6220170	FARMERS-MERCHANTS BK&TR CO	BREAUX BRIDGE	LA	30787	475	0	0	0	0	*
6220180	AVOYELLES TR AND SVGS BK	BUNKIE	LA	23580	546	0	0	0	0	*
6220185	BUNKIE BANK & TRUST COMPANY	BUNKIE	LA	15335	185	0	0	0	0	*
6220187	PEOPLES B&TC OF ST BERNARD	CHALMETTE	LA	42066	1666	0	0	0	0	*
6220210	FARMERS STATE BK & TR CO	CHURCH POINT	LA	24539	307	0	0	0	0	*
6220220	CLINTON BANK AND TR CO	CLINTON	LA	19869	245	0	0	0	0	*
11220270	BANK OF COUSHATTA	COUSHATTA	LA	23263	454	0	0	0	0	*
6220275	CITIZENS BK AND TRUST CO	COVINGTON	LA	20661	525	0	0	0	0	*
6220290	BANK OF COMMERCE & TRUST CO	CROWLEY	LA	63074	1116	0	1184	0	0	*
6220305	LOUISIANA BANK AND TRUST CO	CROWLEY	LA	22531	292	0	0	0	0	*
11220312	GUARANTY BANK & TRUST CO	DELHI	LA	20338	338	0	0	0	0	*
6220320	LIVINGSTON ST BK & TR CO	DENHAM SPRINGS	LA	44094	1307	0	0	0	0	*
6220330	CITY SAVINGS BANK AND TR CO	DE RIDDER	LA	39798	367	0	153	0	0	*
6220375	ACADIANA BANK	EUNICE	LA	23654	692	0	0	0	0	*
6220380	TRI PARISH BANK AND TRUST CO	EUNICE	LA	30568	229	0	31	0	0	*
11220390	FARMERVILLE BANK	FARMERVILLE	LA	18928	367	0	0	0	0	*
6220400	COMMERCIAL BANK AND TRUST CO	FRANKLIN	LA	35866	316	0	391	0	0	*
6220410	ST MARY BANK AND TRUST CO	FRANKLIN	LA	17425	599	0	0	0	0	*
6220415	FIRST STATE BANK AND TR CO	FRANKLINTON	LA	67650	1094	0	499	0	0	*
6220420	WASHINGTON BANK AND TRUST CO	FRANKLINTON	LA	37138	1193	0	0	0	0	*
6220427	STATE BANK AND TRUST COMPANY	GOLDEN MEADOW	LA	37971	649	0	0	0	0	*
6220430	BANK OF GONZALES	GONZALES	LA	74344	792	0	1024	0	0	
6220455	BANK OF THE SOUTH	GRETNA	LA	18012	379	0	0	0	0	*
6220465	GUARANTY BANK AND TR CO	GRETNA	LA	80702	2194	0	872	0	0	*
6220467	GULF SOUTH BK & TR CO	GRETNA	LA	27574	515	0	0	0	0	*
6220490	FIRST GUARANTY BANK	HAMMOND	LA	114620	2416	0	1795	0	0	
6220507	CONTINENAL BANK	HARVEY	LA	22548	605	0	0	0	0	*
11220510	PLANTERS BK & TR CO	HAYNESVILLE	LA	32018	360	0	1	0	0	*
6220525	AMERICAN BANK AND TRUST CO	HOUMA	LA	39839	803	0	0	0	0	*
6220543	PROGRESSIVE BANK & TRUST CO	HOUMA	LA	30470	892	0	0	0	0	*
6220545	TERREBONNE BANK & TRUST CO	HOUMA	LA	154113	2469	0	3736	0	0	
6220550	COMMUNITY STATE BANK	INDEPENDENCE	LA	28138	560	0	0	0	0	*
6220572	JEFFERSON BANK & TR CO	JEFFERSON PARISH	LA	73486	869	0	1764	0	0	*
6220573	FIRST METROPOLITAN BANK	JEFFERSON PARISH	LA	43325	1175	0	0	0	0	*
11220580	BANK OF JENA	JENA	LA	22461	827	0	0	0	0	*
11220590	LA SALLE STATE BANK	JENA	LA	20733	399	0	0	0	0	*
11220600	JACKSON PARISH BANK	JONESBORO	LA	17941	345	0	0	0	0	*
11220615	CATAHOULA BANK	JONESVILLE	LA	21291	284	0	0	0	0	*
6220620	KAPLAN STATE BANK	KAPLAN	LA	29336	312	0	0	0	0	*
6220623	VERMILLION BANK AND TRUST CO	KAPLAN	LA	25705	370	0	0	0	0	*
6220625	MERCHANTS TR AND SVGS BK	KENNER	LA	26493	576	0	0	0	0	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6220628	AMERICAN BK AND TR COMPANY	LAFAYETTE	LA	91133	1064	0	2705	0	0	*
6220640	GUARANTY BANK AND TRUST CO	LAFAYETTE	LA	236104	3907	0	5198	2662	-2662	
6220645	HUB CITY BANK AND TRUST CO	LAFAYETTE	LA	35840	394	0	0	0	0	*
6220648	AMERICAN BANK OF COMMERCE	LAKE CHARLES	LA	41494	482	0	313	0	0	*
11220678	BANK OF DIXIE	LAKE PROVIDENCE	LA	32543	426	0	0	0	0	*
6220710	M&F BANK & TR CO	LEESVILLE	LA	29223	452	0	0	0	0	*
6220720	VERNON BANK	LEESVILLE	LA	21321	398	0	0	0	0	*
6220740	BANK OF ST CHARLES & TR CO	LULING	LA	44510	939	0	0	0	0	*
6220750	ST JAMES BANK AND TRUST CO	LUTCHER	LA	31027	608	0	0	0	0	*
6220755	GUARANTY BANK OF MAMOU	MAMOU	LA	21124	435	0	0	0	0	*
11220763	MANSFIELD BK & TR CO	MANSFIELD	LA	17887	233	0	0	0	0	*
11220790	SABINE STATE BK & TR CO	MANY	LA	22548	440	0	0	0	0	*
6220805	CENTRAL LA BK & TR CO INC	MARKSVILLE	LA	15171	536	0	0	0	0	*
6220810	UNION BANK	MARKSVILLE	LA	26135	509	0	0	0	0	*
6220833	COMMERCIAL BANK AND TRUST CO	METAIRIE	LA	49036	1302	0	0	0	0	*
6220834	FIRST PROGRESSIVE BANK	METAIRIE	LA	18810	482	0	0	0	0	*
6220835	METAIRIE BANK AND TRUST CO	METAIRIE	LA	65163	1506	0	551	0	0	*
6220836	PONTCHARTRAIN STATE BANK	METAIRIE	LA	17200	309	0	0	0	0	*
11220850	PEOPLES BANK AND TRUST CO	MINDEN	LA	47392	532	0	547	0	0	*
11220855	AMERICAN BANK & TRUST CO	MONROE	LA	65780	656	0	1013	0	0	*
6220892	GUARANTY BANK & TRUST CO	MORGAN CITY	LA	42217	820	0	0	0	0	*
6220895	MORGAN CITY BANK AND TR CO	MORGAN CITY	LA	37399	542	0	0	0	0	*
6220900	ASSUMPTION BANK AND TRUST CO	NAPOLEONVILLE	LA	38682	1083	0	0	0	0	*
11220910	CITY BANK AND TRUST COMPANY	NATCHITOCHES	LA	25840	508	0	0	0	0	*
11220920	EXCHANGE BANK AND TRUST CO	NATCHITOCHES	LA	30826	516	0	0	0	0	*
11220930	PEOPLES BANK AND TRUST CO	NATCHITOCHES	LA	28786	990	0	0	0	0	*
6220945	CITY BANK AND TRUST COMPANY	NEW IBERIA	LA	26987	392	0	0	0	0	*
6220975	BANK OF LA IN NEW ORLEANS	NEW ORLEANS	LA	37087	506	0	0	0	0	*
6220979	COLONIAL BANK	NEW ORLEANS	LA	31817	552	0	0	0	0	*
6220987	LIBERTY BANK AND TRUST CO	NEW ORLEANS	LA	20392	514	0	0	0	0	*
6221040	BANK OF NEW ROADS	NEW ROADS	LA	45395	911	0	0	0	0	*
6221045	GUARANTY BANK AND TRUST CO	NEW ROADS	LA	30504	599	0	0	0	0	*
6221048	AMERICAN BANK	NORCO	LA	47033	1004	0	0	0	0	*
6221055	BANK OF SOUTHWEST LOUISIANA	OAKDALE	LA	16001	244	0	0	0	0	*
11221060	BANK OF OAK GROVE	OAK GROVE	LA	18759	426	0	0	0	0	*
11221090	OLLA STATE BANK	OLLA	LA	14467	140	0	0	0	0	*
6221095	AMERICAN BANK AND TRUST CO	OPELOUSAS	LA	38823	766	0	0	0	0	*
6221100	PLANTER TR AND SAVINGS BK	OPELOUSAS	LA	39323	652	0	0	0	0	*
6221110	ST LANDRY BANK AND TRUST CO	OPELOUSAS	LA	54719	1094	0	247	0	0	*
6221120	PATTERSON STATE BANK	PATTERSON	LA	26814	541	0	0	0	0	*
6221150	CITIZENS BANK AND TRUST CO	PLAQUEMINE	LA	34434	624	0	0	0	0	*
6221160	IBERVILLE TR AND SVGS BK	PLAQUEMINE	LA	26418	687	0	0	0	0	*
6221165	PLAQUEMINE BANK & TRUST CO	PLAQUEMINE	LA	20917	268	0	0	0	0	*
6221180	BANK OF WEST BATON ROUGE	PORT ALLEN	LA	20028	518	0	0	0	0	*
6221185	DELTA BANK AND TRUST COMPANY	PORT SULPHUR	LA	45367	1801	0	0	0	0	*
6221188	COMMUNITY BANK OF LAFOURCHE	RACELAND	LA	26527	312	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6221190	RACELAND BANK AND TRUST CO	RACELAND	LA	80687	1639	0	903	0	0	
6221200	RAYNE STATE BANK AND TR CO	RAYNE	LA	28606	372	0	0	0	0	*
11221210	RICHLAND STATE BANK	RAYVILLE	LA	23688	368	0	0	0	0	*
6221220	BANK OF ST JOHN	RESERVE	LA	36794	1101	0	0	0	0	*
11221245	LINCOLN BANK & TRUST CO	RUSTON	LA	37327	243	0	131	0	0	*
11221250	RUSTON STATE BK & TR CO	RUSTON	LA	49797	564	0	255	0	0	*
6221260	BANK OF COMMERCE AND TR CO	ST FRANCISVILLE	LA	16562	369	0	0	0	0	*
6221280	ST MARTIN BANK & TR CO	ST MARTINVILLE	LA	25765	570	0	0	0	0	*
11221295	AMERICAN BANK & TRUST CO	SHREVEPORT	LA	42483	540	0	0	0	0	*
11221297	THE BANK OF COMMERCE	SHREVEPORT	LA	36546	465	0	0	0	0	*
11221325	LOUISIANA BANK & TRUST CO	SHREVEPORT	LA	168393	1695	0	5218	368	-368	
11221330	PIONEER BANK & TRUST CO	SHREVEPORT	LA	115689	2253	0	2079	0	0	
11221335	SHREVEPORT BANK & TRUST CO	SHREVEPORT	LA	32204	768	0	0	0	0	*
11221337	UNITED MERCANTILE BANK	SHREVEPORT	LA	32116	348	0	0	0	0	*
6221354	FIRST BANK	SLIDELL	LA	43551	1551	0	0	0	0	*
11221360	SPRINGHILL BK & TR CO	SPRINGHILL	LA	24595	588	0	0	0	0	*
6221370	BANK OF SUNSET AND TR CO	SUNSET	LA	16538	225	0	0	0	0	*
11221380	TALLULAH STATE BK & TR CO	TALLULAH	LA	19680	412	0	0	0	0	*
6221385	ACADIAN BANK	THIBODAUX	LA	14660	300	0	0	0	0	*
6221390	CITIZENS BANK AND TR CO	THIBODAUX	LA	126530	1910	0	3329	0	0	
6221410	BANK OF VACHERIE	VACHERIE	LA	33811	727	0	0	0	0	*
11221420	CONCORDIA BANK AND TRUST CO	VIDALIA	LA	59311	1071	0	429	0	0	*
6221425	AMERICAN SECURITY BANK	VILLA PLATTE	LA	29516	707	0	0	0	0	*
6221430	EVANGELINE BANK AND TRUST CO	VILLE PLATTE	LA	26929	405	0	0	0	0	*
6221450	WASHINGTON STATE BANK	WASHINGTON	LA	19625	318	0	0	0	0	*
6221453	AMERICAN BANK	WELSH	LA	20909	279	0	0	0	0	*
6221460	BANK OF COMMERCE	WHITE CASTLE	LA	19488	269	0	0	0	0	*
11221480	FRANKLIN STATE BK & TR CO	WINNSBORO	LA	25370	610	0	0	0	0	*
11221490	WINNSBORO STATE BK & TR CO	WINNSBORO	LA	26600	512	0	0	0	0	*
6221500	BANK OF ZACHARY	ZACHARY	LA	25206	606	0	0	0	0	*

OF 130 BANKS AFFECTED IN STATE 100 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
25 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1230060	DEPOSITORS TRUST COMPANY	AUGUSTA	ME	222999	4341	0	5115	593	-593	
1230097	DEPOSITORS TR CO OF BANGOR	BANGOR	ME	25797	667	0	0	0	0	*
1230125	NORTHEAST BANK & TRUST CO	BANGOR	ME	62076	1024	0	783	0	0	*
1230140	BAR HARBOR BKNG & TR CO	BAR HARBOR	ME	47892	912	0	158	0	0	*
1230250	PEPPERELL TRUST COMPANY	BIDDEFORD	ME	14953	228	0	0	0	0	*
1230310	AROOSTOOK TRUST COMPANY	CARIBOU	ME	24690	709	0	0	0	0	*
1230460	NORTHEAST BANK OF GUILFORD	GUILFORD	ME	17380	362	0	0	0	0	*
1230490	HOULTON TRUST CO	HOULTON	ME	18036	166	0	0	0	0	*

NONMEMBER BANKS | BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 | 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1230545	NE BK OF LEWISTON & AUBURN	LEWISTON	ME	85843	3074	0	0	0	0	*
1230590	NORTHEAST BANK OF LINCOLN	LINCOLN	ME	24594	570	0	0	0	0	*
1230600	LIVERMORE FALLS TRUST CO	LIVERMORE FALLS	ME	25530	435	0	0	0	0	*
1230620	NORTHEAST BK OF MILLINOCKET	MILLINOCKET	ME	19367	561	0	0	0	0	*
1230665	OXFORD BANK AND TRUST	OXFORD	ME	25951	129	0	180	0	0	*
1230700	CASCO BK & TR CO	PORTLAND	ME	294402	3971	0	5129	4180	-4180	
1230705	DEPOSITORS TR CO OF PORTLAND	PORTLAND	ME	23956	449	0	0	0	0	*
1230920	WASHBURN TRUST COMPANY	WASHBURN	ME	19581	303	0	0	0	0	*
1230930	FEDERAL TRUST COMPANY	WATERVILLE	ME	59457	1823	0	0	0	0	*
1230950	NORTHEAST BANK OF WESTBROOK	WESTBROOK	ME	33048	711	0	0	0	0	*

OF 18 BANKS AFFECTED IN STATE 13 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
3 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5240090	CARROLLTON BANK OF BALTIMORE	BALTIMORE	MD	57515	1920	0	0	0	0	*
5240130	EQUITABLE TRUST COMPANY	BALTIMORE	MD	1264622	26913	0	5185	31222	-31222	
5240240	MERCANTILE SAFE DEP & TR CO	BALTIMORE	MD	391874	2840	0	5149	10768	-10768	
5240310	COMMERCIAL & SAVINGS BANK	BEL AIR	MD	40969	845	0	0	0	0	*
5240330	CALVIN B TAYLOR BANKING CO	BERLIN	MD	35757	1052	0	0	0	0	*
5240350	BANK OF BETHESDA	BETHESDA	MD	63572	1828	0	1008	0	0	*
5240354	KENNEDY BANK & TRUST COMPANY	BETHESDA	MD	25721	144	0	100	0	0	*
5240356	POTOMAC VALLEY BANK	BETHESDA	MD	49857	847	0	487	0	0	*
5240390	BANK OF BRANDYWINE	BRANDYWINE	MD	19936	594	0	0	0	0	*
5240480	CHESTERTOWN BANK OF MD	CHESTERTOWN	MD	35623	332	0	115	0	0	*
5240510	PEOPLES BANK OF KENT CTY MD	CHESTERTOWN	MD	25614	491	0	0	0	0	*
5240540	CLIFTON TRUST BANK	COCKEYSVILLE	MD	19556	341	0	0	0	0	*
5240565	COLUMBIA BANK & TRUST CO	COLUMBIA	MD	47023	786	0	524	0	0	*
5240600	CUMBERLAND SAVINGS BANK	CUMBERLAND	MD	25318	1365	0	0	0	0	*
5240650	BANK OF DAMASCUS	DAMASCUS	MD	37815	277	0	174	0	0	*
5240680	PEOPLES BANK OF MARYLAND	DENTON	MD	20067	414	0	0	0	0	*
5240730	TALBOT BANK	EASTON	MD	22675	410	0	0	0	0	*
5240740	COUNTY BANKING AND TRUST CO	ELKTON	MD	53607	1266	0	0	0	0	*
5240750	PEOPLES BANK	ELKTON	MD	22450	557	0	0	0	0	*
5240840	FREDERICKTOWN BK & TR CO	FREDERICK	MD	68549	1822	0	0	0	0	
5240870	FIDELITY BANK	FROSTBURG	MD	17657	261	0	0	0	0	*
5240915	BANK OF GLEN BURNIE	GLEN BURNIE	MD	26001	868	0	0	0	0	*
5240950	FARMERS & MERCHANTS BANK	HAGERSTOWN	MD	58245	1975	0	0	0	0	*
5240960	HAGERSTOWN TRUST COMPANY	HAGERSTOWN	MD	75977	2322	0	0	0	0	*
5240990	HAMPSTEAD BK OF CARROLL CTY	HAMPSTEAD	MD	21866	299	0	0	0	0	*
5241058	BANK OF MARYLAND	HILLCREST HTS	MD	63419	1786	0	44	0	0	*
5241075	SUBURBAN TRUST COMPANY	HYATTSVILLE	MD	950130	24240	0	5226	22046	-22046	
5241101	BANK OF SOUTHERN MARYLAND	LA PLATA	MD	34826	817	0	0	0	0	*

NONMEMBER BANKS   BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7   1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5241125	MARYLAND BANK & TRUST CO	LEXINGTON PARK	MD	30665	723	0	0	0	0	*
5241170	MIDDLETOWN VALLEY BANK	MIDDLETOWN	MD	18498	259	0	0	0	0	*
5241275	UNITED BK & TR CO OF MD	OXON HILL	MD	28124	786	0	0	0	0	*
5241365	CALVERT BANK AND TRUST CO	PRINCE FREDERICK	MD	16628	357	0	0	0	0	*
5241370	PENINSULA BANK	PRINCESS ANNE	MD	48283	1119	0	0	0	0	*
5241390	QUEENSTOWN BANK OF MD	QUEENSTOWN	MD	17651	436	0	0	0	0	*
5241420	CITIZENS BK & TR CO OF MD	RIVERDALE	MD	458872	12665	0	5028	5324	-5324	
5241515	AMERICAN BANK OF MARYLAND	SILVER SPRING	MD	191481	4553	0	4385	0	0	
5241550	SPARKS STATE BANK	SPARKS	MD	24799	657	0	0	0	0	*
5241570	SUDLERSVILLE BANK OF MD	SUDLERSVILLE	MD	15117	149	0	0	0	0	*
5241575	PEOPLES SECURITY BANK OF MD	SUITLAND	MD	122918	3098	0	1546	0	0	
5241615	TANEYTOWN BANK & TRUST	TANEYTOWN	MD	25404	534	0	0	0	0	*
5241740	CARROLL CTY BANK & TRUST CO	WESTMINSTER	MD	98574	1883	0	963	0	0	
5241770	WESTMINSTER TRUST COMPANY	WESTMINSTER	MD	37239	733	0	0	0	0	*

OF 42 BANKS AFFECTED IN STATE 28 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
10 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1250170	ATTLEBORO TRUST COMPANY	ATTLEBORO	MA	44473	745	0	318	0	0	*
1250225	BAYBANK AND TRUST COMPANY	BEVERLY	MA	54653	1354	0	486	0	0	*
1250280	BOSTON SAFE DEPST & TR CO	BOSTON	MA	161208	2825	0	3908	3741	-3741	
1250283	BRADFORD TR CO OF BOSTON	BOSTON	MA	24711	700	0	0	0	0	*
1250295	CAPITOL BANK & TRUST CO	BOSTON	MA	82602	843	0	1791	0	0	*
1250310	CITY BANK AND TRUST COMPANY	BOSTON	MA	74326	1764	0	1000	0	0	*
1250315	COMMONWEALTH BANK AND TR CO	BOSTON	MA	70073	1409	0	1076	0	0	*
1250425	INVESTORS BANK & TRUST CO	BOSTON	MA	14892	411	0	0	0	0	*
1250591	UNITED STATES TRUST COMPANY	BOSTON	MA	119652	1936	0	3789	0	0	
1250710	BROOKLINE TRUST COMPANY	BROOKLINE	MA	57818	789	0	1394	0	0	*
1250728	OLD CLNY B&T CO OF MDLSX CY	BURLINGTON	MA	30752	283	0	550	0	0	*
1250732	BAYBANK HARVARD TRUST CO	CAMBRIDGE	MA	303253	4440	0	5094	6709	-6709	
1250750	CAMBRIDGE TRUST COMPANY	CAMBRIDGE	MA	55134	1015	0	1065	0	0	*
1250755	CHARLESBANK TRUST CO	CAMBRIDGE	MA	21680	390	0	0	0	0	*
1250835	FIRST BANK AND TRUST CO	CHELMSFORD	MA	43465	682	0	1057	0	0	*
1250995	BAYBANK NORFOLK CTY TR CO	DEDHAM	MA	439552	7500	0	5077	10069	-10069	
1251110	B M C DURFEE TRUST COMPANY	FALL RIVER	MA	84226	1609	0	1256	0	0	*
1251185	FALMOUTH BANK & TRUST CO	FALMOUTH	MA	22367	404	0	0	0	0	*
1251260	FRAMINGHAM TRUST CO	FRAMINGHAM	MA	88191	2741	0	1265	0	0	*
1251525	LINCOLN TRUST COMPANY	HINGHAM	MA	32827	396	0	78	0	0	*
1251730	ARLINGTON TRUST COMPANY	LAWRENCE	MA	364526	4847	0	5163	7988	-7988	
1251878	LOWELL BANK & TRUST CO	LOWELL	MA	23325	510	0	0	0	0	*
1251940	ESSEX COUNTY BANK & TR CO	LYNN	MA	166769	2424	0	5091	335	-335	
1252020	MALDEN TRUST COMPANY	MALDEN	MA	47600	1192	0	576	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1252220	MIDDLEBOROUGH TRUST COMPANY	MIDDLEBORO	MA	23979	971	0	0	0	0	*
1252280	METROBANK AND TR CO/NORFOLK	MILTON	MA	21359	349	0	0	0	0	*
1252350	NATICK TRUST COMPANY	NATICK	MA	24042	957	0	0	0	0	*
1252405	SOUTHEASTERN BK & TR CO	NEW BEDFORD	MA	45812	998	0	273	0	0	*
1252465	UNIVERSITY BANK & TRUST CO	NEWTON	MA	37213	1063	0	0	0	0	*
1252725	BERKSHIRE BANK AND TRUST CO	PITTSFIELD	MA	93341	2658	0	769	0	0	
1252755	FIRST AGRICULTURAL BANK	PITTSFIELD	MA	126437	2630	0	3090	0	0	
1252825	HANCOCK BK & TR CO	QUINCY	MA	100782	1342	0	3678	0	0	
1252845	SOUTH SHORE BANK	QUINCY	MA	264515	6436	0	5096	3111	-3111	
1252900	ROCKLAND TRUST COMPANY	ROCKLAND	MA	111724	3417	0	1795	0	0	
1252970	SAUGUS BANK & TRUST CO	SAUGUS	MA	30078	722	0	0	0	0	*
1252995	SLADES FERRY TRUST CO	SOMERSET	MA	21200	1186	0	0	0	0	*
1252997	CENTURY BANK & TRUST CO	SOMERVILLE	MA	51167	748	0	619	0	0	*
1253190	VALLEY BANK AND TRUST CO	SPRINGFIELD	MA	285181	4610	0	5103	3951	-3951	
1253304	SHAWMUT MLRSE-WKFLD BK&TR CO	WAKEFIELD	MA	51693	747	0	1226	0	0	*
1253315	BAYBANK NEWTON-WALTHAM TC	WALTHAM	MA	380540	8098	0	5112	6299	-6299	
1253322	GUARANTY FIRST TR CO	WALTHAM	MA	72739	1812	0	1161	0	0	*
1253395	COOLIDGE BANK AND TRUST CO	WATERTOWN	MA	133587	1345	0	4348	0	0	
1253445	OLD CLNY B&T CO OF NRFLK CTY	WELLESLEY	MA	17403	290	0	0	0	0	*
1253545	PARK WEST BANK & TR CO	WEST SPRINGFIELD	MA	47045	963	0	156	0	0	*
1253735	COMMERCE BK & TR CO	WORCESTER	MA	46730	499	0	707	0	0	*
1253740	GUARANTY BANK AND TRUST CO	WORCESTER	MA	261506	3808	0	5097	4532	-4532	
1253750	MECHANICS BANK	WORCESTER	MA	127825	2745	0	3338	0	0	

OF 47 BANKS AFFECTED IN STATE 12 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
26 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7260020	ADRIAN STATE BANK	ADRIAN	MI	32601	768	0	0	0	0	*
7260030	ALGONAC SAVINGS BANK	ALGONAC	MI	34837	517	0	0	0	0	*
7260105	BANK OF ALMA	ALMA	MI	63240	835	0	593	0	0	*
7260130	ALPENA SAVINGS BANK	ALPENA	MI	82207	1074	0	989	0	0	
7260140	PEOPLES BK & TR OF ALPENA	ALPENA	MI	71193	903	0	786	0	0	
7260170	ANN ARBOR TRUST COMPANY	ANN ARBOR	MI	69681	159	0	1524	0	0	*
7260240	COMMUNITY BANK	BAD AXE	MI	64084	907	0	334	0	0	
7260370	GLADWIN COUNTY BANK	BEAVERTON	MI	17912	356	0	0	0	0	*
7260390	BELLAIRE STATE BANK	BELLAIRE	MI	14725	217	0	0	0	0	*
7260415	INTER-CITY BANK	BENTON HARBOR	MI	125528	2511	0	2343	0	0	
7260440	CENTRAL STATE BANK	BEULAH	MI	15118	226	0	0	0	0	*
7260460	CENTRAL MICHIGAN BANK & TR	BIG RAPIDS	MI	48949	757	0	1	0	0	*
7260480	FIDELITY BANK OF MICHIGAN	BIRMINGHAM	MI	46453	558	0	418	0	0	*
7260510	JIPSON CARTER STATE BANK	BLISSFIELD	MI	18618	234	0	0	0	0	*
7260550	BRIGHTON STATE BANK	BRIGHTON	MI	73562	1879	0	90	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7260620	CADILLAC STATE BANK	CADILLAC	MI	132789	1666	0	2349	339	-339	
7260625	FIRST BANK OF CADILLAC	CADILLAC	MI	27650	363	0	0	0	0	*
7260680	PEOPLES STATE BANK	CARO	MI	25068	370	0	0	0	0	*
7260690	STATE SVGS BK OF CARO	CARO	MI	23339	338	0	0	0	0	*
7260710	EXCHANGE STATE BANK	CARSONVILLE	MI	20574	263	0	0	0	0	*
7260780	CHARLEVOIX COUNTY STATE BANK	CHARLEVOIX	MI	21567	258	0	0	0	0	*
7260900	STATE SAVINGS BANK	CLINTON	MI	21849	406	0	0	0	0	*
7260920	BRANCH COUNTY BANK	COLDWATER	MI	48082	504	0	196	0	0	*
7260990	STATE BANK OF MICH	COOPERSVILLE	MI	26894	584	0	0	0	0	*
7261060	SANILAC COUNTY BANK	DECKERVILLE	MI	14798	265	0	0	0	0	*
7261070	DEERFIELD STATE BANK	DEERFIELD	MI	17328	268	0	0	0	0	*
7261225	COMMUNITY ST BK OF DOWAGIAC	DOWAGIAC	MI	17898	401	0	0	0	0	*
7261260	FIRST STATE BANK	EAST DETROIT	MI	82283	2982	0	0	0	0	
7261270	NORTHWESTERN STATE BANK	EAST JORDAN	MI	47869	741	0	0	0	0	*
7261280	EAST LANSING STATE BANK	EAST LANSING	MI	93462	1075	0	2033	0	0	
9261395	NORTHERN MICHIGAN BANK	ESCANABA	MI	37019	500	0	27	0	0	*
9261400	STATE BANK OF ESCANABA	ESCANABA	MI	35527	251	0	301	0	0	*
7261440	FARWELL STATE SAVINGS BANK	FARWELL	MI	13287	296	0	0	0	0	*
7261453	STATE SVGS BK OF FENTON	FENTON	MI	50045	757	0	113	0	0	*
7261560	FRANKENMUTH BANK & TRUST	FRANKENMUTH	MI	177485	2556	0	3049	460	-460	
7261580	STATE BANK OF	FRASER	MI	109066	1266	0	2229	0	0	
7261590	FREELAND STATE BANK	FREELAND	MI	15690	334	0	0	0	0	*
7261620	ERIE STATE BANK	FRENCHTOWN TWP	MI	22309	508	0	0	0	0	*
9261650	GLADSTONE STATE BANK	GLADSTONE	MI	12423	225	0	0	0	0	*
7261660	MID-MICHIGAN BANK	GLADWIN	MI	43547	1163	0	0	0	0	*
7261670	FIRST SCRTY BK OF GRND BLANC	GRAND BLANC	MI	23294	210	0	0	0	0	*
7261695	SECURITY FIRST BK AND TR CO	GRAND HAVEN	MI	94837	1464	0	1046	0	0	
7261820	FIRST SB OF GREENVILLE	GREENVILLE	MI	30095	315	0	64	0	0	*
7261855	FARMERS AND MERCHANTS STATE	HALE	MI	32365	717	0	0	0	0	*
7261860	BANK OF COMMERCE	HAMTRAMCK	MI	200879	3389	0	3063	383	-383	
7261880	PEOPLES STATE BANK	HAMTRAMCK	MI	72935	732	0	836	0	0	
7261940	OCEANA COUNTY SAVINGS BANK	HART	MI	26802	368	0	0	0	0	*
7261950	VAN BUREN STATE BANK	HARTFORD	MI	19470	360	0	0	0	0	*
7261960	HASTINGS CITY BANK	HASTINGS	MI	36422	691	0	0	0	0	*
7262030	HONOR STATE BANK	HONOR	MI	12420	146	0	0	0	0	*
7262110	WESTERN STATE BANK	HOWARD CITY	MI	15079	296	0	0	0	0	*
7262140	MCPHERSON STATE BANK	HOWELL	MI	51796	954	0	90	0	0	*
7262150	HUDSON STATE SAVINGS BANK	HUDSON	MI	24030	296	0	0	0	0	*
7262160	THOMPSON SAVINGS BANK	HUDSON	MI	24247	347	0	0	0	0	*
7262180	IMLAY CITY STATE BANK	IMLAY CITY	MI	19823	242	0	0	0	0	*
7262185	FIRST SECURITY BANK	IONIA	MI	72935	1098	0	560	0	0	
7262305	MIDWEST BANK	JACKSON	MI	41677	869	0	0	0	0	*
7262360	INDUSTRIAL STATE BK & TR	KALAMAZOO	MI	124143	1971	0	2533	0	0	
7262450	UNION BANK	LAKE ODESSA	MI	15089	217	0	0	0	0	*
7262522	NBD COMMERCE BANK	LANSING	MI	20855	459	0	0	0	0	*
7262583	LEWISTON STATE BANK	LEWISTON	MI	20515	282	0	0	0	0	

NONMEMBER BANKS — BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 — 1/17/79

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7262600	LITCHFIELD STATE SAVINGS BK	LITCHFIELD	MI	31031	738	0	0	0	0	*
7262620	LUDINGTON BANK AND TRUST CO	LUDINGTON	MI	31359	680	0	0	0	0	*
7262650	ANTRIM COUNTY STATE BANK	MANCELONA	MI	15545	335	0	0	0	0	*
7262740	MARINE BANK & TRUST	MARINE CITY	MI	28179	367	0	0	0	0	*
7262775	MASON STATE BANK	MASON	MI	30283	699	0	0	0	0	*
7262800	MAYVILLE STATE BANK	MAYVILLE	MI	13860	203	0	0	0	0	*
7262875	FIRST MIDLAND BK & TR CO	MIDLAND	MI	71907	1343	0	585	0	0	
7262940	MONROE BANK & TRUST	MONROE	MI	145354	1907	0	3172	104	-104	
7262960	MONTROSE STATE BANK	MONTROSE	MI	14422	439	0	0	0	0	*
7263010	MOUNT CLEMENS BANK	MOUNT CLEMENS	MI	117749	1709	0	2446	0	0	
7263080	MUSKEGON BANK AND TRUST CO	MUSKEGON	MI	115409	1561	0	1904	0	0	
7263120	FIRST STATE BANK OF NEWAYGO	NEWAYGO	MI	12509	230	0	0	0	0	*
9263140	NEWBERRY STATE BANK	NEWBERRY	MI	15271	153	0	0	0	0	*
7263280	OSCODA STATE SAVINGS BANK	OSCODA	MI	19582	486	0	0	0	0	*
7263316	KEY STATE BANK	OWOSSO	MI	45696	799	0	0	0	0	*
7263320	OWOSSO SAVINGS BANK	OWOSSO	MI	130218	2028	0	2414	0	0	
7263340	OXFORD SAVINGS BANK	OXFORD	MI	31498	770	0	0	0	0	*
7263480	PONTIAC STATE BANK	PONTIAC	MI	336620	5275	0	5128	2918	-2918	
7263520	PEOPLES BK OF PORT HURON	PORT HURON	MI	129591	1880	0	2367	0	0	
7263530	MAYNARD ALLEN STATE BANK	PORTLAND	MI	26760	523	0	0	0	0	*
7263570	REED CITY STATE BANK	REED CITY	MI	19035	377	0	0	0	0	*
7263670	PRESQUE ISLE BANK	ROGERS CITY	MI	25316	317	0	0	0	0	*
7263720	WAYNE OAKLAND BANK	ROYAL OAK	MI	369742	6492	0	5133	4159	-4159	
7263748	FIRST STATE BANK OF SAGINAW	SAGINAW	MI	68281	2093	0	0	0	0	*
7263760	CMMNTY ST BK OF ST CHARLES	ST CHARLES	MI	22372	488	0	0	0	0	*
7263770	COMMERCIAL AND SAVINGS BANK	ST CLAIR	MI	97568	1339	0	1207	0	0	
7263810	PEOPLES STATE BANK	ST JOSEPH	MI	42277	1027	0	0	0	0	*
7263830	CITIZENS BANK OF SALINE	SALINE	MI	41244	677	0	0	0	0	*
7263840	SALINE BANK	SALINE	MI	21274	306	0	0	0	0	*
7263850	WOLVERINE STATE BANK	SANDUSKY	MI	61898	631	0	702	0	0	*
9263890	SAULT SAVINGS BANK	SAULT STE MARIE	MI	45077	275	0	399	0	0	*
7263900	KALAMAZOO COUNTY STATE BANK	SCHOOLCRAFT	MI	19413	403	0	0	0	0	*
7263910	STATE SAVINGS BANK	SCOTTVILLE	MI	27492	527	0	0	0	0	*
7263930	SHELBY STATE BANK	SHELBY	MI	21195	119	0	15	0	0	*
7263940	SHEPHERD STATE BANK	SHEPHERD	MI	12755	199	0	0	0	0	*
7263970	STATE SVGS BK OF SOUTH LYON	SOUTH LYON	MI	23268	691	0	0	0	0	*
7264040	STATE BK OF STANDISH	STANDISH	MI	42494	752	0	0	0	0	*
7264050	MONTCALM CENTRAL BANK	STANTON	MI	38654	481	0	39	0	0	*
9264070	BANK OF STEPHENSON	STEPHENSON	MI	20968	215	0	0	0	0	*
7264120	UNITED SVGS BK OF TECUMSEH	TECUMSEH	MI	76743	860	0	888	0	0	
7264140	BANK OF THREE OAKS	THREE OAKS	MI	28440	433	0	0	0	0	*
7264170	TRAVERSE CITY STATE BANK	TRAVERSE CITY	MI	142904	2207	0	2883	0	0	
7264200	TRENTON STATE BANK	TRENTON	MI	68373	1295	0	326	0	0	*
7264201	FIRST CITIZENS BANK	TROY	MI	29098	531	0	0	0	0	*
7264300	WAYLAND STATE BANK	WAYLAND	MI	33422	649	0	0	0	0	*
7264452	COMMUNITY BANK OF WASHTENAW	YPSILANTI TWP	MI	22830	438	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7264460	FIRST MICHIGAN BK AND TR CO	ZEELAND	MI	165178	1593	0	3662	816	-816	

OF 108 BANKS AFFECTED IN STATE 67 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
34 HAVE NO REQURED RESERVE BALANCE

9270050	SECURITY STATE BANK	AITKIN	MN	16424	129	0	0	0	0	*
9270120	ALEXANDRIA BK & TR CO	ALEXANDRIA	MN	36528	347	0	105	0	0	*
9270125	COMMUNITY STATE BANK	ALEXANDRIA	MN	14500	201	0	0	0	0	*
9270180	ANNANDALE STATE BANK	ANNANDALE	MN	17627	157	0	0	0	0	*
9270210	FARMERS AND MERCHANTS STATE	APPLETON	MN	15638	75	0	0	0	0	*
9270240	ARLINGTON STATE BANK	ARLINGTON	MN	14342	99	0	0	0	0	*
9270420	FIRST STATE BANK OF BAYPORT	BAYPORT	MN	19164	356	0	0	0	0	*
9270460	STATE BANK OF BELLE PLAINE	BELLE PLAINE	MN	18854	142	0	0	0	0	*
9270520	FIRST STATE BANK OF BENSON	BENSON	MN	18306	127	0	0	0	0	*
9270530	SWIFT COUNTY BANK	BENSON	MN	25188	264	0	0	0	0	*
9270590	STATE BANK OF BIRD ISLAND	BIRD ISLAND	MN	14057	73	0	0	0	0	*
9270610	FARMERS & MERCHANTS ST BK	BLOOMING PRAIRIE	MN	12989	55	0	0	0	0	*
9270622	COMMUNITY STATE BANK	BLOOMINGTON	MN	62075	1188	0	424	0	0	*
9270630	BLUE EARTH STATE BANK	BLUE EARTH	MN	27374	132	0	160	0	0	*
9270680	FIRST STATE BANK	BRAHAM	MN	19320	133	0	16	0	0	*
9270690	CITIZENS STATE BANK	BRAINERD	MN	42694	423	0	315	0	0	*
9270720	FARMERS & MERCHANTS ST BK	BRECKENRIDGE	MN	19308	171	0	0	0	0	*
9270755	FIRST BROOKDALE STATE BANK	BROOKLYN CENTER	MN	19826	494	0	0	0	0	*
9270890	CALEDONIA STATE BANK	CALEDONIA	MN	13010	64	0	0	0	0	*
9270920	CAMBRIDGE STATE BANK	CAMBRIDGE	MN	18741	108	0	54	0	0	*
9270930	PEOPLES STATE BANK	CAMBRIDGE	MN	29017	116	0	217	0	0	*
9271120	CITIZENS STATE BANK	CLARA CITY	MN	17038	60	0	7	0	0	*
9271290	MARQUETTE ST BK OF COLUMBIA	COLUMBIA HEIGHTS	MN	27519	284	0	0	0	0	*
9271370	POLK CTY STATE BANK	CROOKSTON	MN	28364	174	0	115	0	0	*
9271385	CRYSTAL STATE BANK	CRYSTAL	MN	32899	396	0	0	0	0	*
9271470	NW STATE BK OF DAWSON	DAWSON	MN	19610	82	0	29	0	0	*
9271545	DETROIT STATE BANK	DETROIT LAKES	MN	35535	391	0	78	0	0	*
9271570	NORTHWESTERN STATE BANK	DODGE CENTER	MN	14471	79	0	0	0	0	*
9271799	SOUTHWEST FIDELITY STATE BK	EDINA	MN	26384	174	0	0	0	0	*
9272090	MINNETONKA STATE BANK	EXCELSIOR	MN	34523	217	0	191	0	0	*
9272030	STATE BK OF FARIBAULT	FARIBAULT	MN	38159	394	0	170	0	0	*
9272150	STATE BANK OF FOLEY	FOLEY	MN	15856	168	0	0	0	0	*
9272160	FOREST LAKE STATE BANK	FOREST LAKE	MN	22297	377	0	0	0	0	*
9272240	CITIZENS STATE BANK	FULDA	MN	17645	115	0	0	0	0	*
9272250	CITIZENS STATE BANK	GAYLORD	MN	16181	109	0	0	0	0	*
9272320	SECURITY STATE BANK	GLENCOE	MN	23005	143	0	98	0	0	*
9272340	GLENWOOD STATE BANK	GLENWOOD	MN	13219	101	0	0	0	0	*

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9272350	POPE COUNTY STATE BANK	GLENWOOD	MN	14971	109	0	0	0	0	*
9272355	GOLDEN VALLEY STATE BANK	GOLDEN VALLEY	MN	37186	495	0	42	0	0	*
9272450	GRANITE FALLS BANK	GRANITE FALLS	MN	15504	121	0	0	0	0	*
9272460	YELLOW MEDICINE COUNTY BANK	GRANITE FALLS	MN	13908	127	0	0	0	0	*
9272480	CITIZENS STATE BANK	GREEN ISLE	MN	14867	81	0	0	0	0	*
9272520	NW STATE BK OF HALLOCK	HALLOCK	MN	24565	82	0	71	0	0	*
9272790	MERCHANTS & MINERS ST BK	HIBBING	MN	26683	613	0	0	0	0	*
9272800	SECURITY STATE BANK	HIBBING	MN	31594	301	0	117	0	0	*
9272950	CITIZENS BK & TRUST CO	HUTCHINSON	MN	41729	275	0	367	0	0	*
9272980	INTERNATIONAL STATE BANK	INTERNATL FALLS	MN	22472	306	0	0	0	0	*
9273170	SECURITY ST BK OF KENYON	KENYON	MN	16210	99	0	0	0	0	*
9273270	LAKE CITY STATE BANK	LAKE CITY	MN	23538	258	0	0	0	0	*
9273315	FIRST STATE BK OF LAKEFIELD	LAKEFIELD	MN	15826	74	0	0	0	0	*
9273435	FIRST STATE BANK	LITCHFIELD	MN	23424	140	0	79	0	0	*
9273630	NORTHWESTERN STATE BANK	LUVERNE	MN	22295	93	0	72	0	0	*
9273750	AMER ST BK OF MANKATO (INC)	MANKATO	MN	26722	401	0	0	0	0	*
9273782	SECURITY STATE BANK	MANKATO	MN	17473	198	0	0	0	0	*
9273815	HILLCREST MID AM ST BK	MAPLEWOOD	MN	28129	406	0	0	0	0	*
9273850	WSTRN BK & TR OF MRSHALL	MARSHALL	MN	37087	317	0	200	0	0	*
9273890	MELROSE STATE BANK	MELROSE	MN	15844	149	0	0	0	0	*
9273960	CAMDEN NORTHWESTERN ST BANK	MINNEAPOLIS	MN	59718	676	0	554	0	0	*
9274038	FIRST PRODUCE STATE BANK	MINNEAPOLIS	MN	27702	287	0	0	0	0	*
9274058	MARQUETTE LAKE STATE BANK	MINNEAPOLIS	MN	17077	220	0	0	0	0	*
9274065	METROPOLITAN STATE BANK	MINNEAPOLIS	MN	19360	249	0	0	0	0	*
9274075	NORTHEAST STATE BANK	MINNEAPOLIS	MN	27724	298	0	0	0	0	*
9274130	1ST ST BK OF MINNEOTA	MINNEOTA	MN	18198	63	0	50	0	0	*
9274158	NORTHWESTERN STATE BANK	MONTEVIDEO	MN	28640	165	0	200	0	0	*
9274180	CITIZENS STATE BANK	MONTGOMERY	MN	15749	113	0	0	0	0	*
9274190	WRIGHT COUNTY STATE BANK	MONTICELLO	MN	19123	248	0	0	0	0	*
9274200	AM BANK & TR CO OF MOORHEAD	MOORHEAD	MN	40653	399	0	124	0	0	*
9274215	MOORHEAD STATE BANK	MOORHEAD	MN	15898	103	0	0	0	0	*
9274230	KANABEC STATE BANK	MORA	MN	22174	111	0	103	0	0	*
9274250	CITIZENS BANK	MORRIS	MN	18362	142	0	0	0	0	*
9274260	MORRIS STATE BANK	MORRIS	MN	19018	112	0	0	0	0	*
9274290	STATE BANK OF MOUND	MOUND	MN	14331	253	0	0	0	0	*
9274360	FIRST STATE BANK	NEW BRIGHTON	MN	35721	536	0	0	0	0	*
9274410	TOWN & CNT ST BK OF NEWPORT	NEWPORT	MN	23688	168	0	22	0	0	*
9274430	STATE BANK	NEW PRAGUE	MN	20070	112	0	53	0	0	*
9274450	CITIZENS STATE BANK	NEW ULM	MN	30968	438	0	0	0	0	*
9274460	FARMERS & MERCHANTS ST BK	NEW ULM	MN	27089	170	0	136	0	0	*
9274470	STATE BK & TR CO OF NEW ULM	NEW ULM	MN	36915	201	0	311	0	0	*
9274480	FARMERS & MERCH ST BANK	NEW YORK MILLS	MN	14304	141	0	0	0	0	*
9274560	HERITAGE ST BK N ST PAUL	NORTH ST PAUL	MN	21141	354	0	0	0	0	*
9274630	CITIZENS ST BK OF OLIVIA	OLIVIA	MN	14440	115	0	0	0	0	*
9274660	NW ST BK OF ORTONVILLE	ORTONVILLE	MN	17333	81	0	46	0	0	*
9274680	NORTHWESTERN STATE BANK	OSSEO	MN	31994	370	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9274715	OWATONNA STATE BANK	OWATONNA	MN	15499	148	0	0	0	0	*
9274755	FARMERS & MERCHANTS ST BK	PAYNESVILLE	MN	13483	81	0	0	0	0	*
9274760	FIRST STATE BANK	PAYNESVILLE	MN	15612	112	0	0	0	0	*
9274770	PELICAN VALLEY STATE BANK	PELICAN RAPIDS	MN	20090	144	0	0	0	0	*
9274790	LAKELAND STATE BANK	PEQUOT LAKES	MN	18327	243	0	0	0	0	*
9274810	FARMERS & MERCHANTS ST BK	PIERZ	MN	15340	151	0	0	0	0	*
9274930	FARMERS & MERCHANTS ST BK	PRESTON	MN	17203	76	0	0	0	0	*
9274910	PRINCETON STATE BANK	PRINCETON	MN	27372	241	0	56	0	0	*
9275030	STATE BK OF REDWOOD FLS	REDWOOD FALLS	MN	16621	121	0	0	0	0	*
9275065	RICHFIELD BANK AND TRUST CO	RICHFIELD	MN	80206	730	0	1685	0	0	
9275080	FIRST ROBBINSDALE ST BK	ROBBINSDALE	MN	58480	704	0	423	0	0	*
9275085	GUARANTY STATE BANK	ROBBINSDALE	MN	23757	249	0	0	0	0	*
9275094	MARQUETTE B&TC OF ROCHESTER	ROCHESTER	MN	76832	920	0	917	0	0	
9275105	ROCHESTER BK & TR CO	ROCHESTER	MN	22181	328	0	0	0	0	*
9275160	CITIZENS STATE BANK	ROSEAU	MN	28082	209	0	94	0	0	*
9275190	FIRST STATE BANK	ROSEMOUNT	MN	16337	119	0	0	0	0	*
9275194	N STAR ST BK OF ROSEVILLE	ROSEVILLE	MN	30519	580	0	0	0	0	*
9275195	ROSEVILLE STATE BANK	ROSEVILLE	MN	28989	539	0	0	0	0	*
9275295	ST BK OF ST ANTHONY VLG	ST ANTHONY VLGE	MN	31843	396	0	0	0	0	*
9275330	NW BK & TR CO OF ST CLOUD	ST CLOUD	MN	42031	343	0	179	0	0	*
9275360	CITIZENS ST BK OF ST JAMES	ST JAMES	MN	18204	120	0	0	0	0	*
9275395	CITIZENS STATE BANK	ST LOUIS PARK	MN	35385	366	0	8	0	0	*
9275397	1ST WE SB OF ST LOUIS PARK	ST LOUIS PARK	MN	27527	267	0	0	0	0	*
9275425	CAPITAL CITY STATE BANK	ST PAUL	MN	17478	322	0	0	0	0	*
9275430	CHEROKEE STATE BANK	ST PAUL	MN	23910	297	0	0	0	0	*
9275440	COMMERCIAL STATE BANK	ST PAUL	MN	65097	766	0	1025	0	0	*
9275445	EASTERN HTGS STATE BANK	ST PAUL	MN	52320	518	0	1002	0	0	*
9275460	FIRST GRAND AVE STATE BK	ST PAUL	MN	50780	391	0	595	0	0	*
9275470	FIRST MERCHANTS STATE BANK	ST PAUL	MN	41112	451	0	82	0	0	*
9275490	FIRST SEC SB OF ST PAUL	ST PAUL	MN	47150	239	0	722	0	0	*
9275500	FIRST STATE BANK	ST PAUL	MN	59133	488	0	679	0	0	*
9275528	MID AMERICA ST BK OF HGLD PK	ST PAUL	MN	30606	570	0	0	0	0	*
9275540	MN STATE BANK OF ST PAUL	ST PAUL	MN	26406	378	0	0	0	0	*
9275550	NORTHWESTERN STATE BANK	ST PAUL	MN	52473	588	0	375	0	0	*
9275570	ST ANTHONY PARK STATE BANK	ST PAUL	MN	22071	315	0	0	0	0	*
9275590	WESTERN SB OF ST PAUL	ST PAUL	MN	21117	396	0	0	0	0	*
9275630	NICOLLET COUNTY BANK	ST PETER	MN	23142	141	0	70	0	0	*
9275650	FIRST STATE BANK	SAUK CENTRE	MN	19445	148	0	4	0	0	*
9275680	NW SB OF SAUK RAPIDS	SAUK RAPIDS	MN	27690	499	0	0	0	0	*
9275750	NORTHWESTERN STATE BANK	SLAYTON	MN	18777	98	0	12	0	0	*
9275760	FIRST SECURITY STATE BANK	SLEEPY EYE	MN	17061	92	0	0	0	0	*
9275780	DROVERS STATE BANK	SOUTH ST PAUL	MN	57417	557	0	502	0	0	*
9275785	SUMMIT ST BK OF S ST PAUL	SOUTH ST PAUL	MN	17028	246	0	0	0	0	*
9275810	FARMERS & MERCHANTS ST BK	SPRINGFIELD	MN	21992	172	0	47	0	0	*
9275820	STATE BANK OF SPRINGFIELD	SPRINGFIELD	MN	16996	134	0	0	0	0	*
9275860	STAPLES STATE BANK	STAPLES	MN	20245	281	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9275880	FARMERS STATE BANK	STEPHEN	MN	17073	57	0	0	0	0	*
9275920	COSMOPOLITAN STATE BANK	STILLWATER	MN	21074	209	0	0	0	0	*
9275987	FIRST NORTHWESTERN ST BK	THIEF RIVER FALLS	MN	39728	403	0	124	0	0	*
9275990	NO ST BK OF THIEF RVR FALLS	THIEF RIVER FALLS	MN	32761	235	0	122	0	0	*
9276020	NORTHWESTERN STATE BANK	TRACY	MN	27729	169	0	162	0	0	*
9276040	PEOPLES STATE BANK	TRUMAN	MN	14071	76	0	0	0	0	*
9276207	NORTHERN STATE BANK	VIRGINIA	MN	14940	145	0	0	0	0	*
9276220	FIRST ST BK OF WABASHA	WABASHA	MN	17586	151	0	0	0	0	*
9276290	SECURITY STATE BANK	WANAMINGO	MN	13260	61	0	0	0	0	*
9276300	WANDA STATE BANK	WANDA	MN	15469	76	0	0	0	0	*
9276320	STATE BANK OF WARREN	WARREN	MN	18208	60	0	21	0	0	*
9276355	FIRST STATE BK OF WASECA	WASECA	MN	25755	194	0	91	0	0	*
9276420	WAYZATA BANK AND TRUST CO	WAYZATA	MN	48500	358	0	649	0	0	*
9276475	WESTBROOK STATE BANK	WESTBROOK	MN	13217	47	0	0	0	0	*
9276495	SIGNAL HILLS STATE BANK	WEST ST PAUL	MN	28073	209	0	39	0	0	*
9276520	STATE BANK OF WHEATON	WHEATON	MN	23175	88	0	125	0	0	*
9276530	FIRST STATE BANK	WHITE BEAR LAKE	MN	39323	460	0	36	0	0	*
9276560	BK OF WILLMAR & TR CO	WILLMAR	MN	48464	511	0	237	0	0	*
9276600	WINDOM STATE BANK	WINDOM	MN	22927	153	0	48	0	0	*
9276690	STATE BANK OF WORTHINGTON	WORTHINGTON	MN	33058	165	0	231	0	0	*
9276730	STATE BK OF YOUNG AMERICA	YOUNG AMERICA	MN	16628	73	0	39	0	0	*

OF 150 BANKS AFFECTED IN STATE 87 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
63 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8280020	MONROE BANKING AND TRUST CO	ABERDEEN	MS	20281	529	0	0	0	0	*
8280030	BANK OF AMORY	AMORY	MS	27121	594	0	0	0	0	*
8280040	SECURITY BANK	AMORY	MS	20777	332	0	0	0	0	*
6280050	BANK OF ANGUILLA	ANGUILLA	MS	27149	553	0	0	0	0	*
8280070	FARMERS AND MERCHANTS BANK	BALDWYN	MS	17221	410	0	0	0	0	*
8280085	BATESVILLE SECURITY BANK	BATESVILLE	MS	26047	586	0	0	0	0	*
6280090	MERCHANTS BANK AND TR CO	BAY ST LOUIS	MS	35634	744	0	0	0	0	*
6280100	BAY SPRINGS BANK	BAY SPRINGS	MS	34361	568	0	0	0	0	*
8280120	CITIZENS BANK & TRUST CO	BELZONI	MS	28031	520	0	0	0	0	*
8280130	GUARANTY BANK AND TRUST CO	BELZONI	MS	19434	396	0	0	0	0	*
6280170	PEOPLES BANK OF BILOXI	BILOXI	MS	39684	910	0	0	0	0	*
6280200	RANKIN COUNTY BANK	BRANDON	MS	53675	1005	0	403	0	0	*
6280210	BROOKHAVEN BANK AND TRUST CO	BROOKHAVEN	MS	59729	872	0	589	0	0	*
6280220	STATE BANK AND TRUST COMPANY	BROOKHAVEN	MS	22984	501	0	0	0	0	*
6280260	CANTON EXCHANGE BANK	CANTON	MS	37690	947	0	0	0	0	*
6280280	CARTHAGE BANK	CARTHAGE	MS	33456	631	0	0	0	0	*
8280310	BANK OF CLARKSDALE	CLARKSDALE	MS	137046	2725	0	2851	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8280330	CLEVELAND STATE BANK	CLEVELAND	MS	39490	715	0	0	0	0	*
6280370	CITIZENS BANK	COLUMBIA	MS	32876	349	0	0	0	0	*
8280430	SECURITY BANK	CORINTH	MS	46220	1017	0	0	0	0	*
6280540	MERCHANTS & MANUFACTURERS BK	ELLISVILLE	MS	18849	423	0	0	0	0	*
6280600	FARMERS AND MERCHANTS BANK	FOREST	MS	25066	368	0	0	0	0	*
8280670	BANK OF COMMERCE	GREENWOOD	MS	21285	490	0	0	0	0	*
8280700	GRENADA BANK	GRENADA	MS	298524	5052	0	5250	3505	-3505	
6280730	HANCOCK BANK	GULFPORT	MS	237500	3628	0	5243	2037	-2037	
6280760	BANK OF HAZLEHURST	HAZLEHURST	MS	27145	433	0	0	0	0	*
6280770	MERCHANTS AND PLANTERS BANK	HAZLEHURST	MS	17261	329	0	0	0	0	*
8280780	HERNANDO BANK	HERNANDO	MS	28715	500	0	0	0	0	*
8280790	BANK OF HOLLANDALE	HOLLANDALE	MS	21123	327	0	0	0	0	*
8280810	FIRST STATE BANK	HOLLY SPRINGS.	MS	15435	253	0	0	0	0	*
8280850	PEOPLES BK OF INDIANOLA	INDIANOLA	MS	27912	404	0	0	0	0	*
8280870	IUKA GUARANTY BANK	IUKA	MS	21442	535	0	0	0	0	*
6280915	MISSISSIPPI BANK	JACKSON	MS	199674	2670	0	5240	469	-469	
8280935	ATTALA BANK OF KOSCIUSKO	KOSCIUSKO	MS	16265	220	0	0	0	0	*
8280940	MERCHANTS AND FARMERS BANK	KOSCIUSKO	MS	61430	1585	0	122	0	0	*
6280958	BANK OF LAUREL	LAUREL	MS	16245	480	0	0	0	0	*
6280980	BANK OF LEAKESVILLE	LEAKESVILLE	MS	16059	389	0	0	0	0	*
8280990	BANK OF LELAND	LELAND	MS	19455	287	0	0	0	0	*
8281020	HOLMES CTY BK & TR CO	LEXINGTON	MS	22428	567	0	0	0	0	*
8281035	CITIZENS BANK AND TRUST CO	LOUISVILLE	MS	24429	397	0	0	0	0	*
6281040	BANK OF LUCEDALE	LUCEDALE	MS	20211	453	0	0	0	0	*
6281065	BANK OF MCCOMB	MCCOMB	MS	33428	658	0	0	0	0	*
8281100	MERCHANTS AND FARMERS BANK	MACON	MS	27617	320	0	0	0	0	*
6281130	SOUTHWEST MISSISSIPPI BK	MAGNOLIA	MS	29659	403	0	0	0	0	*
8281150	CITIZENS BANK AND TRUST CO	MARKS	MS	22605	319	0	0	0	0	*
6281170	BANK OF FRANKLIN	MEADVILLE	MS	18634	421	0	0	0	0	*
6281180	PEOPLES BANK	MENDENHALL	MS	23187	396	0	0	0	0	*
6281200	FIRST UNITED BANK OF MISS	MERIDIAN	MS	62676	2223	0	0	0	0	*
6281210	MERCHANTS AND FARMERS BANK	MERIDIAN	MS	71469	1574	0	748	0	0	*
6281240	BANK OF MORTON	MORTON	MS	19699	343	0	0	0	0	*
6281260	MOUNT OLIVE BANK	MOUNT OLIVE	MS	17307	229	0	0	0	0	*
8281300	BANK OF NEW ALBANY	NEW ALBANY	MS	27585	335	0	0	0	0	*
6281330	NEWTON COUNTY BANK	NEWTON	MS	33512	557	0	0	0	0	*
6281410	MERCHANTS AND MARINE BANK	PASCAGOULA	MS	55367	3132	0	0	0	0	*
6281430	BANK OF PHILADELPHIA	PHILADELPHIA	MS	18036	169	0	0	0	0	*
6281440	CITIZENS BANK	PHILADELPHIA	MS	34961	581	0	0	0	0	*
6281530	BANK OF PRENTISS	PRENTISS	MS	17794	307	0	0	0	0	*
6281550	BANK OF QUITMAN	QUITMAN	MS	30666	770	0	0	0	0	*
6281555	SOUTHEAST MISSISSIPPI BANK	QUITMAN	MS	19294	297	0	0	0	0	*
9281590	PEOPLES BANK	RIPLEY	MS	31387	717	0	0	0	0	*
8281620	PLANTERS BANK AND TRUST CO	RULEVILLE	MS	41020	965	0	0	0	0	*
8281660	PEOPLES BANK	SENATOBIA	MS	20956	219	0	0	0	0	*
8281670	SENATOBIA BANK	SENATOBIA	MS	17566	543	0	0	0	0	*

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6281710	SOUTH CENTRAL BANK	SILVER CREEK	MS	15392	307	0	0	0	0	*
8281730	SECURITY STATE BANK	STARKVILLE	MS	56116	1177	0	164	0	0	*
6281760	SMITH COUNTY BANK	TAYLORSVILLE	MS	16991	341	0	0	0	0	*
8281780	PLANTERS BANK	TUNICA	MS	22426	249	0	0	0	0	*
8281790	BANK OF MISSISSIPPI	TUPELO	MS	229472	6212	0	3972	0	0	
8281810	PEOPLES BANK AND TRUST CO	TUPELO	MS	149976	2582	0	3819	0	0	
6281850	FIDELITY BANK	UTICA	MS	31266	685	0	0	0	0	*
6281865	BANK OF VICKSBURG	VICKSBURG	MS	26789	467	0	0	0	0	*
6281930	FIRST STATE BANK	WAYNESBORO	MS	28271	394	0	0	0	0	*
8281990	BANK OF WINONA	WINONA	MS	19962	514	0	0	0	0	*
6282010	BANK OF YAZOO CITY	YAZOO CITY	MS	29477	667	0	0	0	0	*

OF 74 BANKS AFFECTED IN STATE 63 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
8 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8290020	BANK OF ADVANCE	ADVANCE	MO	17047	337	0	0	0	0	*
8290140	UNTD MISSOURI B OF JEFFERSON	ARNOLD	MO	27869	498	0	0	0	0	*
8290160	AURORA BANK	AURORA	MO	27603	382	0	0	0	0	*
8290190	CITIZENS BANK	AVA	MO	22595	354	0	0	0	0	*
8290185	BOATMENS BK OF WEST CTY	BALLWIN	MO	47401	643	0	352	0	0	*
10290240	CITIZENS BANK	BELTON	MO	19867	489	0	0	0	0	*
10290270	BETHANY TRUST COMPANY	BETHANY	MO	22861	222	0	0	0	0	*
8290360	BANK OF	BLOOMSDALE	MO	15190	137	0	0	0	0	*
10290370	BLUE SPRINGS BANK	BLUE SPRINGS	MO	37877	650	0	0	0	0	*
8290395	COMMERCE BANK OF BOLIVAR	BOLIVAR	MO	24585	319	0	0	0	0	*
8290400	POLK COUNTY BANK	BOLIVAR	MO	26095	266	0	0	0	0	*
8290408	COMMERCE BANK OF BONNE TERRE	BONNE TERRE	MO	17006	512	0	0	0	0	*
10290437	UNITED MO BANK OF BOONVILLE	BOONVILLE	MO	23697	335	0	0	0	0	*
8290450	BANK OF BOURBON	BOURBON	MO	24645	121	0	144	0	0	*
8290455	COM ST BK OF BOWLING GREEN	BOWLING GREEN	MO	23022	130	0	0	0	0	*
8290460	FARMERS MERCANTILE BANK	BOWLING GREEN	MO	22829	218	0	0	0	0	*
8290475	PEOPLES BK&TR CO OF BRANSON	BRANSON	MO	35208	653	0	0	0	0	*
8290480	SECURITY BANK & TRUST CO	BRANSON	MO	34762	282	0	146	0	0	*
8290507	BRENTWOOD BANK	BRENTWOOD	MO	41927	457	0	218	0	0	*
8290509	MARK TWAIN STATE BANK	BRIDGETON	MO	63607	670	0	1344	0	0	*
10290517	UT MISSOURI BK OF BROOKFIELD	BROOKFIELD	MO	22919	348	0	0	0	0	*
8290580	O BANNON BANKING COMPANY	BUFFALO	MO	19336	186	0	0	0	0	*
10290610	BUTLER STATE BANK	BUTLER	MO	27640	290	0	0	0	0	*
10290720	FARMERS STATE BANK	CAMERON	MO	18693	287	0	0	0	0	*
8290755	CAPE MERCANTILE BK & TR CO	CAPE GIRARDEAU	MO	24848	316	0	0	0	0	*
8290760	FARMERS AND MERCHANTS BANK	CAPE GIRARDEAU	MO	72447	1232	0	674	0	0	*
8290840	FIRST STATE BANK	CARUTHERSVILLE	MO	30482	367	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8290860	COMMERCE BANK OF BARRY CTY	CASSVILLE	MO	23497	171	0	21	0	0	*
8290920	FIRST SECURITY STATE BANK	CHARLESTON	MO	31131	364	0	0	0	0	*
8290930	CHESTERFIELD BANK	CHESTERFIELD	MO	32661	620	0	0	0	0	*
10290940	CHILLICOTHE STATE BANK	CHILLICOTHE	MO	36849	251	0	138	0	0	*
8290988	CENTRAL BANK OF CLAYTON	CLAYTON	MO	26725	655	0	0	0	0	*
8290990	CLAYTON BANK	CLAYTON	MO	182349	612	0	5148	1385	-1385	
8291010	ST LOUIS COUNTY BANK	CLAYTON	MO	261676	1621	0	5104	5603	-5603	
10291050	FARMERS BANK OF CLINTON	CLINTON	MO	19107	276	0	0	0	0	*
10291060	UNION STATE BK OF CLINTON	CLINTON	MO	17100	288	0	0	0	0	*
8291112	FIRST BANK OF COMMERCE	COLUMBIA	MO	69864	969	0	1565	0	0	*
8291160	BANK OF CRANE	CRANE	MO	16671	273	0	0	0	0	*
8291175	BANK OF CRESTWOOD	CRESTWOOD	MO	63194	880	0	887	0	0	*
8291186	FIRST MISSOURI BANK	CREVE COEUR	MO	70754	646	0	1550	0	0	*
8291200	CRYSTAL CITY STATE BANK	CRYSTAL CITY	MO	22526	389	0	0	0	0	*
8291210	PEOPLES BANK OF CUBA	CUBA	MO	16088	271	0	0	0	0	*
8291250	AMERICAN BANK	DE SOTO	MO	26200	429	0	0	0	0	*
8291255	COLONIAL BANK	DES PERES	MO	41193	400	0	267	0	0	*
8291370	CITIZENS BANK	EDINA	MO	25673	93	0	56	0	0	*
8291390	CITIZENS BANK	ELDON	MO	18453	217	0	0	0	0	*
10291400	TRI COUNTY STATE BANK	ELDORADO SPRINGS	MO	19718	353	0	0	0	0	*
8291450	EUREKA BANK	EUREKA	MO	17466	256	0	0	0	0	*
8291525	FIRST STATE BANK	FARMINGTON	MO	25235	424	0	0	0	0	*
8291560	UNTD MISSOURI BK OF FERGUSON	FERGUSON	MO	42270	741	0	0	0	0	*
8291570	COMMERCE BANK OF FESTUS	FESTUS	MO	31112	662	0	0	0	0	*
8291590	AMERICAN STATE BANK	FLAT RIVER	MO	17746	214	0	0	0	0	*
8291598	CMRC BANK OF FLORISSANT	FLORISSANT	MO	34601	1054	0	0	0	0	*
8291600	FLORISSANT BANK	FLORISSANT	MO	57661	1585	0	0	0	0	*
8291645	BOATMENS BANK OF TANEY CTY	FORSYTH	MO	21021	307	0	0	0	0	*
8291660	NEW ERA BANK	FREDERICKTOWN	MO	26338	303	0	0	0	0	*
8291690	BANK OF GAINESVILLE	GAINESVILLE	MO	21486	158	0	0	0	0	*
8291740	FIRST MO BK OF FRANKLIN CTY	GERALD	MO	14797	114	0	0	0	0	*
10291770	GLASGOW SAVINGS BANK	GLASGOW	MO	16404	63	0	0	0	0	*
10291850	GRANDVIEW BK AND TR CO	GRANDVIEW	MO	21488	465	0	0	0	0	*
8291950	COMMERCE BANK OF HANNIBAL	HANNIBAL	MO	18648	584	0	0	0	0	*
10292000	ALLEN BANK AND TRUST CO	HARRISONVILLE	MO	21694	251	0	0	0	0	*
8292060	LINDBERGH BANK	HAZELWOOD	MO	23917	761	0	0	0	0	*
8292070	FIRST MO BK OF GASCONADE CTY	HERMANN	MO	17942	190	0	0	0	0	*
10292110	BANK OF HIGGINSVILLE	HIGGINSVILLE	MO	25000	362	0	0	0	0	*
8292170	BANK OF HOUSE SPRINGS	HOUSE SPRINGS	MO	14129	376	0	0	0	0	*
8292190	BANK OF HOUSTON	HOUSTON	MO	17898	307	0	0	0	0	*
10292250	BANK OF INDEPENDENCE	INDEPENDENCE	MO	27327	1042	0	0	0	0	*
10292260	CHRISMAN SAWYER BANK	INDEPENDENCE	MO	25088	283	0	0	0	0	*
10292273	NOLAND RD MERCANTILE BANK	INDEPENDENCE	MO	51878	743	0	315	0	0	*
10292275	STANDARD STATE BANK	INDEPENDENCE	MO	27506	467	0	0	0	0	*
8292310	CAPE COUNTY BANK	JACKSON	MO	20853	489	0	0	0	0	*
8292360	CENTRAL TRUST BANK	JEFFERSON CITY	MO	180980	1150	0	5144	2292	-2292	

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8292369	JEFFERSON BANK OF MO	JEFFERSON CITY	MO	23984	808	0	0	0	0	*
8292371	LANDMARK N CTY BK AND TR CO	JENNINGS	MO	101088	917	0	1801	98	-98	
8292372	MARK TWAIN NORTHLAND BANK	JENNINGS	MO	79869	497	0	2587	0	0	*
8292375	CHARTER BANK OF JENNINGS	JENNINGS	MO	50058	1120	0	0	0	0	*
10292390	COMMEPCE BANK OF JOPLIN	JOPLIN	MO	33627	448	0	0	0	0	*
10292420	FIRST STATE BANK	JOPLIN	MO	17498	583	0	0	0	0	*
8292440	COMMERCE BK OF KAHOKA	KAHOKA	MO	21052	176	0	0	0	0	*
10292448	AMERICAN BANK & TRUST CO /	KANSAS CITY	MO	43286	475	0	389	0	0	*
10292453	BANNISTER BANK	KANSAS CITY	MO	18628	392	0	0	0	0	*
10292456	BOATMENS NORTH HILLS BANK	KANSAS CITY	MO	32431	1155	0	0	0	0	*
10292457	BLUE RIDGE BK & TR CO	KANSAS CITY	MO	58632	966	0	512	0	0	*
10292465	CENTRAL BK OF KANSAS CITY	KANSAS CITY	MO	23333	738	0	0	0	0	*
10292475	COMMERCE BK OF BLUE HILLS	KANSAS CITY	MO	18237	624	0	0	0	0	*
10292493	COUNTRY CLUB BANK	KANSAS CITY	MO	27331	457	0	0	0	0	*
10292495	EMPIRE BANK & TRUST CO	KANSAS CITY	MO	37590	182	0	358	0	0	*
10292503	GOPPERT BANK & TRUST CO	KANSAS CITY	MO	45025	390	0	498	0	0	*
10292505	GRAND AVENUE BK & TR CO	KANSAS CITY	MO	61000	657	0	880	0	0	*
10292515	JACKSON COUNTY STATE BANK	KANSAS CITY	MO	27148	611	0	0	0	0	*
10292520	KANSAS CITY BK & TR CO	KANSAS CITY	MO	61048	386	0	1176	0	0	*
10292565	METROPOLITAN BANK	KANSAS CITY	MO	19153	255	0	0	0	0	*
10292585	PEOPLES BANK OF KANSAS CITY	KANSAS CITY	MO	32872	405	0	0	0	0	*
10292599	PLAZA BANK & TRUST COMPANY	KANSAS CITY	MO	78572	789	0	1700	0	0	*
10292605	RED BRIDGE MERCANTILE BANK	KANSAS CITY	MO	30976	469	0	0	0	0	*
10292624	STADIUM BANK	KANSAS CITY	MO	22458	439	0	0	0	0	*
10292666	UNITED MO BK OF BLUE VALLEY	KANSAS CITY	MO	32192	794	0	0	0	0	*
10292667	UNITD MO BK OF HICKMAN MILLS	KANSAS CITY	MO	36783	811	0	0	0	0	*
10292669	UNITED MISSOURI BANK SOUTH	KANSAS CITY	MO	40215	557	0	0	0	0	*
10292670	UNIVERSITY BANK	KANSAS CITY	MO	36777	299	0	138	0	0	*
8292710	BANK OF KENNETT	KENNETT	MO	48570	346	0	544	0	0	*
8292720	COTTON EXCHANGE BANK	KENNETT	MO	23331	213	0	0	0	0	*
8292750	BANK OF KIRKSVILLE	KIRKSVILLE	MO	36841	401	0	79	0	0	*
8292775	UNTD MISSOURI BK OF KIRKWOOD	KIRKWOOD	MO	42548	434	0	101	0	0	*
8292835	BANK OF LADUE	LADUE	MO	21661	270	0	0	0	0	*
10292860	LAMAR TRUST CO	LAMAR	MO	19052	259	0	0	0	0	*
8292938	CENTRAL BANK	LEBANON	MO	19804	195	0	0	0	0	*
10292970	BANK OF LEES SUMMIT	LEES SUMMIT	MO	18798	250	0	0	0	0	*
10292980	FARMERS TRUST COMPANY	LEES SUMMIT	MO	24543	435	0	0	0	0	*
10292995	MIDLAND BANK	LEES SUMMIT	MO	28020	552	0	0	0	0	*
8293010	LEWISTOWN STATE BANK	LEWISTOWN	MO	17944	98	0	0	0	0	*
10293020	COMMERCIAL BK OF LEXINGTON	LEXINGTON	MO	18530	306	0	0	0	0	*
8293130	BANK OF LOUISIANA	LOUISIANA	MO	16919	216	0	0	0	0	*
8293140	MERCANTILE BANK	LOUISIANA	MO	21468	202	0	0	0	0	*
8293200	MACON ATLANTA STATE BANK	MACON	MO	29173	406	0	0	0	0	*
8293230	MALDEN STATE BANK	MALDEN	MO	25617	281	0	0	0	0	*
8293280	PIONEER BANK AND TRUST CO	MAPLEWOOD	MO	52757	566	0	830	0	0	*
10293340	WOOD AND HUSTON BANK	MARSHALL	MO	45052	534	0	349	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8293350	CITIZENS STATE BANK	MARSHFIELD	MO	22438	185	0	0	0	0	*
10293370	CITIZENS STATE BANK	MARYVILLE	MO	44395	304	0	435	0	0	*
10293380	NODAWAY VALLEY BANK	MARYVILLE	MO	60073	406	0	964	0	0	*
8293492	BK OF THE LAKE OF THE OZARKS	MILLER COUNTY	MO	32320	257	0	103	0	0	*
8293540	UNITED MISSOURI BK OF MONETT	MONETT	MO	25714	349	0	0	0	0	*
10293685	CITIZENS STATE BANK	NEVADA	MO	27357	237	0	0	0	0	*
8293770	BANK OF NEW MADRID	NEW MADRID	MO	20319	245	0	0	0	0	*
8293818	NORMANDY BANK	NORTH WOODS	MO	22627	410	0	0	0	0	*
10293830	BANK OF ODESSA	ODESSA	MO	31776	154	0	178	0	0	*
8293840	BOATMENS BANK OF O FALLON	O FALLON	MO	21966	622	0	0	0	0	*
8293855	COMMERCIAL BANK OF ST LOUIS	OLIVETTE	MO	26042	537	0	0	0	0	*
8293945	CHARTER BANK OF OVERLAND	OVERLAND	MO	34905	707	0	0	0	0	*
8293960	OZARK BANK	OZARK	MO	20375	304	0	0	0	0	*
8294040	PERRY STATE BANK	PERRY	MO	13350	91	0	0	0	0	*
8294050	BANK OF PERRYVILLE	PERRYVILLE	MO	27046	331	0	0	0	0	*
8294070	HOME TRUST MERCANTILE BANK	PERRYVILLE	MO	21301	224	0	0	0	0	*
10294170	PLEASANT HILL BANK	PLEASANT HILL	MO	20159	170	0	0	0	0	*
8294200	BANK OF POPLAR BLUFF	POPLAR BLUFF	MO	36246	474	0	0	0	0	*
8294293	COMMERCE BK OF POPLAR BLUFF	POPLAR BLUFF	MO	38617	429	0	121	0	0	*
8294230	WASHINGTON CTY MERCANTILE BK	POTOSI	MO	20244	443	0	0	0	0	*
10294292	BOATMENS RAYTOWN BANK	RAYTOWN	MO	53229	642	0	762	0	0	*
10294295	LAUREL BANK OF RAYTOWN	RAYTOWN	MO	31104	874	0	0	0	0	*
8294340	BOATMENS BANK OF PULASKI CTY	RICHLAND	MO	16115	147	0	0	0	0	*
10294350	EXCHANGE BANK OF RICHMOND	RICHMOND	MO	31078	366	0	0	0	0	*
8294358	CONTINENTAL BANK & TRUST CO	RICHMOND HGTS	MO	54649	462	0	1156	0	0	*
10294380	BANK OF ATCHISON COUNTY	ROCK PORT	MO	17808	138	0	0	0	0	*
10294390	CITIZENS BANK OF ATCHISON CO	ROCK PORT	MO	15627	101	0	0	0	0	*
8294405	FIRST STATE BANK	ROLLA	MO	22806	479	0	0	0	0	*
8294410	ROLLA STATE BANK	ROLLA	MO	26166	254	0	0	0	0	*
8294455	BANK OF ST ANN	ST ANN	MO	29148	642	0	0	0	0	*
8294456	LANDMARK NORTHWEST PLAZA BK	ST ANN	MO	46426	692	0	89	0	0	*
8294472	MRCNTL BK OF ST CHARLES CTY	ST CHARLES	MO	22888	678	0	0	0	0	*
8294540	ST JOHNS BANK AND TRUST CO	ST JOHNS	MO	78458	1644	0	1442	0	0	*
10294560	DROVERS MERCANTILE BANK	ST JOSEPH	MO	16025	189	0	0	0	0	*
10294580	FARMERS STATE BANK	ST JOSEPH	MO	15539	207	0	0	0	0	*
10294595	FIRST STOCK YARDS BANK	ST JOSEPH	MO	25515	270	0	0	0	0	*
10294630	UNITED MO BANK OF ST JOSEPH	ST JOSEPH	MO	52136	945	0	0	0	0	*
8294660	BADEN BANK OF ST LOUIS	ST LOUIS	MO	55420	1296	0	0	0	0	*
8294665	BANK OF ST LOUIS	ST LOUIS	MO	193846	2348	0	5185	197	-197	
8294680	BREMEN BANK AND TRUST CO	ST LOUIS	MO	30424	364	0	0	0	0	*
8294690	CASS BANK AND TRUST COMPANY	ST LOUIS	MO	71260	510	0	2991	0	0	*
8294700	CHIPPEWA TRUST COMPANY	ST LOUIS	MO	45945	748	0	0	0	0	*
8294705	CITY BANK	ST LOUIS	MO	44915	1129	0	0	0	0	*
8294706	COMMERCE BK OF MOUND CITY	ST LOUIS	MO	44348	841	0	0	0	0	*
8294735	HAMPTON BANK OF ST LOUIS	ST LOUIS	MO	105546	1789	0	1835	0	0	
8294750	JEFFERSON BK & TR CO	ST LOUIS	MO	95851	504	0	2113	24	-24	

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
8294760	JEFF GRAVOIS BK OF ST LOUIS	ST LOUIS	MO	55035	807	0	265	0	0	*
8294810	MERCANTILE CMRC TRUST CO	ST LOUIS	MO	74128	660	0	1762	0	0	*
8294825	MISSOURI STATE BANK & TR CO	ST LOUIS	MO	20357	277	0	0	0	0	*
8294850	NORTH ST LOUIS TR CO	ST LOUIS	MO	21016	356	0	0	0	0	*
8294870	NORTHWESTERN BANK AND TRUST	ST LOUIS	MO	34937	750	0	0	0	0	*
8294910	SOUTHERN COMMERCIAL BANK	ST LOUIS	MO	50554	718	0	141	0	0	*
8294953	BOATMENS BK OF CONCORD VLG	ST LOUIS COUNTY	MO	48312	1155	0	0	0	0	*
8294955	LEWIS & CLARK MERCANTILE BK	ST LOUIS COUNTY	MO	31231	795	0	0	0	0	*
8294956	PLAZA BANK OF WEST PORT	ST LOUIS CTY	MO	45375	546	0	185	0	0	*
8294958	MARK TWAIN SOUTH COUNTY BANK	ST LOUIS COUNTY	MO	85724	755	0	2329	0	0	*
8294959	MARK TWAIN PARKWAY BANK	ST LOUIS COUNTY	MO	27803	325	0	0	0	0	*
10295030	SALISBURY SAVINGS BANK	SALISBURY	MO	23075	148	0	0	0	0	*
10295050	HOME BANK	SAVANNAH	MO	23051	152	0	0	0	0	*
10295068	MISSOURI STATE BANK	SEDALIA	MO	20244	251	0	0	0	0	*
8295140	SHELBINA MERCANTILE BANK	SHELBINA	MO	20267	167	0	0	0	0	*
8295180	BANK OF SIKESTON	SIKESTON	MO	50729	884	0	181	0	0	*
8295288	BANK OF SPRINGFIELD	SPRINGFIELD	MO	30458	811	0	0	0	0	*
8295290	COMMERCE BANK OF SPRINGFIELD	SPRINGFIELD	MO	162047	2589	0	4146	0	0	
8295295	EMPIRE BANK	SPRINGFIELD	MO	95891	1076	0	1977	0	0	
8295360	COMMUNITY BANK	STEELVILLE	MO	16155	177	0	0	0	0	*
8295430	BANK OF SULLIVAN	SULLIVAN	MO	21794	404	0	0	0	0	*
8295480	BANK OF THAYER	THAYER	MO	22419	281	0	0	0	0	*
10295510	TRENTON TRUST COMPANY	TRENTON	MO	28176	284	0	0	0	0	*
8295520	BOATMENS BANK OF TROY	TROY	MO	21206	273	0	0	0	0	*
8295540	UNITED BANK OF UNION	UNION	MO	33568	380	0	1	0	0	*
8295565	CITIZENS BANK	UNIVERSITY CITY	MO	35497	657	0	0	0	0	*
8295570	COMMERCE BANK OF UNIV CITY	UNIVERSITY CITY	MO	57486	1021	0	450	0	0	*
8295580	BANK OF URBANA	URBANA	MO	15779	88	0	0	0	0	*
10295660	CITIZENS BANK	WARRENSBURG	MO	30281	642	0	0	0	0	*
10295690	COMMUNITY BK OF WARSAW	WARSAW	MO	19094	145	0	0	0	0	*
8295710	BANK OF WASHINGTON	WASHINGTON	MO	46473	599	0	144	0	0	*
8295755	BIG BEND BANK	WEBSTER GROVES	MO	42652	758	0	0	0	0	*
8295760	WEBSTER GROVERS TR CO	WEBSTER GROVES	MO	58470	118	0	1522	0	0	*
8295790	LANDMARK CENTRAL BK & TR CO	WELLSTON	MO	96500	851	0	2576	0	0	*
8295810	WENTZVILLE STATE BANK	WENTZVILLE	MO	20782	279	0	0	0	0	*
8295840	WEST PLAINS BANK	WEST PLAINS	MO	24891	210	0	0	0	0	*

OF 201 BANKS AFFECTED IN STATE 143 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
52 HAVE NO REQURED RESERVE BALANCE

9300015	FIRST SECURITY BANK	ANACONDA	MT	14507	300	0	0	0	0	*
9300040	BANK OF BAKER	BAKER	MT	17459	93	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9300083	FIRST CITIZENS BANK	BILLINGS	MT	24579	217	0	0	0	0	*
9300115	VALLEY STATE BANK	BILLINGS	MT	26526	252	0	0	0	0	*
9300260	BANK OF COLUMBIA FALLS	COLUMBIA FALLS	MT	19368	244	0	0	0	0	*
9300280	FARMERS STATE BANK	CONRAD	MT	30499	206	0	85	0	0	*
9300300	BANK OF GLACIER COUNTY	CUT BANK	MT	22028	135	0	0	0	0	*
9300340	STATE BANK & TRUST CO	DILLON	MT	21168	178	0	0	0	0	*
9300390	FIRST STATE BANK	FORSYTH	MT	22970	130	0	61	0	0	*
9300400	FIRST STATE BK OF FT BENTON	FORT BENTON	MT	24180	123	0	7	0	0	*
9300520	CITIZENS STATE BANK	HAMILTON	MT	22514	293	0	0	0	0	*
9300540	BIG HORN BANK	HARDIN	MT	29320	190	0	85	0	0	*
9300543	LITTLE HORN STATE BANK	HARDIN	MT	15336	140	0	0	0	0	*
9300665	VALLEY BANK OF KALISPELL	KALISPELL	MT	25637	223	0	0	0	0	*
9300690	NW BANK OF LEWISTOWN	LEWISTOWN	MT	35852	262	0	166	0	0	*
9300760	1ST SC BK & TR OF MILES CITY	MILES CITY	MT	45650	236	0	430	0	0	*
9300810	SECURITY STATE BANK	PLENTYWOOD	MT	23061	182	0	0	0	0	*
9300915	FIRST STATE BANK	SHELBY	MT	25879	208	0	0	0	0	*
9300925	TOOLE COUNTY STATE BANK	SHELBY	MT	16724	82	0	0	0	0	*

OF 19 BANKS AFFECTED IN STATE 13 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
6 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10310090	GUARDIAN STATE BK & TR CO	ALLIANCE	NE	45801	342	0	509	0	0	*
10310210	AUBURN STATE BANK	AUBURN	NE	15200	113	0	0	0	0	*
10310230	FARMERS STATE BK & TR CO	AURORA	NE	25895	196	0	20	0	0	*
10310395	BANK OF BELLEVUE	BELLEVUE	NE	26935	592	0	0	0	0	*
10310440	WASHINGTON COUNTY BANK	BLAIR	NE	33900	246	0	104	0	0	*
10310550	NEBRASKA STATE BANK & TR CO	BROKEN BOW	NE	26677	199	0	0	0	0	*
10310640	STATE BANK OF CAIRO	CAIRO	NE	14663	23	0	5	0	0	*
10310750	BANK OF CHADRON	CHADRON	NE	20384	106	0	20	0	0	*
10310875	CITIZENS BANK AND TRUST CO	COLUMBUS	NE	23220	269	0	0	0	0	*
10310880	COLUMBUS BANK & TRUST CO	COLUMBUS	NE	19137	258	0	0	0	0	*
10310910	COZAD STATE BANK & TRUST CO	COZAD	NE	15265	132	0	0	0	0	*
10310920	FIRST BANK & TRUST COMPANY	COZAD	NE	17985	152	0	0	0	0	*
10310950	CITIBANK & TR CO OF CRETE	CRETE	NE	16603	111	0	0	0	0	*
10310960	CRETE STATE BANK	CRETE	NE	17511	301	0	0	0	0	*
10311310	FAIRBURY STATE BANK	FAIRBURY	NE	15464	113	0	0	0	0	*
10311360	RICHARDSON CTY BK & TR CO	FALLS CITY	NE	27923	258	0	48	0	0	*
10311398	FIRST STATE BANK	FREMONT	NE	15922	285	0	0	0	0	*
10311450	GENEVA STATE BANK	GENEVA	NE	30532	150	0	180	0	0	*
10311500	GORDON STATE BANK	GORDON	NE	13640	82	0	0	0	0	*
10311510	FIRST STATE BANK	GOTHENBURG	NE	18898	124	0	0	0	0	*
10311520	GOTHENBURG STATE BK & TR CO	GOTHENBURG	NE	21188	82	0	49	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10311695	HASTINGS STATE BANK	HASTINGS	NE	18709	164	0	0	0	0	*
10311815	FIRST SEC BK OF HOLDREGE	HOLDREGE	NE	16120	213	0	0	0	0	*
10311980	PLATTE VALLEY ST BK & TR CO	KEARNEY	NE	45739	312	0	438	0	0	*
10312080	FARMERS STATE BANK & TR CO	LEXINGTON	NE	18250	192	0	0	0	0	*
10312090	LEXINGTON ST BK & TR CO	LEXINGTON	NE	22443	297	0	0	0	0	*
10312135	GATEWAY BANK & TRUST CO	LINCOLN	NE	42760	563	0	168	0	0	*
10312140	HAVELOCK BANK	LINCOLN	NE	24077	369	0	0	0	0	*
10312145	LINCOLN BANK SOUTH INC	LINCOLN	NE	16056	172	0	0	0	0	*
10312160	UNION BANK AND TRUST CO	LINCOLN	NE	36329	313	0	430	0	0	*
10312440	MINDEN EXCH BK & TR CO	MINDEN	NE	24703	124	0	74	0	0	*
10312655	NORTH PLATTE STATE BANK	NORTH PLATTE	NE	20982	197	0	0	0	0	*
10312712	KEITH COUNTY BANK & TR CO	OGALLALA	NE	20725	183	0	0	0	0	*
10312713	AMES BANK	OMAHA	NE	24406	737	0	0	0	0	*
10312714	BANK OF MILLARD	OMAHA	NE	30309	262	0	0	0	0	*
10312718	CENTER BANK	OMAHA	NE	61926	949	0	754	0	0	*
10312720	DOUGLAS CTY BK & TR CO	OMAHA	NE	48776	297	0	703	0	0	*
10312735	FIRST WEST SIDE BANK	OMAHA	NE	55237	730	0	748	0	0	*
10312745	MID CITY BANK INC	OMAHA	NE	17198	151	0	0	0	0	*
10312750	NORTH SIDE BANK	OMAHA	NE	41668	850	0	25	0	0	*
10312765	OMAHA STATE BANK	OMAHA	NE	18009	323	0	0	0	0	*
10312785	SOUTHWEST BANK	OMAHA	NE	57268	649	0	855	0	0	*
10312840	NEBRASKA STATE BANK	ORD	NE	14733	97	0	0	0	0	*
10312940	BANK OF PAPILLION	PAPILLION	NE	18443	319	0	0	0	0	*
10313020	CONES STATE BANK	PIERCE	NE	14892	50	0	0	0	0	*
10313145	RALSTON BANK	RALSTON	NE	26313	462	0	0	0	0	*
10313160	RAVENNA BANK	RAVENNA	NE	17103	218	0	0	0	0	*
10313290	SCHUYLER STATE BANK	SCHUYLER	NE	20732	108	0	6	0	0	*
10313310	FIRST STATE BANK	SCOTTSBLUFF	NE	19301	181	0	0	0	0	*
10313345	SCRIBNER BANK	SCRIBNER	NE	15333	94	0	0	0	0	*
10313430	NEBRASKA STATE BANK	SOUTH SIOUX CITY	NE	20737	259	0	0	0	0	*
10314160	YORK STATE BANK & TRUST CO	YORK	NE	28256	216	0	45	0	0	*

OF 52 BANKS AFFECTED IN STATE 33 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
19 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12320040	BANK OF NEVADA	LAS VEGAS	NV	237271	5472	0	5172	404	-404	
12320045	NEVADA STATE BANK	LAS VEGAS	NV	111911	1484	0	2949	0	0	
12320078	PIONEER CITIZENS BANK	RENO	NV	69998	1005	0	1638	0	0	*

OF 3 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
2 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1330010	BERLIN CITY BANK	BERLIN	NH	39685	468	0	119	0	0	*
1330020	NORTH COUNTRY BANK	BERLIN	NH	19280	243	0	0	0	0	*
1330060	CONNECTICUT RIVER BANK	CHARLESTOWN	NH	14096	252	0	0	0	0	*
1330120	FIRST COLEBROOK BANK	COLEBROOK	NH	21885	268	0	0	0	0	*
1330215	DERRY BANK AND TRUST CO	DERRY	NH	19930	495	0	0	0	0	*
1330290	EXETER BANKING COMPANY	EXETER	NH	49021	1131	0	0	0	0	*
1330415	MONADNOCK BANK	JAFFREY	NH	29172	239	0	109	0	0	*
1330530	SIWOOGANOCK GUARANTY SVG BK	LANCASTER	NH	17862	72	0	80	0	0	*
1330650	MANCHESTER BANK	MANCHESTER	NH	139034	1403	0	2835	564	-564	
1330720	NASHUA TRUST COMPANY	NASHUA	NH	97132	1419	0	1621	0	0	
1330735	NEW LONDON TRUST COMPANY	NEW LONDON	NH	16533	203	0	0	0	0	*
1330790	NORTH CONWAY BANK	NORTH CONWAY	NH	21193	274	0	0	0	0	*
1330796	PELHAM BANK & TRUST CO	PELHAM	NH	18027	273	0	0	0	0	*
1330850	PLYMOUTH GUARANTY SVGS BK	PLYMOUTH	NH	42909	57	0	734	0	0	*
1330900	PORTSMOUTH TRUST COMPANY	PORTSMOUTH	NH	40028	87	0	624	0	0	*
1330920	ROCHESTER SAVINGS BK & TR CO	ROCHESTER	NH	85072	200	0	1249	559	-559	
1330924	ROCKINGHAM COUNTY TRUST CO	SALEM	NH	19573	253	0	0	0	0	*
1330980	SUNCOOK BANK	SUNCOOK	NH	37331	710	0	0	0	0	*
1331045	KINGSWOOD BANK AND TRUST	WOLFEBORO	NH	14137	192	0	0	0	0	*
1331060	WOODSVILLE GUARANTY SVNGS BK	WOODSVILLE	NH	19291	75	0	117	0	0	*

OF 20 BANKS AFFECTED IN STATE 11 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
7 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2340030	INDEPENDENCE BANK OF NJ	ALLENDALE	NJ	13699	189	0	0	0	0	*
3340100	GUARANTEE BANK	ATLANTIC CITY	NJ	232093	6257	0	3489	0	0	
2340205	BERGEN STATE BANK	BERGENFIELD	NJ	89854	1083	0	1448	0	0	
2340435	SOMERSET TRUST CO	BRIDGEWATER TWP	NJ	141553	2119	0	3384	0	0	
2340555	UNITED JERSEY BK/S BERGEN	CARLSTADT	NJ	28498	557	0	0	0	0	*
2340560	CARTERET BANK AND TRUST CO	CARTERET	NJ	37074	1017	0	0	0	0	*
2340570	PILGRIM STATE BANK	CEDAR GROVE	NJ	18606	531	0	0	0	0	*
2340590	CHATHAM TRUST COMPANY	CHATHAM TOWNSHIP	NJ	77505	677	0	1266	0	0	
3340615	PEOPLES BANK OF S JERSEY	CLAYTON	NJ	28625	698	0	0	0	0	*
3340970	COMMERCE BANK OF NEW JERSEY	EVESHAM TWP	NJ	33864	671	0	0	0	0	*
2340985	FAIR LAWN STATE BANK	FAIR LAWN	NJ	26983	263	0	0	0	0	*
2341055	STATE BANK OF NEW JERSEY	FORT LEE	NJ	53407	659	0	276	0	0	*
2341064	FRANKLIN STATE BANK	FRANKLIN TWP	NJ	351947	5397	0	5184	5157	-5157	
2341068	CENTRAL JERSEY BK AND TR CO	FREEHOLD TWP	NJ	488650	10971	0	5092	5194	-5194	
2341120	GARFIELD TRUST COMPANY	GARFIELD	NJ	41371	607	0	0	0	0	*
3341445	GARDEN ST BK OF OCEAN CTY	JACKSON TWP	NJ	27983	373	0	0	0	0	*
2341615	KENILWORTH STATE BANK	KENILWORTH	NJ	30102	360	0	0	0	0	*
3341625	CITIZENS STATE BANK OF NJ	LACEY TOWNSHIP	NJ	63257	758	0	568	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2341695	COMMUNITY STATE BK & TR CO	LINDEN	NJ	126072	1842	0	3287	0	0	
3341698	MAINLAND BANK	LINWOOD	NJ	33474	831	0	0	0	0	*
2341722	LIVINGSTON STATE BANK	LIVINGSTON	NJ	19139	254	0	0	0	0	*
2341735	JERSEY SHORE BANK	LONG BRANCH	NJ	33374	822	0	0	0	0	*
2341805	BRUNSWICK BANK AND TR CO	MANALAPAN TWP	NJ	34098	637	0	0	0	0	*
2341890	COMMONWEALTH BK OF METUCHEN	METUCHEN	NJ	31473	725	0	0	0	0	*
2341935	UNITED JERSEY BANK/NORTH	MONTVALE	NJ	61649	1563	0	0	0	0	*
3342000	BURLINGTON CTY TRUST CO	MOORESTOWN	NJ	166943	2610	0	3742	0	0	
2342045	FIRST MORRIS BANK	MORRIS TOWNSHIP	NJ	29461	476	0	0	0	0	*
3342065	FELLOWSHIP BANK	MOUNT LAUREL TWP	NJ	18450	194	0	0	0	0	*
2342320	NEWTON TRUST COMPANY	NEWTON	NJ	54836	724	0	274	0	0	*
2342365	MIDDLESEX COUNTY BANK	NORTH BRUNSWICK	NJ	25528	639	0	0	0	0	*
2342370	NORTH PLAINFIELD STATE BANK	N PLAINFIELD	NJ	33061	596	0	0	0	0	*
3342412	COASTAL STATE BANK	OCEAN CITY	NJ	53486	909	0	245	0	0	*
2342482	BERGEN BANK OF COMMERCE	PARAMUS	NJ	35947	482	0	0	0	0	*
2342485	MIDLAND BANK & TRUST CO	PARAMUS	NJ	91780	975	0	1780	0	0	
2342497	UNITED JERSEY BANK/PAR-TROY	PAR TROY HLS TWP	NJ	27512	839	0	0	0	0	*
2342530	BROADWAY BK & TR CO	PATERSON	NJ	109742	1421	0	2233	0	0	
2342570	FRANKLIN BANK	PATERSON	NJ	78835	910	0	1330	0	0	
3342668	FIDELITY BK & TR CO OF N J	PENNSAUKEN TWP	NJ	91665	1239	0	2053	0	0	
3342870	PRINCETON BANK & TRUST CO	PRINCETON	NJ	120805	1617	0	2909	0	0	
2342936	TOWN & COUNTRY BANK	RARITAN TWP	NJ	38611	330	0	121	0	0	*
2343065	ROXBURY STATE BANK	ROXBURY TWP	NJ	24659	470	0	0	0	0	*
2343083	INTERCHANGE STATE BANK	SADDLE BROOK	NJ	51896	1527	0	0	0	0	*
2343130	SHREWSBURY STATE BANK	SHREWSBURY	NJ	25346	422	0	0	0	0	*
2343180	SOUTH AMBOY TRUST COMPANY	SOUTH AMBOY	NJ	19516	401	0	0	0	0	*
2343185	VILLAGE BANK OF NEW JERSEY	SOUTH ORANGE	NJ	36512	472	0	29	0	0	*
2343230	INTER-COMMUNITY BANK	SPRINGFIELD	NJ	15125	193	0	0	0	0	*
2343280	SUMMIT & ELIZABETH TR CO	SUMMIT	NJ	298944	4868	0	5111	3899	-3899	
2343304	HOME STATE BANK	TEANECK TWP	NJ	20445	173	0	0	0	0	*
3343342	CAPITOL STATE BANK	TRENTON	NJ	27419	481	0	0	0	0	*
2343450	HUDSON UNITED BANK	UNION CITY	NJ	186308	4499	0	2662	0	0	
2343516	ALLAIRE STATE BANK	WALL TOWNSHIP	NJ	23994	373	0	0	0	0	*
2343533	RAMAPO BANK	WAYNE TWP	NJ	60129	989	0	723	0	0	*
3343545	LENAPE STATE BANK	W DEPTFORD TWP	NJ	37132	882	0	0	0	0	*
2343567	LAKELAND STATE BANK	WEST MILFORD TWP	NJ	24689	650	0	0	0	0	*
3343595	WEST WINDSOR STATE BANK	W WINDSOR TWP	NJ	15738	120	0	0	0	0	*

OF 55 BANKS AFFECTED IN STATE 33 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
19 HAVE NO REQURED RESERVE BALANCE

11350010	SECURITY BANK & TRUST	ALAMOGORDO	NM	39305	510	0	10	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10350025	BANK OF NEW MEXICO	ALBUQUERQUE	NM	197224	1974	0	5180	1148	-1148	
10350028	CITIZENS BANK	ALBUQUERQUE	NM	40572	554	0	7	0	0	*
10350032	RIO GRANDE VALLEY BANK	ALBUQUERQUE	NM	41986	369	0	160	0	0	*
10350033	REPUBLIC BANK	ALBUQUERQUE	NM	31217	558	0	0	0	0	*
10350035	WESTERN BANK	ALBUQUERQUE	NM	24509	359	0	0	0	0	*
11350055	PEOPLES STATE BANK	ARTESIA	NM	19278	216	0	0	0	0	*
11350095	COMMERCE BANK AND TRUST	CARLSBAD	NM	26605	282	0	0	0	0	*
10350100	FARMERS & STOCKMENS	CLAYTON	NM	24346	184	0	12	0	0	*
11350110	CITIZENS BANK OF CLOVIS	CLOVIS	NM	66853	563	0	1153	0	0	*
10350145	CITIZENS BANK	FARMINGTON	NM	56319	1416	0	459	0	0	*
10350160	FIRST STATE BANK	GALLUP	NM	49647	1333	0	0	0	0	*
10350170	MERCHANTS BANK	GALLUP	NM	36847	756	0	0	0	0	*
10350175	GRANTS STATE BANK	GRANTS	NM	27683	549	0	0	0	0	*
11350200	NEW MEXICO BK & TR CO	HOBBS	NM	97239	1117	0	2528	0	0	
11350205	CITIZENS BANK OF LAS CRUCES	LAS CRUCES	NM	26638	363	0	0	0	0	*
11350215	FARMERS AND MERCHANTS BANK	LAS CRUCES	NM	52061	990	0	508	0	0	*
10350233	BANK OF LAS VEGAS	LAS VEGAS	NM	35246	635	0	0	0	0	*
10350325	FIRST STATE BANK	RIO RANCHO	NM	23315	616	0	0	0	0	*
11350332	RUIDOSO STATE BANK	RUIDOSO	NM	26028	394	0	0	0	0	*
11350335	ROSWELL STATE BANK	ROSWELL	NM	58020	767	0	702	0	0	*
10350337	BANK OF SANTA FE	SANTA FE	NM	44000	433	0	142	0	0	*
10350339	CAPITAL BANK	SANTA FE	NM	27677	360	0	0	0	0	*
10350370	CITIZENS STATE BANK	SPRINGER	NM	17251	394	0	0	0	0	*
11350400	CITIZENS STATE BANK	VAUGHN	NM	18347	190	0	0	0	0	*

OF 25 BANKS AFFECTED IN STATE 14 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
10 HAVE NO REQURED RESERVE BALANCE

2360040	BANK OF AKRON	AKRON	NY	19390	312	0	0	0	0	*
2360075	COMMUNITY STATE BANK	ALBANY	NY	67721	1060	0	614	0	0	
2360410	CITIZENS BANK	ATTICA	NY	18403	494	0	0	0	0	*
2360500	BANK OF BABYLON	BABYLON	NY	77917	1572	0	729	0	0	
2360718	BANKERS TRUST OF BINGHAMTON	BINGHAMTON	NY	32349	1268	0	0	0	0	*
2360975	CENTRAL STATE BANK	BROOKLYN	NY	56235	755	0	1029	0	0	*
2361520	BANK OF CASTILE	CASTILE	NY	27407	379	0	0	0	0	*
2361940	FIRST BK & TR CO OF CORNING	CORNING	NY	49505	1538	0	0	0	0	*
2362795	CONTINENTAL BANK	GARDEN CITY	NY	23213	148	0	0	0	0	*
2362850	NASSAU TRUST CO	GLEN COVE	NY	154976	3474	0	3297	0	0	
2363320	CHEMICAL BANK OF ROCHESTER	HILTON	NY	26631	324	0	0	0	0	*
2363390	STEUBEN TRUST COMPANY	HORNELL	NY	38489	682	0	0	0	0	*
2363850	BANK OF LAKE PLACID	LAKE PLACID	NY	27583	895	0	0	0	0	*
2363870	MFG HANOVER TR CO/CPTL REG	LATHAM	NY	86934	1296	0	1577	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2363890	BANK OF LE ROY	LE ROY	NY	33042	742	0	0	0	0	*
2363950	HERKIMER COUNTY TRUST CO	LITTLE FALLS	NY	40066	984	0	0	0	0	*
2364310	NORTH FORK BK & TR CO	MATTITUCK	NY	73340	1308	0	1176	0	0	*
2364643	UNION STATE BANK	NANUET	NY	21334	191	0	0	0	0	*
2364755	STATE BANK OF L I	NEW HYDE PARK	NY	34343	303	0	135	0	0	*
2364820	AMALGAMATED BK OF NEW YORK	NEW YORK	NY	354162	1386	0	5199	10387	-10387	
2364838	ATLANTIC BANK OF NEW YORK	NEW YORK	NY	308968	693	0	5159	3217	-3217	
2364843	BANCO DE BOGOTA TRUST CO	NEW YORK	NY	29763	15	0	959	0	0	*
2364858	BANK LEUMI TRUST CO OF N Y	NEW YORK	NY	655323	2267	0	5303	18944	-18944	
2364863	BANK OF COMMERCE	NEW YORK	NY	238860	3203	0	5128	5606	-5606	
2364893	BANK OF TOKYO TRUST CO	NEW YORK	NY	1481432	581	0	5349	51611	-51611	
2364945	CANADIAN BANK OF CMRC TR	NEW YORK	NY	18662	4	0	92	0	0	*
2364987	CHINESE AMERICAN BANK	NEW YORK	NY	45320	297	0	452	0	0	*
2365053	DAIWA BANK TRUST COMPANY	NEW YORK	NY	84329	48	0	1457	0	0	*
2365130	FIDUCIARY TRUST COMPANY	NEW YORK	NY	54450	39	0	3167	0	0	*
2365168	FUJI BANK & TRUST COMPANY	NEW YORK	NY	198937	38	0	2491	3019	-3019	
2365235	IND BANK OF JAPAN TR CO	NEW YORK	NY	145169	10	0	1482	2355	-2355	
2365244	ISRAEL DISCOUNT TRUST CO	NEW YORK	NY	15547	10	0	144	0	0	*
2365418	ROYAL BANK & TRUST CO	NEW YORK	NY	181565	167	0	5205	2573	-2573	
2365515	UNITED AMERICAS BANK	NEW YORK	NY	50744	1244	0	0	0	0	*
2366050	PAVILION STATE BANK	PAVILION	NY	14587	331	0	0	0	0	*
2367635	BANK OF UTICA	UTICA	NY	49757	337	0	459	0	0	*
2367790	WYOMING COUNTY BANK	WARSAW	NY	42294	731	0	0	0	0	*
2367970	FIRST TRUST UNION BANK	WELLSVILLE	NY	140906	2413	0	2354	0	0	

OF 38 BANKS AFFECTED IN STATE 15 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
15 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5370065	BANK OF ASHEVILLE	ASHEVILLE	NC	77346	1727	0	712	0	0	*
5370070	WESTERN CAROLINA BK & TR CO	ASHEVILLE	NC	21078	447	0	0	0	0	*
5370130	BANK OF BELMONT	BELMONT	NC	33876	603	0	0	0	0	*
5370270	PEOPLES BANK	CATAWBA	NC	29008	478	0	0	0	0	*
5370358	REPUBLIC BANK & TRUST CO	CHARLOTTE	NC	28898	360	0	0	0	0	*
5370460	PIEDMONT BANK & TRUST CO	DAVIDSON	NC	54481	1454	0	0	0	0	*
5370495	CENTRAL CAROLINA BK & TR CO	DURHAM	NC	365655	11510	0	5163	423	-423	
5370550	MECHANICS AND FARMERS BANK	DURHAM	NC	38177	946	0	0	0	0	*
5370625	YADKIN VALLEY BK & TR CO	ELKIN	NC	13668	319	0	0	0	0	*
5370640	EAST CAROLINA BANK	ENGELHARD	NC	44034	1165	0	0	0	0	*
5370678	CAPE FEAR BANK & TRUST CO	FAYETTEVILLE	NC	33039	1267	0	0	0	0	*
5370720	FIDELITY BANK	FUQUAY-VARINA	NC	72217	1712	0	390	0	0	
5370728	CAROLINA STATE BANK	GASTONIA	NC	18761	138	0	0	0	0	*
5370750	TARHEEL BANK & TRUST CO	GATESVILLE	NC	28859	558	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5370810	BANK OF GRANITE	GRANITE FALLS	NC	44980	1110	0	0	0	0	*
5370820	FARMERS AND MERCHANTS BANK	GRANITE QUARRY	NC	27100	598	0	0	0	0	*
5370855	COMMUNITY BANK OF CAROLINA	GREENSBORO	NC	23215	355	0	0	0	0	*
5370857	GATEWAY BANK	GREENSBORO	NC	19594	374	0	0	0	0	*
5370990	HIGH POINT BK & TR CO	HIGH POINT	NC	92954	488	0	2754	0	0	
5371155	LEXINGTON STATE BANK	LEXINGTON	NC	74475	1277	0	645	0	0	
5371180	HERITAGE BANK	LUCAMA	NC	19202	463	0	0	0	0	*
5371225	PEOPLES BANK OF N C	MADISON	NC	25096	645	0	0	0	0	*
5371330	AMERICAN BANK AND TRUST CO	MONROE	NC	200220	3175	0	4997	0	0	
5371410	SOUTHERN BANK & TRUST CO	MOUNT OLIVE	NC	62707	1874	0	0	0	0	*
5371420	BANK OF CURRITUCK	MOYOCK	NC	15785	359	0	0	0	0	*
5371480	NORTHWESTERN BANK	NORTH WILKESBORO	NC	1171996	32181	0	5226	17756	-17756	
5371520	BANK OF PILOT MOUNTAIN	PILOT MOUNTAIN	NC	19100	284	0	0	0	0	*
5371530	FARMERS BANK	PILOT MOUNTAIN	NC	15103	225	0	0	0	0	*
5371584	FIRST-CITIZENS BK & TR CO	RALEIGH	NC	1072178	25107	0	5161	20310	-20310	
5371585	STATE BANK OF RALEIGH	RALEIGH	NC	29150	372	0	0	0	0	*
5371690	RICHMOND CO BANK	ROCKINGHAM	NC	28485	932	0	0	0	0	*
5371720	PEOPLES BANK AND TRUST CO	ROCKY MOUNT	NC	264409	9165	0	2585	0	0	
5371770	COMMERCIAL AND FARMERS BANK	RURAL HALL	NC	19100	591	0	0	0	0	*
5371800	SECURITY BK & TR CO	SALISBURY	NC	127681	4444	0	583	0	0	
5371805	CAROLINA BANK	SANFORD	NC	123774	2505	0	2456	0	0	
5371940	FARMERS BANK	SUNBURY	NC	26349	570	0	0	0	0	*
5371970	EDGECOMBE BANK & TRUST CO	TARBORO	NC	51839	1387	0	0	0	0	*
5371990	BANK OF MONTGOMERY	TROY	NC	19872	581	0	0	0	0	*
5372111	WACCAMAW BANK AND TRUST CO	WHITEVILLE	NC	263481	4410	0	5195	2364	-2364	
5372150	BRANCH BANKING AND TRUST CO	WILSON	NC	455599	12115	0	5136	5668	-5668	
5372225	FORSYTH BANK & TRUST CO	WINSTON-SALEM	NC	45454	338	0	652	0	0	*
5372240	FIRST STATE BANK	WINTERVILLE	NC	25906	659	0	0	0	0	*

OF 42 BANKS AFFECTED IN STATE 28 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
9 HAVE NO REQURED RESERVE BALANCE

9380030	MCINTOSH COUNTY BANK	ASHLEY	ND	17863	86	0	11	0	0	*
9380040	FARMERS AND MERCHANTS BANK	BEACH	ND	17350	74	0	0	0	0	*
9380070	BANK OF BEULAH	BEULAH	ND	16086	118	0	0	0	0	*
9380115	ST BK OF BURLEIGH CTY TR CO	BISMARCK	ND	34398	305	0	94	0	0	*
9380170	FIRST STATE BANK OF CANDO	CANDO	ND	20676	165	0	0	0	0	*
9380180	FOSTER COUNTY BANK & TR CO	CARRINGTON	ND	27024	160	0	80	0	0	*
9380200	CASSELTON STATE BANK	CASSELTON	ND	15083	45	0	0	0	0	*
9380210	FIRST STATE BANK	CASSELTON	ND	13979	72	0	0	0	0	*
9380240	FARMERS ST BK OF CROSBY	CROSBY	ND	19472	86	0	0	0	0	*
9380470	SARGENT COUNTY BANK	FORMAN	ND	16559	58	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9380490	GARRISON STATE BANK	GARRISON	ND	17503	82	0	0	0	0	*
9380540	WALSH COUNTY BANK & TR CO	GRAFTON	ND	41375	344	0	246	0	0	*
9380610	FIRST STATE BANK	HARVEY	ND	17704	93	0	0	0	0	*
9380650	UNION STATE BANK	HAZEN	ND	18117	142	0	0	0	0	*
9380690	NORTHWESTERN STATE BANK	HILLSBORO	ND	20298	125	0	6	0	0	*
9380740	STATE BANK OF KENMARE	KENMARE	ND	15838	57	0	0	0	0	*
9380780	STATE BANK OF LAKOTA	LAKOTA	ND	14959	54	0	0	0	0	*
9380800	FIRST BANK OF LANGDON	LANGDON	ND	24399	149	0	0	0	0	*
9380860	FARMERS STATE BANK	LISBON	ND	24320	171	0	27	0	0	*
9380915	MANDAN SECURITY BANK	MANDAN	ND	17640	168	0	0	0	0	*
9380930	GOOSE RIVER BANK	MAYVILLE	ND	16960	170	0	0	0	0	*
9380970	AMERICAN BANK AND TRUST CO	MINOT	ND	59941	334	0	1065	0	0	*
9380995	FIRST WESTERN SB OF MINOT	MINOT	ND	30078	295	0	0	0	0	*
9381090	SECURITY ST BK OF NEW SALEM	NEW SALEM	ND	14958	163	0	0	0	0	*
9381130	NORTHWOOD STATE BANK	NORTHWOOD	ND	16475	99	0	0	0	0	*
9381220	FIRST BANK OF ROLLA	ROLLA	ND	22601	429	0	0	0	0	*
9381230	CITIZENS STATE BANK	RUGBY	ND	19418	108	0	0	0	0	*
9381240	MERCHANTS BANK	RUGBY	ND	26030	210	0	29	0	0	*
9381300	SCANDIA AMERICAN BANK	STANLEY	ND	15668	64	0	0	0	0	*
9381310	BANK OF STEELE	STEELE	ND	15778	69	0	0	0	0	*
9381457	WEST FARGO STATE BANK	WEST FARGO	ND	17979	121	0	0	0	0	*
9381470	AMERICAN STATE BANK	WILLISTON	ND	51336	785	0	434	0	0	*

OF 32 BANKS AFFECTED IN STATE 23 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
9 HAVE NO REQURED RESERVE BALANCE

4390036	CENTRAN BANK OF AKRON	AKRON	OH	180396	3308	0	3234	0	0	
4390050	FIRESTONE BANK	AKRON	OH	310500	4132	0	5133	2901	-2901	
4390080	GOODYEAR BANK	AKRON	OH	206371	1728	0	5105	985	-985	
4390240	FARMERS & MERCHANTS ST BK	ARCHBOLD	OH	58740	278	0	773	0	0	*
4390293	HUNTINGTON BK OF ASHLAND	ASHLAND	OH	26447	563	0	0	0	0	*
4390310	COMMERCIAL BANK	ASHTABULA	OH	20748	901	0	0	0	0	*
4390385	HOCKING VALLEY BK OF ATHENS	ATHENS	OH	22501	775	0	0	0	0	*
4390390	SECURITY BANK	ATHENS	OH	16009	541	0	0	0	0	*
4390400	SUTTON STATE BANK	ATTICA	OH	14173	129	0	0	0	0	*
4390535	LOGAN COUNTY BANK	BELLEFONTAINE	OH	17855	491	0	0	0	0	*
4390630	CITIZENS BANK CO	BEVERLY	OH	19736	255	0	0	0	0	*
4390800	BUCYRUS CITY BANK	BUCYRUS	OH	21309	355	0	0	0	0	*
4390870	FARMERS AND MERCHANTS BANK	CALDWELL	OH	17563	285	0	0	0	0	*
4391050	PEOPLES BANK	CAREY	OH	20892	341	0	0	0	0	*
4391070	CUMMINGS BANK COMPANY	CARROLLTON	OH	22883	290	0	0	0	0	*
4391170	HUNTINGTON BK OF CHILLICOTHE	CHILLICOTHE	OH	48776	1218	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4391270	NORTH SIDE BANK AND TRUST CO	CINCINNATI	OH	47420	757	0	135	0	0	*
4391345	SAVINGS BANK	CIRCLEVILLE	OH	23450	247	0	0	0	0	*
4391465	MIDWEST BANK & TRUST CO	CLEVELAND	OH	68433	169	0	2089	0	0	*
4391530	CLYDE SAVINGS BANK CO	CLYDE	OH	21478	400	0	0	0	0	*
4391540	PEOPLES BANK CO	COLDWATER	OH	35252	412	0	35	0	0	*
4391605	FRANKLIN BANK	COLUMBUS	OH	34465	329	0	43	0	0	*
4391650	OHIO STATE BANK	COLUMBUS	OH	127843	2016	0	2950	0	0	
4391655	SOCIETY BANK	COLUMBUS	OH	42133	1217	0	0	0	0	*
4391660	UNION BANK CO	COLUMBUS GROVE	OH	16881	297	0	0	0	0	*
4391850	NORTHWEST OHIO BK OF WD CTY	CYGNET	OH	28180	277	0	37	0	0	*
4391945	DELAWARE COUNTY BANK	DELAWARE	OH	51135	783	0	209	0	0	*
4392050	REEVES BANKING AND TRUST CO	DOVER	OH	148080	2439	0	2986	0	0	
4392110	UNION COMMERCIAL & SVGS BK	EAST PALESTINE	OH	16523	398	0	0	0	0	*
4392140	EDGERTON STATE BANK CO	EDGERTON	OH	23479	225	0	15	0	0	*
4392150	EDON STATE BANK CO	EDON	OH	16667	76	0	20	0	0	*
4392430	FREMONT SAVINGS BANK CO	FREMONT	OH	46587	820	0	0	0	0	*
4392465	BUCKEYE STATE BANK	GALION	OH	22436	731	0	0	0	0	*
4392480	COMMERCIAL AND SAVINGS BANK	GALLIPOLIS	OH	31713	594	0	0	0	0	*
4392500	OHIO VALLEY BANK CO	GALLIPOLIS	OH	52868	1123	0	0	0	0	*
4392760	CITIZENS BANK	HAMILTON	OH	74281	1629	0	432	0	0	
4392810	AMERICAN BK OF CENTRAL OHIO	HARRISBURG	OH	17986	353	0	0	0	0	*
4392830	HICKSVILLE BANK	HICKSVILLE	OH	17983	259	0	0	0	0	*
4392935	FIRELANDS COMMUNITY BANK	HURON	OH	40036	547	0	47	0	0	*
4393050	CITY BANK	KENT	OH	45956	1039	0	0	0	0	*
4393090	KENTON SAVINGS BANK	KENTON	OH	26715	472	0	0	0	0	*
4393170	FARMERS AND CITIZENS BANK	LANCASTER	OH	58433	1302	0	156	0	0	*
4393240	BANK OF LEIPSIC CO	LEIPSIC	OH	15107	305	0	0	0	0	*
4393270	METROPOLITAN BANK	LIMA	OH	113083	3169	0	1372	0	0	
4393300	FIRESTONE BANK	LISBON	OH	16355	213	0	0	0	0	*
4393335	CITIZENS BK OF LOGAN	LOGAN	OH	15178	403	0	0	0	0	*
4393410	FRMRS & SVNGS BK OF LDNVLL	LOUDONVILLE	OH	20028	264	0	0	0	0	*
4393430	LOWELLVILLE SVGS & BKNG CO	LOWELLVILLE	OH	21172	441	0	0	0	0	*
4393510	PEOPLES BANKING CO	MC COMB	OH	14291	118	0	0	0	0	*
4393630	RICHLAND TRUST CO	MANSFIELD	OH	96960	1871	0	1241	0	0	
4393669	DIME BANK	MARIETTA	OH	16229	191	0	0	0	0	*
4393680	FIRST BANK OF MARIETTA	MARIETTA	OH	21480	372	0	0	0	0	*
4393690	PEOPLES BANKING AND TRUST CO	MARIETTA	OH	93019	1306	0	1625	0	0	
4393700	FAHEY BANKING CO	MARION	OH	36348	720	0	0	0	0	*
4393710	MARION COUNTY BANK	MARION	OH	47736	1281	0	0	0	0	*
4393730	CITIZENS SAVINGS BANK	MARTINS FERRY	OH	30667	365	0	34	0	0	*
4393740	PEOPLES SAVINGS BANK CO	MARTINS FERRY	OH	26074	508	0	0	0	0	*
4393829	MEDINA COUNTY BANK	MEDINA	OH	30383	605	0	0	0	0	*
4393840	SAVINGS DEPOSIT BANK CO	MEDINA	OH	24834	308	0	0	0	0	*
4393847	STATE B&T CO OF LAKE CTY	MENTOR	OH	16883	277	0	0	0	0	*
4393890	MIDDLEFIELD BANKING CO	MIDDLEFIELD	OH	18371	116	0	0	0	0	*
4393915	BARNITZ BANK	MIDDLETOWN	OH	86122	1654	0	1240	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
4394205	HENRY COUNTY BANK	NAPOLEON	OH	26713	476	0	0	0	0	*
4394210	NAVARRE DEPOSIT BANK CO	NAVARRE	OH	14582	254	0	0	0	0	*
4394230	PEOPLES BANK	NELSONVILLE	OH	26392	340	0	0	0	0	*
4394660	OAK HILL SAVINGS BANK CO	OAK HILL	OH	18394	534	0	0	0	0	*
4394710	OLD FORT BANKING CO	OLD FORT	OH	15028	132	0	0	0	0	*
4394835	SOCIETY BANK OF PAINESVILLE	PAINESVILLE	OH	44081	1209	0	0	0	0	*
4394880	UNION STATE BANK	PAYNE	OH	14017	137	0	0	0	0	*
4395090	PORTSMOUTH BANKING CO	PORTSMOUTH	OH	48389	814	0	65	0	0	*
4395440	CITIZENS BANKING CO	SALINEVILLE	OH	23973	483	0	0	0	0	*
4395490	SCIO BANK CO	SCIO	OH	13437	168	0	0	0	0	*
4395700	FARMERS SAVINGS BANK	SPENCER	OH	14762	125	0	0	0	0	*
4395745	SPRINGFIELD BANK	SPRINGFIELD	OH	106248	1702	0	1690	0	0	
4395780	MINERS & MECH SVGS & TR CO	STEUBENVILLE	OH	105015	2293	0	1051	0	0	
4395960	TIFFIN SAVINGS BANK	TIFFIN	OH	20731	276	0	0	0	0	*
4396010	HUNTINGTON BK OF TOLEDO	TOLEDO	OH	105490	1460	0	2318	0	0	
4396080	TWINSBURG BANKING CO	TWINSBURG	OH	56639	688	0	524	0	0	*
4396090	UNITED BANK	UHRICHSVILLE	OH	27285	776	0	0	0	0	*
4396100	FARMERS STATE BANK	UNION CITY	OH	25404	228	0	9	0	0	*
4396120	COMMERCIAL SAVINGS BANK	UPPER SANDUSKY	OH	39258	442	0	115	0	0	*
4396210	ERIE COUNTY BANK	VERMILION	OH	48279	692	0	91	0	0	*
4396250	CITIZENS BANK AND TRUST CO	WADSWORTH	OH	19460	224	0	0	0	0	*
4396340	HUNTINGTON BK OF WASH CT HSE	WASH COURT HOUSE	OH	36516	587	0	0	0	0	*
4396390	WAVERLY STATE BANK	WAVERLY	OH	14069	192	0	0	0	0	*
4396535	FARMERS BANK	WEST UNION	OH	26728	479	0	0	0	0	*
4396580	WILLARD UNITED BANK	WILLARD	OH	46370	629	0	27	0	0	*
4396640	FIRST STATE BK OF ADAMS CTY	WINCHESTER	OH	18917	499	0	0	0	0	*
4396668	CENTRAL TR CO OF WAYNE CTY	WOOSTER	OH	34118	647	0	0	0	0	*
4396731	MIAMI DEPOSIT BANK	YELLOW SPRINGS	OH	28290	673	0	0	0	0	*
4396770	PEOPLES BANK OF YOUNGSTOWN	YOUNGSTOWN	OH	67268	914	0	672	0	0	*
4396789	CENTRAL TR CO OF ZANESVILLE	ZANESVILLE	OH	47051	1487	0	0	0	0	*

OF 92 BANKS AFFECTED IN STATE 60 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
30 HAVE NO REQURED RESERVE BALANCE

10400005	CITIZENS BK & TR CO OF ADA	ADA	OK	24003	518	0	0	0	0	*
10400020	OKLAHOMA STATE BANK	ADA	OK	38031	507	0	146	0	0	*
10400080	ALVA STATE BANK & TR CO	ALVA	OK	20362	172	0	0	0	0	*
10400100	ANADARKO BK & TR CO	ANADARKO	OK	26766	154	0	10	0	0	*
10400175	LINCOLN BANK AND TRUST CO	ARDMORE	OK	19881	136	0	0	0	0	*
11400190	ATOKA STATE BANK	ATOKA	OK	23391	431	0	0	0	0	*
10400220	UNION BANK AND TRUST	BARTLESVILLE	OK	55358	627	0	1028	0	0	*
10400230	BANK OF BEAVER CITY	BEAVER	OK	16839	158	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10400240	FIRST SECURITY BANK	BEAVER	OK	16578	81	0	0	0	0	*
10400290	CITIZENS SECRTY BK & TR CO	BIXBY	OK	26464	339	0	0	0	0	*
10400310	SECURITY BANK & TRUST CO	BLACKWELL	OK	21937	318	0	0	0	0	*
10400430	ARKANSAS VALLEY STATE BANK	BROKEN ARROW	OK	27071	391	0	0	0	0	*
11400445	1ST BANK & TRUST	BROKEN BOW	OK	23834	505	0	0	0	0	*
10400650	SECURITY STATE BANK	CHEYENNE	OK	24081	143	0	39	0	0	*
10400658	CHICKASHA BANK & TRUST CO	CHICKASHA	OK	20065	226	0	0	0	0	*
10400690	ROGERS COUNTY BANK	CLAREMORE	OK	31032	359	0	0	0	0	*
10400750	OKLAHOMA BANK & TRUST CO	CLINTON	OK	22823	131	0	0	0	0	*
10400965	DEL STATE BANK & TR CO	DEL CITY	OK	41486	606	0	82	0	0	*
10401030	FIRST BANK & TRUST CO	DUNCAN	OK	34186	483	0	0	0	0	*
11401060	DURANT BANK AND TRUST CO	DURANT	OK	41917	479	0	200	0	0	*
10401490	FIRST ST BK & TR CO	GUTHRIE	OK	16908	251	0	0	0	0	*
10401620	AMERICAN EXCHANGE BANK	HENRYETTA	OK	22197	367	0	0	0	0	*
11401770	FIRST ST BK OF IDABEL	IDABEL	OK	33847	511	0	0	0	0	*
10401800	DELAWARE COUNTY BANK	JAY	OK	18143	299	0	0	0	0	*
10401865	KINGFISHER BANK & TRUST CO	KINGFISHER	OK	21238	269	0	0	0	0	*
10401950	SECURITY BANK AND TRUST COMP	LAWTON	OK	55012	691	0	754	0	0	*
10401955	SHERIDAN BANK AND TRUST CO	LAWTON	OK	19516	333	0	0	0	0	*
10402015	AMERICAN BANK OF COMMERCE	MCALESTER	OK	24942	395	0	0	0	0	*
11402060	MADILL BANK & TRUST CO	MADILL	OK	31841	252	0	86	0	0	*
10402250	SECURITY BK & TR CO	MIAMI	OK	59743	760	0	407	0	0	*
10402258	SECURITY BANK & TRUST CO	MIDWEST CITY	OK	24999	432	0	0	0	0	*
10402335	AMERICAN BANK OF MUSKOGEE	MUSKOGEE	OK	19778	279	0	0	0	0	*
10402345	CITY BANK	MUSKOGEE	OK	17328	237	0	0	0	0	*
10402350	COMMERCIAL BANK & TRUST CO	MUSKOGEE	OK	68490	918	0	802	0	0	*
10402415	AMERICAN EXCHANGE BK & TR	NORMAN	OK	39018	403	0	80	0	0	*
10402518	CAPITOL HILL ST BK & TR CO	OKLAHOMA CITY	OK	31498	543	0	0	0	0	*
10402555	FIRST SECURITY BANK & TR CO	OKLAHOMA CITY	OK	19157	223	0	0	0	0	*
10402556	FOUNDERS BANK & TRUST CO	OKLAHOMA CITY	OK	46142	444	0	443	0	0	*
10402567	GRANT SQUARE BK & TR CO	OKLAHOMA CITY	OK	47161	361	0	346	0	0	*
10402568	GUARANTY BANK & TRUST CO	OKLAHOMA CITY	OK	70596	698	0	1225	0	0	*
10402575	NORTHWEST BANK	OKLAHOMA CITY	OK	28468	291	0	0	0	0	*
10402586	SHEPHERD MALL STATE BANK	OKLAHOMA CITY	OK	31259	395	0	0	0	0	*
10402587	SOUTHWESTERN BANK & TR CO	OKLAHOMA CITY	OK	38793	370	0	45	0	0	*
10402588	REPUBLIC BANK	OKLAHOMA CITY	OK	32189	390	0	0	0	0	*
10402590	UNITED OKLAHOMA BANK	OKLAHOMA CITY	OK	72562	474	0	1748	0	0	*
10402594	UNION BANK & TRUST COMPANY	OKLAHOMA CITY	OK	88019	402	0	1958	0	0	
10402625	FIRST BANK OF OWASSO	OWASSO	OK	18061	424	0	0	0	0	*
10402710	EXCHANGE BANK & TRUST CO	PERRY	OK	22374	215	0	0	0	0	*
10402760	SECURITY BK & TR CO	PONCA CITY	OK	56300	499	0	867	0	0	*
10402795	POTEAU STATE BANK	POTEAU	OK	24650	621	0	0	0	0	*
10402820	AMERICAN BANK OF OKLAHOMA	PRYOR	OK	25159	306	0	0	0	0	*
10402840	FIRST AMERICAN BK & TR	PURCELL	OK	23931	300	0	0	0	0	*
10402975	FIRST BANK AND TRUST CO	SAND SPRINGS	OK	19656	340	0	0	0	0	*
10402980	SAND SPRINGS STATE BANK	SAND SPRINGS	OK	23059	390	0	0	0	0	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10403083	FIRST STATE BANK & TRUST CO	SHAWNEE	OK	16347	246	0	0	0	0	*
10403160	BANK OF COMMERCE	STILWELL	OK	16717	645	0	0	0	0	*
10403210	FIRST-OKLAHOMA BANK & TR CO	SULPHUR	OK	19108	253	0	0	0	0	*
10403230	LIBERTY STATE BANK	TAHLEQUAH	OK	38036	462	0	0	0	0	*
10403295	THE VILLAGE BANK	THE VILLAGE	OK	31948	302	0	0	0	0	*
10403300	AMERICAN STATE BANK	THOMAS	OK	14436	82	0	0	0	0	*
10403362	BANK OF COMMERCE & TRUST CO	TULSA	OK	110002	791	0	1895	0	0	
10403363	ADMIRAL STATE BANK	TULSA	OK	39058	655	0	0	0	0	*
10403364	BOULDER BANK AND TRUST CO	TULSA	OK	65430	465	0	1057	0	0	*
10403365	BROOKSIDE STATE BANK	TULSA	OK	34996	249	0	126	0	0	*
10403366	AMERICAN BANK OF TULSA	TULSA	OK	25615	359	0	0	0	0	*
10403368	BANK OF TULSA	TULSA	OK	32417	404	0	0	0	0	*
10403372	CITY BANK & TRUST COMPANY	TULSA	OK	54623	479	0	921	0	0	*
10403373	COMMUNITY BANK & TRUST CO	TULSA	OK	35778	599	0	0	0	0	*
10403375	F & M BANK AND TRUST CO	TULSA	OK	218813	1312	0	5176	2427	-2427	
10403395	MERCANTILE BK AND TR CO	TULSA	OK	46991	507	0	497	0	0	*
10403415	NORTH SIDE STATE BANK	TULSA	OK	16767	362	0	0	0	0	*
10403420	PEOPLES STATE BANK	TULSA	OK	26116	485	0	0	0	0	*
10403421	SECURITY BANK	TULSA	OK	16455	602	0	0	0	0	*
10403422	REPUBLIC BANK & TRUST CO	TULSA	OK	67009	740	0	1348	0	0	*
10403424	UNITED BANK	TULSA	OK	18438	193	0	0	0	0	*
10403515	OKLAHOMA ST BK & TR CO	VINITA	OK	22233	248	0	0	0	0	*
10403530	FIRST WAGONER BANK & TR CO	WAGONER	OK	19023	288	0	0	0	0	*
10403555	COMMUNITY BANK	WARR ACRES	OK	38308	484	0	66	0	0	*
10403560	WATONGA STATE BANK	WATONGA	OK	19785	358	0	0	0	0	*
10403710	WILBURTON STATE BANK	WILBURTON	OK	15304	258	0	0	0	0	*
10403760	STOCK EXCHANGE BANK	WOODWARD	OK	23739	296	0	0	0	0	*
10403800	FIRST BANK & TRUST CO	YALE	OK	16369	159	0	0	0	0	*

OF 82 BANKS AFFECTED IN STATE 56 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
25 HAVE NO REQURED RESERVE BALANCE

12410020	CITIZENS VALLEY BANK	ALBANY	OR	86710	1364	0	1577	0	0	
12410030	BANK OF EASTERN OREGON	ARLINGTON	OR	16559	134	0	0	0	0	*
12410100	CANBY UNION BANK	CANBY	OR	30134	231	0	115	0	0	*
12410133	WESTERN BANK	COOS BAY	OR	223145	2434	0	5126	1668	-1668	
12410143	CITIZENS BK OF CORVALLIS	CORVALLIS	OR	51303	881	0	439	0	0	*
12410205	CITIZENS BANK OF OREGON	EUGENE	OR	125414	2346	0	2584	0	0	
12410218	SIUSLAW VALLEY BANK	FLORENCE	OR	22198	556	0	0	0	0	*
12410273	SOUTHERN OREGON STATE BANK	GRANTS PASS	OR	59518	749	0	766	0	0	*
12410325	INLAND EMPIRE BANK	HERMISTON	OR	26541	616	0	0	0	0	*
12410369	COMMUNITY BANK	LAKE OSWEGO	OR	18143	69	0	0	0	0	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12410372	LINCOLN BANK	LINCOLN CITY	OR	41722	571	0	0	0	0	*
12410405	BANK OF COMMERCE	MILTON FREEWATER	OR	17360	236	0	0	0	0	*
12410420	FIRST STATE BANK OF OREGON	MILWAUKIE	OR	280149	3347	0	5139	5428	-5428	
12410450	SECURITY BK OF COOS COUNTY	MYRTLE POINT	OR	29298	415	0	0	0	0	*
12410460	BANK OF NEWPORT	NEWPORT	OR	35942	435	0	0	0	0	*
12410515	COLUMBIA PACIFIC BK & TR CO	PORTLAND	OR	23198	62	0	26	0	0	*
12410527	OREGON BANK	PORTLAND	OR	470058	7095	0	5186	8704	-8704	
12410584	PACIFIC SECURITY BANK	REEDSPORT	OR	14492	172	0	0	0	0	*
12410587	VALLEY OF THE ROGUE	ROGUE RIVER	OR	19266	522	0	0	0	0	*
12410593	SOUTH UMPQUA STATE BANK	ROSEBURG	OR	34886	567	0	0	0	0	*
12410600	COMMERCIAL BANK	SALEM	OR	88472	1263	0	1722	0	0	
12410610	PIONEER TRUST COMPANY	SALEM	OR	17996	86	0	0	0	0	*
12410613	WESTERN SECURITY BANK	SALEM	OR	45075	1132	0	0	0	0	*
12410620	CLACKAMAS COUNTY BANK	SANDY	OR	17373	277	0	0	0	0	*
12410660	CENTENNIAL BANK	SPRINGFIELD	OR	16136	220	0	0	0	0	*
12410739	BANK OF OREGON	WOODBURN	OR	70710	990	0	941	0	0	

OF 26 BANKS AFFECTED IN STATE 15 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
8 HAVE NO REQURED RESERVE BALANCE

3420138	MID-STATE BANK & TRUST CO	ALTOONA	PA	287611	5777	0	5229	1757	-1757	
4420189	APOLLO TRUST COMPANY	APOLLO	PA	26748	810	0	0	0	0	*
3420288	STATE BANK OF AVIS	AVIS	PA	33806	360	0	64	0	0	*
3420331	LINCOLN BANK	BALA CYNWYD	PA	118061	1358	0	3607	0	0	
4420405	REEVES BANK	BEAVER FALLS	PA	19008	483	0	0	0	0	*
3420630	UNION BANK & TRUST CO	BETHLEHEM	PA	184379	3418	0	2845	0	0	
3420684	BLOOMSBURG BK COLUMBIA TR CO	BLOOMSBURG	PA	59072	852	0	365	0	0	*
3420738	TRI&COUNTY STATE BANK	BOWMANSTOWN	PA	34346	1239	0	0	0	0	*
3420801	PRODUCERS BK & TR CO	BRADFORD	PA	30474	817	0	0	0	0	*
4420864	BROCKWAY CITIZENS BANK	BROCKWAY	PA	24757	447	0	0	0	0	*
4420873	BROOKVILLE BK & TR CO	BROOKVILLE	PA	41493	525	0	197	0	0	*
3420918	BRYN MAWR TRUST COMPANY	BRYN MAWR	PA	59881	1147	0	1398	0	0	*
4420925	FIRST SENECA BANK & TR CO	BUTLER	PA	323299	4824	0	5093	3457	-3457	
3421044	LIBERTY DISCOUNT & SVG BK	CARBONDALE	PA	25688	650	0	0	0	0	*
3421090	FARMERS TRUST COMPANY	CARLISLE	PA	80987	794	0	1785	0	0	
3421215	CHAMBERSBURG TRUST COMPANY	CHAMBERSBURG	PA	46545	927	0	0	0	0	*
3421224	F & M TR CO OF CHAMBERSBURG	CHAMBERSBURG	PA	87198	808	0	1460	0	0	
3421233	VALLEY BANK & TRUST CO	CHAMBERSBURG	PA	117544	1671	0	2150	0	0	
3421278	CHELTENHAM BANK	CHELTENHAM	PA	86849	2727	0	699	0	0	*
3421395	CLEARFIELD BK & TR CO	CLEARFIELD	PA	51798	646	0	474	0	0	*
3421647	CITIZENS TRUST COMPANY	COUDERSPORT	PA	20578	298	0	0	0	0	*
3421701	CURWENSVILLE STATE BANK	CURWENSVILLE	PA	27047	500	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3421944	UNION BANKING & TRUST CO	DU BOIS	PA	58370	871	0	252	0	0	*
3421962	FIDELITY DEP & DISCOUNT BK	DUNMORE	PA	47078	533	0	341	0	0	*
3422061	LAFAYETTE TRUST BANK	EASTON	PA	50148	631	0	386	0	0	*
3422205	ELIZABETHTOWN TRUST COMPANY	ELIZABETHTOWN	PA	32007	592	0	0	0	0	*
3422304	EMPORIUM TRUST COMPANY	EMPORIUM	PA	24065	427	0	0	0	0	*
4422376	SECURITY PEOPLES TRUST CO	ERIE	PA	193199	5504	0	2709	0	0	
4422395	UNION BANK AND TRUST CO	ERIE	PA	148607	3974	0	1368	0	0	
3422403	EVERETT BANK	EVERETT	PA	16229	380	0	0	0	0	*
4422511	PEOPLES BANK OF FORD CITY	FORD CITY	PA	17791	420	0	0	0	0	*
3422763	GLEN ROCK STATE BANK	GLEN ROCK	PA	23815	479	0	0	0	0	*
3422772	PEOPLES BANK OF GLEN ROCK	GLEN ROCK	PA	39280	801	0	0	0	0	*
3422898	HAMBURG SVGS & TR CO	HAMBURG	PA	34739	535	0	0	0	0	*
3422912	BK OF HANOVER & TR CO	HANOVER	PA	75780	1154	0	482	0	0	
3422916	FARMERS BANK AND TRUST CO	HANOVER	PA	97608	1225	0	1112	0	0	
3423015	DAUPHIN DEPOSIT BANK & TR CO	HARRISBURG	PA	468513	6951	0	5170	10930	-10930	
3423070	JEFFERSON BANK	HAVERFORD	PA	21617	341	0	0	0	0	*
3423105	HAWLEY BANK	HAWLEY	PA	19347	337	0	0	0	0	*
3423240	HOLLIDAYSBURG TRUST COMPANY	HOLLIDAYSBURG	PA	46521	945	0	0	0	0	*
4423249	HOMER CITY STATE BANK	HOMER CITY	PA	50386	1074	0	0	0	0	*
3423267	FARMERS AND MERCHANTS BANK	HONESDALE	PA	28133	180	0	211	0	0	*
3423276	HONESDALE DIME BANK	HONESDALE	PA	13651	216	0	0	0	0	*
3423294	WAYNE COUNTY BANK AND TR CO	HONESDALE	PA	40557	557	0	121	0	0	*
3423375	FARMERS BANK AND TRUST CO	HUMMELSTOWN	PA	45519	915	0	0	0	0	*
4423492	IRWIN BANK & TRUST COMPANY	IRWIN	PA	57509	1087	0	25	0	0	*
4423520	THREE RIVERS BANK & TRUST CO	JEFFERSON BORO	PA	54115	1590	0	43	0	0	*
3423528	INDUSTRIAL VALLEY BK & TR CO	JENKINTOWN	PA	1101092	7128	0	5263	39690	-39690	
4423537	PEOPLES BANK & TRUST CO	JENNERSTOWN	PA	31842	596	0	0	0	0	*
3423555	JERSEY SHORE STATE BANK	JERSEY SHORE	PA	32173	635	0	0	0	0	*
3423580	MAUCH CHUNK TRUST COMPANY	JIM THORPE	PA	12642	328	0	0	0	0	*
3423591	JOHNSTOWN BANK & TRUST CO	JOHNSTOWN	PA	156437	4030	0	1454	0	0	
3423627	JONESTOWN BK & TR CO	JONESTOWN	PA	22423	467	0	0	0	0	*
4423672	ARMSTRONG COUNTY TRUST CO	KITTANNING	PA	19737	340	0	0	0	0	*
3423744	FARMERS BANK OF KUTZTOWN	KUTZTOWN	PA	28042	624	0	0	0	0	*
3423798	FULTON BANK	LANCASTER	PA	304488	5436	0	5182	2878	-2878	
3423890	FIRST VALLEY BANK	LANSFORD	PA	522785	5975	0	5237	10307	-10307	
3423950	LEBANON COUNTY TRUST CO	LEBANON	PA	52734	576	0	477	0	0	*
3424077	LEWISBURG TRUST BANK	LEWISBURG	PA	23687	269	0	0	0	0	*
3424176	FARMERS FIRST BANK	LITITZ	PA	176437	2009	0	4049	868	-868	
4424245	KEYSTONE BANK	LOWER BURRELL	PA	124152	2663	0	2369	0	0	
4424675	MARINE BANK	MEADVILLE	PA	283340	5731	0	5193	1666	-1666	
3424689	FIRST BANK AND TRUST COMPANY	MECHANICSBURG	PA	36269	687	0	0	0	0	*
3424842	MIFFLINBURG BK & TR CO	MIFFLINBURG	PA	29342	352	0	0	0	0	*
3424897	MID PENN BANK	MILLERSBURG	PA	41275	763	0	0	0	0	*
3424977	MINERSVILLE SAFE DEP BK	MINERSVILLE	PA	19514	357	0	0	0	0	*
3425057	BK OF CENTRAL PENNSYLVANIA	MONTOURSVILLE	PA	63930	860	0	514	0	0	
3425085	MORRISVILLE BANK	MORRISVILLE	PA	46812	1234	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3425230	COMMONWEALTH BANK & TR CO	MUNCY	PA	144166	2479	0	2614	0	0	
3425238	MUNCY BANK & TRUST CO	MUNCY	PA	23961	226	0	25	0	0	*
4425391	NEW BETHLEHEM BANK	NEW BETHLEHEM	PA	24494	218	0	10	0	0	*
4425454	PEOPLES BK OF WESTERN PA	NEW CASTLE	PA	63447	1967	0	0	0	0	*
3425660	CONTINENTAL BANK	NORRISTOWN	PA	1133198	10658	0	5277	43930	-43930	
4425790	NORTHWEST PA BK AND TR CO	OIL CITY	PA	255025	3381	0	5111	2873	-2873	
3425814	OLD FORGE BANK	OLD FORGE	PA	58576	872	0	278	0	0	*
3425845	COMMUNITY STATE BANK	ORBISONIA	PA	13959	235	0	0	0	0	*
3425886	PEOPLES BANK	OXFORD	PA	20743	252	0	0	0	0	*
3425895	CITIZENS BK & TR CO	PALMERTON	PA	28310	238	0	160	0	0	*
3425922	VALLEY TR CO OF PALMYRA	PALMYRA	PA	64246	1110	0	173	0	0	
3426025	BUCKS CTY BK & TR CO	PERKASIE	PA	148834	2707	0	2771	0	0	
3426174	FRANKFORD TRUST COMPANY	PHILADELPHIA	PA	133277	1458	0	3872	0	0	
4426561	ALGHNY VLY BK OF PITTSBURGH	PITTSBURGH	PA	42262	987	0	0	0	0	*
4426741	NORTH SIDE DEPOSIT BANK	PITTSBURGH	PA	53229	732	0	676	0	0	*
3426885	1ST BK OF GREATER PITTSTON	PITTSTON	PA	46953	658	0	172	0	0	*
3426903	MINERS SAVINGS BANK	PITTSTON	PA	42559	1076	0	0	0	0	*
4426925	PEOPLES BANK OF UNITY	PLUM BORO	PA	43214	1500	0	0	0	0	*
3426984	COMMUNITY BANK	PORT MATILDA	PA	14865	116	0	0	0	0	*
3427093	UNION BANK & TRUST CO	POTTSVILLE	PA	26888	748	0	0	0	0	*
3427171	CITIZENS & NORTHERN BANK	RALSTON	PA	93848	1743	0	949	0	0	
3427191	AMERICAN BK AND TR CO OF PA	READING	PA	1202860	16867	0	5217	31753	-31753	
3427205	BANK OF PENNSYLVANIA	READING	PA	349082	6191	0	5163	2782	-2782	
4427400	SHERADEN BANK	ROBINSON TOWNSHIP	PA	34791	760	0	0	0	0	*
3427506	SALIX STATE BANK	SALIX	PA	15532	386	0	0	0	0	*
4427524	MERCER COUNTY STATE BANK	SANDY LAKE	PA	16264	154	0	0	0	0	*
3427587	SCHUYLKILL HAVEN TR CO	SCHUYLKILL HAVEN	PA	25155	611	0	0	0	0	*
4427614	SCOTTDALE SAVINGS AND TR CO	SCOTTDALE	PA	14475	558	0	0	0	0	*
3427650	NORTH SCRANTON BK & TR CO	SCRANTON	PA	50320	1128	0	0	0	0	*
3427660	NORTHEASTERN BANK OF PA	SCRANTON	PA	577924	8728	0	5230	9634	-9634	
3427665	PENN SECURITY BANK & TR CO	SCRANTON	PA	121545	1745	0	1851	0	0	
3427704	WEST SIDE BANK	SCRANTON	PA	62349	1650	0	0	0	0	*
3427722	SNYDER COUNTY TRUST COMPANY	SELINSGROVE	PA	50183	630	0	281	0	0	*
3428010	HAMLIN BK & TR CO	SMETHPORT	PA	31923	777	0	0	0	0	*
4428055	COUNTY TRUST COMPANY	SOMERSET	PA	39341	590	0	0	0	0	*
3428179	CENTRAL COUNTIES BANK	STATE COLLEGE	PA	263292	6495	0	5194	2	-2	
3428280	SECURITY BANK & TRUST CO	STROUDSBURG	PA	97476	1805	0	1032	0	0	
3428532	FIRST BANK OF TROY	TROY	PA	34983	639	0	0	0	0	*
4428618	FAYETTE BANK AND TRUST CO	UNIONTOWN	PA	101436	1181	0	2182	0	0	
3428676	WALNUTPORT STATE BANK	WALNUTPORT	PA	16261	297	0	0	0	0	*
4428700	PENNSYLVANIA BANK & TRUST CO	WARREN	PA	414277	6232	0	5150	6530	-6530	
3428937	WEST MILTON STATE BANK	WEST MILTON	PA	19974	247	0	0	0	0	*
3428955	WEST SIDE BANK	WEST PITTSTON	PA	16680	494	0	0	0	0	*
3428991	HANOVER BANK OF PENNSYLVANIA	WILKES-BARRE	PA	62087	1074	0	296	0	0	*
3429010	UNITED PENN BANK	WILKES-BARRE	PA	470616	7756	0	5136	5697	-5697	
3429095	NORTHERN CENTRAL BANK	WILLIAMSPORT	PA	225586	4127	0	5049	0	0	

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3429128	BK & TR CO OF OLD YORK RD	WILLOW GROVE	PA	52112	1135	0	350	0	0	*
3429268	SOUTHERN PENNSYLVANIA BANK	YORK	PA	157796	2729	0	3019	0	0	
3429275	YORK BANK AND TRUST COMPANY	YORK	PA	323817	7809	0	5182	913	-913	
3429306	YORK HAVEN STATE BANK	YORK HAVEN	PA	15294	274	0	0	0	0	*

OF 118 BANKS AFFECTED IN STATE 56 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
45 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1440090	PAWTUCKET TRUST COMPANY	PAWTUCKET	RI	22748	4	0	519	0	0	*
1440125	CITIZENS TRUST COMPANY	PROVIDENCE	RI	137555	5546	0	3303	0	0	
1440210	OLD STONE BANK	PROVIDENCE	RI	969490	7625	0	5302	28317	-28317	
1440222	PEOPLES TRUST COMPANY	PROVIDENCE	RI	23550	1451	0	0	0	0	*

OF 4 BANKS AFFECTED IN STATE 1 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
2 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5450020	FARMERS AND MERCHANTS BANK	AIKEN	SC	64818	2160	0	146	0	0	*
5450050	ANDREWS BANK AND TRUST CO	ANDREWS	SC	24027	707	0	0	0	0	*
5450085	BANK OF BEAUFORT	BEAUFORT	SC	44755	620	0	461	0	0	*
5450092	CAPITAL BANK AND TRUST	BELTON	SC	23301	622	0	0	0	0	*
5450280	M S BAILEY AND SON BANKERS	CLINTON	SC	26445	553	0	0	0	0	*
5450301	BANKERS TRUST OF SC	COLUMBIA	SC	568295	13024	0	5318	13683	-13683	
5450304	FIRST-CITIZENS BK AND TR CO	COLUMBIA	SC	247144	5335	0	5174	1398	-1398	
5450308	FIRST PALMETTO ST BK & TR CO	COLUMBIA	SC	20775	596	0	0	0	0	*
5450515	PEOPLES BANK OF S C INC	FLORENCE	SC	33059	671	0	0	0	0	*
5450585	COMMUNITY BANK	GREENVILLE	SC	42841	773	0	170	0	0	*
5450605	SOUTHERN BANK AND TRUST CO	GREENVILLE	SC	334170	11528	0	5155	1138	-1138	
5450620	COUNTY BANK	GREENWOOD	SC	25108	523	0	0	0	0	*
5450630	BANK OF GREER	GREER	SC	51057	1442	0	76	0	0	*
5450680	ANDERSON STATE BANK INC	HEMINGWAY	SC	20724	620	0	0	0	0	*
5450700	FRM & MRCH BK OF SC	HOLLY HILL	SC	22853	544	0	0	0	0	*
5450720	COMMERCIAL BANK	HONEA PATH	SC	16759	449	0	0	0	0	*
5450790	LAKE CITY STATE BANK	LAKE CITY	SC	18158	482	0	0	0	0	*
5450830	BANK OF LANCASTER	LANCASTER	SC	35329	1037	0	0	0	0	*
5450850	PALMETTO BANK	LAURENS	SC	35807	865	0	0	0	0	*
5450875	LEXINGTON STATE BANK	LEXINGTON	SC	60004	1223	0	543	0	0	*
5450930	ANDERSON BROTHERS BANK	MULLINS	SC	20716	661	0	0	0	0	*
5451220	SPARTANBURG BK AND TR CO	SPARTANBURG	SC	51277	1036	0	209	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5451300	ARTHUR STATE BANK	UNION	SC	25630	510	0	0	0	0	*
5451360	FARMERS AND MERCHANTS BANK	WALTERBORO	SC	35090	749	0	0	0	0	*
5451440	FIRST CAROLINA BANK	YEMASSEE	SC	14904	291	0	0	0	0	*

OF 25 BANKS AFFECTED IN STATE 16 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
6 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9460230	FIRST FIDELITY BANK	BURKE	SD	18008	132	0	0	0	0	*
9460235	TRI-COUNTY STATE BANK	CHAMBERLAIN	SD	20519	109	0	0	0	0	*
9460640	FIRST POTTER COUNTY BANK	GETTYSBURG	SD	19091	158	0	0	0	0	*
9460650	COMMUNITY BANK	HARTFORD	SD	16980	93	0	0	0	0	*
9460690	FIRST ST BK OF HIGHMORE	HIGHMORE	SD	14501	65	0	0	0	0	*
9460970	DAKOTA STATE BANK	MILBANK	SD	19667	182	0	0	0	0	*
9461105	FARMERS STATE BANK	PARKSTON	SD	23330	197	0	0	0	0	*
9461430	SECURITY STATE BANK	TYNDALL	SD	14933	70	0	0	0	0	*
9461530	COMMERCIAL STATE BANK	WAGNER	SD	20835	88	0	24	0	0	*
9461530	FARMERS & MRCH BK & TR CO	WATERTOWN	SD	46850	304	0	373	0	0	*
9461570	AMERICAN STATE BANK	WESSINGTON SPGS	SD	14474	100	0	0	0	0	*
9461620	FARMERS STATE BANK	WINNER	SD	39026	603	0	0	0	0	*
9461640	AMERICAN STATE BANK	YANKTON	SD	50427	440	0	266	0	0	*

OF 13 BANKS AFFECTED IN STATE 10 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
3 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6470040	DEKALB CTY BANK & TRUST CO	ALEXANDRIA	TN	16710	226	0	0	0	0	*
6470050	BANK OF ARDMORE	ARDMORE	TN	15906	296	0	0	0	0	*
6470060	ASHLAND CITY BK AND TR CO	ASHLAND CITY	TN	23676	429	0	0	0	0	*
6470095	LIBERTY BANK OF TENNESSEE	ATHENS	TN	30113	661	0	0	0	0	*
8470120	BARRETVILLE BK AND TRUST CO	BARRETVILLE	TN	75320	2825	0	0	0	0	
6470180	TRI&CITY BANK AND TRUST CO	BLOUNTVILLE	TN	70373	796	0	1082	0	0	*
8470190	BANK CF BOLIVAR	BOLIVAR	TN	15414	387	0	0	0	0	*
8470200	HARDEMAN CTY SAVINGS BANK	BOLIVAR	TN	24902	502	0	0	0	0	*
8470240	BROWNSVILLE BANK	BROWNSVILLE	TN	30810	313	0	17	0	0	*
8470250	FIRST STATE BANK	BROWNSVILLE	TN	25514	547	0	0	0	0	*
8470290	BANK OF CAMDEN	CAMDEN	TN	25846	319	0	0	0	0	*
6470300	CITIZENS BANK	CARTHAGE	TN	40593	351	0	170	0	0	*
6470310	SMITH COUNTY BANK	CARTHAGE	TN	24584	315	0	0	0	0	*
6470400	PIONEER BANK	CHATTANOOGA	TN	147316	2571	0	3614	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6470410	UNITED BANK OF CHATTANOOGA	CHATTANOOGA	TN	75084	1897	0	456	0	0	*
6470430	FIRST TRUST AND SAVINGS BANK	CLARKSVILLE	TN	63217	818	0	703	0	0	*
6470440	NORTHERN BANK OF TENNESSEE	CLARKSVILLE	TN	69074	1038	0	889	0	0	*
6470460	CLEVELAND BANK AND TRUST CO	CLEVELAND	TN	46758	1077	0	0	0	0	*
6470475	FIRST CITIZENS BANK	CLEVELAND	TN	20989	161	0	0	0	0	*
6470490	MERCHANTS BANK	CLEVELAND	TN	51118	1026	0	359	0	0	*
6470500	UNION PEOPLES BANK	CLINTON	TN	63196	1500	0	64	0	0	*
6470540	MIDDLE TENNESSEE BANK	COLUMBIA	TN	52138	764	0	299	0	0	*
6470549	BANK OF PUTNAM CTY	COOKEVILLE	TN	30524	554	0	0	0	0	*
6470550	CITIZENS BANK	COOKEVILLE	TN	59970	637	0	553	0	0	*
8470600	FIRST ST BK OF COVINGTON	COVINGTON	TN	29295	242	0	4	0	0	*
8470610	TIPTON CTY BANK	COVINGTON	TN	58804	798	0	746	0	0	*
8470620	UNION SAVINGS BANK	COVINGTON	TN	17626	414	0	0	0	0	*
6470630	FRANKLIN COUNTY BANK	COWAN	TN	15559	304	0	0	0	0	*
6470635	CUMBERLAND COUNTY BANK	CROSSVILLE	TN	18810	232	0	0	0	0	*
6470660	JEFFERSON COUNTY BANK	DANDRIDGE	TN	18507	273	0	0	0	0	*
6470670	DAYTON BANK AND TRUST CO	DAYTON	TN	40652	720	0	0	0	0	*
6470705	BANK OF DICKSON	DICKSON	TN	19947	250	0	0	0	0	*
6470730	DOVER PEOPLES BK AND TR CO	DOVER	TN	14119	170	0	0	0	0	*
8470740	WEAKLEY COUNTY BANK	DRESDEN	TN	17981	305	0	0	0	0	*
6470750	DUCKTOWN BANKING COMPANY	DUCKTOWN	TN	19687	299	0	0	0	0	*
8470815	FIRST TN BK DYERSBURG TN	DYERSBURG	TN	35925	540	0	0	0	0	*
6470825	CITY BANK	EAST RIDGE	TN	20017	256	0	0	0	0	*
6470840	CARTER CTY B OF ELIZABETHTON	ELIZABETHTON	TN	37916	1226	0	0	0	0	*
6470850	CITIZENS BANK	ELIZABETHTON	TN	34211	1141	0	0	0	0	*
6470900	LINCOLN COUNTY BANK	FAYETTEVILLE	TN	26867	556	0	0	0	0	*
6470905	PEOPLES BANK OF ELK VALLEY	FAYETTEVILLE	TN	14858	208	0	0	0	0	*
6470960	WILLIAMSON COUNTY BANK	FRANKLIN	TN	64014	890	0	309	0	0	*
6470980	JACKSON COUNTY BANK	GAINESBORO	TN	17814	230	0	0	0	0	*
6470985	BANK OF GALLATIN	GALLATIN	TN	29064	854	0	0	0	0	*
8471031	BANK OF GERMANTOWN	GERMANTOWN	TN	19118	136	0	0	0	0	*
6471050	BANK OF GOODLETTSVILLE	GOODLETTSVILLE	TN	44816	380	0	301	0	0	*
6471090	GREENE COUNTY BANK	GREENEVILLE	TN	65106	1442	0	511	0	0	*
6471130	BANK OF ROANE COUNTY	HARRIMAN	TN	63026	1291	0	124	0	0	*
8471160	FIRST STATE BANK	HENDERSON	TN	27385	361	0	0	0	0	*
6471170	BANK OF HENDERSONVILLE	HENDERSONVILLE	TN	19914	395	0	0	0	0	*
6471172	CTZ BANK OF HENDERSONVILLE	HENDERSONVILLE	TN	20522	323	0	0	0	0	*
6471190	HOHENWALD BANK AND TRUST CO	HOHENWALD	TN	14241	178	0	0	0	0	*
8471210	MERCHANTS STATE BANK	HUMBOLDT	TN	33971	562	0	0	0	0	*
8471220	BANK OF HUNTINGDON	HUNTINGDON	TN	44173	801	0	0	0	0	*
8471265	FIRST TN BK JACKSON TN	JACKSON	TN	26480	825	0	0	0	0	*
6471290	UNION BANK	JAMESTOWN	TN	20248	362	0	0	0	0	*
6471330	MARION TRUST AND BANKING CO	JASPER	TN	19639	624	0	0	0	0	*
6471320	CY & CTY BK OF CAMPBELL CTY	JELLICO	TN	26620	513	0	0	0	0	*
6471340	HAMILTON BANK OF JOHNSON CY	JOHNSON CITY	TN	91230	1616	0	1390	0	0	
6471353	UNITED AMERICAN BK IN WA CTY	JOHNSON CITY	TN	97685	1558	0	1282	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6471360	FIRST TN BANK JONESBORO TN	JONESBORO	TN	52654	1436	0	0	0	0	*
6471410	CITY & CTY BK OF ROANE CTY	KINGSTON	TN	21878	575	0	0	0	0	*
6471430	BANK OF KNOXVILLE	KNOXVILLE	TN	99713	1144	0	2076	0	0	
6471435	CITY & COUNTY BK OF KNOX CTY	KNOXVILLE	TN	74453	1057	0	1368	0	0	*
6471461	FIRST AMERICAN BANK	KNOXVILLE	TN	48139	640	0	547	0	0	*
6471465	FIRST TN BANK KNOXVILLE TN	KNOXVILLE	TN	86804	1570	0	1207	0	0	
6471496	UNITED AMERICAN BK IN KNXVLE	KNOXVILLE	TN	431497	14108	0	4902	0	0	
6471498	VALLEY FIDELITY BK & TR CO	KNOXVILLE	TN	132092	1629	0	3597	0	0	
6471500	CITIZENS BANK	LAFAYETTE	TN	21984	558	0	0	0	0	*
6471545	LEBANON BANK	LEBANON	TN	45452	1031	0	0	0	0	*
6471552	PEOPLES BANK	LEBANON	TN	19263	321	0	0	0	0	*
6471555	BANK OF LOUDON COUNTY	LENOIR CITY	TN	24663	611	0	0	0	0	*
6471580	PEOPLES AND UNION BANK	LEWISBURG	TN	30527	421	0	0	0	0	*
8471590	CENTRAL STATE BANK	LEXINGTON	TN	24420	550	0	0	0	0	*
6471640	UNION BANK AND TRUST COMPANY	LIVINGSTON	TN	37957	378	0	133	0	0	*
6471660	BANK OF LORETTO	LORETTO	TN	14119	260	0	0	0	0	*
6471680	FARMERS BANK	LYNCHBURG	TN	16714	182	0	0	0	0	*
6471690	UNION BANK	MC EWEN	TN	18967	334	0	0	0	0	*
8471700	MC KENZIE BANKING COMPANY	MC KENZIE	TN	21272	484	0	0	0	0	*
8471710	BANK OF MC LEMORESVILLE	MC LEMORESVILLE	TN	19630	409	0	0	0	0	*
6471720	CITY BANK AND TRUST COMPANY	MCMINNVILLE	TN	53551	1513	0	0	0	0	*
6471750	BANK OF MADISONVILLE	MADISONVILLE	TN	30405	510	0	0	0	0	*
6471770	PEOPLES BANK AND TRUST CO	MANCHESTER	TN	17308	386	0	0	0	0	*
8471730	CITY STATE BANK	MARTIN	TN	18513	178	0	0	0	0	*
8471790	MARTIN BANK	MARTIN	TN	31640	337	0	35	0	0	*
6471800	BANK OF MARYVILLE	MARYVILLE	TN	114487	1847	0	2188	0	0	
6471815	CITIZENS BANK OF BLOUNT CTY	MARYVILLE	TN	20357	329	0	0	0	0	*
6471835	CITY & CTY BANK OF UNION CTY	MAYNARDSVILLE	TN	20531	283	0	0	0	0	*
8471850	COMMERCIAL & INDUSTRIAL BANK	MEMPHIS	TN	156243	2844	0	3237	0	0	
8471865	MEMPHIS BANK AND TRUST COMPA	MEMPHIS	TN	198218	1779	0	4580	1486	-1486	
8471885	TRI STATE BANK OF MEMPHIS	MEMPHIS	TN	22330	456	0	0	0	0	*
8471910	FARMERS PEOPLES BANK	MILAN	TN	28016	315	0	0	0	0	*
8471920	MILAN BANKING COMPANY	MILAN	TN	22312	370	0	0	0	0	*
6471950	BANK OF COMMERCE	MORRISTOWN	TN	56332	1275	0	115	0	0	*
6471952	FIRST TN BK MORRISTOWN TN	MORRISTOWN	TN	20344	535	0	0	0	0	*
6471960	HAMILTON BANK OF MORRISTOWN	MORRISTOWN	TN	38580	1295	0	0	0	0	*
6471965	UNTD STHERN BK OF MORRISTOWN	MORRISTOWN	TN	16322	443	0	0	0	0	*
6471990	FARMERS STATE BANK	MOUNTAIN CITY	TN	24828	360	0	0	0	0	*
6472000	BANK OF MOUNT JULIET	MOUNT JULIET	TN	14964	405	0	0	0	0	*
6472035	CITIZENS CENTRAL BANK	MURFREESBORO	TN	22510	321	0	0	0	0	*
6472040	MURFREESBORO BK AND TR CO	MURFREESBORO	TN	81517	1664	0	1030	0	0	
6472092	NASHVILLE CITY BK & TR CO	NASHVILLE	TN	130208	902	0	3465	353	-353	
8472110	SECURITY STATE BANK	NEWBERN	TN	16783	275	0	0	0	0	*
6472120	MERCHANTS AND PLANTERS BANK	NEWPORT	TN	35118	791	0	0	0	0	*
6472130	CITIZENS BANK	NEW TAZEWELL	TN	33438	497	0	0	0	0	*
6472165	BANK OF OAK RIDGE	OAK RIDGE	TN	57991	929	0	510	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6472190	FIRST TRUST AND SAVINGS BANK	ONEIDA	TN	23674	368	0	0	0	0	*
8472220	COMMERCIAL BANK AND TRUST CO	PARIS	TN	52607	704	0	466	0	0	*
8472230	FIRST TRUST & SVGS BANK	PARIS	TN	28380	403	0	0	0	0	*
8472240	FARMERS BANK	PARSONS	TN	19905	264	0	0	0	0	*
6472290	FARMERS BANK	PORTLAND	TN	25507	799	0	0	0	0	*
6472300	UNION BANK	PULASKI	TN	42698	640	0	0	0	0	*
6472320	MACON BANK AND TRUST CO	RED BOILING SPR	TN	30194	381	0	0	0	0	*
8472340	BANK OF RIPLEY	RIPLEY	TN	29590	261	0	29	0	0	*
8472350	FARMERS UNION BANK	RIPLEY	TN	24260	316	0	0	0	0	*
6472380	CITIZENS UNION BANK	ROGERSVILLE	TN	60410	1157	0	430	0	0	*
6472385	CITY & CTY BK OF HAWKINS CTY	ROGERSVILLE	TN	24199	499	0	0	0	0	*
6472410	CTZ BK & TR CO OF GRNGR CTY	RUTLEDGE	TN	20764	501	0	0	0	0	*
8472440	CITIZENS BANK	SAVANNAH	TN	17330	278	0	0	0	0	*
8472470	SELMER BANK AND TRUST CO	SELMER	TN	24605	469	0	0	0	0	*
6472490	BANK OF SEVIERVILLE	SEVIERVILLE	TN	36960	509	0	0	0	0	*
6472490	SEVIER COUNTY BANK	SEVIERVILLE	TN	29830	310	0	0	0	0	*
8472510	BANK OF SHARON	SHARON	TN	13544	158	0	0	0	0	*
6472515	BEDFORD COUNTY BANK	SHELBYVILLE	TN	14725	424	0	0	0	0	*
6472540	FIRST CENTRAL BANK	SMITHVILLE	TN	15162	178	0	0	0	0	*
8472570	SOMERVILLE BANK AND TRUST CO	SOMERVILLE	TN	26888	310	0	0	0	0	*
6472580	FIRST BANK OF MARION CTY	SOUTH PITTSBURG	TN	22674	508	0	0	0	0	*
6472650	SWEETWATER VALLEY BANK	SWEETWATER	TN	34995	796	0	0	0	0	*
6472670	CLAIBORNE COUNTY BANK	TAZEWELL	TN	23484	294	0	0	0	0	*
8472730	BANK OF TRENTON & TRUST CO	TRENTON	TN	19628	286	0	0	0	0	*
8472800	FARMERS EXCHANGE BANK	UNION CITY	TN	35687	669	0	0	0	0	*
6472850	CITIZENS BANK OF WAVERLY	WAVERLY	TN	23351	425	0	0	0	0	*
6472860	BANK OF WAYNESBORO	WAYNESBORO	TN	16332	425	0	0	0	0	*
6472900	CITY AND CTY BK OF JEFF CTY	WHITE PINE	TN	14686	558	0	0	0	0	*
6472940	BANK OF COMMERCE	WOODBURY	TN	30655	610	0	0	0	0	*

OF 135 BANKS AFFECTED IN STATE 98 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
35 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11480015	BANK OF COMMERCE	ABILENE	TX	34397	391	0	0	0	0	*
11480037	ADDISON STATE BANK	ADDISON	TX	21765	120	0	0	0	0	*
11480040	ALAMO BANK OF TEXAS	ALAMO	TX	24791	237	0	0	0	0	*
11480068	BANK OF SOUTH TEXAS	ALICE	TX	80139	684	0	1491	0	0	*
11480120	ALVIN STATE BANK	ALVIN	TX	53045	703	0	587	0	0	*
11480155	BANK OF THE SOUTHWEST	AMARILLO	TX	38660	549	0	0	0	0	*
11480167	NORTH STATE BANK	AMARILLO	TX	31102	361	0	0	0	0	*
11480180	SECURITY STATE BANK	ANAHUAC	TX	18696	219	0	0	0	0	*
11480200	ANGLETON BANK OF COMMERCE	ANGLETON	TX	24462	269	0	13	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11480241	FIRST STATE BANK	ARANSAS PASS	TX	25102	527	0	0	0	0	*
11480253	ARLINGTON BANK OF COMMERCE	ARLINGTON	TX	35371	571	0	0	0	0	*
11480254	ARLINGTON BANK & TRUST	ARLINGTON	TX	130679	1133	0	4289	0	0	
11480345	BANK OF AUSTIN	AUSTIN	TX	54993	785	0	448	0	0	*
11480373	NORTH AUSTIN STATE BANK	AUSTIN	TX	62761	1810	0	38	0	0	*
11480375	TEXAS STATE BANK	AUSTIN	TX	86483	445	0	2096	0	0	
11480376	TRAVIS BANK AND TRUST	AUSTIN	TX	19841	480	0	0	0	0	*
11480378	UNIVERSITY STATE BANK	AUSTIN	TX	22851	347	0	0	0	0	*
11480395	AZLE STATE BANK	AZLE	TX	18970	335	0	0	0	0	*
11480500	BAY CITY BANK AND TRUST CO	BAY CITY	TX	41688	376	0	384	0	0	*
11480520	PEOPLES STATE BANK	BAYTOWN	TX	34368	498	0	0	0	0	*
11480535	BEAUMONT STATE BANK	BEAUMONT	TX	57538	458	0	1299	0	0	*
11480536	CENTRAL BANK	BEAUMONT	TX	19560	279	0	0	0	0	*
11480545	LAMAR STATE BANK	BEAUMONT	TX	20814	589	0	0	0	0	*
11480550	TEXAS BANK OF BEAUMONT	BEAUMONT	TX	20344	211	0	0	0	0	*
11480558	FIRST STATE BANK	BEDFORD	TX	27696	472	0	0	0	0	*
11480760	BOERNE STATE BANK	BOERNE	TX	18206	268	0	0	0	0	*
11480780	BONHAM STATE BANK	BONHAM	TX	30782	186	0	58	0	0	*
11480800	FIRST BANK & TRUST CO	BOOKER	TX	28382	68	0	95	0	0	*
11480810	PANHANDLE BANK & TRUST CO	BORGER	TX	52235	871	0	432	0	0	*
11480830	CONTINENTAL STATE BANK	BOYD	TX	19267	272	0	0	0	0	*
11480920	WASHINGTON COUNTY STATE BANK	BRENHAM	TX	33422	231	0	70	0	0	*
11480960	BROWNFIELD ST BK & TR CO	BROWNFIELD	TX	35336	436	0	16	0	0	*
11481025	SOUTHWEST STATE BANK	BROWNWOOD	TX	26180	213	0	0	0	0	*
11481035	FIRST BK & TR BYRAN TX	BRYAN	TX	69398	1352	0	700	0	0	*
11481100	FARMERS AND MERCHANTS STATE	BURLESON	TX	20626	198	0	0	0	0	*
11481110	FIRST STATE BANK	BURNET	TX	21011	184	0	0	0	0	*
11481265	DALLAS COUNTY STATE BANK	CARROLLTON	TX	45243	1015	0	0	0	0	*
11481268	FIRST BANK & TRUST	CARROLLTON	TX	19660	341	0	0	0	0	*
11481290	FIRST STATE BANK & TRUST CO	CARTHAGE	TX	29169	345	0	0	0	0	*
11481310	FARMERS STATE BANK	CENTER	TX	45115	905	0	0	0	0	*
11481335	CHANNELVIEW BANK	CHANNELVIEW	TX	38394	1067	0	0	0	0	*
11481538	CLEVELAND BANK & TRUST	CLEVELAND	TX	23045	397	0	0	0	0	*
11481540	FARMERS STATE BANK	CLEVELAND	TX	27508	378	0	0	0	0	*
11481560	CLIFTON BANK	CLIFTON	TX	25010	258	0	0	0	0	*
11481565	FIRST STATE BANK	CLUTE	TX	16525	426	0	0	0	0	*
11481570	COLEMAN BANK	COLEMAN	TX	21473	171	0	0	0	0	*
11481583	BANK OF A & M	COLLEGE STATION	TX	36839	556	0	0	0	0	*
11481630	FIRST STATE BANK	COLUMBUS	TX	24807	253	0	0	0	0	*
11481680	SECURITY STATE BANK	COMMERCE	TX	19630	236	0	0	0	0	*
11481692	ALLIED CONROE BANK	CONROE	TX	63262	559	0	1356	0	0	*
11481722	COVE STATE BANK	COPPERAS COVE	TX	23577	278	0	0	0	0	*
11481725	CTZ ST BK OF CORPUS CHRISTI	CORPUS CHRISTI	TX	99199	1242	0	2342	0	0	
11481745	1ST ST BK OF CORPUS CHRISTI	CORPUS CHRISTI	TX	52035	536	0	519	0	0	*
11481749	PARKDALE STATE BANK	CORPUS CHRISTI	TX	51142	904	0	705	0	0	*
11481860	CROSBY STATE BANK	CROSBY	TX	18329	282	0	0	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11481920	FARMERS ST BK & TR CO	CUERO	TX	16933	229	0	0	0	0	*
11481950	CITIZENS STATE BK OF DALHART	DALHART	TX	31225	485	0	0	0	0	*
11481968	BANK OF TEXAS	DALLAS	TX	25606	478	0	0	0	0	*
11481969	BANK OF DALLAS	DALLAS	TX	46421	550	0	514	0	0	*
11481970	AMERICAN BK & TR CO	DALLAS	TX	65782	811	0	1107	0	0	*
11481978	CAPITAL BANK	DALLAS	TX	23885	345	0	0	0	0	*
11481995	DALLAS BANK & TRUST CO	DALLAS	TX	35881	793	0	0	0	0	*
11481998	DALLAS INTERNATIONAL BANK	DALLAS	TX	90379	559	0	2526	0	0	
11482003	EAST DALLAS BANK	DALLAS	TX	33247	271	0	41	0	0	*
11482017	FIRST CITIZENS BANK	DALLAS	TX	50397	496	0	658	0	0	*
11482018	FIRST CONTINENTAL BANK	DALLAS	TX	22094	252	0	0	0	0	*
11482030	GRAND AVENUE BANK	DALLAS	TX	59736	974	0	566	0	0	*
11482035	GREENVILLE AVE BANK & TRUST	DALLAS	TX	59857	792	0	823	0	0	*
11482038	GROVE STATE BANK	DALLAS	TX	28182	390	0	0	0	0	*
11482041	GUARANTY BANK	DALLAS	TX	72033	911	0	700	0	0	*
11482050	LAKEWOOD BANK & TRUST CO	DALLAS	TX	133299	990	0	3850	338	-338	
11482075	MERCHANTS STATE BANK	DALLAS	TX	70178	1116	0	930	0	0	*
11482076	METRO BANK OF DALLAS	DALLAS	TX	23036	421	0	0	0	0	*
11482081	NORTH DALLAS BK & TR CO	DALLAS	TX	87919	1188	0	2485	0	0	*
11482083	OAK CLIFF BANK AND TRUST CO	DALLAS	TX	137136	2707	0	3002	0	0	
11482084	PARK CITIES BK AND TR CO	DALLAS	TX	70035	603	0	1863	0	0	*
11482090	PRESTON STATE BANK	DALLAS	TX	205081	2013	0	5128	1550	-1550	
11482117	TEXAS AM BANK DALLAS NORTH	DALLAS	TX	141892	1231	0	4516	0	0	
11482119	VALLEY VIEW BANK	DALLAS	TX	35468	390	0	133	0	0	*
11482124	WHITE ROCK BANK OF DALLAS	DALLAS	TX	38383	519	0	194	0	0	*
11482127	WYNNEWOOD BANK & TRUST	DALLAS	TX	30572	765	0	0	0	0	*
11482150	DAYTON STATE BANK	DAYTON	TX	24709	589	0	0	0	0	*
11482175	ALLIED DEER PARK BANK	DEER PARK	TX	36572	626	0	0	0	0	*
11482180	STATE BANK	DE KALB	TX	17034	187	0	0	0	0	*
11482200	DEL RIO BANK AND TRUST CO	DEL RIO	TX	41026	684	0	0	0	0	*
11482250	FIRST STATE BANK	DENTON	TX	89095	574	0	2367	0	0	
11482253	UNIVERSITY STATE BANK	DENTON	TX	17561	522	0	0	0	0	*
11482255	YOAKUM COUNTY STATE BANK	DENVER CITY	TX	27549	180	0	0	0	0	*
11482275	DE SOTO STATE BANK	DE SOTO	TX	19975	409	0	0	0	0	*
11482300	CITIZENS STATE BANK	DICKINSON	TX	33466	475	0	1	0	0	*
11482330	FIRST STATE BANK	DIMMITT	TX	33075	247	0	122	0	0	*
11482420	UNION STATE BANK	EAST BERNARD	TX	21557	152	0	0	0	0	*
11482470	FIRST STATE BANK & TRUST CO	EDINBURG	TX	62202	681	0	1363	0	0	*
11482475	FIRST BANK OF EDNA	EDNA	TX	17054	225	0	0	0	0	*
11482480	JACKSON COUNTY STATE BANK	EDNA	TX	24901	196	0	0	0	0	*
11482490	COMMERCIAL STATE BANK	EL CAMPO	TX	48655	342	0	983	0	0	*
11482553	AMERICAN BANK OF COMMERCE	EL PASO	TX	46230	334	0	605	0	0	*
11482558	CORONADO STATE BANK	EL PASO	TX	29216	304	0	0	0	0	*
11482563	FIRST STATE BANK	EL PASO	TX	41167	447	0	276	0	0	*
11482630	ENNIS STATE BANK	ENNIS	TX	18123	251	0	0	0	0	*
11482670	FAIRFIELD STATE BANK	FAIRFIELD	TX	18255	139	0	0	0	0	*

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11482695	CENTRAL BANK AND TRUST CO	FARMERS BRANCH	TX	59466	571	0	943	0	0	*
11482820	PECOS COUNTY STATE BANK	FORT STOCKTON	TX	28221	262	0	0	0	0	*
11482825	BANK OF COMMERCE	FORT WORTH	TX	53318	418	0	1052	0	0	*
11482826	BANK OF FORT WORTH	FORT WORTH	TX	91879	607	0	2583	0	0	
11482827	CENTRAL BANK AND TRUST	FORT WORTH	TX	71490	797	0	1351	0	0	*
11482870	NORTH FORT WORTH BANK	FORT WORTH	TX	65084	778	0	876	0	0	*
11482873	RIDGLEA BANK	FORT WORTH	TX	93540	1030	0	2000	0	0	
11482874	SECURITY STATE BANK	FORT WORTH	TX	30814	446	0	0	0	0	*
11482875	RIVERSIDE STATE BANK	FORT WORTH	TX	68945	427	0	1567	0	0	*
11482876	SOUTHWEST BANK	FORT WORTH	TX	36799	546	0	16	0	0	*
11482877	SEMINARY STATE BANK	FORT WORTH	TX	34540	623	0	0	0	0	*
11482890	TX COMMERCE BANK OF FT WORTH	FORT WORTH	TX	56194	1298	0	266	0	0	*
11482893	UNIVERSITY BANK	FORT WORTH	TX	77936	699	0	1713	0	0	
11482940	SECURITY STATE BK AND TR	FREDERICKSBURG	TX	22977	139	0	0	0	0	*
11482945	BRAZOSPORT BANK OF TEXAS	FREEPORT	TX	31241	690	0	0	0	0	*
11482960	FRIONA STATE BANK	FRIONA	TX	26707	207	0	0	0	0	*
11482980	FIRST STATE BANK	GAINESVILLE	TX	33886	740	0	0	0	0	*
11483060	CITIZENS STATE BANK	GANADO	TX	23494	171	0	0	0	0	*
11483065	GARLAND BANK & TRUST CO	GARLAND	TX	32068	395	0	86	0	0	*
11483068	TEXAS COMMERCE BANK-GARLAND	GARLAND	TX	22038	465	0	0	0	0	*
11483090	GUARANTY BANK AND TRUST CO	GATESVILLE	TX	18348	245	0	0	0	0	*
11483110	CTZNS ST BK OF GEORGETOWN	GEORGETOWN	TX	22769	210	0	0	0	0	*
11483200	MILLS COUNTY STATE BANK	GOLDTHWAITE	TX	25234	164	0	26	0	0	*
11483330	GRAND PRAIRIE STATE BANK	GRAND PRAIRIE	TX	51985	461	0	906	0	0	*
11483396	AMERICAN BANK OF COMMERCE	GRAPEVINE	TX	17490	131	0	0	0	0	*
11483405	COLONIAL BANK	GREENVILLE	TX	19520	273	0	0	0	0	*
11483420	FARMERS ST BK OF GROESBECK	GROESBECK	TX	16824	161	0	0	0	0	*
11483435	FIRST BANK AND TRUST	GROVES	TX	48526	1112	0	0	0	0	*
11483495	HALTOM CITY STATE BANK	HALTOM CITY	TX	49539	847	0	354	0	0	*
11483562	HARLINGEN STATE BANK	HARLINGEN	TX	18931	254	0	0	0	0	*
11483573	CHAMPIONS BANK	HARRIS COUNTY	TX	48527	669	0	370	0	0	*
11483574	CYPRESS BANK	HARRIS CTY	TX	19413	428	0	0	0	0	*
11483580	FARMERS STATE BANK	HART	TX	18946	196	0	0	0	0	*
11483685	HEREFORD STATE BANK	HEREFORD	TX	26050	257	0	0	0	0	*
11483755	FIRST STATE BANK	HITCHCOCK	TX	19493	281	0	0	0	0	*
11483778	ALLIED BANK OF TEXAS	HOUSTON	TX	688401	6145	0	5490	20786	-20786	
11483779	ALLIED MEMORIAL BANK	HOUSTON	TX	78304	841	0	1701	0	0	*
11483781	ALLIED FAIRBANKS BANK	HOUSTON	TX	27367	598	0	0	0	0	*
11483784	AIRLINE COMMERCE BANK	HOUSTON	TX	109699	1017	0	2717	48	-48	
11483786	BANK OF ALMEDA	HOUSTON	TX	28540	530	0	0	0	0	*
11483787	ALLIED AMERICAN BANK	HOUSTON	TX	74694	551	0	1800	0	0	*
11483795	CHEMICAL BANK & TRUST CO	HOUSTON	TX	64903	409	0	1340	0	0	*
11483798	BELTWAY BANK	HOUSTON	TX	26268	253	0	0	0	0	*
11483802	CULLEN CENTER BANK & TRUST	HOUSTON	TX	257561	960	0	5253	3787	-3787	
11483803	COMMERCIAL STATE BANK	HOUSTON	TX	34726	664	0	0	0	0	*
11483805	EAST END STATE BANK	HOUSTON	TX	87187	940	0	1885	0	0	

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11483808	FANNIN BANK	HOUSTON	TX	243840	971	0	5189	5966	-5966	
11483810	FIDELITY BANK AND TRUST CO	HOUSTON	TX	22717	243	0	0	0	0	*
11483812	FIRST CITY BK-ALMEDA GENOA	HOUSTON	TX	21574	524	0	0	0	0	*
11483813	FIRST BANK	HOUSTON	TX	29116	358	0	0	0	0	*
11483817	FIRST CITY BK-GULFGATE	HOUSTON	TX	60207	1010	0	940	0	0	*
11483818	1ST CITY BK OF HIGHLAND VLGE	HOUSTON	TX	46748	539	0	475	0	0	*
11483819	FIRST CITY BK OF NORTHLINE	HOUSTON	TX	21827	475	0	0	0	0	*
11483821	FONDREN SOUTHWEST BANK	HOUSTON	TX	18571	258	0	0	0	0	*
11483823	FIRST STATE B&TC OF HOUSTON	HOUSTON	TX	58187	968	0	639	0	0	*
11483826	GREENWAY BANK AND TRUST	HOUSTON	TX	65011	1039	0	1432	0	0	*
11483827	GALLERIA BANK	HOUSTON	TX	50120	703	0	884	0	0	*
11483828	GREAT SOUTHERN BANK	HOUSTON	TX	45847	685	0	0	0	0	*
11483829	GUARDIAN BANK OF HOUSTON	HOUSTON	TX	29447	618	0	0	0	0	*
11483832	GREENSPOINT BANK	HOUSTON	TX	24679	866	0	0	0	0	*
11483835	FIRST CITY BK OF CLEAR LAKE	HOUSTON	TX	20459	475	0	0	0	0	*
11483840	HARRISBURG BANK	HOUSTON	TX	67861	892	0	1103	0	0	*
11483842	GREATER HOUSTON BANK	HOUSTON	TX	78516	546	0	2089	0	0	*
11483850	HEIGHTS STATE BANK	HOUSTON	TX	92906	1630	0	1386	0	0	
11483879	LIBERTY BANK	HOUSTON	TX	22264	262	0	0	0	0	*
11483880	INDUSTRIAL ST BK OF HOUSTON	HOUSTON	TX	71959	2149	0	250	0	0	*
11483884	MERCANTILE BANK OF HOUSTON	HOUSTON	TX	64070	639	0	1375	0	0	*
11483886	MAIN BANK OF HOUSTON	HOUSTON	TX	65946	856	0	819	0	0	*
11483887	MEDICAL CENTER BANK HOUSTON	HOUSTON	TX	62725	305	0	1595	0	0	*
11483891	MERCHANTS PARK BANK	HOUSTON	TX	34262	656	0	0	0	0	*
11483892	MEYERLAND BANK	HOUSTON	TX	32311	275	0	134	0	0	*
11483899	PEOPLES BANK	HOUSTON	TX	27501	264	0	0	0	0	*
11483900	NORTHWEST BANK AND TRUST	HOUSTON	TX	54240	455	0	1092	0	0	*
11483901	NORTHSHORE BANK	HOUSTON	TX	21391	528	0	0	0	0	*
11483903	NORTH SIDE BANK	HOUSTON	TX	84281	1107	0	1744	0	0	*
11483904	OAK FOREST BANK	HOUSTON	TX	47280	1294	0	0	0	0	*
11483905	PORT CITY STATE BANK	HOUSTON	TX	43052	440	0	264	0	0	*
11483906	REAGAN COMMERCE BANK	HOUSTON	TX	197338	771	0	4802	2472	-2472	
11483907	PINEMONT BANK	HOUSTON	TX	32553	290	0	68	0	0	*
11483908	RIVER OAKS BANK AND TRUST CO	HOUSTON	TX	112638	562	0	3628	0	0	
11483910	REPUBLIC STATE BANK	HOUSTON	TX	20760	461	0	0	0	0	*
11483912	POST OAK BANK	HOUSTON	TX	60428	705	0	1167	0	0	*
11483916	SOUTHEAST COMMERCE BANK	HOUSTON	TX	28276	759	0	0	0	0	*
11483920	SOUTH MAIN BANK	HOUSTON	TX	96815	544	0	2997	0	0	
11483922	SPRING BRANCH BANK	HOUSTON	TX	117277	1135	0	2796	0	0	
11483924	TEXAS BK & TR CO OF HOUSTON	HOUSTON	TX	27243	414	0	0	0	0	*
11483927	TEXAS COMMERCE MEDICAL BANK	HOUSTON	TX	26312	479	0	0	0	0	*
11483932	TOWN & COUNTRY BANK	HOUSTON	TX	45066	543	0	321	0	0	*
11483955	UNION BANK OF HOUSTON	HOUSTON	TX	56754	227	0	1395	0	0	*
11483960	UNIVERSITY STATE BANK	HOUSTON	TX	69125	639	0	1298	0	0	*
11483965	WESTERN BANK	HOUSTON	TX	125847	828	0	3080	57	-57	
11484010	FIRST CITY BK OF HUMBLE	HUMBLE	TX	32485	511	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11484072	AMERICAN BANK	IRVING	TX	21093	266	0	0	0	0	*
11484080	IRVING BANK AND TRUST CO	IRVING	TX	114363	566	0	3562	200	-200	
11484085	SOUTHWEST BANK AND TRUST CO	IRVING	TX	73512	737	0	1704	0	0	*
11484105	JACINTO CITY BANK	JACINTO CITY	TX	25125	909	0	0	0	0	*
11484140	TEXAS BANK AND TRUST COMPANY	JACKSONVILLE	TX	35952	305	0	160	0	0	*
11484320	KERMIT STATE BANK	KERMIT	TX	21043	335	0	0	0	0	*
11484330	CHAS SCHREINER BANK	KERRVILLE	TX	79213	506	0	1981	0	0	
11484345	ALLIED CITIZENS BANK	KILGORE	TX	32223	557	0	0	0	0	*
11484366	AMERICAN STATE BANK	KILLEEN	TX	23069	533	0	0	0	0	*
11484480	LA GRANGE STATE BANK	LA GRANGE	TX	20846	170	0	0	0	0	*
11484495	LAKE JACKSON BANK	LAKE JACKSON	TX	32587	567	0	0	0	0	*
11484505	FIRST BANK OF LA MARQUE	LA MARQUE	TX	26080	617	0	0	0	0	*
11484575	INTL BK OF CMRC OF LAREDO	LAREDO	TX	69112	808	0	1271	0	0	*
11484605	LEAGUE CITY STATE BANK	LEAGUE CITY	TX	33263	572	0	0	0	0	*
11484645	LEVELLAND STATE BANK	LEVELLAND	TX	65484	720	0	1081	0	0	*
11484650	LEWISVILLE STATE BANK	LEWISVILLE	TX	30394	345	0	0	0	0	*
11484690	FIRST STATE BANK	LIBERTY	TX	26897	302	0	0	0	0	*
11484735	SECURITY STATE BANK	LITTLEFIELD	TX	30904	404	0	0	0	0	*
11484750	FIRST STATE BANK	LIVINGSTON	TX	35791	349	0	154	0	0	*
11484770	MOORE STATE BANK	LLANO	TX	21939	260	0	0	0	0	*
11484804	AMERICAN BANK	LONGVIEW	TX	20790	370	0	0	0	0	*
11484805	EAST TEXAS BANK AND TRUST CO	LONGVIEW	TX	46556	650	0	190	0	0	*
11484815	LONGVIEW BANK AND TRUST CO	LONGVIEW	TX	57792	657	0	772	0	0	*
11484875	AMERICAN STATE BANK	LUBBOCK	TX	181251	1287	0	4876	1399	-1399	
11484877	BANK OF THE WEST	LUBBOCK	TX	26241	474	0	0	0	0	*
11484920	FIRST BANK AND TRUST	LUFKIN	TX	88414	641	0	2784	0	0	*
11484985	MC ALLEN STATE BANK	MC ALLEN	TX	158758	1663	0	4310	140	-140	
11485040	FRMRS ST BK OF MADISONVILLE	MADISONVILLE	TX	22531	225	0	0	0	0	*
11485075	MANSFIELD STATE BANK	MANSFIELD	TX	20981	418	0	0	0	0	*
11485090	HOME STATE BANK	MARBLE FALLS	TX	33731	283	0	73	0	0	*
11485140	FIRST STATE BANK OF MARLIN T	MARLIN	TX	19547	179	0	0	0	0	*
11485348	BANK OF MESQUITE	MESQUITE	TX	22002	487	0	0	0	0	*
11485355	FIRST STATE BANK	MESQUITE	TX	22755	294	0	0	0	0	*
11485395	COMMERICAL BK & TR CO	MIDLAND	TX	61857	772	0	587	0	0	*
11485490	FIRST STATE BANK & TRUST CO	MISSION	TX	47768	563	0	259	0	0	*
11485500	FIRST STATE BANK	MONAHANS	TX	21212	227	0	0	0	0	*
11485580	GUARANTY BOND STATE BANK	MOUNT PLEASANT	TX	35842	309	0	64	0	0	*
11485610	MULESHOE STATE BANK	MULESHOE	TX	21786	167	0	0	0	0	*
11485635	FREDONIA STATE BANK	NACOGDOCHES	TX	28315	211	0	1	0	0	*
11485668	NEDERLAND STATE BANK	NEDERLAND	TX	42514	449	0	276	0	0	*
11485700	GRNT ST BK OF NEW BRAUNFELS	NEW BRAUNFELS	TX	22495	263	0	0	0	0	*
11485705	COMMUNITY BANK	NEW CANEY	TX	18707	287	0	0	0	0	*
11485808	AMERICAN BANK	ODESSA	TX	124752	655	0	4763	0	0	
11485827	PERMIAN BANK & TRUST	ODESSA	TX	24771	336	0	0	0	0	*
11485890	ORANGE BANK	ORANGE	TX	36990	646	0	71	0	0	*
11485920	FIRST STATE BANK	OVERTON	TX	18091	224	0	0	0	0	*

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11485970	CITY STATE BANK	PALACIOS	TX	19885	254	0	0	0	0	*
11486020	CITIZENS BK & TR CO	PAMPA	TX	31321	429	0	110	0	0	*
11486062	PARIS BANK OF TEXAS	PARIS	TX	26923	485	0	0	0	0	*
11486070	FIRST PASADENA STATE BANK	PASADENA	TX	159738	3853	0	3310	0	0	
11486075	SAN JACINTO STATE BANK	PASADENA	TX	66555	614	0	1417	0	0	*
11486077	PEARLAND STATE BANK	PEARLAND	TX	28055	492	0	0	0	0	*
11486090	SECURITY STATE BANK	PEARSALL	TX	32016	350	0	0	0	0	*
11486160	SECURITY STATE BANK	PHARR	TX	25913	677	0	0	0	0	*
11486210	HALE COUNTY STATE BANK	PLAINVIEW	TX	50547	689	0	400	0	0	*
11486230	PLANO BANK & TRUST CO	PLANO	TX	39054	425	0	107	0	0	*
11486258	ALLIED MERCHANTS BANK	PORT ARTHUR	TX	113584	902	0	3509	0	0	
11486275	SABINE BANK	PORT ARTHUR	TX	42114	473	0	460	0	0	*
11486276	PORTLAND STATE BANK	PORTLAND	TX	20339	200	0	0	0	0	*
11486290	FIRST STATE BANK & TRUST CO	PORT LAVACA	TX	43722	414	0	145	0	0	*
11486440	RAYMONDVILLE BANK OF TEXAS	RAYMONDVILLE	TX	20217	255	0	0	0	0	*
11486450	RAYMONDVILLE STATE BANK	RAYMONDVILLE	TX	27961	268	0	0	0	0	*
11486520	CITIZENS BANK	RICHARDSON	TX	100307	557	0	2912	59	-59	
11486525	FIRST BANK AND TRUST	RICHARDSON	TX	50427	771	0	527	0	0	*
11486528	RICHARDSON HEIGHTS BK & TR	RICHARDSON	TX	49806	377	0	584	0	0	*
11486590	FIRST STATE BANK	RIO VISTA	TX	35728	285	0	72	0	0	*
11486660	ROCKDALE STATE BANK	ROCKDALE	TX	24219	431	0	0	0	0	*
11486690	FIRST STATE BANK	ROCKWALL	TX	16264	277	0	0	0	0	*
11486770	FARMERS STATE BANK	ROUND ROCK	TX	29543	394	0	0	0	0	*
11486903	TEXAS STATE BANK	SAN ANGELO	TX	22651	267	0	0	0	0	*
11486920	AMERICAN BANK	SAN ANTONIO	TX	23688	231	0	0	0	0	*
11486925	BANK OF SAN ANTONIO	SAN ANTONIO	TX	29862	183	0	24	0	0	*
11486936	CENTRAL PARK BANK	SAN ANTONIO	TX	65908	720	0	1248	0	0	*
11486990	HARLANDALE BANK	SAN ANTONIO	TX	36144	775	0	0	0	0	*
11486993	HIGHLAND PARK STATE BANK	SAN ANTONIO	TX	91116	609	0	2445	0	0	
11486995	JEFFERSON STATE BANK	SAN ANTONIO	TX	34229	389	0	214	0	0	*
11486999	MERCANTILE BANK AND TRUST	SAN ANTONIO	TX	35152	887	0	0	0	0	*
11487022	NORTHSIDE STATE BANK	SAN ANTONIO	TX	26592	342	0	0	0	0	*
11487023	SAN ANTONIO BANK & TRUST CO	SAN ANTONIO	TX	97803	357	0	2498	168	-168	
11487024	UNION STATE BANK	SAN ANTONIO	TX	37550	492	0	60	0	0	*
11487025	WESTSIDE BANK	SAN ANTONIO	TX	33796	415	0	0	0	0	*
11487027	TEXAS STATE BANK	SAN ANTONIO	TX	36450	284	0	136	0	0	*
11487070	SAN BENITO BANK AND TRUST CO	SAN BENITO	TX	30383	663	0	0	0	0	*
11487222	ALLIED SEABROOK BANK	SEABROOK	TX	18265	328	0	0	0	0	*
11487223	SEAGOVILLE STATE BANK	SEAGOVILLE	TX	24560	358	0	0	0	0	*
11487240	CITIZENS STATE BANK	SEALY	TX	29468	284	0	0	0	0	*
11487270	SEGUIN STATE BK & TR CO	SEGUIN	TX	36070	464	0	164	0	0	*
11487280	SEMINOLE STATE BANK	SEMINOLE	TX	38252	240	0	419	0	0	*
11487340	GRAYSON COUNTY STATE BANK	SHERMAN	TX	38433	469	0	0	0	0	*
11487390	COMMERCIAL STATE BANK	SINTON	TX	30672	247	0	0	0	0	*
11487400	CITIZENS BANK OF LUBBOCK CTY	SLATON	TX	20241	238	0	0	0	0	*
11487435	WEST TEXAS STATE BANK	SNYDER	TX	33828	266	0	256	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TOEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
11487475	SOUTHERN STATE BANK	SOUTH HOUSTON	TX	33921	620	0	0	0	0	*
11487490	FIRST STATE BANK	SPEARMAN	TX	24663	225	0	0	0	0	*
11487435	ALLIED SPRING BANK	SPRING	TX	37433	600	0	0	0	0	*
11487540	STEPHENVILLE ST BK & TR CO	STEPHENVILLE	TX	27049	268	0	0	0	0	*
11487570	FIRST STATE BK OF STRATFORD	STRATFORD	TX	27073	198	0	0	0	0	*
11487625	SUGAR LAND STATE BANK	SUGAR LAND	TX	24150	271	0	0	0	0	*
11487650	TEXAS BANK AND TRUST COMPANY	SWEETWATER	TX	38155	563	0	0	0	0	*
11487775	TERRELL STATE BANK	TERRELL	TX	15746	289	0	0	0	0	*
11487792	TEXARKANA OAKLAWN BANK	TEXARKANA	TX	36697	853	0	0	0	0	*
11487785	MAINLAND BANK	TEXAS CITY	TX	41960	684	0	348	0	0	*
11487965	SOUTHSIDE STATE BANK	TYLER	TX	63824	479	0	1162	0	0	*
11487975	HILLCREST STATE BANK	UNIVERSITY PARK	TX	52466	685	0	452	0	0	*
11487930	FIRST STATE BANK OF UVALDE	UVALDE	TX	72448	546	0	1508	0	0	*
11487985	UVALDE BANK	UVALDE	TX	16776	357	0	0	0	0	*
11488085	AMERICAN BANK OF COMMERCE	VICTORIA	TX	97070	792	0	2539	0	0	
11488105	THE AMERICAN BK OF WACO	WACO	TX	27871	714	0	0	0	0	*
11488115	COMMUNITY STATE BANK	WACO	TX	25857	369	0	0	0	0	*
11488180	WAXAHACHIE BANK AND TRUST CO	WAXAHACHIE	TX	31487	223	0	37	0	0	*
11488215	BAY AREA BANK AND TRUST	WEBSTER	TX	23366	736	0	0	0	0	*
11488235	MID VALLEY STATE BANK	WESLACO	TX	18790	292	0	0	0	0	*
11488300	WEST BANK AND TRUST	WEST	TX	18588	202	0	0	0	0	*
11488310	FIRST CAPITOL BANK	WEST COLUMBIA	TX	23853	426	0	0	0	0	*
11488317	JETERO BANK	WESTFIELD	TX	26929	395	0	0	0	0	*
11488330	SECURITY BANK AND TRUST CO	WHARTON	TX	23473	364	0	0	0	0	*
11488340	WHARTON BANK AND TRUST CO	WHARTON	TX	27752	360	0	0	0	0	*
11488367	WHITE OAK STATE BANK	WHITE OAK	TX	16157	108	0	0	0	0	*
11488415	PARKER SQUARE STATE BANK	WICHITA FALLS	TX	53983	480	0	768	0	0	*
11488418	TX BK & TR CO IN WICHITA FLS	WICHITA FALLS	TX	26222	332	0	0	0	0	*
11488477	ALLIED GULF COAST BANK	WINNIE	TX	20678	283	0	0	0	0	*
11488510	WINTERS STATE BANK	WINTERS	TX	18017	212	0	0	0	0	*
11488525	AM BK OF CMRC AT WOLFFORTH	WOLFFORTH	TX	16617	184	0	0	0	0	*

OF 316 BANKS AFFECTED IN STATE 175 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
128 HAVE NO REQURED RESERVE BALANCE

12490010	BANK OF AMERICAN FORK	AMERICAN FORK	UT	33320	350	0	32	0	0	*
12490023	UTAH BANK AND TRUST	BOUNTIFUL	UT	30016	667	0	0	0	0	*
12490025	BOX ELDER COUNTY BANK	BRIGHAM CITY	UT	30877	313	0	41	0	0	*
12490035	STATE BANK OF SOUTHERN UTAH	CEDAR CITY	UT	22341	266	0	0	0	0	*
12490040	CLEARFIELD STATE BANK	CLEARFIELD	UT	23419	475	0	0	0	0	*
12490100	HELPER STATE BANK	HELPER	UT	15268	258	0	0	0	0	*
12490150	STATE BANK OF LEHI	LEHI	UT	15404	341	0	0	0	0	*

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12490210	MILFORD STATE BANK	MILFORD	UT	15350	245	0	0	0	0	*
12490280	COMMERCIAL SECURITY BANK	OGDEN	UT	314918	2245	0	5183	7218	-7218	
12490310	BANK OF PLEASANT GROVE	PLEASANT GROVE	UT	25626	394	0	0	0	0	*
12490360	RICHFIELD COMMRCL SVGS BK	RICHFIELD	UT	18646	151	0	0	0	0	*
12490390	FIRST STATE BANK OF SALINA	SALINA	UT	39179	539	0	0	0	0	*
12490413	FIRST SECURITY STATE BANK	SALT LAKE CITY	UT	66461	532	0	819	0	0	
12490485	COM SECRTY BANK OF SALT LK	SALT LAKE COUNTY	UT	18521	210	0	0	0	0	*
12490530	CENTRAL BANK & TRUST CO	SPRINGVILLE	UT	48078	396	0	574	0	0	*

OF 15 BANKS AFFECTED IN STATE 10 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
4 HAVE NO REQURED RESERVE BALANCE

1500020	GRANITE SAVINGS BK & TR CO	BARRE	VT	55307	373	0	729	0	0	*
1500060	BELLOWS FALLS TRUST COMPANY	BELLOWS FALLS	VT	23769	478	0	0	0	0	*
1500145	FIRST VERMONT BK & TR CO	BRATTLEBORO	VT	219056	2675	0	4600	1130	-1130	
1500200	CHITTENDEN TRUST COMPANY	BURLINGTON	VT	291109	4107	0	5113	2200	-2200	
1500230	HOWARD BANK	BURLINGTON	VT	240255	4033	0	5138	644	-644	
1500240	MERCHANTS BANK	BURLINGTON	VT	100082	1345	0	2092	0	0	
1500360	STERLING TRUST COMPANY	JOHNSON	VT	22396	197	0	0	0	0	*
1500380	LYNDONVILLE SVGS BK & TR CO	LYNDONVILLE	VT	20431	222	0	0	0	0	*
1500460	UNION BANK	MORRISVILLE	VT	25216	455	0	0	0	0	*
1500560	PROCTOR TRUST COMPANY	PROCTOR	VT	71662	663	0	961	0	0	
1500650	FRANKLIN-LAMOILLE BANK	ST ALBANS	VT	79796	1583	0	550	0	0	
1500660	PEOPLES TR CO OF ST ALBANS	ST ALBANS	VT	29880	266	0	66	0	0	*
1500670	CITIZENS SVGS BK & TR CO	ST JOHNSBURY	VT	19934	466	0	0	0	0	*
1500770	INTER STATE TRUST COMPANY	WHITE RIVER JCT	VT	19950	73	0	186	0	0	*

OF 14 BANKS AFFECTED IN STATE 5 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
6 HAVE NO REQURED RESERVE BALANCE

5510021	BANK OF VA/EASTERN SHORE	ACCOMACK CTY	VA	25987	209	0	118	0	0	*
5510050	BURKE & HERBERT BK AND TR CO	ALEXANDRIA	VA	51980	928	0	440	0	0	*
5510178	FIRST VIRGINIA BK OF AUGUSTA	AUGUSTA CTY	VA	25670	1107	0	0	0	0	*
5510191	PLANTERS BANK & TR CO OF VA	AUGUSTA COUNTY	VA	50736	924	0	134	0	0	*
5510470	BANK OF SOUTHSIDE VIRGINIA	CARSON	VA	40548	1177	0	0	0	0	*
5510490	FIDELITY AM BK CHARLTTSVLL	CHARLOTTESVILLE	VA	49689	1182	0	0	0	0	*
5510520	BANK OF CHATHAM	CHATHAM	VA	17406	304	0	0	0	0	*
5510536	PEOPLES BANK OF CHESAPEAKE	CHESAPEAKE	VA	24059	224	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5510537	BANK OF CHESTERFIELD	CHSTRFLD CRT HSE	VA	15394	542	0	0	0	0	*
5510650	BANK OF WESTMORELAND	COLONIAL BEACH	VA	47412	1466	0	0	0	0	*
5510660	SOUTHAMPTON COUNTY BANK	COURTLAND	VA	20505	469	0	0	0	0	*
5510760	BANK OF DAMASCUS INC	DAMASCUS	VA	22747	254	0	0	0	0	*
5510815	VIRGINIA BANK AND TRUST	DANVILLE	VA	21259	414	0	0	0	0	*
5510860	EASTVILLE BANK	EASTVILLE	VA	13938	249	0	0	0	0	*
5510930	PEOPLES TRUST BANK	EXMORE	VA	14741	244	0	0	0	0	*
5510935	GUARANTY BANK & TRUST CO	FAIRFAX	VA	49041	761	0	147	0	0	*
5510943	BANK OF VIRGINIA-POTOMAC	FAIRFAX CTY	VA	198832	4931	0	5148	205	-205	
5510955	PEOPLES BANK OF STAFFORD	FALMOUTH	VA	20941	681	0	0	0	0	*
5511030	BANK OF FLOYD	FLOYD	VA	31862	406	0	10	0	0	*
5511141	BANK OF VIRGINIA-WARREN	FRONT ROYAL	VA	28307	373	0	0	0	0	*
5511210	UNITED VA BANK OF GLOUCESTER	GLOUCESTER	VA	35122	395	0	52	0	0	*
5511220	BANK OF GOOCHLAND	GOOCHLAND	VA	27260	417	0	0	0	0	*
5511250	UTD VA BK / PPL OF GRETNA	GRETNA	VA	21893	559	0	0	0	0	*
5511260	CUMBERLAND BANK AND TRUST	GRUNDY	VA	124095	2142	0	2838	0	0	
5511368	ARLINGTON TRUST CO INC	HERNDON	VA	262670	3532	0	5192	2268	-2268	
5511408	PEOPLES BANK INC	HONAKER	VA	14558	382	0	0	0	0	*
5511465	STATE BANK OF KEYSVILLE	KEYSVILLE	VA	13213	270	0	0	0	0	*
5511635	CLARENDON BANK & TRUST	MCLEAN	VA	234720	3026	0	5197	2539	-2539	
5511710	BANK OF MARION	MARION	VA	23981	366	0	0	0	0	*
5511810	BANK OF MONTROSS	MONTROSS	VA	17475	217	0	0	0	0	*
5511900	FIDELITY AM BK HAMPTON RDS	NEWPORT NEWS	VA	42413	1371	0	0	0	0	*
5511910	UNITED VA BK / CITZ & MARINE	NEWPORT NEWS	VA	134299	3737	0	2025	0	0	
5511948	BANK OF VIRGINIA-EASTERN	NORFOLK	VA	240911	4820	0	5150	93	-93	
5511980	FIRST VA BANK OF TIDEWATER	NORFOLK	VA	147284	4351	0	1726	0	0	
5512070	FIDELITY AM BK EASTERN SHORE	PARKSLEY	VA	15847	523	0	0	0	0	*
5512090	LEE BANK AND TRUST CO	PENNINGTON GAP	VA	38880	791	0	0	0	0	*
5512103	BANK OF VIRGINIA-PETERSBURG	PETERSBURG	VA	41031	1226	0	0	0	0	*
5512105	CITY SVGS BANK & TRUST CO	PETERSBURG	VA	32284	950	0	0	0	0	*
5512180	CITIZENS TRUST BANK	PORTSMOUTH	VA	65882	823	0	1041	0	0	*
5512195	PEOPLES BANK OF POUND	POUND	VA	15815	300	0	0	0	0	*
5512200	BANK OF POWHATAN	POWHATAN	VA	36435	329	0	108	0	0	*
5512325	CLINCH VALLEY BANK & TR CO	RICHLANDS	VA	28207	156	0	71	0	0	*
5512360	CONSOLIDATED BANK AND TRUST	RICHMOND	VA	26528	662	0	0	0	0	*
5512444	BANK OF VIRGINIA-SOUTHWEST	ROANOKE	VA	289838	5822	0	5160	1444	-1444	
5512489	UNITED VA BK / SPOTSWOOD	ROCKINGHAM CTY	VA	44636	379	0	218	0	0	*
5512600	BANK OF SMITHFIELD	SMITHFIELD	VA	18965	499	0	0	0	0	*
5512650	BANK OF SPEEDWELL INC	SPEEDWELL	VA	23577	704	0	0	0	0	*
5512795	BANK OF SUFFOLK	SUFFOLK	VA	20632	849	0	0	0	0	*
5512830	BANK OF ESSEX	TAPPAHANNOCK	VA	16724	290	0	0	0	0	*
5512870	F+M BANK OF ROCKINGHAM	TIMBERVILLE	VA	24317	285	0	0	0	0	*
5512890	BANK OF MIDDLESEX	URBANNA	VA	33268	717	0	0	0	0	*
5512925	FIDELITY AM BK VA BEACH	VIRGINIA BEACH	VA	57365	1520	0	160	0	0	*
5512930	BANK OF SUSSEX AND SURRY	WAKEFIELD	VA	18631	383	0	0	0	0	*
5513007	BANK OF WEST POINT	WEST POINT	VA	17085	241	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5513010	CITIZENS AND FARMERS BANK	WEST POINT	VA	32915	234	0	147	0	0	*
5513060	COMMERCIAL AND SAVINGS BANK	WINCHESTER	VA	57671	1204	0	239	0	0	*
5513090	FARMERS BANK	WINDSOR	VA	19227	129	0	0	0	0	*
5513098	FIRST STATE BANK OF WISE	WISE	VA	32596	283	0	11	0	0	*

OF 58 BANKS AFFECTED IN STATE 36 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
17 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
12530055	NORTHWESTERN COMMERCIAL BK	BELLINGHAM	WA	35492	636	0	0	0	0	*
12530120	CASHMERE VALLEY BANK	CASHMERE	WA	23785	307	0	0	0	0	*
12530140	SECURITY STATE BANK	CHEHALIS	WA	48189	425	0	497	0	0	*
12530165	VALLEY COMMERCIAL BANK	CLARKSTON	WA	16270	247	0	0	0	0	*
12530215	WHIDBEY ISLAND BANK	COUPEVILLE	WA	17542	616	0	0	0	0	*
12530305	SECURITY BANK OF WASH	EPHRATA	WA	42348	961	0	0	0	0	*
12530308	BANK OF EVERETT	EVERETT	WA	79713	1164	0	1192	0	0	
12530310	OLYMPIC BANK	EVERETT	WA	189259	2235	0	4562	676	-676	
12530380	SAN JUAN COUNTY BANK	FRIDAY HARBOR	WA	22566	278	0	0	0	0	*
12530395	PENINSULA STATE BANK	GIG HARBOR	WA	19782	144	0	0	0	0	*
12530540	PEOPLES STATE BANK	LYNDEN	WA	28501	297	0	0	0	0	*
12530544	CITY BANK	LYNNWOOD	WA	18893	222	0	0	0	0	*
12530590	SKAGIT STATE BANK	MOUNT VERNON	WA	45450	575	0	52	0	0	*
12530650	BANK OF OLYMPIA	OLYMPIA	WA	29401	959	0	0	0	0	*
12530662	MID VALLEY BANK	OMAK	WA	17567	281	0	0	0	0	*
12530710	KITSAP COUNTY BANK	PORT ORCHARD	WA	49030	847	0	52	0	0	*
12530819	BALLARD BANK OF WASHINGTON	SEATTLE	WA	18070	271	0	0	0	0	*
12530823	COMMERCIAL BK OF SEATTLE	SEATTLE	WA	23762	208	0	0	0	0	*
12530978	AMERICAN COMMERCIAL BANK	SPOKANE	WA	43532	730	0	0	0	0	*
12531000	WASHINGTON TRUST BANK	SPOKANE	WA	171742	2195	0	5136	221	-221	
12531070	NORTH PACIFIC BANK	TACOMA	WA	36810	472	0	0	0	0	*
12531088	TACOMA COMMERCIAL BANK	TACOMA	WA	18715	334	0	0	0	0	*
12531125	FIRST INDEPENDENT BANK	VANCOUVER	WA	133243	3484	0	1723	0	0	

OF 23 BANKS AFFECTED IN STATE 16 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
5 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5540040	FIRST STATE BANK	BARBOURSVILLE	WV	16404	270	0	0	0	0	*
5540050	BANK OF RALEIGH	BECKLEY	WV	110425	2088	0	1813	0	0	
5540065	CARDINAL STATE BANK	BECKLEY	WV	17128	548	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5540110	COMMERCIAL BANK	BLUEFIELD	WV	19797	168	0	0	0	0	*
5540135	PEOPLES BANK	BLUEWELL	WV	13125	312	0	0	0	0	*
5540140	BRIDGEPORT BANK	BRIDGEPORT	WV	19733	410	0	0	0	0	*
5540160	ADRIAN BUCKHANNON BANK	BUCKHANNON	WV	37241	532	0	0	0	0	*
5540210	FIRST BANK OF CEREDO	CEREDO	WV	47245	551	0	159	0	0	*
5540225	BANK OF WEST VIRGINIA	CHARLESTON	WV	88439	756	0	1793	0	0	
5540270	BANK OF CHARLES TOWN	CHARLES TOWN	WV	29257	357	0	0	0	0	*
5540300	LOWNDES BANK	CLARKSBURG	WV	114369	1148	0	3256	0	0	
5540330	CLAY COUNTY BANK	CLAY	WV	16129	229	0	0	0	0	*
5540340	FARMERS & CITIZENS ST BK	CLENDENIN	WV	18426	408	0	0	0	0	*
5540345	BANK OF CROSS LANES	CROSS LANES	WV	15985	508	0	0	0	0	*
5540350	BANK OF DANVILLE	DANVILLE	WV	25876	939	0	0	0	0	*
5540370	BANK OF DUNBAR	DUNBAR	WV	43447	690	0	0	0	0	*
5540400	DAVIS TRUST CO	ELKINS	WV	38510	391	0	102	0	0	*
5540480	PENDLETON COUNTY BANK	FRANKLIN	WV	21799	194	0	0	0	0	*
5540497	GILBERT BANK AND TRUST CO	GILBERT	WV	24557	569	0	0	0	0	*
5540510	KANAWHA UNION BANK	GLENVILLE	WV	26642	386	0	0	0	0	*
5540530	CALHOUN COUNTY BANK	GRANTSVILLE	WV	26413	289	0	0	0	0	*
5540570	UNION BK OF HARRISVILLE	HARRISVILLE	WV	17695	301	0	0	0	0	*
5540638	SECURITY BK OF HUNTINGTON	HUNTINGTON	WV	53633	1465	0	0	0	0	*
5540640	TWENTIETH STREET BANK	HUNTINGTON	WV	92583	1162	0	1683	0	0	
5540660	BANK OF IAEGER	IAEGER	WV	19474	571	0	0	0	0	*
5540680	FARMERS & MERCHANTS BK	KEYSER	WV	28813	433	0	0	0	0	*
5540725	LOGAN BANK AND TRUST CO	LOGAN	WV	27393	973	0	0	0	0	*
5540765	BANK OF MAN	MAN	WV	19744	1131	0	0	0	0	*
5540810	MERCHANTS AND FARMERS BANK	MARTINSBURG	WV	20296	472	0	0	0	0	*
5540870	BANK OF MILTON	MILTON	WV	22051	255	0	0	0	0	*
5540920	FARMERS AND MERCHANTS BANK	MORGANTOWN	WV	81341	1056	0	1800	0	0	*
4540960	MERCANTILE BANKING & TR CO	MOUNDSVILLE	WV	40147	744	0	0	0	0	*
5540970	BANK OF MOUNT HOPE	MOUNT HOPE	WV	23192	665	0	0	0	0	*
4541010	NEW MARTINSVILLE BANK	NEW MARTINSVILLE	WV	14950	240	0	0	0	0	*
5541015	BANK OF NITRO	NITRO	WV	26060	509	0	0	0	0	*
5541040	NEW RIVER BANKING AND TRUST	OAK HILL	WV	30732	756	0	0	0	0	*
5541050	CMRC BANKING & TRUST CO	PARKERSBURG	WV	46605	691	0	287	0	0	*
5541051	COMMNTY BK OF PARKERSBURG	PARKERSBURG	WV	16039	163	0	0	0	0	*
5541055	MOUNTAIN STATE BANK	PARKERSBURG	WV	21888	684	0	0	0	0	*
5541090	WOOD COUNTY BANK	PARKERSBURG	WV	61594	573	0	718	0	0	*
5541130	GRANT COUNTY BANK	PETERSBURG	WV	22587	327	0	0	0	0	*
5541185	CASTLE ROCK BK OF PINEVILLE	PINEVILLE	WV	23660	460	0	0	0	0	*
5541192	PEOPLES BK OF PT PLEASANT	POINT PLEASANT	WV	14652	337	0	0	0	0	*
5541195	MERCER COUNTY BANK	PRINCETON	WV	39136	699	0	0	0	0	*
5541230	JACKSON COUNTY BANK	RAVENSWOOD	WV	17475	220	0	0	0	0	*
5541245	PEOPLES BK OF RICHWOOD	RICHWOOD	WV	17344	229	0	0	0	0	*
5541370	BANK OF SHINNSTON	SHINNSTON	WV	28959	568	0	0	0	0	*
5541395	CHEMICAL BANK AND TRUST CO	SOUTH CHARLESTON	WV	39238	705	0	0	0	0	*
5541450	NICHOLAS COUNTY BANK	SUMMERSVILLE	WV	33845	392	0	5	0	0	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5541540	WAYNE COUNTY BANK	WAYNE	WV	23372	348	0	0	0	0	*
4541560	BANK OF WEIRTON	WEIRTON	WV	54039	760	0	321	0	0	*
4541563	CITIZENS BK OF WEIRTON	WEIRTON	WV	20521	378	0	0	0	0	*
4541565	PEOPLES BANK	WEIRTON	WV	45978	829	0	0	0	0	*
5541600	CITIZENS BANK	WESTON	WV	30039	387	0	0	0	0	*
5541615	WESTOVER BANK	WESTOVER	WV	17687	265	0	0	0	0	*
4541675	MORRIS PLAN BANK & TRUST CO	WHEELING	WV	61413	947	0	357	0	0	
5541735	WHITESVILLE STATE BANK	WHITESVILLE	WV	15428	187	0	0	0	0	*

OF 57 BANKS AFFECTED IN STATE 45 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
12 HAVE NO REQURED RESERVE BALANCE

7550015	ABBOTSFORD STATE BANK	ABBOTSFORD	WI	15438	161	0	0	0	0	*
7550020	M&I BANK OF ADAMS-FRIENDSHIP	ADAMS	WI	19609	280	0	0	0	0	*
7550050	COMMUNITY STATE BANK	ALGOMA	WI	21476	235	0	0	0	0	*
9550070	AMERICAN BANK	ALMA	WI	17848	204	0	0	0	0	*
9550090	UNION STATE BANK	AMERY	WI	20678	248	0	0	0	0	*
7550130	PEOPLES BANK	ANTIGO	WI	23956	487	0	0	0	0	*
7550160	OUTAGAMIE BANK	APPLETON	WI	61222	837	0	345	0	0	*
7550163	VALLEY BANK	APPLETON	WI	125418	1404	0	2963	0	0	
7550167	VALLEY NORTHERN BANK	APPLETON	WI	24582	242	0	0	0	0	*
9550210	NORTHERN STATE BANK	ASHLAND	WI	43625	898	0	0	0	0	*
7550222	M & I FOX HEIGHTS BANK	ASHWAUBENON	WI	18919	248	0	0	0	0	*
7550230	BANK OF ATHENS	ATHENS	WI	16125	160	0	0	0	0	*
7550240	AUBURNDALE STATE BANK	AUBURNDALE	WI	15460	140	0	0	0	0	*
9550330	BANK OF BARRON	BARRON	WI	18185	169	0	0	0	0	*
7550385	MARINE BANK OF BEAVER DAM	BEAVER DAM	WI	40479	477	0	115	0	0	*
7550420	BELOIT STATE BANK	BELOIT	WI	80998	1890	0	551	0	0	
7550480	BANK OF BIRNAMWOOD	BIRNAMWOOD	WI	13092	109	0	0	0	0	*
7550510	JACKSON COUNTY BANK	BLACK RIVER FALLS	WI	32800	589	0	0	0	0	*
7550580	BONDUEL STATE BANK	BONDUEL	WI	14481	106	0	0	0	0	*
7550590	BOSCOBEL STATE BANK	BOSCOBEL	WI	29669	399	0	0	0	0	*
7550655	ELM BROOK STATE BANK	BROOKFIELD	WI	21099	129	0	0	0	0	*
7550658	M&I WEST SUBURBAN BANK	BROOKFIELD	WI	46418	461	0	776	0	0	*
7550665	BROWN DEER BANK	BROWN DEER	WI	29760	387	0	0	0	0	*
7550695	BURLINGTON MARINE BANK	BURLINGTON	WI	17843	195	0	0	0	0	*
7550700	FIRST BANK & TRUST CO	BURLINGTON	WI	43649	540	0	127	0	0	*
9550730	CITIZENS STATE BANK	CADOTT	WI	14674	148	0	0	0	0	*
7550780	FIRST STATE BANK	CAMPBELLSPORT	WI	17418	159	0	0	0	0	*
7550800	VALLEY BANK OF CASCO	CASCO	WI	13356	125	0	0	0	0	*
7550850	CEDARBURG STATE BANK	CEDARBURG	WI	34710	291	0	142	0	0	*
9550850	POLK COUNTY BANK	CENTURIA	WI	17687	243	0	0	0	0	*

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DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9550870	CHETEK STATE BANK	CHETEK	WI	13495	164	0	0	0	0	*
7550880	COMMERCIAL BANK	CHILTON	WI	18787	145	0	17	0	0	*
7550890	STATE BK OF CHILTON	CHILTON	WI	22884	111	0	127	0	0	*
7550970	DAIRYMANS STATE BANK	CLINTONVILLE	WI	22981	298	0	0	0	0	*
7551020	SECURITY STATE BANK	COLBY	WI	22509	224	0	0	0	0	*
7551050	M&I PEOPLES BANK	COLOMA	WI	30387	335	0	53	0	0	*
7551060	FARMERS AND MERCHANTS UNION	COLUMBUS	WI	20480	216	0	0	0	0	*
7551100	STATE BK OF CROSS PLAINS	CROSS PLAINS	WI	15455	151	0	0	0	0	*
7551120	CUDAHY MARINE BANK	CUDAHY	WI	52967	660	0	247	0	0	*
9551130	NORTHWESTERN STATE BANK	CUMBERLAND	WI	22502	245	0	0	0	0	*
7551210	DE FOREST MORRISONVILLE BK	DE FOREST	WI	15184	221	0	0	0	0	*
7551215	AMERICAN KETTLE MORAINE BK	DELAFIELD	WI	28052	359	0	0	0	0	*
7551220	CITIZENS BANK	DELAVAN	WI	22976	143	0	80	0	0	*
7551250	DENMARK STATE BANK	DENMARK	WI	25369	578	0	0	0	0	*
7551255	VALLEY BADGER BANK	DENMARK	WI	15335	180	0	0	0	0	*
7551260	COMMUNITY BANK	DE PERE	WI	23769	144	0	87	0	0	*
7551270	STATE BK OF DE PERE	DE PERE	WI	41222	451	0	164	0	0	*
7551285	DODGEVILLE STATE BANK	DODGEVILLE	WI	18627	183	0	0	0	0	*
7551290	STRONGS BANK	DODGEVILLE	WI	20651	113	0	19	0	0	*
9551348	EAGLE RIVER STATE BANK	EAGLE RIVER	WI	19675	295	0	0	0	0	*
7551360	STATE BK OF EAST TROY	EAST TROY	WI	19762	500	0	0	0	0	*
9551375	COMMUNITY STATE BANK	EAU CLAIRE	WI	23176	247	0	0	0	0	*
7551450	STATE BK OF ELKHORN	ELKHORN	WI	26089	285	0	0	0	0	*
9551470	BANK OF ELLSWORTH	ELLSWORTH	WI	32479	424	0	0	0	0	*
9551530	STATE BANK OF FALL CREEK	FALL CREEK	WI	22799	154	0	69	0	0	*
7551550	FIRST STATE BK IN FENNIMORE	FENNIMORE	WI	21577	280	0	0	0	0	*
7551575	AMERICAN BANK	FOND DU LAC	WI	20312	265	0	0	0	0	*
7551620	CITIZENS STATE BANK	FORT ATKINSON	WI	20533	504	0	0	0	0	*
7551630	FIRST AMERICAN BK & TR CO	FORT ATKINSON	WI	26263	197	0	57	0	0	*
9551690	FARMERS STATE BANK	FREDERICK	WI	17310	215	0	0	0	0	*
7551770	GERMANTOWN MARINE BANK	GERMANTOWN	WI	17565	208	0	0	0	0	*
7551780	GILLETT STATE BANK	GILLETT	WI	36888	691	0	0	0	0	*
7551840	GRAFTON STATE BANK	GRAFTON	WI	35714	326	0	111	0	0	*
9551860	FIRST BK OF GRANTSBURG	GRANTSBURG	WI	42668	363	0	270	0	0	*
7551895	FIRST WI BK OF GREEN BAY	GREEN BAY	WI	51565	581	0	293	0	0	*
7551910	PPL MRN BK OF GREEN BAY	GREEN BAY	WI	130391	1084	0	3057	596	-596	
7551915	UNIVERSITY BANK	GREEN BAY	WI	34489	636	0	0	0	0	*
7551920	WEST BANK AND TRUST	GREEN BAY	WI	112589	1551	0	1894	0	0	
7551935	M&I BANK OF GREENFIELD	GREENFIELD	WI	23907	458	0	0	0	0	*
7551960	STATE BK OF GREEN VALLEY	GREEN VALLEY	WI	13840	148	0	0	0	0	*
7551970	FARMERS AND MERCHANTS BANK	GREENWOOD	WI	14264	95	0	0	0	0	*
7551990	STATE BANK HALES CORNERS	HALES CORNERS	WI	51837	1126	0	0	0	0	*
7552020	VALLEY BANK OF HARTFORD	HARTFORD	WI	27378	388	0	0	0	0	*
7552180	IXONIA STATE BANK	IXONIA	WI	14133	138	0	0	0	0	*
7552195	BANK OF JANESVILLE	JANESVILLE	WI	24784	560	0	0	0	0	*
7552210	MERCHANTS AND SAVINGS BANK	JANESVILLE	WI	84058	1091	0	1594	0	0	

OSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7552230	ROCK COUNTY SAVINGS AND TR	JANESVILLE	WI	21132	603	0	0	0	0	*
7552240	FARMERS AND MERCHANTS BANK	JEFFERSON	WI	25371	271	0	13	0	0	*
7552250	JEFFERSON COUNTY BANK	JEFFERSON	WI	19373	151	0	0	0	0	*
7552300	BANK OF KAUKAUNA	KAUKAUNA	WI	17588	213	0	0	0	0	*
7552310	FARMERS AND MERCHANTS BANK	KAUKAUNA	WI	23084	341	0	0	0	0	*
7552325	AMERICAN STATE BANK	KENOSHA	WI	32035	834	0	0	0	0	*
7552360	VALLEY BANK	KEWASKUM	WI	36361	403	0	94	0	0	*
7552370	STATE BK OF KEWAUNEE	KEWAUNEE	WI	16522	118	0	4	0	0	*
7552380	UNION STATE BANK	KEWAUNEE	WI	16747	240	0	0	0	0	*
9552435	COULEE STATE BANK	LA CROSSE	WI	19012	245	0	0	0	0	*
9552440	EXCHANGE STATE BANK	LA CROSSE	WI	24297	346	0	0	0	0	*
9552470	STATE BK OF LA CROSSE	LA CROSSE	WI	42435	708	0	0	0	0	*
9552490	SECURITY STATE BANK	LADYSMITH	WI	18784	287	0	0	0	0	*
7552530	GREENWOODS STATE BANK	LAKEMILLS	WI	14145	126	0	0	0	0	*
7552540	LANCASTER STATE BANK	LANCASTER	WI	27042	201	0	71	0	0	*
7552550	UNION STATE BANK	LANCASTER	WI	29497	304	0	0	0	0	*
7552600	BANK OF LITTLE CHUTE	LITTLE CHUTE	WI	15732	121	0	0	0	0	*
7552620	STATE BK OF LODI	LODI	WI	14171	149	0	0	0	0	*
7552640	CITIZENS STATE BANK	LOYAL	WI	17153	144	0	0	0	0	*
9552650	FIDELITY STATE BANK	LUCK	WI	17155	131	0	0	0	0	*
7552660	BANK OF LUXEMBURG	LUXEMBURG	WI	20687	118	0	60	0	0	*
7552688	AFFILIATED BK OF HILLDALE	MADISON	WI	84116	1215	0	1487	0	0	
7552700	AFFILIATED BK OF MADISON	MADISON	WI	128914	2107	0	2658	0	0	
7552710	COMMERCIAL STATE BANK	MADISON	WI	30164	470	0	0	0	0	*
7552727	LAKE CITY BANK	MADISON	WI	19488	492	0	0	0	0	*
7552740	RANDALL STATE BANK	MADISON	WI	28268	404	0	0	0	0	*
7552750	SECRTY MRNE BK OF MADISON	MADISON	WI	68662	1810	0	121	0	0	*
7552755	UNITED BANK & TR OF MADISON	MADISON	WI	78642	927	0	1878	0	0	*
7552765	UNITED BANK OF WESTGATE	MADISON	WI	23026	366	0	0	0	0	*
7552790	FARMERS STATE BANK	MANAWA	WI	16211	168	0	0	0	0	*
7552825	MANITOWOC COUNTY BANK	MANITOWOC	WI	49498	567	0	296	0	0	*
7552850	MARATHON STATE BANK	MARATHON	WI	21632	181	0	0	0	0	*
7552870	FARMERS & MRCH BANK & TRUST	MARINETTE	WI	35923	279	0	265	0	0	*
7552930	CENTRAL STATE BANK	MARSHFIELD	WI	40914	462	0	92	0	0	*
7552970	BANK OF MAUSTON	MAUSTON	WI	25361	352	0	0	0	0	*
7552990	M&I BANK OF MAYVILLE	MAYVILLE	WI	28462	447	0	0	0	0	*
9553010	STATE BANK OF MEDFORD	MEDFORD	WI	39109	542	0	0	0	0	*
7553020	BANK OF MELROSE	MELROSE	WI	14139	185	0	0	0	0	*
7553030	BANK OF MENASHA	MENASHA	WI	27774	527	0	0	0	0	*
7553048	AMERICAN MENOMONEE FALLS BK	MENOMONEE FALLS	WI	18471	343	0	0	0	0	*
7553050	FARMERS AND MERCHANTS BANK	MENOMONEE FALLS	WI	91112	772	0	1926	0	0	
9553060	BANK OF MENOMONIE	MENOMONIE	WI	26832	222	0	56	0	0	*
9553090	UNITED BANK IN MENOMONIE	MENOMONIE	WI	22300	215	0	0	0	0	*
9553100	LINCOLN COUNTY BANK	MERRILL	WI	29273	344	0	0	0	0	*
9553105	M & I CITIZENS AMERICAN BK	MERRILL	WI	31897	420	0	0	0	0	*
7553110	BANK OF MIDDLETON	MIDDLETON	WI	41847	447	0	67	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7553138	AMERICAN HAMPTON BANK	MILWAUKEE	WI	25478	552	0	0	0	0	*
7553145	BANK OF COMMERCE	MILWAUKEE	WI	56997	398	0	1303	0	0	*
7553150	BAY VIEW STATE BANK	MILWAUKEE	WI	30130	422	0	0	0	0	*
7553155	CAPITOL MARINE BANK	MILWAUKEE	WI	46247	767	0	0	0	0	*
7553175	CONTINENTAL BANK & TRUST CO	MILWAUKEE	WI	26514	362	0	0	0	0	*
7553190	FIRST WISCONSIN TRUST CO	MILWAUKEE	WI	29106	4	0	1195	0	0	*
7553201	GREATER MILWAUKEE BANK	MILWAUKEE	WI	18589	247	0	0	0	0	*
7553202	GUARDIAN STATE BANK	MILWAUKEE	WI	15117	313	0	0	0	0	*
7553209	HERITAGE BK OF MILWAUKEE	MILWAUKEE	WI	96667	767	0	2505	0	0	*
7553230	KILBOURN STATE BANK	MILWAUKEE	WI	32154	334	0	81	0	0	*
7553240	LAYTON STATE BANK	MILWAUKEE	WI	32243	1095	0	0	0	0	*
7553250	LINCOLN STATE BANK	MILWAUKEE	WI	40596	480	0	56	0	0	*
7553269	M&I SILVER SPRING BANK	MILWAUKEE	WI	32083	549	0	0	0	0	*
7553272	MID-AMERICA BANK	MILWAUKEE	WI	23157	586	0	0	0	0	*
7553275	MILWAUKEE WESTERN BANK	MILWAUKEE	WI	83770	778	0	1715	0	0	
7553280	MITCHELL STREET STATE BANK	MILWAUKEE	WI	35371	475	0	0	0	0	*
7553300	PARK STATE BANK	MILWAUKEE	WI	69820	739	0	1274	0	0	*
7553340	WISCONSIN MARINE BANK	MILWAUKEE	WI	86685	1464	0	1435	0	0	
7553350	FARMERS SAVINGS BANK	MINERAL POINT	WI	18892	102	0	0	0	0	*
9553360	SECURITY STATE BANK	MINOCQUA	WI	26373	285	0	0	0	0	*
7553385	MONONA GROVE STATE BANK	MONONA	WI	36762	485	0	0	0	0	*
7553390	COMMERCIAL AND SAVINGS BANK	MONROE	WI	58322	458	0	833	0	0	*
7553410	MONTELLO STATE BANK	MONTELLO	WI	13202	137	0	0	0	0	*
7553440	MOSINEE COMMERCIAL BANK	MOSINEE	WI	15224	259	0	0	0	0	*
7553460	STATE BK OF MT HOREB	MOUNT HOREB	WI	22157	170	0	2	0	0	*
7553470	CITIZENS BANK	MUKWONAGO	WI	31787	279	0	99	0	0	*
7553520	NEILLSVILLE BANK	NEILLSVILLE	WI	22551	365	0	0	0	0	*
7553530	NEKOOSA PORT EDWARDS ST BK	NEKOOSA	WI	15928	370	0	0	0	0	*
7553557	SOUTHWEST BANK	NEW BERLIN	WI	15778	252	0	0	0	0	*
7553580	BANK OF NEW GLARUS	NEW GLARUS	WI	21368	156	0	47	0	0	*
7553590	M&I NEW HOLSTEIN BANK	NEW HOLSTEIN	WI	20945	317	0	0	0	0	*
7553600	NEW LISBON STATE BANK	NEW LISBON	WI	16528	311	0	0	0	0	*
7553610	FIRST STATE BANK	NEW LONDON	WI	34894	268	0	161	0	0	*
9553620	BANK OF NEW RICHMOND	NEW RICHMOND	WI	19013	225	0	0	0	0	*
7553710	BANK OF OCONOMOWOC	OCONOMOWOC	WI	26210	345	0	0	0	0	*
7553740	WINNEBAGO COUNTY BANK	OMRO	WI	24151	280	0	0	0	0	*
9553745	BANK OF ONALASKA	ONALASKA	WI	15937	330	0	0	0	0	*
7553760	OOSTBURG STATE BANK	OOSTBURG	WI	14783	109	0	0	0	0	*
7553770	BANK OF OREGON	OREGON	WI	16179	164	0	0	0	0	*
7553823	VALLEY BANK OF OSHKOSH	OSHKOSH	WI	41238	602	0	0	0	0	*
7553825	WESTERN STATE BANK	OSHKOSH	WI	46032	816	0	0	0	0	*
9553830	BANK OF OSSEO	OSSEO	WI	21476	190	0	0	0	0	*
7553880	PESHTIGO STATE BANK	PESHTIGO	WI	18965	224	0	0	0	0	*
7553890	WAUKESHA COUNTY MARINE BANK	PEWAUKEE	WI	58118	651	0	592	0	0	*
9553910	STATE BK OF PHILLIPS	PHILLIPS	WI	22814	321	0	0	0	0	*
7553950	MOUND CITY BANK	PLATTEVILLE	WI	27075	276	0	2	0	0	*

NONMEMBER BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7553980	CITY BANK & TRUST COMPANY	PORTAGE	WI	36192	377	0	73	0	0	*
7554010	PORT WASHINGTON STATE BANK	PORT WASHINGTON	WI	32969	342	0	19	0	0	*
7554050	FARMERS STATE BANK	POUND	WI	18339	304	0	0	0	0	*
7554080	PEOPLES STATE BANK	PRAIRIE DU CHIEN	WI	27941	486	0	0	0	0	*
7554090	PRAIRIE CITY BANK	PRAIRIE DU CHIEN	WI	29540	333	0	12	0	0	*
7554100	BANK OF PRAIRIE DU SAC	PRAIRIE DU SAC	WI	22599	134	0	30	0	0	*
7554130	PULASKI STATE BANK	PULASKI	WI	25892	232	0	66	0	0	*
7554145	BANK OF ELMWOOD	RACINE	WI	41595	535	0	25	0	0	*
7554150	FARMERS AND MERCHANTS BANK	RACINE	WI	14077	307	0	0	0	0	*
7554161	FIRST WI BK OF RACINE	RACINE	WI	41114	467	0	40	0	0	*
7554170	NORTH SIDE BANK	RACINE	WI	46183	897	0	0	0	0	*
7554190	DAIRYMANS STATE BANK	RANDOLPH	WI	22489	227	0	0	0	0	*
7554210	FARMERS AND MERCHANTS BANK	REEDSBURG	WI	25710	386	0	0	0	0	*
7554220	REEDSBURG BANK	REEDSBURG	WI	29573	407	0	0	0	0	*
9554260	MERCHANTS BANK & TRUST	RHINELANDER	WI	35504	312	0	135	0	0	*
9554265	DAIRY STATE BANK	RICE LAKE	WI	23984	261	0	0	0	0	*
7554290	FARMERS AND MERCHANTS BANK	RICHLAND CENTER	WI	28653	343	0	0	0	0	*
7554300	RICHLAND COUNTY BANK	RICHLAND CENTER	WI	25572	516	0	0	0	0	*
7554340	M&I RIPON STATE BANK	RIPON	WI	23440	386	0	0	0	0	*
9554355	RIVER FALLS STATE BANK	RIVER FALLS	WI	13444	183	0	0	0	0	*
7554385	RIVER VALLEY STATE BANK	ROTHSCHILD	WI	17793	375	0	0	0	0	*
7554430	FARMERS AND CITIZENS BANK	SAUK CITY	WI	33464	382	0	30	0	0	*
7554435	INTERCITY STATE BANK	SCHOFIELD	WI	17077	213	0	0	0	0	*
7554450	VALLEY BANK OF SEYMOUR	SEYMOUR	WI	16320	200	0	0	0	0	*
7554470	CITIZENS STATE BANK	SHAWANO	WI	48469	488	0	318	0	0	*
7554505	CITIZENS NORTH SIDE BANK	SHEBOYGAN	WI	24577	456	0	0	0	0	*
7554550	SOUTH WEST STATE BANK	SHEBOYGAN	WI	29858	343	0	83	0	0	*
9554560	SHELL LAKE STATE BANK	SHELL LAKE	WI	16084	131	0	0	0	0	*
7554575	NORTH SHORE BANK	SHOREWOOD	WI	49972	525	0	247	0	0	*
7554620	HOME STATE BANK	SOUTH MILWAUKEE	WI	20243	441	0	0	0	0	*
7554630	SOUTH MILWAUKEE MARINE BANK	SOUTH MILWAUKEE	WI	28323	599	0	0	0	0	*
7554665	FIRST BANK OF SPARTA	SPARTA	WI	21676	243	0	0	0	0	*
9554690	BANK OF SPOONER	SPOONER	WI	22560	325	0	0	0	0	*
7554700	BANK OF SPRING GREEN	SPRING GREEN	WI	23785	259	0	0	0	0	*
9554720	BANK OF SPRING VALLEY	SPRING VALLEY	WI	14079	148	0	0	0	0	*
9554730	FARMERS & MERCHANTS ST BK	STANLEY	WI	18818	200	0	0	0	0	*
7554745	PEOPLES STATE BANK	STETTIN TWP	WI	33730	308	0	119	0	0	*
7554800	STOUGHTON STATE BANK	STOUGHTON	WI	15297	195	0	0	0	0	*
7554810	STRATFORD STATE BANK	STRATFORD	WI	13353	134	0	0	0	0	*
7554840	BANK OF SUN PRAIRIE	SUN PRAIRIE	WI	39019	409	0	0	0	0	*
9554850	COMMUNITY BK & TR CO	SUPERIOR	WI	15294	223	0	0	0	0	*
7554910	SURING STATE BANK	SURING	WI	33180	307	0	142	0	0	*
7554930	COLONIAL STATE BANK	THIENSVILLE	WI	41568	454	0	107	0	0	*
7554940	PEOPLES EXCHANGE BANK	THORP	WI	21140	192	0	0	0	0	*
7554980	FARMERS AND MERCHANTS BANK	TOMAH	WI	24608	298	0	0	0	0	*
7554982	FIRST BK OF TOMAH	TOMAH	WI	19425	165	0	0	0	0	*

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9554990	BRADLEY BANK	TOMAHAWK	WI	16112	396	0	0	0	0	*
7555020	BANK OF TWO RIVERS	TWO RIVERS	WI	33579	540	0	0	0	0	*
7555030	TWO RIVERS SAVINGS BANK	TWO RIVERS	WI	32640	408	0	67	0	0	*
7555040	STATE BK OF UNION GVE	UNION GROVE	WI	24511	189	0	26	0	0	*
7555060	BANK OF VERONA	VERONA	WI	20091	239	0	0	0	0	*
7555090	STATE BK OF VIROQUA	VIROQUA	WI	22193	209	0	0	0	0	*
7555120	WALWORTH STATE BANK	WALWORTH	WI	21770	256	0	0	0	0	*
9555130	WASHBURN STATE BANK	WASHBURN	WI	19023	258	0	0	0	0	*
7555150	FARMERS AND MERCHANTS STATE	WATERLOO	WI	27560	317	0	0	0	0	*
7555160	M&I BANK OF WATERTOWN	WATERTOWN	WI	30635	342	0	19	0	0	*
7555210	WAUKESHA STATE BANK	WAUKESHA	WI	72149	1302	0	641	0	0	
7555290	CITIZENS STATE BK AND TR	WAUSAU	WI	43791	587	0	3	0	0	*
7555320	PEMBINE WAUSAUKEE BANK	WAUSAUKEE	WI	22459	515	0	0	0	0	*
7555330	UNION STATE BANK	WAUTOMA	WI	32622	590	0	0	0	0	*
7555341	FIRST WISCONSN BK OF MAYFAIR	WAUWATOSA	WI	37787	487	0	0	0	0	*
7555342	HERITAGE BANK-MAYFAIR	WAUWATOSA	WI	28800	288	0	0	0	0	*
7555350	WAUWATOSA STATE BANK	WAUWATOSA	WI	111691	1866	0	2024	0	0	
7555365	CENTRAL BANK	WEST ALLIS	WI	21313	462	0	0	0	0	*
7555390	WEST ALLIS STATE BANK	WEST ALLIS	WI	85062	836	0	1358	0	0	
7555400	WEST BEND MARINE BANK	WEST BEND	WI	32623	338	0	31	0	0	*
7555410	WESTBY COON VALLEY STATE BK	WESTBY	WI	22029	211	0	0	0	0	*
7555440	FARMERS AND MERCHANTS BANK	WEYAUWEGA	WI	14886	192	0	0	0	0	*
7555450	HERITAGE BK OF WHTFISH BAY	WHITEFISH BAY	WI	99514	1036	0	1792	0	0	
7555468	COMMERCIAL BANK	WHITEWATER	WI	18122	280	0	0	0	0	*
7555470	FIRST CITIZENS STATE BANK	WHITEWATER	WI	23980	242	0	0	0	0	*
7555485	HERITAGE BANK	WIND POINT	WI	59279	391	0	1260	0	0	*
7555500	BANK OF WISCONSIN DELLS	WISCONSIN DELLS	WI	28690	375	0	0	0	0	*
7555540	CITIZENS STATE BANK	WITTENBERG	WI	18202	340	0	0	0	0	*
9555570	LAKELAND STATE BANK	WOODRUFF	WI	37795	391	0	159	0	0	*

OF 243 BANKS AFFECTED IN STATE 164 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
78 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10560071	FIRST WYOMING BANK-CASPER	CASPER	WY	38788	576	0	168	0	0	*
10560125	FIRST WYOMING BANK CODY	CODY	WY	29067	264	0	15	0	0	*
10560140	CONVERSE COUNTY BANK	DOUGLAS	WY	41646	319	0	242	0	0	*
10560270	CENTRAL BANK & TRUST	LANDER	WY	21155	254	0	0	0	0	*
10560440	FIRST SECURITY BANK	ROCK SPRINGS	WY	25073	276	0	0	0	0	*
10560450	NORTH SIDE STATE BANK	ROCK SPRINGS	WY	31622	307	0	71	0	0	*
10560490	BANK OF COMMERCE	SHERIDAN	WY	57284	400	0	1016	0	0	*
10560550	FIRST WYOMING BANK WHEATLAND	WHEATLAND	WY	17234	277	0	0	0	0	*
10560570	STOCK GROWERS STATE BANK	WORLAND	WY	30611	123	0	196	0	0	*

OF 9 BANKS AFFECTED IN STATE 3 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
6 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
10080297	ROCKY MT INDUSTRIAL BK	COLCRADO SPRINGS	CO	13277	1	0	87	0	0	*
10081012	GOVERNMENT EMPLOYEES IND BK	LAKEWOOD	CO	58690	1	0	1250	271	-271	

OF 2 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
1 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
6121240	PENSACOLA LOAN AND SAVINGS B	PENSACOLA	FL	18632	84	0	155	0	0	*

OF 1 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
1 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
7171496	BANCO DI ROMA	CHICAGO	IL	18500	50	0	167	0	0	*
7171499	BANK LEUMI LE-ISRAEL	CHICAGO	IL	17696	63	0	0	0	0	*
7171504	BANK FOR SVGS & LOAN ASSOC	CHICAGO	IL	497570	1	0	1730	16125	-16125	
7171507	BANQUE NATIONALE DE PARIS	CHICAGO	IL	46782	15	0	765	0	0	*
7171556	COMMERZBANK AKT	CHICAGO	IL	30449	16	0	364	0	0	*
7171572	CREDIT LYONNAIS	CHICAGO	IL	90542	13	0	1265	1190	-1190	
7171744	LLOYDS BK INTL LTD	CHICAGO	IL	14581	1	0	13	0	0	*
7171863	NATIONAL BK OF GREECE S A	CHICAGO	IL	28328	127	0	126	0	0	*
7171957	SANWA BANK	CHICAGO	IL	28188	25	0	297	0	0	*
7172032	SUMITOMO BANK LIMITED	CHICAGO	IL	26727	1	0	324	0	0	*

OF 10 BANKS AFFECTED IN STATE 1 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
7 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2364834	BANCO DI ROMA	NEW YORK	NY	44471	83	0	1251	0	0	*
2364836	BANCO DO BRASIL	NEW YORK	NY	358345	272	0	5203	19703	-19703	
2364837	BANCA COMMERCIALE ITALIANA	NEW YORK	NY	238017	15	0	4127	9819	-9819	
2364839	BANCA DEL LAVORO	NEW YORK	NY	152347	65	0	5255	2030	-2030	
2364841	BANCO DE LA NACION	NEW YORK	NY	1893292	19	0	5361	71204	-71204	
2364842	BANCO DI NAPOLI NEW YORK	NEW YORK	NY	95261	13	0	1732	0	0	*
2364855	BANCO REAL	NEW YORK	NY	82294	119	0	3896	0	0	*
2364856	BANK FUR GEMEINWIRTSCHAFT	NEW YORK CITY	NY	67980	3	0	1265	512	-512	
2364857	BANK HAPOALIM B M	NEW YORK	NY	116300	181	0	4920	263	-263	

NONINSURED BANKS　　　BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7　　　1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2364892	BNQ FRAN DE COM EXTERIEUR	NEW YORK	NY	62981	2	0	1265	390	-390	
2364896	BARCLAYS BANK INTL	NEW YORK	NY	735438	401	0	5537	46505	-46505	
2364940	BROWN BROS HARRIMAN & CO	NEW YORK	NY	345040	159	0	5282	21628	-21628	
2364963	CHARTERED BANK OF LONDON	NEW YORK	NY	25325	22	0	131	0	0	*
2365032	COMMERZBANK AKT	NEW YORK	NY	653548	21	0	5539	28441	-28441	
2365047	CREDIT INDUSTRIEL ET COMML	NEW YORK	NY	80558	5	0	1264	72	-72	
2365048	CREDIT LYONNAIS	NEW YORK	NY	765065	20	0	1741	28468	-28468	
2365049	CREDITO ITALIANO	NEW YORK	NY	108291	8	0	1489	1648	-1648	
2365058	DRESDNER BANK	NEW YORK	NY	260964	23	0	2350	5093	-5093	
2365214	HONGKONG & SHANGHAI BANK	NEW YORK	NY	204259	140	0	4094	2249	-2249	
2365243	ISRAEL DISCOUNT BANK	NEW YORK	NY	390497	530	0	5058	7856	-7856	
2365255	LLOYDS BANK INTL LTD	NEW YORK	NY	330535	142	0	5241	8006	-8006	
2365258	LONG-TERM CREDIT BK OF JAPAN	NEW YORK	NY	169158	1	0	2548	2716	-2716	
2365315	MITSUBISHI BANK LTD	NEW YORK	NY	147866	16	0	2481	0	0	*
2365318	MITSUI BANK LTD	NEW YORK	NY	465447	5	0	5289	25376	-25376	
2365343	NATIONAL BANK OF PAKISTAN	NEW YORK	NY	71480	0	0	1586	0	0	*
2365344	NATL WESTMINSTER BANK	NEW YORK	NY	496510	38	0	5289	19075	-19075	
2365345	ALGEMENE BANK NEDERLAND	NEW YORK	NY	666126	69	0	1736	22831	-22831	
2365404	PHILIPPINE NATIONAL BANK	NEW YORK	NY	43735	129	0	2529	0	0	*
2365425	SANWA BANK LTD	NEW YORK	NY	177495	39	0	3303	270	-270	
2365430	SAVINGS BANKS TRUST COMPANY	NEW YORK	NY	304963	1	0	3991	15480	-15480	
2365445	STANDARD CHARTERED BANK LTD	NEW YORK	NY	183498	56	0	1729	0	0	*
2365454	STATE BANK OF INDIA	NEW YORK	NY	66218	18	0	2900	0	0	*
2365463	SUMITOMA BANK LTD	NEW YORK	NY	295061	9	0	1488	3191	-3191	
2365464	SUMITOMO TRUST & BKG CO LTD	NEW YORK	NY	325512	5	0	5288	10363	-10363	
2365465	SWISS BANK CORPORATION	NEW YORK	NY	1976419	236	0	1550	61245	-61245	
2365467	SWISS CREDIT BANK	NEW YORK	NY	234357	86	0	5270	5173	-5173	
2365470	TAIYO KOBE BANK LTD	NEW YORK	NY	72710	1	0	759	0	0	*
2365471	TOKAI BANK LIMITED	NEW YORK	NY	211604	2	0	3799	2012	-2012	
2365473	TOYO TRUST & BANKING CO LTD	NEW YORK	NY	33590	1	0	540	0	0	*
2365535	UNION BANK OF BAVARIA	NEW YORK	NY	193300	37	0	1488	4941	-4941	
2365536	UNION BANK OF SWITZERLAND	NEW YORK	NY	751900	71	0	1741	30049	-30049	
2365539	WESTDEUTSCHE LANDESBANK	NEW YORK	NY	588999	2	0	1741	20842	-20842	

OF 42 BANKS AFFECTED IN STATE　0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
11 HAVE NO REQURED RESERVE BALANCE

5370400	CABARRUS BANK & TRUST CO	CONCORD	NC	67634	1633	0	556	0	0	*

OF 1 BANKS AFFECTED IN STATE　0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
1 HAVE NO REQURED RESERVE BALANCE

NONINSURED BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
9380090	BANK CF NORTH DAKOTA	BISMARCK	ND	376057	589	0	5275	8516	-8516	
OF	1 BANKS AFFECTED IN STATE	0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE 0 HAVE NO REQURED RESERVE BALANCE								
10401036	INVESTORS TRUST COMPANY	DUNCAN	OK	11652	1	0	58	0	0	*
OF	1 BANKS AFFECTED IN STATE	0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE 1 HAVE NO REQURED RESERVE BALANCE								
12410507	BANK CF TOKYO LTD	PCRTLAND	OR	83724	33	0	1263	717	-717	
12410510	CANADIAN IMPRL BK OF COMMRCE	PORTLAND	OR	67222	160	0	1330	0	0	
OF	2 BANKS AFFECTED IN STATE	0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE 1 HAVE NO REQURED RESERVE BALANCE								
3423825	BANK CF LANDISBURG	LANDISBURG	PA	17822	204	0	0	0	0	*
3427218	TOBIAS KNOBLAUCH	READING	PA	11025	143	0	0	0	0	*
OF	2 BANKS AFFECTED IN STATE	2 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE 0 HAVE NO REQURED RESERVE BALANCE								
1440310	WASHINGTON TRUST COMPANY	WESTERLY	RI	98809	1070	0	2058	0	0	
OF	1 BANKS AFFECTED IN STATE	0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE 1 HAVE NO REQURED RESERVE BALANCE								

NONINSURED BANKS BENEFIT TO BANKS COVERED BY MODIFIED H.R. 7 1/17/79

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)
12530819	BANK OF TOKYO LTD	SEATTLE	WA	106367	26	0	1481	1702	-1702
12530820	CANADIAN IMPRL BK OF COMMRCE	SEATTLE	WA	114509	151	0	1835	1567	-1567

OF 2 BANKS AFFECTED IN STATE 0 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2090130	PEOPLES SAVINGS BANK	BRIDGEPORT	CT	1512241	10386	0	0	0	0	*
1090640	SOCIETY FOR SAVINGS	HARTFORD	CT	1329648	2640	0	0	0	0	*
1091060	CONNECTICUT SAVINGS BANK	NEW HAVEN	CT	614065	1792	0	0	0	0	*

OF 3 BANKS AFFECTED IN STATE 3 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
3100400	WILMINGTON SVGS FUND SOC	WILMINGTON	DE	644874	2174	0	0	0	0	*

OF 1 BANKS AFFECTED IN STATE 1 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
5240220	PROVIDENT SAVINGS BANK	BALTIMORE	MD	522488	4519	0	0	0	0	*
5240260	SAVINGS BANK OF BALTIMORE	BALTIMORE	MD	687954	2639	0	0	0	0	*

OF 2 BANKS AFFECTED IN STATE 2 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
1250255	BOSTON FIVE CENTS SVGS BK	BOSTON	MA	906389	2788	0	0	0	0	*
1250300	CHARLESTOWN SAVINGS BANK	BOSTON	MA	733060	1483	0	0	0	0	*
1250410	HOME SAVINGS BANK	BOSTON	MA	372009	486	0	0	0	0	*
1250520	PROVIDENT INSTITUTN FOR SVGS	BOSTON	MA	957060	1649	0	0	0	0	*
1250570	SUFFOLK FRANKLIN SVGS BK	BOSTON	MA	594447	1256	0	0	0	0	*
1250585	UNION WARREN SAVINGS BANK	BOSTON	MA	403781	802	0	0	0	0	*
1252390	NEW BEDFORD FIVE CNT SVG BK	NEW BEDFORD	MA	210938	1297	0	0	0	0	*
1252470	MUTUAL BANK FOR SAVINGS	NEWTON CENTER	MA	459152	1430	0	0	0	0	*
1252730	BERKSHIRE COUNTY SAVINGS BK	PITTSFIELD	MA	140712	552	0	0	0	0	*
1253150	SPRINGFIELD INST FOR SVNGS	SPRINGFIELD	MA	504602	4508	0	0	0	0	*
1253761	PEOPLES SAVINGS BANK	WORCESTER	MA	314062	1418	0	0	0	0	*
1253770	WORCESTER CTY INST FOR SVGS	WORCESTER	MA	378827	1256	0	0	0	0	*

OF 12 BANKS AFFECTED IN STATE 12 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

DSB	NAME	LOCATION		(1) TDEP	(2) VLTCSH	(3) 1977 REQBAL	(4) NEW EPA	(5) NEW REQBAL	(6) DIF (3)-(5)	
2341550	HUDSON CITY SAVINGS BANK	JERSEY CITY	NJ	810861	5233	0	0	0	0	*
2341570	PROVIDENT SAVINGS BANK	JERSEY CITY	NJ	558485	3290	0	0	0	0	*
2342030	MORRIS COUNTY SAVINGS BANK	MORRISTOWN	NJ	557322	3154	0	0	0	0	*
2342170	HOWARD SAVINGS BANK	NEWARK	NJ	2028089	8128	0	0	0	0	*

OF 4 BANKS AFFECTED IN STATE 4 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

2360870	DOLLAR SAVINGS BANK OF NY	BRONX	NY	2401612	4402	0	0	0	0	*
2360950	BROOKLYN SAVINGS BANK	BROOKLYN	NY	1302369	3502	0	0	0	0	*
2361000	DIME SAVINGS BK OF NEW YORK	BROCKLYN	NY	4065991	5517	0	0	0	0	*
2361030	EAST NEW YORK SAVINGS BANK	BROOKLYN	NY	891760	2858	0	0	0	0	*
2361150	LINCOLN SAVINGS BANK	BROOKLYN	NY	1809529	5908	0	0	0	0	*
2361172	METROPOLITAN SAVINGS BANK	BROOKLYN	NY	1167089	3735	0	0	0	0	*
2361260	BUFFALO SAVINGS BANK	BUFFALO	NY	1938340	6173	0	0	0	0	*
2361270	ERIE SAVINGS BANK	BUFFALO	NY	1598606	3931	0	0	0	0	*
2361330	WESTERN NEW YORK SAVINGS BK	BUFFALO	NY	738823	4262	0	0	0	0	*
2364070	LONG ISLAND SAVINGS BANK	LONG ISLAND CITY	NY	965216	3513	0	0	0	0	*
2364910	BOWERY SAVINGS BANK	NEW YORK	NY	4532585	7449	0	0	0	0	*
2365060	DRY DOCK SAVINGS BANK	NEW YORK	NY	2250525	5103	0	0	0	0	*
2365080	EMIGRANT SAVINGS BANK	NEW YORK	NY	2303071	3848	0	0	0	0	*
2365161	FRANKLIN SAVINGS BANK OF NY	NEW YORK	NY	1443478	4009	0	0	0	0	*
2365190	GREENWICH SAVINGS BANK	NEW YORK	NY	2046128	2799	0	0	0	0	*
2365280	MANHATTAN SAVINGS BANK	NEW YORK	NY	1972182	3633	0	0	0	0	*
2365350	NEW YORK BANK FOR SAVINGS	NEW YORK	NY	3323104	4190	0	0	0	0	*
2366560	RIDGEWOOD SAVINGS BANK	RIDGEWOOD	NY	880747	3017	0	0	0	0	*

OF 18 BANKS AFFECTED IN STATE 18 HAVE NO EARNINGS PARTICIPATION ACCOUNT OR REQUIRED RESERVE BALANCE
0 HAVE NO REQURED RESERVE BALANCE

Attachment B

Comment: These amendments provide an exclusion from reserve requirements of up to $10 million for transaction deposits of depository institutions and an exclusion up to $10 million for time and savings deposits of banks. An institution's transaction deposits in excess of $10 million but not more than $50 million, and a bank's total time and savings deposits in excess of $10 million but not more than $50 million are exempted from reserve requirements. Reserve requirements will be imposed on a depository institution's transaction deposits that exceed $50 million and a commercial bank's total time and savings deposits that exceed $50 million. A depository institution will maintain in an Earnings Participation Account at the Federal Reserve Bank (or passed through to the Federal Reserve by another institution) an amount resulting from first, multiplying the appropriate reserve ratios in effect for each deposit category by the level of the institution's exempted deposits for each deposit category and, second, deducting from this figure the amount by which the institution's vault cash exceeds its reserve requirements. The institution's Earnings Participation Account will earn interest at a rate equal to the average return earned on the Federal Reserve's securities portfolio.

Section 3(a) is amended by striking subparagraph (E) and inserting in lieu thereof the following:

"(E) A reference to net deposits of any given category in any given institution refers to the amount of reservable deposits of that category maintained by the institution."

Section 3 (a) is further amended by adding after subparagraph (L) on page 5 the following:

"(M) The term "Category A excluded deposits" means, with respect to any depository institution, the amount of its Category A deposits that does not exceed $10 million.

"(N) The terms "Category B, C and D excluded deposits" mean with respect to any bank, the amounts of its Category B, C, and D deposits that do not exceed $10 million, so long as the total of its Category B, C, and D deposits do not exceed $10 million. If the total Category B, C, and D deposits of the bank exceeds $10 million, the amount of its Category B, C, and D deposits that shall be excluded deposits shall be determined by multiplying $10 million by the proportion that the bank's deposits in the respective categories bear to the total of its deposits in the three categories.

"(O) The term "Category A exempted deposits" means, with respect to any depository institution, the amount of its Category A deposits that are in excess of $10 million but not more than $50 million.

"(P) The terms "Category B, C, and D exempted deposits" mean with respect to any bank, the amount of its Category B, C, and D deposits that are in excess of $10 million but not more than $50 million, so long as the total Category B, C, and D deposits of the bank do not exceed $50 million. If the total Category B, C, and D deposits of a bank exceeds $50 million, the amount of its Category B, C, and D deposits that shall be exempted deposits shall be determined by multiplying $50 million by the proportion that the bank's deposits in the respective categories bear to the total of its deposits in the three categories.

"(Q) The term "reservable deposits" means the Category A, B, C, or D deposits of a depository institution that exceed its total excluded and exempted deposits for each deposit category."

Section 3(a) is amended by striking paragraphs (2), (3), and (4) on pages 5, 6, and 7 respectively and inserting in lieu thereof the following:

"(2) EARNINGS PARTICIPATION ACCOUNT--A depository institution shall maintain in an Earnings Participation Account at the Federal Reserve Bank of which it is a member or at which it maintains an account a balance determined first, by multiplying the amount of its Category A, B, C, and D exempted deposits by the reserve ratios in effect for its Category A, B, C, and D deposits, respectively, and, second, by deducting therefrom any amount by which the depository institution's holdings of vault cash exceeds its reserve requirements on its reservable deposits.

"(3) PASS THROUGH OF BALANCES--A nonmember institution may maintain balances at a member or nonmember institution that maintains reserve balances at a Federal Reserve Bank or at a Federal Home Loan Bank, but only if such institution or Federal Home Loan Bank maintains such funds in the form of balances in a Federal Reserve Bank of which it is a member or at which it maintains an account. Such balances shall not be regarded as deposits of the intermediary institution for purposes of determining reserve requirements imposed by this Section and Federal deposit insurance assessment.

"(4) EARNINGS PARTICIPATION RATE--The Earnings Participation Account of a depository institution shall earn interest at a rate equal to the average rate earned on the securities portfolio of the Federal Reserve System during the calendar quarter immediately preceding the interest payment date. The Board is authorized to adopt rules and regulations relating to the issuance and administration of Earnings Participation Accounts."

Attachment C

Section 3(a) is further amended by adding the following subparagraph at the end thereof:

"(R) In the case of affiliated depository institutions the total excluded and exempted deposits shall not exceed in the aggregate for such affiliated groups the product resulting from multiplying the number of institutions in such affiliated group on August 1, 1978 by $10 million for each category of excluded deposits and by $40 million for each category of exempted deposits, provided that no more than $10 million shall be excluded deposits under each deposit category and no more than $40 million shall be exempted deposits under each deposit category at any individual depository institution."

Comment: This amendment limits the total amount of deposit exclusions and exemptions for affiliated institutions to the amount of the deposit exclusion and exemption times the number of affiliated institutions in existence on August 1, 1978.

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Attachment D

Section 2, paragraph (2), subparagraph (A) is amended to read as follows:

"(A) directly to the Board in the case of member banks and, for all deposit liabilities, in the case of other depository institutions maintaining deposits specified in sections 19(b)(1)(A) through 19(b)(1)(D) of this Act, and"

Comment: This amendment clarifies that depository institutions with transactions deposits will file reports on all deposit liabilities directly with the Board.

Attachment E

Section 3 is amended by adding at the end thereof the following subsections:

"(c) The first paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 342) is amended as follows:

(1) by inserting after the words "member banks" the words "or other depository institutions".

(2) by inserting after the words "payable upon presentation" the first and third times they appear, the words "or other items, including negotiable orders of withdrawal or share drafts".

(3) by inserting after the words "payable upon presentation within its district," the words "or other items, including negotiable orders of withdrawal or share drafts".

(4) by inserting after the words "nonmember bank or trust company," wherever they appear the words "or other depository institution".

(5) by inserting after the words "nonmember bank" after the second colon the words "or other depository institution".

(d) The thirteenth paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 360) is amended as follows:

(1) by striking out the words "member banks" wherever they appear and inserting in lieu thereof "depository institutions".

(2) by striking out the words "member bank" wherever they appear and inserting in lieu thereof "depository institution".

(3) by inserting after "checks" wherever it appears the words "and other items, including negotiable orders of withdrawal and share drafts".

(e) The fourteenth paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 248(o) is amended by striking out "its member banks" and inserting in lieu thereof "depository institutions".

Comment: In order to assure equal treatment for all depository instituions." these amendements conform various sections of the Federal Reserve Act relating to clearing facilities by eliminating the distinctions drawn by the Act between member and nonmember depository institutions.

Chairman REUSS. Thank you, Chairman Miller, for a very able and helpful statement. We will now examine under the 5-minute rule, and let me first call upon the ranking member, Mr. Stanton, for not only his 5 minutes of questioning but for 5 minutes for opening statement, plus any additional time he feels is necessary.

Mr. STANTON. Thank you, Mr. Chairman.

Chairman Miller, I wish to express my own personal thanks for your appearance here today.

Mr. Chairman, I wish to express my appreciation for you in holding these early hearings and fulfilling your word of last fall that this would be the first item of business before our committee.

During the last session I supported your approach, Mr. Chairman, to this legislation. It was not my own. As you well know, I felt, and still do, the answer to this problem lies along the line of paying of interest on reserves. We are still faced with the problem, and I am openminded on the subject here this afternoon, and will continue to be, because I am convinced it is a problem. We have only to look at the immediate past, at the banks that have left our System in 1978, to recognize this fact. However, in the interim of the recess, all of us had an opportunity to go home and rethink this issue and to look at what we expect to accomplish and how we are going about it. I think perhaps in the weeks ahead I will offer some alternative approaches to this subject matter if only for the purpose of maybe to show we need an additional approach than the mandatory approach which is in H.R. 7, or in the version that the Fed is giving us today, which has some advantages over H.R. 7.

In doing this, I do not want to foreclose the fact that having said the problem is so immense eventually I would not support some system of mandatory controls, but I do it most reluctantly. At the moment, I would not do it for the simple reason we are coming to a conclusion perhaps there is a better way to solve this basic membership question than a mandatory solution.

Chairman Miller, you have stated the issue so well that the cost, on page 6, the inequities of cost burdens borne by member banks—and it is strictly that the current regulatory structure is arbitrary and unfair because it forces member banks to bear the full burden of reserve requirements. You go on to say something that I have often thought about, and you have researched, through your staff and your people, that "among major countries in the free world, only the United States has legislative inequities being imposed on the commercial banking system."

You did a good job in going over the historical facts, and, if we could go back to 1913, I think we would look at this subject of mandatory reserve requirements and there might have been a simple solution in hindsight. However, in the realities of today in which we live, the inequities exist because of the reserve requirements that are required on members of the Federal Reserve System. There is an inequity. The solution, on the one hand, is mandatory controls. I do not like them for several different reasons. First, maybe it is the philosophical approach to the idea of mandatory that gets me.

Second, if we have a problem on the Federal level with our membership in the Federal Reserve System, then we can make it competitive in other ways, and therefore I think if we want to solve the problem—and we all do—of the loss of membership in the Federal Reserve System, then the easiest solution, which all the plans I have seen so far hit upon, is to reduce the existing level of the reserve requirements and establish reserve requirements for each depository institution that is fair across the board. I do not like the proposed system with an exemption period, whether $50, $40, or $10 million—your plan, to a degree—because it is building into the System inequities. It is pointing out a difference between bigness and smallness. It is stating to a degree the Federal Reserve Board primarily is going to be interested in the big banks of this country. I think that is wrong.

I think it is wrong to treat big and small banks differently. I think we should look for a solution within the institutions that are now under Federal control rather than expand it to others. I go totally against the popular opinion of my own particular State—and I am sure the American Bankers Association, because the chairman's bill is very good for the State of Ohio. I recognize the difference it will make in the State of Delaware and others, and once we get into battle with savings banks and other financial institutions, I think we have real problems. So, what I am saying, we probably will come up with a simple solution based upon the original premise of which the Federal Reserve came to this committee. We are here now because over a year ago it seemed to many wise people in this country the answer lay in payment of interest on reserves. The question came about, do they have the legislative authority to do it, or is there any other way to go about it?

Mr. Chairman, I would hope we would keep an open mind on the subject only for the exploratory purposes of getting at this particular problem, of solving the loss of membership in the Federal Reserve System.

I think if we can lower those reserves we can, No. 2, come up with a system of mandatory reporting requirements which we have now that recognize not only the loss of membership but loss of monetary control, which this Chairman of the Federal Reserve has pointed out is necessary in order to solve some of his immediate problems.

I think, we could come up with a payment of interest on reserves down the road maybe 4 or 5 years, and only after all of your services have been put into operation, to see where we stand, but I think we need that authority to do it, to pay interest on reserves. I think we could couple that with a one house veto if we are not happy with it.

Our staff has come up with legislation. I want to keep to a recommendation that would bring it in the ball park of what we are all looking for in your bill and the Fed's cost to the Treasury. Mine places it down the road, but we are going to work on that and we are going to price it. I just utilized this time and that of the committee, to point this out to everyone that we will offer an alternative solution based on something besides mandatory requirements.

Maybe we ought to deal with it within the Fed membership, maybe we ought to reduce those reserve requirements, make the small ones pay no more than they are paying now, lower the reserve requirements for others and look at all possibilities.

Mr. Chairman, I have just one question. You have shown a great desire to cooperate with this committee in finding a solution to this. You have directed your attentions and thoughts in interviews along with the desire to work within the framework of H.R. 7. I do not want to put you on the spot with this. You feel, I think, like I do, it is a political thing to do, expedient thing, to get some solution. That is what we want, some solution. But would you rule out of your thoughts something like I have been discussing of a similar approach if this method which we are discussing today does not work?

Mr. Miller. Mr. Stanton, I certainly would not rule out alternate approaches, of which there are a number. You recall that last summer the Federal Reserve proposal was, initially, on a different track. We were on the track of a program that would lower reserve requirements, coupled with payment of limited interest on reserves, and charging for services. This was a solution designed to reduce the burden of membership, and thus the attrition of membership, while preserving Treasury revenues.

It was a solution that we had come to, at that time, as the practical step that could be taken. I would point out, though, that even we recognize that it was not, even within the constraints of the existing constituencies, a very permanent solution. There is just no doubt that other new forms of financial services are going to be growing rapidly at banks and thrift institutions and this will continue to provide a more competitive environment. The public and the Nation will benefit from the better financial system and the better payments system that results. But our solution last summer did not take account of the fact that, in due course, institutions which are seeking new asset powers—because they have found themselves vulnerable to the cycles of housing and interest rates—are going to be looking like banks in 10 years. If we do not prepare for that situation, we are going to be creating just another problem down the road.

So, our solution was one we thought would hold the fort, but I would remind you that every commission appointed since 1933 on the issue of our financial structure has recommended universal reserves as an essential ingredient in establishing a modern national financial system compatible with the strength and vitality of this Nation.

We do not have optional currency. Mandatory sounds like a bad word, but the Constitution gives the power to coin and regulate money to the Congress, and we cannot overlook the fact that if States had separate currencies we would be in disaster. So while we do not want to preempt the continuation of an arena with all kinds of depository institutions, it seems to me we should equalize the playing field to the extent we can.

The problem with doing this by reducing Federal Reserve requirements or paying interest on member bank reserves to the degree necessary is neither intellectual or philosophical; it is a problem of money. It would cost the Treasury too much, and that is where we always find our constraints.

Mr. STANTON. Would you say it costs too much and not knowing what the returns are going to be?

Mr. MILLER. It appears——

Mr. STANTON. We may not do it for 5 years?

Mr. MILLER. It appears that if the price we put on Federal Reserve services becomes too dear, then we will not collect any offsetting revenue, because we will drive the business elsewhere. It appears that the $410 million, estimated in 1977 dollars, is about what the traffic will bear at the moment. We could be wrong by $50 million, but I do not think we can be wrong by $400 million. I do not think we could double those figures and maintain our service levels; we would dismantle Federal Reserve services.

I want to be sure I am making myself clear. We do not want to close our minds to alternatives, and we have made our staff available to look at alternatives because we are so conscious of the need to have a sound solution, one which brings a sense of unity and purpose. We believe we ought to find a consensus that we can live with and strengthen. There is no contentiousness here, only the hope that the time has come to find a solution.

Mr. STANTON. Mr. Chairman, I thoroughly appreciate the extra time.

Chairman REUSS. Thank you, Mr. Stanton.

Chairman Miller, suppose—and I sincerely hope this is not the case—Congress does nothing about the subject matter of the Federal Reserve. Would, in your judgment, such failure to act on the part of Congress render appreciably more difficult your job of controlling the Nation's money and fighting inflation?

Mr. MILLER. Mr. Chairman, we believe that it would. We believe that the slack in the System now—because of the degree to which deposits are held outside the System—has made it increasingly difficult to link up our monetary action to its effect on the growth of the money aggregates. In this time of inflation, which is the primary threat to our country, this inability puts us at a great disadvantage.

The fact that there is this degree of unpredictability and variability means that we might apply too much monetary restraint to the economy, miscalculating its result, and we might cause a crunch that we do not need.

On the other hand, we might be deceived by that slack into believing that everything is in very good control; we might be too easy and find ourselves with another inflationary spiral on our hands. It is so critical that in this decade and the years ahead we wipe inflation out of the System once and for all, that we feel very strongly that we do need this legislation to help us.

Chairman REUSS. You have indicated in your testimony here substantial agreement with H.R. 7, but you have one important addendum to it, namely, the use of your proposed earnings participation account so as to cover deposits between $10 million and $50 million. I would like now to direct a question at the importance of the additional controls of our money supply which your addendum would give. I think it may be helpful in this connection to refer to the very helpful chart I—the members may wish to do this—in your assembly which is part of your record here. As I view that chart, under H.R. 7 about 30 percent of total bank deposits would remain outside the mandated reserve limits. According to chart I, this would mean an absolute range of variation of 7 percent on either side of a 2-month forecast, with a growth rate of monetary aggregates. In other words, you forecast a 6 percent growth rate. The range would be from 5.8 percent to 6.2 percent, which seems to me a reasonably high degree of monetary control.

Under your proposal you would get only a slight further increase in variability to a range of about 5.9 percent to 6.1 percent. I mention this to ask you to confirm my reading of the chart, which I believe is right, and then if it is right, or subject to whatever correction you might want to make in my reading of it. Is not, then, the effect of the Federal Reserve earnings participation account proposal one to somewhat strengthen your monetary control but not as night and day?

Mr. MILLER. Mr. Chairman, I am just verifying this with my staff here, and I want to give you an addendum to what you were saying, if I may.

Chairman REUSS. Please.

Mr. MILLER. The 7-percent variability you mention can be found on the chart, but it does not mean that if the goal for 2-month growth of M_1 is 6 percent, you take 7 percent of 6 percent; it means you take 3½ percentage points on each side, for a range of 2½ percent to 9½ percent. We could fall within that range and still have been exercising what we thought was proper policy toward a 6-percent goal. So that variability is very wide indeed. In other words, we are dealing with absolute numbers, not percents of percents.

Chairman REUSS. Would you then give us the comparison which I was trying to do between H.R. 7, as it stands, and the Fed's earnings participation?

Mr. MILLER. Begin at the bottom left on the chart and find the dash that represents 6 percent of deposits not subject to reserve requirements. You will then see that our proposal has a variability of about 2 percent, so if we were shooting for 6 percent we might come out between 5 and 7 percent.

If we leave the System with 30 percent of deposits outside it, as you say, that gives a variability of about 7 percent, so if we were shooting for 6 percent the result could be somewhere between 2½ and 9½ percent. That is a 7-percent range, while under our proposal it would be a 2-percent range.

Chairman REUSS. That is over a 2-month average?

Mr. MILLER. Yes. We correct policy each month. If things went the wrong way, we would try to get them going back again.

Chairman REUSS. What would it be like over a year?

Mr. MILLER. If you are wrong every 2 months, even if you try to correct, you could be compounding your mistakes for a considerable degree of error. If you expect your errors to average out you might narrow the error, but there still would be a very substantial gap. Over 2- or 4-month periods, economic perceptions, investment decisions might begin to be taken that trim the economy, contrary to what the Federal Reserve might be trying to accomplish, just because it suddenly looked like money really tightened, and then interest rates would start shooting up and housing starts would begin to go down. Your equation would not stand static for you.

I want to hasten to point out that the chart shows only the variability caused by shifts of deposits between members and nonmembers. When held by a member, deposits require reserves with the Federal Reserve. If that deposit—or reasons of payment or choice, or whatever—moves to a nonmember institution, suddenly we have the same amount of deposits, but the lower required reserves, which can cause some flux in the System.

We have some variability, in addition, from deposits that move from checking accounts to savings accounts because these have different reserve requirements. Deposits also might move from a small bank, with a 7-percent reserve requirement, to a billion-dollar bank, with a 16¼-percent reserve requirement. So there are many variabilities. You can see why we feel the need, particularly, to take this big factor of variability that comes from member/nonmember reserve requirements and narrow it as much as we can.

We can do that regardless of whether the institution holding reserves with us receives earnings on those reserves or does not; the essential thing is to have the reserve deposit for assuring the predictability of monetary policy lever. You then have a known fulcrum. If the fulcrum is not known, then when you put pressure on it you don't know whether you're moving a ton or a pound at the other end. That is the problem.

Chairman REUSS. In either case, H.R. 7, as it stands, or your earnings participation accounts addendum, if the Federal Reserve in this day and age does have to do fine steering and fine tuning in order to get as close as it can——

Mr. MILLER. We have to move more rapidly than in the past in order to avoid overshoots. The degree to which the system is less predictable, the more difficult it is to avoid overshoots and to tune to affect the monetary aggregates.

Chairman REUSS. If I am not mistaken, your previous work experience was the Navy or the Coast Guard?

Mr. MILLER. Yes, the Coast Guard.

Chairman REUSS. The analogy between what the quartermaster has to do steering a vessel, and monetary policy, is not wholly fanciful.

Mr. MILLER. No it is not. You have a sloppy helm, sometimes, and then it takes a lot of movement before you get a bite on the rudder, as Mr. St Germain will tell you from his Rhode Island sailing experience.

[Pursuant to a telephone conversation with Chairman Miller the following letter with attached table was received for inclusion in the record:]

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

G. WILLIAM MILLER
CHAIRMAN

March 16, 1979

The Honorable Henry S. Reuss
Chairman
Committee on Banking, Finance
and Urban Affairs
House of Representatives
Washington, D.C. 20515

Dear Henry:

In response to your request, I am enclosing a table showing the number of national banks that converted to State nonmember banks from 1950 through 1978 (left column of table). I have also included in the table the number of State nonmember banks that converted to national charters during these years. In the far right column, I have provided the net conversions for each year.

The number of conversions from national to State nonmember banks has increased sharply in the past two years. The number for 1978 (62 conversions and 59 net conversions) is by far the largest during the 29-year period.

The Office of the Comptroller of the Currency asks each bank for the reasons for converting from a national to a State charter. Although banks are not required to respond, almost all of them indicate that the reason is the burden of maintaining reserves at the Federal Reserve.

The principal steps that a national bank must accomplish in order to convert to a State-chartered bank are the following:

(1) unless waived by all the shareholders, the bank must publish at least once a week for four consecutive weeks--in a newspaper of general circulation in the place where the head office of the bank is located--a notice of the time, place and purpose of the shareholders' meeting to act upon the conversion plan;

(2) at least two-thirds of the holders of each class of its capital stock must vote for the conversion;

(3) the plan of conversion must be approved by a majority of the bank's entire board of directors; and

(4) the bank must provide evidence (in the form of certified copies) to the Comptroller of the Currency regarding the shareholder vote, the resolution of the board of directors, and the certificate of conversion issued by the State banking authority.

The only reason for a delay in the conversion process would be the lack of prompt action by the State authorities who must approve the State charter. No waiting period is required by the Comptroller of the Currency.

No notification to the Federal Reserve is required, though in most cases national banks inform their regional Federal Reserve Bank of their intent to withdraw from the System.

Please let me know if I can be of further assistance.

Sincerely,

Bill

Enclosure

National Banks
Changes in Federal Reserve System Membership Status

	Number of Banks Converting From National to Non-member Status	Number of Banks Converting From Non-member to National Status	National to Non-member (net conversion)
1950	1	1	0
1951	1	2	-1
1952	6	0	6
1953	4	1	3
1954	4	8	-4
1955	4	5	-1
1956	3	6	-3
1957	4	2	2
1958	1	4	-3
1959	2	1	1
1960	9	6	3
1961	1	5	-4
1962	6	8	-2
1963	13	18	-5
1964	5	19	-14
1965	7	12	-5
1966	7	10	-3
1967	5	7	-2
1968	12	6	6
1969	27	8	19
1970	39	5	34
1971	21	7	14
1972	22	12	10
1973	21	8	13
1974	20	8	12
1975	10	8	2
1976	23	8	15
1977	43	5	38
1978	62	3	59

Chairman Reuss. Mr. Ashley.

Mr. Ashley. You mentioned constituencies that you are increasingly involved with, Mr. Miller, and I am wondering as one—as all of us are interested in our constituencies and persuading them of our good intentions and good deeds—how do your constituents line up with respect to H.R. 7 plus your earnings participation account modification? Are they all squarely behind you?

Mr. Miller. Mr. Ashley, the answer to that is that the positions of those constituencies are evolving. Last summer when this came up, I would say that all the thrift institutions were opposed to this legislation and an earlier version in its coverage of them. Of course the original effort left them out of reserve requirements, but they were opposed to it.

I would say that a number of them have shifted to either a neutral position or to a reexamination. In our discussions with them I would say I am much encouraged by their beginning to recognize the stake they have in a sound monetary system; they recognize that a stable and known system may be more to their self-interest than a preferential position which cannot last.

You cannot expect Congress to allow mutual savings banks, or savings and loans to develop into full-line banks while commercial banks lose position, without there being some reaction. I think it would make more sense to sit down the rules and then let thrifts develop accordingly.

Organizations like the American Bankers Association, which in their discussions last year preferred lower reserves and a more universal system of reserves covering all kinds of deposits, are now going through a complete evaluation process. We are going to be meeting with them. I would say there they have a very positive attitude about evolving a position that recognizes, from an objective view, the good this legislation would do for the banking system.

As far as I know, many of the independent bankers have favored this kind of legislation. Many of them, of course, have to examine this new idea of the earnings participation account to see if that would complicate their position of general support. I would say the atmosphere today is one of more education, more awareness, more appreciation, and more willingness to examine the proposal objectively. I am encouraged by it.

Mr. Ashley. Mr. Stanton commented on the experience of other countries with respect to the approach taken as far as membership affiliation, the connection between the central bank and the banking systems of various countries. That seems to be one critical sentence quoted from page 7. The first sentence that has to be taken into account is your sentence that, "Members are at a competitive disadvantage relative to other depository institutions." Then you go on to say, "Among the major countries in the free world, only in the United States has this legislative inequality been imposed upon the commercial banking system." I think it is important to simply point that out for the record because what you are talking about is the lack of equity in the competitive marketplace that exists at the present time between thrifts and commercial banks. Is that not right?

Mr. MILLER. That is correct, and between member banks and nonmember banks.

Mr. ASHLEY. Yes. Among the major countries of the free world, how have they addressed this problem? I ask this because Mr. Stanton, understandably, is interested in an approach which, in some way, will sweeten the pot and thereby bring on, hopefully, a voluntary correction; and I am just wondering to what extent that is realistic. Is the experience of other countries constructive at all?

Mr. MILLER. Yes, it is. I will ask my associates to assist me. I have a long schedule here showing the practices in other countries; I think you would probably want, just a summary.

In general, major industrialized countries have recognized, first, that the financial system is a national issue whose importance to the Nation overrides local interests. And—as in this country—their systems of money and credit are of national concern. Central banks have, therefore, by the laws and under the regimes of those countries, been given cognizance over all banks and depository institutions.

Second, these countries have, as a general rule, reserve requirements. There are cases of countries which operate monetary policy without reserve requirements, but in these cases the country has moved quickly to establish reserves as the technique to stabilize the growth of money and the availability of credit.

So the experience, unless I am overlooking something, is, in general, that the central bank should have cognizance over all depository institutions, and that these institutions should maintain reserves.

Now, reserves can be maintained in the form of interest-bearing assets, which avoids the burden of membership and addresses the equity issue to a degree.

The trouble is if you just did that and nothing else, the decline in Treasury revenues would be very large. While that might have been satisfactory to do in 1913, at this stage in our fiscal situation I don't think we can make that kind of a change without tremendous impact. Last year, the Federal Reserve contributed $7 billion to the Treasury, and that is significant revenue.

Chairman REUSS. Chairman Miller, you have just mentioned a study that your staff has done on reserve requirements the whole world over. Would that be helpful to the committee?

Mr. MILLER. I think we should file it with you, Mr. Chairman. It shows: A universal reserve requirement in Canada, yes; France, yes; Japan, yes; Switzerland, yes. It also gives a little detail on how requirements are imposed.

I think it would be very helpful to your staff.

Chairman REUSS. Without objection then, we will appreciate your filing it and it being part of the record.

[Chairman Miller subsequently furnished the following table in response to Chairman Reuss' request:]

January 1979

Checklist of Monetary Powers and Practices of Foreign Central Banks

	(1) Mandatory "Membership" of Commercial Banks	(2) Universal Reserve Requirements	(3) Interest on Reserves or Reserves Held in Interest-Bearing Assets	(4) Access to Discount Window	(5) Major Monetary Policy Instruments
Canada	Yes Mandatory for Chartered Banks (which account for 65 per cent of deposits), and Quebec Savings Banks (a commercial bank). Not mandatory for other deposit-accepting institutions ("near banks").	Yes Reserve requirements uniform for all Chartered Banks. Different requirements for Quebec Savings Banks and "near banks".	Yes Chartered banks required to maintain non-interest bearing cash reserves, however, secondary reserve requirements may be satisfied by interest-bearing assets. "Near banks" required to hold some proportion of their assets in liquid (interest-bearing) form.	Access restricted to chartered banks and Quebec Savings Banks.	--Open market operations is major instrument. --"moral suasion" has large role; --discount window used as a signal to market; --primary reserve requirements may not be varied; --direct controls not used.
France	Yes All banks controlled by the Bank of France.	Yes Reserve requirements uniform for all banks; sometimes apply different ratios for residents and non-resident accounts. Requirements differ according to type of deposit. Also, requirements on bank assets differ by type of bank.	No All reserves held in non-interest bearing form.	All commercial banks and certain other financial institutions have access.	--Credit ceiling is major instrument (norms for credit expansion posted for all banks, and differ according to size of banks); --reserve requirements and discount window of secondary importance.
Germany	Yes All deposit-taking institutions are subject to Bundesbank regulatory instruments, and can use credit facilities.	Yes Reserve requirements differ accord- to the size of the bank and the type of deposit.	No All reserves held in non-interest bearing form.	Access theoretically can be tied to conditions such as credit ceilings; however, this has never been done.	--Changes in reserve requirements and the use of rediscount quotas are major instruments. --open market operations not large, but frequently used; --changes in the discount rate, the use of foreign exchange regulations, capital controls and "moral suasion" used occasionally.
Italy	Yes All banks are controlled by the Bank of Italy.	Yes Since 1975 there are universal reserve requirements for increases in deposit liabilities.	Yes Existing holdings of some assets other than central bank balances count as reserves, but increases in required reserves all take form of (interest-bearing) deposits at the Bank of Italy.	All commercial banks have access to discount window.	--Open market operations is the major instrument; --direct control over credit expansion important; --changes in the discount rate often used but small effect; --regulation of banks foreign position occasionally used; --changes in reserve requirements rarely used.
Japan	No Banks are not required to establish a correspondent relationship with the Bank of Japan. However, all commercial banks are controlled by the Bank of Japan.	Yes There are higher reserve requirements for large city banks; lower, for smaller banks.	No Required reserves are exclusively non-interest bearing current-account deposits at the Bank of Japan; vault cash is not counted as a reserve.	Financial institutions seeking access to the Bank of Japan's borrowing facilities must satisfy certain requirements -- including sound financial standing and significant size. Large city banks are the principal borrowers.	--Central bank lending, primarily via rationing of credit to banks, is major instrument; --open market operations, mainly on long-term government securities; --changes in reserve requirements have been used in recent years; --"window guidance", a form of "moral suasion", has diminished in importance recently.
Switzerland	All commercial banks subject to central bank control.	Yes All commercial banks subject to reserve requirements that vary with the size of the bank.	No All reserves held in non-interest bearing form.	All commercial banks have access to discount window.	--Open market operations, via currency swaps and sterilization bonds, is the major instrument; --credit controls, such as negative interest rates on foreign deposits and bans on foreign purchases of Swiss securities, are less frequently used; --changes in discount rates and reserve requirements of minor importance.
United Kingdom	No No formal relationship between Bank of England and commercial banks. In practice an informal relationship exists.	Yes London Clearing Banks (LCB), which account for about one-half of total deposits, must keep 1-1/2 per cent of eligible liabilities at the Bank of England. All banks (including LCB) must have 12-1/2 per cent of eligible liabilities in "liquid assets".	Yes The 1-1/2 per cent LCB requirement does not bear interest; however, all other required reserves take the form of liquid (interest-bearing) assets.	Banks have access to discount window through the Discount houses.	--Open market operations, via trading of bonds and treasury bills, is major instrument; --variations in the Minimum Lending Rate at which the Bank of England lends to Discount houses frequently used; --reserve requirements affected by special deposits and supplementary special deposits ("the corset") occasionally used; --"moral suasion" also has a role.

Prepared by Federal Reserve Board Staff

Mr. STANTON. Just one quick followup to your question and Mr. Ashley's: You spoke about how much the banks paid to the Treasury last year. Could you get some figures for the committee of, say, over the last 5 years, of how much revenue has been lost to the U.S. Treasury due to the attrition in the Federal Reserve membership?

Mr. MILLER. Yes, we can give you that.

[Chairman Miller subsequently furnished the following two tables in response to Congressman Stanton's request:]

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Estimated Loss in Treasury Revenues From Attrition in Federal Reserve Membership After June 1972

Fiscal[1/] Year	(1) Commercial Bank Total Deposits [2/]	(2) Member Bank Deposits [2/]	(3) Member Bank Deposits if June 1972 Proportion Maintained	(4) Difference (3) - (2)	(5) Amount by Which Fed Security Holdings are Lower [3/]	(6) Amount by Which Fed Earnings are lower[4/]	(7) Amount by Which Treasury Revenues are Lower
	($ billion)	($ billion)	($ billion)	($ billion)	($ billion)	($ billion)	($ billion)
June 1972	553.1	434.0	434.0	--	--	--	--
1973	599.8	467.8	470.6	2.8	112	6.6	4
1974	673.8	520.2	528.7	8.5	333	22.9	15
1975	737.5	565.3	578.7	13.4	481	34.1	20
1976	776.4	583.5	609.2	25.7	853	57.8	34
1977	857.0	629.3	672.5	43.2	1,378	91.0	54

1/ Fiscal years 1973 through 1976 are June to June; Fiscal year 1977 is October to October.

2/ For Fiscal years 1973 through 1976, average of June, December and June Call report figures for gross deposits. For 1977, average of June and December of 1976 and June and December of 1977.

3/ Column (4) times average reserve requirement against all deposits for member banks with deposits less than $100 million in each fiscal year less average nonmember bank holdings of vault cash. Latter amount is subtracted from average reserve requirements because even if a member bank were to withdraw from the System, it would have to maintain vault cash equal to that of an average nonmember. Since the Fed holds securities against Federal Reserve notes, System earnings would only be reduced by the amount of reserve balances withdrawn plus excess cash held by members over and above that of nonmembers.

4/ Column (5) times the average rate of return on System portfolio in each fiscal year.

(2/23/79)

(2/23/79)

SUPPLEMENTARY TABLE

Fiscal Year	Estimated Average Required Reserve Ratio of Member Banks with Total Deposits of Less Than $100 million	Estimated Ratio of Nonmember Bank Vault Cash Holdings to Total Deposits of Nonmember Banks	Estimated Average Rate of Return on System Portfolio
1973	.0550	.0150	.0588
1974	.0540	.0148	.0687
1975	.0507	.0148	.0709
1976	.0478	.0146	.0678
1977	.0462	.0143	.0660

Fiscal years 1973 through 1976 are June to June; Fiscal year 1977 is October to October.

Mr. MILLER. Let me just mention a couple of figures that would be interesting to you and that I think are pertinent.

Yes, we have been losing hundreds of millions of dollars from attrition, no question. If we don't solve this problem, we can predict that attrition will continue, and I will give you my personal view: If we don't have some solution to the problem this year, many, many banks are just waiting to leave, and there would be a large initial exodus and perhaps continuing attrition.

We have calculated the cost to the Treasury, considering tax revenues and other issues and the Treasury agrees with this—of doing nothing. Assuming that the attrition rate would be halfway between the rate in New England with NOW accounts and the national rate—this assumption is based on the fact that new automatic transfer accounts and other developments are beginning to accelerate the problem in other parts of the country—then in fiscal year 1980 the Treasury would lose about $30 million; but, by 1982, the annual loss would be $313 million.

So, $313 million is the figure we are looking at 4, 5 years down the road. That is why I am saying that some cost now is worth it.

Mr. STANTON. One last thing, Mr. Chairman, just for the record: The Fed has now furnished me with the cost, since I spoke earlier in my opening remarks, about a uniform reserve requirement structure, and the lower reserve requirements, instead of 7 to 16 percent, to a 6 to 8 percent for demand deposits, item No. 103, the cost of these figures—I want for the record—is $270 million, in comparison to H.R. 7, which is $230 million. So we are in the ball park when it comes to a comparison figure.

Chairman REUSS. Mr. Wylie?

Mr. WYLIE. Thank you, Mr. Chairman.

Chairman Miller, on Monday Mr. Carswell was before this committee and he said, I think it is fair to say, that the primary purpose of Fed membership is to get a handle on monetary policy. Would you agree with that?

Mr. MILLER. Yes. There are some other reasons, but that certainly is the primary reason.

Mr. WYLIE. Has the President helped you solve your problem with his new proposed fiscal policy?

Mr. MILLER. When I came to Washington last year about this time, when I took office in March, the fiscal plan for fiscal year 1979 contemplated a $60.5-billion deficit. I must commend the Congress and the administration for recognizing the dangers of inflation and reducing that fiscal stimulus by $22 billion and coming up with a fiscal year 1979 proposed deficit of $38 billion.

The trend the President has now followed—further reduction to $29 billion for fiscal year 1980—is encouraging and in the right direction. As I have said before, if we can continue to reduce the Federal deficit, on a progressive basis so that we don't shock the economy and send ourselves into a recession, and if we can reduce Federal expenditures as a percentage of GNP, we will contribute greatly to solving our problems and to a shift in the mix of policy for more austerity on the fiscal side and more flexibility on the monetary side. This, I think, would contribute to a healthier economy in the future.

Mr. WYLIE. I agree with you. I say that because I believe that most of your problems have been exacerbated by an irresponsible fiscal policy over the last few years. You don't need to comment on that.

Mr. MILLER. Since 1971, this Nation has added as much debt to its books as it added in the first 200 years of its history. One would not have to be very much grounded in economics to recognize that causes a problem.

Mr. WYLIE. I will receive that caveat.

Mr. Stanton and Mr. Ashley both made much of the fact that you first made a comparison with other countries and then attempted to expand on that.

Is it really fair to compare, or can we compare our problem as far as our Federal Reserve System is concerned, and membership, in view of the fact that we are the only country in the world with a dual banking system?

Mr. MILLER. The issues of money and credit and of States' rights and Federal rights are old ones in this Nation. The whole issue of banking has been a volatile and a very controversial one from the beginning of the Republic.

The resolution to find a compromise and to move to a stronger national system that led to the Federal Reserve System was both timely and critical. I don't think we would have brought our economy to where we have today without it. The improvements made in the thirties to further strengthen the independence of the Federal Reserve System and to maintain a strong supervision and environment for development of depository institutions have been critical. The dual banking system has allowed, I think, an alternative that has probably contributed to sound development of these policies.

I would like to see the dual banking system, that is unique to America, maintained. What is proposed in H.R. 7—anything we are proposing—is in the context that we intend, plan, and expect, that the dual banking system will continue strong. Membership would not be made mandatory, only that participation in the central bank, which is necessary for the strength of the whole financial system, would be required. In that sense, banks would still have the opportunity to elect State charters and State supervision as they do now.

I mentioned before that we have 1,100 State-chartered members of the Federal Reserve, and that indicates that there are quite a number of banks which are willing to be part of the central bank but still maintain State charters; I think that will continue.

Mr. WYLIE. In the memorandum cover letter from Governor Coldwell, which accompanied your statement, on page 2 he says: "Monetary policy presently emphasizes the interest rate on Federal funds as its day-to-day operating guide, rather than reserves." He might have added—"Rather than monetary aggregates."

Given the fact that the Fed has been criticized by Mr. George Meany for attempting to control the money supply by increasing the interest rates, and by others for not controlling the money supply directly, would not a change in your longstanding practices improve the Fed's control over the money supply, might it improve the Fed's performance, or what do you make of Mr. Meany's appraisal?

Mr. MILLER. Mr. Wylie, I believe we must be willing to reexamine our techniques constantly, to look for the best way to accomplish our objectives. By now this committee probably has a good view of my own philosophy about these things. I am not doctrinaire. I think we ought to be willing to examine on the merits any system that would give us better control.

It may be that we should reexamine, as the Fed has from time to time, whether we should put more emphasis on the method of controlling reserves as a way of dealing with the monetary aggregates, rather than the relation that aggregates have to the level of interest rates. The Board has been discussing this; we will continue to do so, and I think we are perfectly prepared to consider this on the merits.

I am not yet convinced that on net there is any great advantage of one system over the other. But there may be, and it may be that the time will come when we will find, because of other changes, that this would be a desirable way to go.

Mr. WYLIE. I think that is an excellent answer.

I have been given a note that my time has expired.

Chairman REUSS. Mr. St Germain?

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. Miller, we are talking about constituencies and, of course, as Bill Stanton stated earlier, we have all been home for a period of time since we last spoke—which I believe was in October—on this issue, and as a result our constituencies have had an opportunity to expound their views; and I think, as a practical matter, we must realize that many of the members are probably going to have a very difficult time with this.

On the one hand, it will be the responsibility of ourselves as far as our economy is concerned; but, on the other hand, there have been some strong arguments made at home; and I think you will recall when you were still in the great State of Rhode Island, I believe, that your office probably overlooked that gold dome which is the dome over the Old Stone Bank, one of the oldest financial institutions in the country.

Old Stone is unique, just as, unfortunately, Rhode Island's banking system is unique, because when they converted from a mutual to a commercial they ended up providing stock to 52,000 Rhode Islanders, 52,000 people in Rhode Island, announced stockbrokers in that particular bank, and more than 85 percent of their assets are in consumer savings and time deposits. The bulk of these are small accounts and, as you probably know, as a result of their historical emphasis on the mutual end of the institution, rather than commercial, because it had been both for many years, before the conversion, they are probably one of the State's largest mortgage lenders.

Now the legislation we have before us would have a severe impact on Old Stone. It will require them to come up with close to $30 million in reserves.

Now I am sure you realize that I have had conversations with you and I appreciate the Federal Reserve's problems. By the same token, I cannot help but be concerned about anything that would have the effect of freezing $30 million of lendable funds, most of which would have to be withdrawn from the mortgage market in that tiny State of Rhode Island.

As I stated, and as I am sure you know, the structure of Old Stone is unique because of this dual system where institutions of Rhode Island can be both commercial and a thrift.

Is there any way in which we can recognize the contribution that this institution makes to the State of Rhode Island as far as mortgage lending is concerned, the fact that its ownership is not in wealthy people but rather lies with working people who have had these small accounts over the years?

Mr. MILLER. Mr. St Germain, I am aware of the Old Stone problem. I not only looked over its dome from my former office, but when I first moved to Providence I actually had an office almost next door, at 50 South Main Street, a building itself built in 1790. These are rather old problems; they go back a long time.

Old Stone converted to a commercial charter and, of course, it is the second largest bank in the State. One can well appreciate its unique situation in that it converted from a mutual savings bank to a commercial bank.

On the other hand, one can look at its surrounding competitors and ask the question: Is there any equity in not having this particular second largest bank pay taxes toward maintaining our monetary system, while other banks do? So we have to look at the equity of the situation.

I don't know if there is some way in which the deposits that existed at the time the bank converted are unique or could be adjusted. But I would like to talk to Ted Barnes and persuade him that the Old Stone Bank is going to do better by operating within the Federal Reserve family and will meet its obligation and potential better than by not becoming part of the System.

I will be happy to talk with him to persuade him that there are some other factors that he ought to consider.

Mr. ST GERMAIN. That answers my question, Mr. Miller.

Mr. MILLER. Bill Heisler wouldn't have a problem. I notice he would have zero reserve requirements under H.R. 7.

Mr. ST GERMAIN. Bill is doing very well; so is Jack Starke.

Mr. MILLER. Absolutely, yes.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Chairman REUSS. Thank you.

Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Mr. Miller, for being with us.

Interest rates are sky high. I think, historically, in the whole country, as well as the foreign markets, one can note several things: First, how is the Fed policy affecting interest rates? And, second, what are your longrun interest rate objectives? And since you are presenting a proposal today to bring many more depository institutions under your control, can you tell us how you would better be able to bring down interest rates under this proposal?

Mr. MILLER. Interest rates, Mr. Gonzalez, as I think you are aware, are influenced greatly by the rate of inflation. Interest rates are made up of two components: One is an inflation component, which maintains the purchasing power of the loaned capital; the difference between that inflation component and the nominal interest rate represents the only real return on loaned money. In a period of high interest rates—whether in the United States, in England, in Brazil, in Italy, or anywhere—those who hold capital always insist that they get back their purchasing power plus some real return.

Looked upon in that way, we have tried to moderate the rate of rise in interest rates to avoid dislocations in our economy. The real rate of interest today on home mortgages is probably less than it was 5 years ago. That is one of the reasons why Americans have increasingly rushed to buy homes. They perceive that, particularly in relation to their outlook for future income, that is a very reasonable proposition.

The Federal Reserve, in its efforts to restrain the growth of the monetary aggregates and to contain the disease of inflation, undoubtedly contributes to the rise of short-term interest rates, money market interest rates.

But it would appear that that very action to restrain the growth of the monetary aggregates and to avoid excessive inflation has also resulted in long-term rates that are probably lower than they would otherwise have been. So there is an inverse yield curve that has developed in the past year: The necessary monetary restraint has tightened up the short-term market rates, but has left considerably more latitude in longer term rates; longer term capital has not risen in cost to the same degree as short-term capital. That is a vote of confidence from the market, which says, "We believe your policy will work and that the inflation component in long-term capital will come down; and therefore we don't have to increase as much the charge for long-term capital."

Today, long-term Government bonds have a lower interest rate than 30-day bills, which is a result of this new impression people have of what is in prospect from monetary policy, coupled with fiscal policy, coupled with actions to reduce the regulatory burden, raise productivity, improve our international accounts, and promote exports. All of these go hand in glove with the effort to bring down the rate of inflation and thereby bring down the rate of interest. To the degree that we can improve the tools for controlling the supply of money and credit—so that we have a sure mechanism for exercising that control with caution so as to avoid dislocations, disruptions, and despair within the economy, but nonetheless so as to bring the economy down to a rate of growth that will allow us to work off inflation—the greater the precision with which we can do that, the greater the probability of success and the less the risk that we will inadvertently trigger a recession or an economic downturn that would cause suffering for individual Americans.

Mr. GONZALEZ. You don't think the present policies will bring that about?

Mr. MILLER. Yes, over time, we will achieve our goals. But we are exercising our policies with unsharp tools; we are more clumsy than we would be if we had a more precise instrument. If we can get a more precise instrument, we can bring precision to our actions and, as I say, avoid the possibility of being wrong.

If we have a great deal of slack in the system and, in an effort to restrain money and credit, we go too far, unwittingly, then we can trigger a recession. As you know, my view is that a serious recession does not contribute to solving our inflation problem because it brings about massive unemployment and a higher Federal deficit, and it starts us off on another cycle of reflation, with high borrowing by the public sector, and a shortage of resources for the private sector to develop as it must in terms of productivity and capacity to work on the supply side and the efficiency side of the economy.

Mr. GONZALEZ. You don't see that possibility happening in the near future, with practically—as I understand the figures for the last quarter or half quarter—no money growth and these terribly high interest rates?

Mr. MILLER. As you know, I have had to keep up my courage during this year in which many of you were concerned about the rapid growth of the money aggregates. I pointed out that the restraining influence of the Federal Reserve would take effect with a lag. It has. We have shown lower growth rates for some time and getting out some of the growth that was higher than we wanted. We are getting back within the target ranges that we sought.

Now I think if we had better precision in monetary policy, we could make sure that we don't have the money supply grow too slowly and we could get it growing at the rate we want. But that is very hard to do when your actions have as much swing as now can take place—as demonstrated in chart I—because of the fact that deposits and preferences for money run around among institutions and among classes of deposits. We have a hard time getting a handle on that. But I might point out, Mr. Gonzalez, that along with the effects we are looking for from Mod 7—we must urge you to look at Mod 7—we are also planning to do a complete study and analysis of the definition of the various monetary aggregates.

The Federal Reserve staff will be publishing a paper this month that offers some alternatives. It is our hope that this committee, members of your staff, members of the financial and academic communities, and business economists will help us, and that during the year, as a parallel to Mod 7, we will also redefine the various money supplies so as to sharpen our understanding of the characteristics of money as a medium of exchange and how that works into the economy.

So we are looking at a monetary improvement program not only in terms of reserves and membership, but also in terms of efficiencies, pricing for services, and payment alternatives, and at the same time, we are reexamining the definition of money so that we know what it is we want to control.

Mr. GONZALEZ. Thank you very much. My time has expired.

Chairman REUSS. Mr. Leach.

Mr. LEACH. Mr. Miller, on page 12 of your statement you indicate that the Board's proposal would place about 94 percent of all bank deposits under the Fed. Is it not correct that the highest percentage realized since 1913 is about 86 percent, and if that is the case, how do you respond to the argument that what the Fed is proposing is not a minor change but a somewhat greedy change?

Mr. MILLER. It is not intended to be greedy; it is proposed because there is no earnings penalty on banks. With the earnings participation account, while the deposits would be with the Federal Reserve, the portfolio rate of return on the Fed's portfolio would be paid; there would be no earnings penalty to the banks making those deposits.

If we were looking for 94 percent coverage with sterile reserves, then I think we would be overreaching. But these aren't sterile reserves; these are earning assets.

Now, of course, you and I know that the rate of return on the portfolio of the Fed will change from time to time. Some years, the rate of return is higher than banks can receive by investing their liquid assets; some years it is slightly lower. Over the years, it would average out, so it won't cost banks anything.

It is for that reason that we feel comfortable that we are not imposing a burden. I might point out, quite apart from the monetary control aspect that I have mentioned, a practical reason why I think that having 55 percent of commercial banks operating within the Federal Reserve System is desirable: It is desirable because otherwise we would have very few banks, less than 1,000, putting up all the reserves and carrying all of the burden of the relationship with the central bank. In a nation with 14,000 banks, 5,000 savings and loans, 500 mutual banks, and 22,000 credit unions, to have less than 1,000 financial institutions carrying the burden with the central bank creates a division. It creates two classes of institutions, and I think that is dangerous.

We should have a larger number of financial institutions dealing with the central bank, so that there is a common interest in a sound system, not outs and ins. I don't think that is important.

Mr. LEACH. Let me pursue the assumption that to have more banks covered will, on the one hand, increase the monetary aggregates which the Fed controls, and, on the other hand, would be anti-inflationary.

The first part of the assumption seems correct, but is the second? For example, if you look at the history of the Fed, there are many who argue that increased control has been for the wrong purpose at the wrong time. Increased control is not necessarily anti-inflationary; it could be the opposite. It might be that under your leadership we could see increased control leading in an anti-inflation direction; but under someone else's leadership it might not.

Is there a serious argument that increased control may not be in the country's interest?

Mr. MILLER. I think not. Less control with bad policies doubles your error factor and makes it worse. Better control, even with bad policy, allows you to see effects quicker and make corrections quicker. It also allows this committee, in its oversight function, to be far more likely to have a correct view of the effects of wrong policies. You would see them more quickly and react more quickly. In recent years, a great many new mechanisms have been put in place to strengthen congressional oversight of the monetary system. The monetary hearings that we have been having have greatly increased the knowledge, awareness, and involvement of this committee as representatives of Congress in the process and, I think, have held the Federal Reserve accountable to high standards of performance. With the new requirement under Humphrey-Hawkins, we are even going further. We will be showing you our outlook for monetary policy for the whole year, and, we will be relating it to the economic objectives of the Nation.

We will be appearing here again on February 21 to start that process, and through these very strengthened processes I think you will be much closer to what we are doing and why we are doing it. If we make a mistake, the knowledge of it will be shared, although if we do make a mistake I am sure I will be at fault.

Mr. LEACH. But on the Fed membership issue, we share very poignantly in the decisionmaking process.

I have one final question. Have you made any study of regional imbalances that might occur? My State of Iowa has a very large number of quite small banks. Very few belong to the Fed. Should an increasing number of these banks come under the Fed, might it be argued that the cost of business would go up disproportionately in Iowa causing a correspondingly disproportionate rise in the interest rates charged to Iowa consumers?

Mr. MILLER. There is quite a bit of regional variance in our country, and that makes it difficult to implement a perfect monetary system. We have had in recent years—this is different from prior years—more sluggishness in the northeast for reasons of maturation that would be typical of any society, and we have had greater economic growth in the newer areas and in those with energy resources. Therefore, the demand for money and credit has shifted around, and this has created problems for us. I think we have to try to level those. We have to study our regional economies, as we are doing, in more depth, and try to make sure that we recognize their problems and deal with them.

But one of the geniuses of H.R. 7 is that it certainly endeavors to recognize the problems of small institutions which, if they are part of it, are particularly heavily burdened by the present Federal Reserve System. As chart III will show you—the bottom part which shows the burden as a percent of earnings, they carry a larger percent of the burden in being part of the Federal Reserve than do larger institutions. One, I think, of the innovative parts of H.R. 7, introduced by Chairman Reuss, is the exemption; we might argue the level, but this feature would really reduce the burden upon smaller institutions.

My staff has advised me that our computer run shows that no bank in Iowa would have any increase in nonearning reserves as a result of this legislation.

Mr. LEACH. Thank you.

Chairman REUSS. Mr. AuCoin?

Mr. AUCOIN. Thank you, Mr. Chairman.

Chairman Miller, how often has the Fed used changes in reserve ratios among member institutions as a monetary control tool?

Mr. MILLER. The Federal Reserve has rarely, in recent years, used a change in reserve ratios for monetary control. We did recently, on November 1, in connection with certain large certificates of deposit, but such change has been rare. It is too bad, because we really should be able to use the reserve ratio technique more flexibly. We have been inhibited—I say "we" although I have only been in the Federal Reserve for 10 months—historically, the Federal Reserve has been inhibited from using reserve ratio changes as a technique because the Fed has been in the position of trying to avoid any such actions that would further burden members. Quite often, the use of reserve ratio changes is to impose larger reserves on a certain type of deposit in order to gain some monetary control over the growth of that deposit category.

Mr. AuCoin. On the other hand, Mr. Miller——

Mr. Miller. On the other hand, we could have lowered ratios and made membership more attractive. However, we cannot lower them in some deposit categories because of statutory limits.

Mr. AuCoin. So the tool you have been using then in conducting monetary policy principally has been your open market operations?

Mr. Miller. That is correct.

Mr. AuCoin. What inherently is missing in that last tool, the tool you have been using in conducting effective monetary policy for this country?

Mr. Miller. What has been missing?

Mr. AuCoin. Yes.

Mr. Miller. There are reasons why reserve changes may be more desirable in a number of cases. Because these tend to impact specific classes of deposits, there are cases where the difference in requirement—between domestic and international deposits, for example—may be used to influence specific flows of funds.

But whether we operate through the use of reserve requirements that Congressman Wylie was speaking of, or whether we operate using the techniques of the open market, it is still true that open market operations would be more effective if we had more certainty in the fulcrum on our lever. That is what chart I is about; if we get more certainty, then what we do in the open market becomes more effective. That is one of the reasons, of course, we are seeking this universality of reserves.

If we go beyond that——

Mr. AuCoin. Excuse me. Go ahead; finish your statement.

Mr. Miller. No; I think the point was made.

Mr. AuCoin. When you say certainty, are you talking about predictability, certainty in predicting money movements?

Mr. Miller. Yes. As you know, whether we are adding to the money supply or withdrawing from it, how open market operations actually work out depends upon how our action works through deposits from institution to institution.

Mr. AuCoin. Why wouldn't Mr. Stanton's suggestion for improved information gathering not solve the problem of certainty in predictability in money movements?

Mr. Miller. Information would help us, but it won't tell us until after the fact whether deposits flowed from banks subject to reserves or banks not subject to reserves. You can't tell that when you take an action at the desk. The report is about the past; it is not about the future.

What we are trying to do when we are taking action through the open market is to affect the level of reserves and the level of credit availability over the next week; reports only tell what happened the past week.

Mr. AuCoin. Of course, any action you take, you have to then assess what actually occurred; and then, based on whether you miscalculated or not, you take subsequent action.

Mr. Miller. But if every institution and every kind of deposit is subject to the exact same kind of reserve, this becomes a mathematical computation. We would know that no matter which institution ended up with a deposit, the consequence would be the same in terms of aggregates; so I think there is a lot that we would gain no matter which tool we use.

Mr. AuCoin. You say that even though among member institutions you have not used the tool that you request now?

Mr. Miller. There are two tools.

Mr. AuCoin. If it is such an effective tool, why is it you have——

Mr. Miller. Perhaps I should back off and clarify what we are talking about.

In the first place, given the present situation, we cannot predict with certainty the effect of an increase or decrease in reserve requirements because we still have the problem of deposits flowing between members and nonmembers. What we are talking about in H.R. 7 is a universal requirement for all institutions above a certain size on deposits of the same category; all would be required to maintain reserves. So what is introduced in the way of certainty, using either tool, is that the fulcrum becomes much more certain.

Now this bill, as you know, has very reasonable reserve requirement levels. It also has bands of flexibility much narrower than those under the present law. So if there were any change in reserve ratios once H.R. 7 is enacted into law, the percentage change would likely be smaller, but, since all institutions are covered in the same way, and reserves are not graduated, the dollar change is required. Reserves could be quite large—billions of dollars.

So I think we benefit in two ways. We get the possibility of more certainty because all deposits—no matter whether the deposit is in a member or nonmember—are subject to the same reserve requirement. Still, if we want to exercise restraint or ease by changing reserve ratios, we have the ability to do so. So we would have a more universal system, and we would have retained the ability to move the level of reserves up and down and to control them. We not only would have more precision but also the ability to use alternate tools.

These are the two different aspects.

Mr. AuCoin. Mr. Chairman, my time has expired.

Chairman Reuss. Mr. D'Amours.

Mr. D'Amours. Thank you, Mr. Chairman.

Thank you, Chairman Miller, for your testimony.

I have a small problem with your testimony. On page 7 you say we are the only major country in the free world that legislates some inequity upon our commercial banking system, but you apparently do not intend to go the route of requiring reserves to be held against nontransaction accounts being held in thrifts at this time.

Am I to understand that you think that it would be desirable to go in that direction in the future?

Mr. Miller. If we were designing a perfect system, I would think that universal reserves on all depository institutions for the same classes of deposits would be ideal. I don't think it is politically practical to do this. Thrift institutions have been created outside of the central banking system and chartered, both State and nationally, for certain purposes.

Mr. D'Amours. I understand that.

Mr. MILLER. Then I would go beyond that and say that since I don't believe it is practical to achieve that ideal, I also don't think it is practical to use the qualification, at this time. If we are going to set down a system and expect people to accept it as a fair new set of ground rules, we have to give them some assurance that we are not just going to get our nose under the tent and then change the rules again.

I really think we should stabilize the system and expect the rules to stay the same. I don't think we should try to mislead anybody—sell them a bill of goods, and then stick them with some other burden later.

I think, after we have all discussed this, we are going to leave the savings deposits of thrift institutions outside of the system. I just think that is the practical world.

Mr. D'AMOURS. All right.

Mr. MILLER. I don't think it is ideal; I think it is practical.

Mr. D'AMOURS. We apparently have this bank in Rhode Island, with which you are very intimately familiar, called the Old Stone Bank, I believe it was?

Mr. MILLER. It is a great name, isn't it?

Mr. D'AMOURS. It is difficult to not be very sympathetic toward a financial institution with that kind of a name.

Mr. MILLER. The third largest bank in Rhode Island is the Hospital Trust, if that will make you feel better.

Mr. D'AMOURS. I don't think that that Old Stone Bank is quite as unique as you and Mr. St Germain have been assuming it is. We have at least one in New Hampshire that is almost identically constituted, historically, and all, which is also being adversely affected by this legislation and which is a State-chartered bank at this time.

Now, if we shouldn't be changing the ground rules for thrifts, should we then look for some kind of an amendment to this bill that would take into consideration the Old Stone banks in this country that are State-chartered at this time and that are, in fact, competing with thrifts in the locality that do maintain a considerable portion of their assets in home mortages? Should it be that we should be looking then for some kind of a provision to especially care for these institutions?

Mr. MILLER. I think we should examine that; I don't know how we could distinguish these cases, and I think we have to be objective and fair to everyone.

As I said, I think I will talk to the president of the Old Stone Bank and persuade him that, all things considered, there are many factors that favor this revised and better system.

But let me remind you that one other way to go would be not to impose any reserve requirements at all on true savings deposits.

Mr. D'AMOURS. That is fine. I am delighted to hear you say that.

Mr. MILLER. To my mind, that is a very viable alternative. The trouble is, it costs money, and it relates to the question of how much we can take out of the Treasury.

There are two ways to solve the problem.

Mr. D'AMOURS. Exactly.

Mr. MILLER. You can add a burden to somebody else or you can take it off the one who is burdened. I don't object to taking it off the one who is burdened, if we can afford it. I have always said that I am not dealing with ideals, but with restraints. If we could just level the field by saying that everybody with transactions accounts gets treated the same way, and nobody with true savings deposits has a reserve requirement, that would be fine. It just doesn't price out too well.

Mr. D'AMOURS. Would you be willing to come to talk to the president of the bank I have in mind also?

Mr. MILLER. Surely.

Mr. D'AMOURS. That would be of great assistance to me.

Mr. MILLER. I see in New Hampshire you have three nonmember institutions and there would——

Mr. D'AMOURS. It didn't take you a long time to find them.

Mr. MILLER. I have the name already; I have it figured out. I will be glad to talk to him.

Mr. D'AMOURS. I haven't succeeded in persuading this person it would be beneficial for this person to come; so if you can, I would be appreciative.

Thank you for your testimony.

Chairman REUSS. The Chair notes the presence of a distinguished alumnus of this committee, and we miss him, but we got a lot of fine liberals to replace him.

Mr. Evans.

Mr. EVANS. Mr. Chairman, thank you very much. I apologize for the laryngitis that I have, and I appreciate being moved up here to the stratosphere on the front row, skipping altogether the second row.

Mr. Miller, it is a pleasure to have you here. It is always a pleasure to listen to your able approach to some of the problems that we are facing. I certainly support the concept of strengthening the Federal Reserve System, of maintaining its stability, its viability; and I share your concern about the declining membership in the Fed because I do believe that impedes your ability to accomplish some noble objectives.

And let me at this point congratulate you for the courage that you have exercised in the monetary restraint area. It does take some courage and I hope you will continue.

But there are two sides to every coin, as my friend from Ohio, Mary Rose Oakar, is aware of. When someone benefits, generally speaking, someone pays for that benefit; and I was interested in your remarks about cost-benefit analysis and relationships.

In Delaware, Mr. Miller, as you are probably aware, we do have a branch banking system. We don't have bank holding companies and we are rather severely impacted by this bill, or any variation of it, as long as the mandatory reserve requirements are part of it. I would hope that we could approach the problem on an incentive principle basis.

I share the concern that you have about inflation and about cost. I recognize that there are costs, but I would hope that your staff could focus some attention on projecting the impact on States like Delaware and various areas like Iowa, where we have small- to medium-sized banks. In Delaware we have four major banks and four major banks have assets that range from about $200 million to about $900 million. It would impact rather severely in Delaware and in the area, I believe, of about $100 million.

Now that also affects inflation because it affects ultimately jobs and revenue; and I would just hope, Mr. Miller, that Delaware won't be the duck at the duck dinner in this instance.

Rather than going on further and using up the full 5 minutes, I would certainly appreciate the opportunity to discuss this with you at length sometime, because certainly we are prepared to bear our share of the burden, a proportionate share of the responsibility; but I don't believe that Delaware or anyone else should be asked to bear an inordinate share of the burden.

Mr. MILLER. Mr. Evans, I have been listening to you and trying to flip the pages to get Delaware before me here. I would be delighted to examine that issue with you about Delaware.

Mr. EVANS. Thank you.

Thank you, Mr. Chairman, very much.

Chairman REUSS. Thank you.

Ms. Oakar?

Ms. OAKAR. Thank you, Mr. Chairman.

I am very happy to see you staying so long, Mr. Miller. I appreciate it very much.

In Cleveland, Ohio, my city, wedged in among the banks in downtown Cleveland is a church called the Old Stone Church. Somehow it hasn't helped our situation, but maybe we can get the bankers to go there more often or something.

Mr. Miller, I have a question about the reserve requirements for demand deposits and the increase in that requirement in terms of this bill, and also considering the need for more investment in terms of producing housing and creating jobs. And I am wondering if this increase in the rate for these demand deposits would take away from the availability of funding for mortgage and other investment sources needed to produce housing and, therefore, jobs?

Mr. MILLER. Yes. Congresswoman Oakar, I am just turning my pages quickly to Ohio.

My view is that this bill will not really affect the availability of credit and money for housing.

As you know, housing has been unduly burdened in past economic cycles, when the necessity to take a tighter stance in monetary policy has often resulted in a disintermediation of funds available for housing. We have tried to respond to that, as a part of our monetary actions last year, by working with other regulatory agencies to establish new money market certificates which allowed the housing industry to compete for funds. That action was successful.

As a result, housing starts stayed at a 2-million level and the dismantling and unemployment that has happened before—when housing took it in the neck—has been avoided.

One of the things about Mod 7 is that while there will be some reserve requirements on nonmember banks, there will be no reserves imposed upon savings accounts at thrift institutions. Therefore, I would see no impact on the principal depository source of funds for housing, which is the thrifts.

Now as to banks, as Steve Axilrod reminds me, the overall effect of this bill on the banking system would be to lower reserve requirements on savings funds as compared to the present system.

That is correct, on the average. So I would think the available resources for housing would be improved and not impaired.

Ms. OAKAR. Mr. Miller, the bill—much to its credit—does lower the savings deposit rate between 1 to 3 percent. I believe before it was 6 to 8 percent.

Mr. MILLER. It is 6 to 8 percent under the one last year. The present rate is actually 3 percent.

Ms. OAKAR. Which, I think, is a real improvement.

What I would like to ask, in that respect, is: What effect would there be on your ability to control monetary policy if we just eliminated the requirement?

Mr. MILLER. If we had zero reserve requirements on true savings deposits, I don't think it would affect our monetary policy; but I am distinguishing true savings from those kinds of savings that now are tied to transactions which we under this bill would have in the category with demand deposits and transaction accounts.

I think the problem with having zero reserve requirements on savings is a question of cost. We can do it if we either accepted more loss to the Treasury or if we accepted a higher reserve requirement on transaction balances. It is a tradeoff.

Ms. OAKAR. It would be an incentive for some thought?

Mr. MILLER. Yes. I think the Chairman, with all due respect, and the staff, have done an outstanding job in trying to balance these issues. They have made some changes since last year; they did increase the reserve requirement for demand deposits and equivalents, and they did lower the requirement on other savings deposits from the bill that was considered last year—just because they recognized, I think, some of the problems you are talking about. I am sure they have done some good trading in trying to find the optimum.

We could all look at this and study it more, and we might come to slightly different conclusions, but those tradeoffs are still there to be made.

Ms. OAKAR. Thank you, Mr. Chairman.

Chairman REUSS. Mr. Barnard.

Mr. BARNARD. Thank you, Mr. Chairman.

Mr. Miller, in developing Mod 7, as you call it, did the Federal Reserve do some really far-out thinking as to maybe changing the whole system in some way, other than just modifying the system that we presently have?

Mr. MILLER. Yes. We have looked at a large number of alternatives, Mr. Barnard. As I say, many of them were more ideal than Mod 7; many of them are attractive. Perhaps the ideal system would be to have truly universal reserves, without any exemptions, and, therefore, much lower reserves, and also to have either the same reserve requirements on all savings deposits—regardless of type of institution—or, as we were just discussing, to have zero requirement in that category. That would be ideal, in the sense that there would be a closed circuit: every deposit, wherever it went, would be accounted for; a shift from funds that are spendable to investment form would be accounted for. Coupled with charging for services, in order to improve the payments mechanism, that would be a very, very efficient system.

But I believe—looking at the constraints we have—that H.R. 7 designs an excellent financial system. I would think that your committee ought to bear in mind that this is a very fine piece of work. You should be commended for developing it to this stage.

We are going to look at alternatives. We don't want to close our minds, because there are systems that have some merit and solve constituency problems to different degrees. But in seeking excellence and seeking the best, this is a good proposal to start with.

Mr. BARNARD. It has been said—and you indicated your thoughts on this also—that the taxing of financial institutions ought to be equalized——

Mr. MILLER. That is correct.

Mr. BARNARD [continuing]. That some should not be eliminated from the obligation of doing business as a bank.

It occurs to me—and I was interested in knowing whether the Fed had studied a method whereby possibly we could have—as you have just indicated—lower reserves, say 1 percent, but on all the deposits regardless of where they were, if that wouldn't really be a more equitable approach, and certainly if we would be getting what Mr. Stanton was alluding to, why couldn't there be a simple solution to this problem?

Of course, I realize there is no simple solution to the problems we have today, but it looks like, to me, that I would like to see the benefit of your studies on something of this kind. And let me approach it a little bit differently.

There are other facilities the Fed has for controlling money supply. There is an argument as to whether or not reserves is as important in those facilities as some of the other, the open market, the activities in the open market, the control of credits from the standpoint of downpayments, and other things. It is important to know whether reserves really fit into these other activities that the Fed has to control money supply.

And if those reserves and if the reserve mechanism is not as important as some of those others or it can be minimized, then I would think in order that every bank and financial institution would pay its dues, maybe in order to offset the revenue that the Government would not be getting, if there was one-half of 1-percent tax on all deposits, that would somehow get this to the reserve, but it would compensate the financial loss we would be having today.

I was just interested if you have explored those avenues.

Mr. MILLER. I think there are those who would argue that a good monetary system can exist without reserve requirements at all. You can go another route, as you suggest, through a tax. If you decide you want to tax companies, you do it through the income tax and base it on the flow of benefits and the sharing of revenues with the central government.

The trouble that I have with eliminating reserves completely is that I still am convinced this is an important monetary tool. Whether we have been able to use changes in reserve ratios as a tool in the past, whether it would make our work in the open market easier, can be set aside; I think reserves are something we cannot afford to forgo. I am reminded that every time a nation that does not have reserve requirements gets into financial problems, the first thing it does is to put in reserve requirements, which proves the point that it is theoretically possible not to have them, but it is sure great to have them when you have a problem.

I look at a very practical consideration: I do not believe it is possible to eliminate reserve requirements without having an impact upon the Treasury that would be so great that we could not absorb it at this point. I do not believe we could lower reserves enough, and spread them over every one so as to make the burden smaller on smaller institutions, to make the system work or make it salable without a tremendous loss of revenue. So I come back to saying that there are many constraints, and one of the constraints we have felt is that just so much loss of revenue should be taken at this particular, critical time. It turns out that after 4 or 5 years the loss of revenue from this particular bill will be about the same as the loss of revenue from not doing anything, so it is a kind of "free" modernization of the system in that sense.

I guess I come out believing that this is a livable, workable way to go, rather than trying to seek the ideal and ending up by doing nothing and thus losing monetary control, membership, and revenue.

Mr. BARNARD. My time has expired but I would hope the Fed could address as to how they would go about regulating Mod 7, how much reporting would have to be done by the banks. Would it mean there would be further examinations of nonmember banks? How often would this reporting have to be done?

If there is some way I can get some indication from you, because if there is one thing the banking industry does not need today, that is more regulation.

Mr. STANTON. Would the gentleman yield?

Mr. BARNARD. Yes.

Mr. STANTON. May I ask unanimous consent for all members who desire to submit questions in writing to have an opportunity to do so, with the hope that Chairman Miller could get the answers back to all of us within a few weeks so we would have a complete transcript of not only this hearing but of all questions put forth.

Chairman REUSS. I think that is a reasonable request. Would the close of business on Friday be acceptable?

Mr. STANTON. Yes.

Chairman REUSS. Is there objection?

Hearing none, it is so ordered.

Chairman REUSS. Mr. Green.

Mr. GREEN. Mr. Miller, I would like to get back to the discussion that you had earlier concerning the advantages of having reserve requirements in obtaining monetary statistics as compared with an improved reporting system. Could you, assuming that you had an accurate reporting system which really gave you weekly information from nonmember depository institutions with the same cutoff as being contemplated here for the near universal reserve requirement, get sufficiently accurate data? If there is an advantage to the reserve requirement approach, can you quantify it?

Is it possible, if you can quantify it, in essence to eliminate the advantage for the near universal reserve requirement by having a lower threshold for weekly reporting than these bills would have for the near universal reserve requirement?

Mr. MILLER. Let me make a general comment that perhaps we should supplement with a written reply.

In general, one of the problems that we have in monetary policy with data is that since we are working on less than a complete universe of data we have to estimate many of the aggregate numbers based on samplings and based on trends. But institutions do change, and there is a vitality in our economy that causes unpredictable shifts. So we find, when we finally get the survey data months later for these benchmark corrections—I think we will soon have it for last June—that the money supply did not behave as we thought in the last quarter; it grew more, or less. This is a terrible way to run a monetary system in a modern world.

We do have some predictability, but we also have the kind of unpredictability I was pointing out not only in terms of deposits moving among different sizes of institutions and different requirements as to category, but we also have some measurement problems. There is an interaction of problems.

Mr. GREEN. I guess what I am asking is, which of those would you eliminate by reason of having almost every depository institution in a system where they had to put up reserves that you could not eliminate simply by weekly reporting?

Mr. MILLER. I would like the staff to give a written reply to that.

[Chairman Miller subsequently submitted the following information in response to Congressman Green's question:]

RESPONSE FROM CHAIRMAN MILLER

It is very difficult to construct estimates of changes in the ranges of error that might result from the availability of complete information on deposits at all depository institutions. The ranges of error presented in my testimony were based on estimates of essentially random flows of deposits between member and nonmember banks. The larger the relative share of deposits at nonmember banks, the larger would be random errors in the reserve-deposit relationship, given that nonmembers are not subject to Federal reserve requirements. Complete data on nonmembers would enable us to make a more accurate estimate of the size of the random error than we can at present in the absence of such data. The revised estimate would probably be different from the present estimate based on indirect information, but there is no a priori reason to believe that the revised estimate would necessarily be smaller, or necessarily larger for that matter.

On the other hand, a continuous flow of nonmember bank data would facilitate offsetting adjustments in open market operations to shifts in the reserve-money relationship. This information would mainly help in adjusting to cyclical, structural, or other relatively long-lasting changes in relationship, to the degree that those changes could be detected earlier and with more certainty. However, even with more complete information on deposit flows in the past, the future relationship between reserves and money would still be subject to large disturbances arising from unpredictable shifts in deposits between member and nonmembers.

While there would be a gain in monetary control from better data availability, it is not possible to provide a quantitative estimate since the improvement would depend basically on operating decisions made in the face of the new, more complete data. It is our judgment, however, that this gain in control, desirable as it is, cannot be considered as a substitute for the universal reserve requirements proposed in H.R. 7, and more comprehensively in modified H.R. 7. Universal reserves are needed to eliminate the sizable slippage in the reserve-deposit relationship that would in any event be caused by continuing membership attrition and by large-scale, unpredictable shifts in deposits between member and nonmember banks.

Mr. GREEN. I have a more specific question. A couple weeks ago you obviously ran into some trouble in estimating the money supply when you had to make a significant restatement as to the previous week's figures. Have you determined what caused that?

Mr. MILLER. Yes. That was very easy to determine; a bank made a mistake. That happens three or four times a year; somebody filing those weekly numbers makes a mistake. They are audited and the figure gets corrected, but, unfortunately, that is another kind of problem; that is, the error of human beings. That is not correctable by a system, but by education. There are, however, such problems as snowstorms: Chicago has been having a terrible time getting data because people cannot get in to work, and so forth. It was a Chicago bank that made the mistake, by the way, although it probably was not related to the snowstorm; it was just a mistake.

Chairman REUSS. Mr. Paul.

Mr. PAUL. Thank you, Mr. Chairman.

Mr. Miller, on the top of page 10 I have a question. I will quote your sentence.

The Federal Reserve System could then act as a lender of last resort to a broader class of depository institutions and thereby enhance overall safety and soundness of the depository system.

What prompts this? Is there anything in your mind to suggest the possibility there will be a need to help these banks out? Is there any sign that some of the banks that are not under the Federal Reserve System are weak and that they will need some help from the Fed as a lender of last resort?

Along this line, is there any vehicle by which a nonmember bank could also borrow money from the Federal Reserve right now?

Mr. MILLER. Mr. Paul, that statement is directed, of course, toward the purpose of a central bank as the source of liquidity for the financial system. Problems may come about not because of the unsoundness of institutions or because of their weakness, but because of outside events that have affected their liquidity. It could well be that a sudden or a progressive shift of monetary policy toward tautness has cut into available liquid resources and that the bank may need time to shift its portfolio. By being able to borrow from the central bank against certain of their assets, banks are able to make these adjustments, liquidate securities, and so on.

There are also times when banks get into more permanent imbalances in liquidity and need time to work out difficulties. While an institution may not be unsound—it may be overloaned or perhaps one of its customers or a class of customers may have money flow problems and payments are not coming through—it may need this protection. There is nothing that should be read into my statement as suggesting that we have a weak financial structure.

One of the purposes of all central banks is to cover those times. There are times when the Federal Reserve may be applying monetary restraint and the availability of the window allows banks to adjust to that restraint smoothly and avoid disruption; adjustments may take place over 3 or 4 weeks.

We also have seasonal factors—in resort areas of the country, for example. There are certain times of the year when more funds are needed in these areas. A bank cannot usually maintain the capital as excess for parts of the year, so it lends part of them; we may give some seasonal help in this case.

Yes, nonmembers can, under certain conditions, borrow. It is clumsy and difficult. This legislation responds by treating all banks like members for this purpose and gets around the clumsiness.

The liquidity is also important to clearing banks. If a clearing bank not now a member of the Federal Reserve should have a liquidity problem, it may not be able to pass funds to its correspondents in clearing payments, and there could be a ripple effect with other institutions suddenly without funds. If that bank has access to the window, the situation can be cleared up, and I am sure other institutions would not be affected while that particular problem was being addressed. It is for those kinds of reasons that access to the window is very important.

Mr. PAUL. Do you see any conditions before us where the inflation rate might get so high you would consider the recommendation of wage and price controls, mandatory type, or credit controls?

Mr. MILLER. No, I do not see conditions that would make me favor mandatory wage and price controls. Experience shows that, except in wartime or the equivalent, when the whole Nation mobilizes and is willing to forgo its normal course of business, controls are inequitable; they do not work; they cannot control large sectors of the economy. There was no effort in 1971-73 to control agricultural products, and look at the oil bill that we cannot control. So to try to impose controls on parts of our economy does not work.

I do not see conditions where we would want credit controls. The better system, we are learning, is to put some macro-controls on our economy—restrain the availability of credit and money—and then let the economy itself sort out the highest and best uses for resources. We get a better result that way.

I do not say, however, that we should forgo credit controls or mandatory wage and price controls in times of war or national emergency. I do not see any such conditions in the foreseeable future. I do believe the inflation rate will begin to attenuate as we see the impact of the policies we have put in place, and that we will see—over 6 or 7 years—the economy adjust itself to a more normal operation.

Chairman REUSS. Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Chairman Miller, I have been following the statements that have been made and understood the Fed needs to maintain control of 68 percent of the currency in order to control the monetary policies with some degree of effectiveness, and you now have about 72 percent and you would be going up to about 94 percent under your Mod 7. Is that a correct assumption at this point?

Mr. MILLER. My view is that at 68 percent of deposits you have a very slack and a very loose tiller—using the comparison that the chairman used—in that it makes it very difficult to exercise monetary policy with the degree of precision that is desirable in these times of high inflation.

So I would be very nervous as a central banker—other people have different views—but I would be feeling quite tense if we had only 68 percent of deposits, because I would have so much slack I would not be able to be sure my policy was going to get the result we needed.

Mr. CAMPBELL. The reason I stated that, I am a little bit concerned. I can see that most of your proposal for Mod 7, as you call it, is predicated upon the accuracy or the assumption that your chart, which is listed as chart I, is going to be somewhat accurate. I see that in your statement on page 2. I would like to ask about the staff study which was underlying chart I and ask if the model was tested against actual experience in predicting monetary aggregate, as the membership has declined over the last 10 years. And, if it was not, should not such a test be applied? And if it was, could we be supplied the data they drew from?

Mr. MILLER. Mr. Campbell, why don't we supply to you background for the basis for this chart. I do not have with me the technical data behind it.

Let me add that I hope we do not focus so much on chart I that we miss some of the other reasons for this legislation. Monetary control is part of the issue; equity and fairness in competition are part; efficiency of the System is part. Even in looking at the coverage of institutions' deposits, in my mind, there is a consideration other than just the greater precision introduced.

I do not think it is in our national interest to have the central bank related only to 1,500 banks when we have 14,000 banks in this country, because I think what you get then is that political pressure will build to make those 1,500 the whipping boys. I do not think that is healthy.

I think we should get everybody into a confluence of interest. So I say that a supplemental consideration, without penalizing earnings, is to strengthen the relationship between these institutions and the central bank in a way that will make them appreciate the importance of a sound financial system to their own health.

Mr. CAMPBELL. Let me say the reason I am asking for this is I have three banks in my State which will be adversely affected by Mod 7 from their standpoint. We have a number of alternatives that have been suggested, H.R. 7, the chairman's bill, Mr. Stanton's alternatives, and in an effort to make the best decision and in sympathy with your position, I think this information would be very helpful as to which road we follow.

Mr. MILLER. Absolutely. I certainly want you to have the technical backup for your decision, and we will submit this data when we submit answers to the other questions.

[Chairman Miller subsequently furnished the following information in response to the request from Congressman Campbell:]

INFORMATION FURNISHED BY CHAIRMAN MILLER, AT THE REQUEST OF CONGRESSMAN CAMPBELL

Chart I shows the absolute range within which the percentage prediction errors in the two-month growth rate of the monetary aggregates will fall 95 per cent of the time. The analysis underlying the chart was prepared by three Board staff members in a memorandum to Mr. Axilrod, Staff Director for Monetary and Financial Policy, and is attached.

Briefly, the analysis is based on the conventional reserves-to-deposit multiplier model of the banking system. This model provides a theoretical analysis of the way in which shifts of deposits between member and nonmember banks are a source of error for monetary control purposes. Accurate direct information on the magnitude of such interbank deposit flows is not presently available due to a lack of complete data on nonmember banks. An estimate of the most likely distribution of random flows of deposits between members and nonmembers has been obtained from an analysis, based on probability theory, of the public's check-writing and check-depositing behavior in the presence of a dual banking system. Given the estimated distribution of random interbank deposit flows, the reserves-to-deposit multiplier model then determines the range of present-day deviations in growth of the money stock from its intended path.

The most likely range of random interbank deposit flows--and hence the range of unpredictability in monetary growth--depends on the ratio of deposits at member banks to total deposits. This ratio declines as member banks leave the Federal Reserve System. Hence, the analysis can be used to estimate the extent to which unexpected variation in money growth would be affected by the continuing attrition of member banks from the System.

Office Correspondence

Date November 7, 1977

To Mr. Axilrod

From K. Kopecky, D. Parke, R. Porter

Subject: The Effect of Interbank Deposit Flows on Monetary Control*

This memo discusses the probable effects of (unexpected) deposit flows between member and nonmember banks on the Federal Reserve's ability to control the narrow money stock. The analysis is based on the deposit-multiplier model of the banking system and assumes that the Federal Reserve has a total reserves operating target. This model, which is the typical analytical structure used in studying the dual banking system, provides a theoretical analysis of the way in which nonmember banks are a source of error for monetary control purposes. With respect to the estimated size of the nonmember-monetary control effect, accurate direct information on the magnitude of interbank deposit flows is not presently available. A general impression of the most likely size of such interbank flows can, however, be obtained from an analysis, based on probability theory, of the public's check-writing and check-depositing behavior in the presence of a dual banking system.

Given a 'best guess' for the size of the interbank deposit flow, the deposit-multiplier model then determines the implied present-day deviation in the money stock from its targeted path. The analysis can also be used to predict the extent to which money stock misses would be affected by the attrition of member banks from the Federal Reserve System. Both the deposit-multiplier's solution for the money stock and the most likely size of the

* We wish to thank Daniel Laufenberg, David Lindsey, and David Pierce for their comments, and Monica Friar for her assistance in preparing nonmember bank reserve data.

interbank deposit flow depend on the ratio of deposits at member banks to total deposits. This ratio declines as member banks leave the Federal Reserve System.. Hence, the analysis indicates how continuing member bank attrition can be predicted to influence the Federal Reserve's ability to control the money stock.

It should be noted that the analysis is not directed towards problems associated with the measurement of nonmember deposits. Such problems arise in connection with the determination of what the money stock actually is. Rather, this memo deals with problems relating to the prediction of the money stock for a given level of the total reserves operating target. Even if the nonmember measurement problem were satisfactorily resolved, the money stock prediction problem arising from the dual banking system would remain.

Nonmember Banks and Monetary Control

The nonmember bank source of monetary control error arises because of the existence of significant differences in the reserve requirements of member and nonmember banks. These differences in reserve requirements are due not so much to different required reserve ratios but rather to the types of reserve assets which nonmember banks can use to satisfy their reserve obligations as compared to member banks. The principal nonmember reserve assets are correspondent balances held at member banks and interest-bearing government securities. A model of the money supply process which incorporates the salient features of member and nonmember banks and provides analytical solutions for the narrow money stock (M_1) is presented in Appendix I.

Before showing precisely how the structure of nonmember reserve assets leads to pronounced differential reserve requirements, a brief example is necessary to illustrate the role played by reserve requirements in the presence of (unexpected) interbank deposit flows. Consider two member banks with hypothetical required reserve ratios against demand deposits of .1 and .2. If the public unexpectedly transfers $1 of deposits from the high reserve ratio bank to the low reserve ratio bank, the first bank loses $1 of reserves and experiences 80¢ of reserve pressure, while the second bank gains $1 of reserves and has 90¢ of excess reserves. Thus, for the banking system as a whole, 10¢ of excess reserves are created. If both banks exhibit similar portfolio behavior and if the money stock had been following its targeted path, the 10¢ of excess reserves will lead to an (unexpected) increase in the money stock above its targeted path as the banking system creates additional loans and deposits on the basis of positive excess reserves. Obviously, the closer are the interbank reserve requirement ratios, the smaller is the induced increase in the money stock arising from the unexpected interbank deposit flow. In the event that the two reserve ratios are identical, one bank's reserve pressure (and induced deposit contraction) matches the second bank's excess reserves (and induced deposit expansion) so that on net the money stock remains on its targeted path. Thus, identical reserve requirement ratios (theoretically) afford complete protection against unexpected interbank deposit flows. As a result, the Federal Reserve experiences no impairment whatsoever in its ability to control the money stock.

Under a total reserves operating target, the relevant reserve ratio for monetary control purposes is that which ultimately connects a bank's deposit liabilities to the level of total bank reserves which the Federal Reserve predetermines in the short run. Member banks' required reserve <u>ratios</u>, of course, define the connection between their deposit liabilities and total reserves. For nonmember banks, however, <u>two</u> steps are involved in linking their deposit liabilities to total reserves. The first step is the nonmember required reserve ratio. The second step depends on the relative amounts of nonmember reserves held in the form of correspondent balances and government securities. With respect to correspondent balances, the connection between nonmembers' deposit liabilities and total reserves is determined essentially by multiplying the nonmember required reserve ratio (which gives total nonmember required reserves that are redeposited as correspondent balances at member banks) times the member required reserve ratio (which yields total member required reserves held against nonmember correspondent balances). For example, if member and nonmember required reserve <u>ratios</u> are <u>identical</u> and equal, say, .2, and if all nonmember reserves were held as correspondent balances, then $1 of demand deposits in a nonmember bank would be supported by only 4¢ (.2 x .2) of total reserves, an amount significantly smaller than the 20¢ of support given to $1 deposited in a member bank.

Nonmember holdings of government securities as reserve assets create an even more disparate set of interbank reserve requirements since such nonmember reserve assets are not tied at all to either member banks or the Federal Reserve. Hence, to the extent that nonmember banks hold government securities as reserve assets, nonmember deposit liabilities bear a <u>zero</u> connection to total reserves. Thus, what at first appears to be identical interbank reserve requirements (.2 required reserve <u>ratios</u>) turns out to be a widely divergent set of reserve requirements for monetary control purposes (.2 for members, .04 for nonmember correspondent balances, and 0 for nonmember government securities). Given these differential interbank reserve requirements, an unexpected public reallocation of deposits between member and nonmember banks can lead to a significant surge or contraction of the money stock in relation to its targeted path.

<u>Unexpected Interbank Deposit Flows</u>

Deposit flows between member and nonmember banks can be considered over weekly, monthly, or quarterly time intervals. To provide a focal point for analyzing short-run monetary control, this memo examines only <u>monthly</u> deposit flows. Some monthly deposit flows occur regularly; some do not. For example, part of the interbank flow of deposits may be due to seasonal factors, such as households with nonmember accounts paying N.Y. department stores with member accounts at Christmas. These deposit flows alter the total volume of nonmember reserves and, as a result, could affect the total money stock. But as long as the Federal Reserve can predict the magnitude of the interbank deposit flow, it can always change total bank reserves to offset any undesired effect of interbank flows on the money stock. In short, that component of interbank deposit flows which is predictable does not (at least theoretically) lead to monetary control difficulties for the Federal Reserve.

The second component of interbank deposit flows is by definition random or unpredictable. This component arises for a wide variety of factors, all of which escape notice because they are either quite irregular or too small in magnitude. If sufficient data on nonmember banks were available, the data could be processed by different methods (e.g., regression, time series analysis, etc.) in order to determine as closely as possible the regular (predictable) patterns inherent in interbank deposit flows. The remaining part of the interbank deposit flows would be treated as random or unpredictable. This procedure would ultimately lead to an estimate of the standard deviation of the unexpected component of the interbank deposit flow. This estimate in turn could be used to establish a range for the unavoidable erratic behavior in the money stock induced by random interbank deposit flows.

Unfortunately, complete data on nonmember banks[1/] is available for only four statement weeks every year. These data are too dispersed over time to permit an accurate determination of the standard deviation of the random component of interbank flows which would be relevant for monetary policy aimed at monthly control over the money stock. Given the lack of nonmember bank data, indirect estimates of the size of such flows can nonetheless be acquired from an elementary probability model which describes the essential characteristics of random interbank deposit flows. Since the final estimate of the standard deviation of the deposit flows depends on the probability distributions used, this approach captures <u>only</u> purely <u>random</u> behavior.[2/] In short, the various economic factors which could explain the predictable component of the interbank deposit flows are by definition excluded from the probability analysis. Of course, the structure of the economy in which these deposit flows occur is unquestionably more complicated than that specified in a relatively elementary probability model. This caveat simply means that the probability model provides only a skeletal

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1/ Nonmember bank data, made available with only a short-time lag, also permits the Federal Reserve to acquire information more quickly about the size of its <u>actual</u> prediction error on interbank deposit flows. Given such information, the Federal Reserve would be able to respond faster to observed random interbank deposit flows, thereby keeping the money stock closer to its targeted path.

2/ Available aggregate information is used to provide estimates of some parameters of the various probability distributions. Where aggregate information is not available, the most conservative parameter estimate is used.

outline of the sources of uncertainty in random interbank deposit flows. Hence, the reported estimates should be regarded as tentative.

Appendix II presents a detailed description of the various assumptions employed in constructing the estimate of the standard deviation of random interbank deposit flows. Briefly, these assumptions deal with the probability of the following events taking place:

(1) the deposit of a given check in a member or nonmember bank;

(2) the writing of a check by a particular individual;

(3) the income level of the individual writing a given check.

It is also assumed that the minimum check size is $10, and the maximum is $1 million. On the basis of most recent data, the estimated average check size is $1,049. Finally, of the total number of checks written per month, the proportion k (the ratio of deposits at member banks to total deposits) is assumed to be written on member bank accounts and (1-k) on nonmember accounts.

On the basis of the above assumptions, the standard deviation of the random deposit flow over one month, say, σ_z can be directly related to k, the ratio of deposits at member banks to total deposits. Table 1 presents the value of one standard deviation of the deposit flow for alternative values of k. Notice that the standard deviation is largest ($640 million) when $k = \frac{1}{2}$ and is also symmetric around $k = \frac{1}{2}$. At the December 31, 1976 call date, $k = .75$. Corresponding to this value of k, the one standard deviation value for the random interbank deposit flow is $555 million, and the two standard deviations value is $1,110 million. Under the present member-nonmember composition of the banking system, therefore, it can be inferred from these estimates that in eight months out of the year the size of the random deposit flow between member and nonmember banks would be no larger than $555 million; and in about 11½ months such flows would be no larger than $1,110 million.

TABLE 1

STANDARD DEVIATION OF RANDOM DEPOSIT FLOWS BETWEEN MEMBER AND NONMEMBER BANKS

k (Proportion of Deposits at Member Banks)	σ_z (Standard Deviation of Deposit Flows) (millions)
.10	384.822
.20	513.096
.30	587.826
.40	628.412
.50	641.371
.60	628.412
.70	587.826
.80	513.096
.90	384.822

The Estimated Monthly Error in M_1 Due to Random Interbank Deposit Flows

The (annualized) monthly percentage deviations of the money stock (M_1) from a targeted level of $330 billion are estimated from the model of the banking system used in conjunction with the estimated standard deviation of the random interbank deposit flows. The M_1 percentage deviations corresponding to one standard deviation of the random deposit flow are presented in Table 2 for alternative

TABLE 2

PERCENTAGE ERRORS IN MONTHLY M_1 GROWTH RATES ASSOCIATED
WITH STANDARD ERRORS OF THE RANDOM
INTERBANK DEPOSIT FLOWS

k (Proportion of Deposits at Member Banks)	σ_z (Standard Deviation of Deposit Flows) (in millions)	Percentage Error
.1	384.822	6.30
.2	513.096	5.56
.3	587.826	4.75
.4	628.412	4.05
.5	641.371	3.44
.6	628.412	2.88
.7	587.826	2.34
.8	513.096	1.83
.9	384.822	1.23

values of k. At the present-day value of k (.75), the corresponding monthly M_1 growth rate error is approximately 2.1%. Previous research suggests that under a total reserves operating target, the monthly M_1 growth rate error, attributed to all potential sources of random behavior, is approximately[3/] 7.1%. For comparable present-day values of k, therefore, the estimated M_1 growth rate error (2.1%) due solely to random interbank flows lies within the above total M_1 growth rate error range. This internal consistency of the two M_1 growth rate errors raises the credibility of the simulation procedures used in this memo.

The monetary control implications of continuing member bank attrition follow immediately from inspection of Table 2. If

3/ This estimate is derived from the Staff Report, "Analysis of the Impact of Lagged Reserve Accounting," October 6, 1977.

k were to fall from its present-day value of .75 to, say .4, the range of the monthly percentage money growth rate error for two-thirds of the months would almost double from 2.1 percent to 4.05 percent. In fact, for 95 percent of the months, the percentage error would lie between plus or minus 7.93 percent. Two factors explain this predicted increase in the money growth rate error. First, as k falls from .75 to .4, the standard deviation of the random deposit flow rises by about $75 million. Secondly, and more importantly, the average required reserve ratio for the aggregate banking system falls as k declines to .4. Essentially, this decrease in the average reserve ratio occurs because deposit dollars at nonmember banks bear a smaller connection to the Fed's total reserves than do deposit dollars at member banks. Since a decline in k makes nonmembers relatively more important in the aggregate than members, the average effective reserve ratio becomes increasingly dominated by the reserve ratios and reserve asset structure of nonmember banks. To illustrate this point more clearly, notice that for k = .9 and k = .1 the standard error of the deposit flow is the same; but the percentage error is 1.23% at k = .9 and 6.30% at k = .1.

In conclusion, this memo has presented models of the aggregate banking system and the public's check-writing and check-depositing behavior to determine the monetary control effects of random deposit flows between member and nonmember banks. The reported money growth rate errors tentatively suggest that under a total reserves operating target such random interbank flows presently lead to a significant impairment in the Federal Reserve's ability to achieve its desired short-run monetary growth objectives. The results also strongly indicate that the deterioration in monetary control would become progressively more serious as k continues to fall via member bank attrition from the Federal Reserve System.4/

4/ It should be noted that this result does not hold for all values of k less than .1. If Table 2 were extended to show values of k less than .1, the percentage error would continue to increase and would reach a maximum value of 6.38% at k = .079. Thereafter, the percentage error would decline. In the limit as k approaches zero, the percentage error also approaches zero. This result occurs because at small values of k the variance of the random interbank deposit flow falls at an increasing rate, while the denominator of the multiplier solution for M_1 declines linearly.

APPENDIX I

A Model of the Banking System

The model is an extension of the standard deposit multiplier model and describes the behavior of four transactors dealing in five financial instruments. The transactors are the public (P), the Federal Reserve (F), member banks (M), and nonmember banks (NM). The financial instruments include demand deposits (D), time deposits (T), currency (C), government securities (G), and reserves (R). To keep track of the asset-liability status of each financial instrument, a superscript denotes an asset and a subscript a liability. The model also assumes that the Federal Reserve has a total reserves operating target. Finally, the variable ϵ_{DM} is used to denote a random allocation of the public's demand deposits between member and nonmember banks.

The equations of the model are as follows:

(1) $D^P = D^P_M + D^P_{NM}$: public's total demand deposits

(2) $T^P = \tau D^P$: public's demand for time deposits

(3) $C^P_F = \mu D^P$: public's demand for currency

(4) $D^P_M = k\ D^P + \epsilon_{DM}$ public's allocation of demand deposits

(5) $T^P_M = k\ T^P$: public's allocation of time deposits

(6) $T^P = T^P_M + T^P_{NM}$: public's total time deposits

(7) $D_M = D^P_M + D^{NM}_M$: composition of members' demand deposits

(8) $\bar{R} = \rho_{MD}\, D_M + \rho_{MT}\, T^P_M$: supply and demand for members' reserves

(9) $D_{NM} = D^P_{NM}$: composition of nonmembers' demand deposits

(10) $R^{NM} = D^{NM}_M + G^{NM}$: composition of nonmembers' reserves

(11) $R^{NM} = \lambda_D\, D_{NM} + \lambda_T\, T^P_{NM}$: nonmembers' demand for reserves

(12) $G^{NM} = \alpha R^{NM}$: nonmembers' demand for government securities

Equations (1)-(6) describe the behavior of the public. The time deposit and currency equations, (2) and (3), follow the standard prescription by making the public's demand for each asset proportional to the public's holdings of demand deposits. With respect to the allocation of the public's demand deposits between member and nonmember banks, we assume proportionality on average to total demand deposits so that on average k of demand deposits is allocated to members and 1-k to nonmembers. The same proportionality factor, k, is assumed to hold for the public's allocation of time deposits between member and nonmember banks.

Equations (7)-(8) refer to member banks and the Federal Reserve. $\bar{R}$ represents the predetermined level of the Federal Reserve's total reserve operating target. The correspondent-type balances held by nonmembers at members are captured in (7). The required reserve ratios against demand and time deposits are ρ_{MD} and ρ_{MT}, respectively. The key feature in the model is the link which connects nonmember banks to the Federal Reserve. As (7) and (8) show, the link is established essentially because member banks must hold reserves against a liability, D_M^{NM}, that also serves as a nonmember reserve asset.

The behavior of nonmember banks is described by equations (9)-(12). Nonmembers' required reserve ratios against demand and time deposits are λ_D and λ_T, respectively. Equation (10) shows that nonmembers have the option of holding demand deposits at member banks and government securities as reserve assets. The relative amounts of each asset which can satisfy nonmember reserve requirements vary state by state according to the regulations issued by the different state banking commissions. For simplicity, it is assumed that the aggregate proportions of nonmember reserves in the form of government securities is α. This assumption implies that the proportion of nonmember reserves held as correspondent balances at member banks is $1 - \alpha$.

The model's solution for M_1 is

(13) $$M_1 = \frac{(1+\mu)\bar{R}}{DEN} - \frac{(1+\mu)\varepsilon_{DM}\ \rho_{MD}[1-(1-\alpha)\lambda_D]}{DEN},$$

where $DEN = \rho_{MD}[k + (1-\alpha)(1-k)(\lambda_D + \lambda_T\tau)] + \rho_{MT}\ k\tau$. For simulation purposes, the following values for the model's parameters, based on averages of the most recently available data, were used:

i)	$\mu = .35$	v)	$\lambda_D = .113$
ii)	$\tau = 2.14$	vi)	$\lambda_T = .044$
iii)	$\rho_{MD} = .127$	vii)	$\alpha = .35$.
iv)	$\rho_{MT} = .033$		

APPENDIX II

The Standard Deviation of Random Interbank Deposit Flows

Assumptions

The analysis is based on the following assumptions:

(A1) Binomial (Independence) Assumption

Let k denote the underlying average ratio of member bank private demand deposits to total private demand deposits. It is assumed that the probability that a given check will be deposited in a member bank is equal to k and that if it is not deposited at a member bank, it is deposited in a nonmember bank with the complementary probability of 1 - k. It is also assumed that the check movements are independent from one check to the next. Thus, the number of checks deposited at member or nonmember banks follows a binomial distribution with parameter k. If, for example, 10 checks are written on some account per month, the expected number of checks deposited at member banks that are drawn on this account equals

$$10k$$

with standard deviation

$$\sqrt{10k(1 - k)} \; .$$

Table 3 displays values of this standard deviation for alternative values of k, the underlying proportion of member demand deposits to total demand deposits.

TABLE 3

STANDARD DEVIATION OF CHECKS DEPOSITED AT MEMBER BANKS PER MONTH GIVEN 10 CHECKS PER MONTH

k	Standard Deviation of the Number of Checks Deposited at Member Banks
1	0
.9	.95
.8	1.26
.7	1.45
.6	1.55
.5	1.58
.4	1.55
.3	1.45
.2	1.26
.1	.95
.0	0

As would be expected, the uncertainty concerning check flows is largest when nonmembers rival members exactly, that is, when $k = .5$; the variance falls off symmetrically above and below this value.

(A2) Independence Across Depositors

Suppose the sequence of checks written in a given month on member bank accounts is arrayed in some order: the first check, the second check, and so forth until the last check. Let N_m be the number of depositors at member banks. The checks may be viewed as a sequence of independent trials for each of which the probability that the check was written by any particular one of the N_m depositors is $1/N_m$. Similarly, it is assumed that for nonmember banks it is equally likely that each depositor wrote any check in the sequence of checks written on nonmember accounts in a given month.

(A3) The size of each check written by an individual is a function of the individual's income.[5/]

(A4) The aggregate distribution of income in the economy is assumed to follow a truncated Pareto distribution[6/] with minimum income level, y_o, and maximum income level, y_1. The Pareto distribution has often been used to represent the distribution of incomes in an economy and has several convenient features for our purposes. As a consequence of this assumption, it follows that the size distribution of checks in the economy also follows a Pareto distribution. This result follows from A3 and A4 using the property of Pareto distributions that transformations of variables of the form (1) (see footnote 5 below) also have a Pareto distribution.

(A5) The total number of checks written per month equals 2.975 billion. Of this number, the proportion k are assumed to be written on member bank accounts and (1 - k) on nonmember accounts.

This total estimate was derived by taking demand deposits (excluding U.S. government and domestic interbank) at the last

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5/ More specifically, if y is income, any function of the form

(1) $T = by^a \qquad a > 0,\ b > 0$,

where T = check size, will work.

6/ The truncated Pareto distribution is described on page 20.

available call date (December 31, 1976) and applying check volume estimates from FDIC surveys of 10 million checks per month per 1 billion of deposits.[7/] For that call date

member bank deposits		\$223.307 billion
nonmember bank deposits	=	74.212 billion
total		\$297.519 billion

or

$$\frac{10 \text{ million}}{1 \text{ billion}} \times 297.519 \text{ billion}$$

yields the figure of 2.975 billion checks per month.

(A6) The average check size equals total monthly debits against demand deposits divided by the number of checks per month.

$$\mu_y = \frac{\$3,119,780 \text{ million}}{2,975 \text{ million}} = \$1,049 \;;$$ [8/]

i.e., the average check size is \$1,049.

(A7) It is assumed that the minimum check size in the economy is \$10 and the maximum check is \$1 million. Based on this assumption, the standard deviation of the Pareto distribution of check size, say, σ_y equals \$16,613.[9/]

7/ The FDIC estimates for 1973 were 10.8 million checks per month per 1 billion deposits. Inflation should tend to reduce the number of checks relative to deposits, so this slightly smaller rate was chosen.

8/ Estimates for July, 1977 from the new national sample of debits.

9/ This calculation is discussed on page 21.

The Standard Deviation of Deposit Flows

Given A1-A7, the standard deviation of the random deposit flow between member and nonmember banks equals 10/

$$\sigma_z = \sqrt{nk(1-k)[\mu_y^2 + 2\sigma_y^2]} ,$$

where

n = the number of checks per month

k = proportion of total demand deposits at member banks

μ_y = average size of check written

σ_y = standard deviation of check size distribution.

At the December 31, 1976 call date $k = .75$, and substituting this and the other values into the above expression yields

$$\sigma_z \text{ (given } k = .75) = \sqrt{2.975 \times 10^9 \times .75 \times .25[1,049^2 + 2 \times 16,616^2]}$$

$$= \$555 \text{ million.}$$

Properties of the Truncated Pareto Distribution

Let y be a random variable that is distributed as truncated Pareto with lower limit y_o and upper limit y_1. The density function of y is

10/ The derivation of this result is presented on pages 22-24.

$$(14) \qquad f(y) = \frac{1}{1-\left(\frac{y_o}{y_1}\right)^{\beta}} \beta \frac{y_o^{\beta}}{y^{\beta+1}}$$

for $\qquad y \epsilon [y_o, y_1]$.

The mean of y is

$$(15) \qquad E[y] = \frac{\beta}{\beta-1}\left[\frac{y_o \ y_1(y_1^{\beta-1} - y_o^{\beta-1})}{y_1^{\beta} - y_o^{\beta}}\right] .$$

The second moment of y is

$$(16) \qquad E[y^2] = \frac{\beta}{\beta-2}\left[\frac{y_o^2 \ y_1^2(y_1^{\beta-2} - y_o^{\beta-2})}{y_1^{\beta} - y_o^{\beta}}\right] ;$$

and the variance, σ_y^2, equals

$$(17) \qquad \sigma_y^2 = E[y-E(y)]^2 = \frac{\beta \ y_o^2 \ y_1^2}{y_1^{\beta} - y_o^{\beta}}\left[\frac{y_1^{\beta-2} - y_o^{\beta-2}}{\beta - 2} - \frac{\beta(y_1^{\beta-1} - y_o^{\beta-1})^2}{(\beta-1)^2(y_1^{\beta} - y_o^{\beta})}\right] .$$

Given values for y_o and y_1 and $E(y)$, equation (15) can be solved to obtain values for β. The implied values of β and σ_y are listed in Table 4 for alternative values of y_1 given y_o = \$10 and E(y) = \$1,049.

TABLE 4

y_1 (Upper Limit)	β (Pareto Parameter)	σ_y (Standard Deviation of Check Size)
\$1 million	.647	\$ 16,616
\$100 million	.792	\$136,870
\$1 billion	.8316	\$397,887

Derivation of σ_z

Let n be the total number of checks written per month. Let n_m and n_n denote the number of checks written on member and nonmember bank accounts. In view of assumption (A5),

$$n_m = kn$$
$$n_n = (1-k)n \ .$$

Let z_{mn} be the dollar amount of checks written on member accounts which are deposited at nonmember banks and z_{nm} be the dollar amount of checks written on nonmember accounts which are deposited at member banks. The random variable, z

$$z = z_{mn} - z_{nm} \ ,$$

represents the "net" outflow of deposits from member to nonmember banks. The variable, z, takes on both positive and negative values depending on the relative magnitudes of z_{mn} and z_{nm}. Now

$$(18) \qquad z_{mn} = \sum_{i=1}^{n_m} x_i \, y_i$$

$$x_i = \begin{cases} 0 & i^{th} \text{ check goes to member bank} \\ 1 & i^{th} \text{ check goes to nonmember bank} \end{cases}$$

$$y_i = \text{ size of } i^{th} \text{ check} \ .$$

Since x_i and y_i are assumed to be independent and identically distributed for all i--see (A1) and (A2)--the variance of z_{mn}

$$\sigma^2_{z_{mn}} = \sum_{i=1}^{n_m} \text{var}(x_i\ y_i)$$

$$= n_m\ E(xy - \mu_x\ \mu_y)^2\ ,$$

where $\quad x$ denotes an arbitrary x_i

$\quad y$ denotes an arbitrary y_i

and $\quad E(x) = \mu_x,\ E(y) = \mu_y$.

Furthermore,

(19) $$E[xy - \mu_x\ \mu_y]^2 = E[xy - \mu_x y + \mu_x y - \mu_x\ \mu_y]^2$$

$$= E(xy - \mu_x y)^2 + E(\mu_x y - \mu_x \mu_y)^2 + 2\ E(xy - \mu_x y)(\mu_x y - \mu_x \mu_y)$$

$$= E(y^2)\sigma_x^2 + \mu_x^2\ \sigma_y^2$$

$$= (\mu_y^2 + \sigma_y^2)\sigma_x^2 + \mu_x^2\ \sigma_y^2\ .$$

Thus,

(20) $$\sigma^2_{z_{mn}} = n_m\{\mu_y^2\ \sigma_x^2 + \mu_x^2\ \sigma_y^2 + \sigma_x^2\ \sigma_y^2\}\ .$$

Since x satisfies

$$\mu_x = (1 - k)$$

$$\sigma_x^2 = k(1 - k)$$

(20) is replaced by

(21) $$\sigma^2_{z_{mn}} = n_m\{\mu_y^2\ k(1 - k) + (1 - k)^2\ \sigma_y^2 + k(1 - k)\sigma_y^2\}\ .$$

By a symmetric argument

$$(22) \qquad \sigma^2_{z_{nm}} = n_n\{\mu^2_y\, k(1-k) + k^2\sigma^2_y + k(1-k)\sigma^2_y\} .$$

Hence,

$$(23) \qquad \sigma^2_z = \sigma^2_{z_{mn}} + \sigma^2_{z_{nm}} = kn\{\mu^2_y\, k(1-k) + (1-k)^2\, \sigma^2_y + k(1-k)\sigma^2_y\}$$

$$+ (1-k)n\{\mu^2_y\, k(1-k) + k^2\sigma^2_y + k(1-k)\sigma^2_y\}$$

$$= n\, \mu^2_y\, k(1-k) + 2n\, k(1-k)\sigma^2_y$$

$$= nk(1-k)\left[\mu^2_y + 2\sigma^2_y\right]$$

which corresponds to the expression for σ_z on page 21.

Chairman REUSS. Mr. Wylie.

Mr. WYLIE. I thank you, Mr. Chairman.

Chairman Miller has been outstanding as usual and has been very generous with his time, but I would like to pose a series of questions for his opinion and for the record on the impact of the no-reserve requirements policy with reference to certificates of deposit of 29 days or less, and also the tax expenditure consequences of the exemption of the so-called repurchase agreements from reserve requirements. I have those questions which I will submit.

Mr. MILLER. That will be very helpful. Those questions should be examined.

[The following are written questions which were submitted by Mr. Wylie to Chairman Miller:]

Question 1. Some of this material is fairly difficult to digest, as you can guess. We have heard, for example, that as an administrative matter, or for some other reason, the Federal Reserve does not require reserves on certificates of deposit of 29 days or less. Is that correct? If it is correct, have you, or can you develop, reliable estimates of the tax expenditure effects of that exemption?

Answer. According to the Board's Regulations D and Q, certificates of deposit issued by member banks must have an original maturity of 30 days or longer. Deposit obligations of member banks with original maturities of less than 30 days are classified as demand deposits and thus are subject to a reserve requirement ranging from 7 to 16¼ percent—depending on the amount of the bank's net demand deposits—and cannot bear interest.

Question 2. We also know from the literature and from your testimony elsewhere, that repurchase agreements are exempt from reserves. Suppose a corporation, with $50,000 or more, can take its money to a bank and say, "Let us negotiate a repurchase agreement, or RP." He leaves his money and walks out with a piece of paper that the bank has agreed to repurchase at a later date for well over $50,000. Now, as we understand it, the bank does not maintain a reserve on this $50,000. We would like to know of any estimates of the total dollar amount of these repurchase agreements outstanding, and we would like to know the tax expenditure consequences of this exemption to the U.S. Treasury.

Can you ask your staff to provide this committee with empirical evidence of the revenue loss to the Fed, and thus to the Treasury, of permitting each of these exemptions, including Federal funds, from reserve requirements?

Answer. It is estimated that all commercial banks borrowed about $37 billion in the form of Federal funds and security repurchase agreements (RP's) from parties other than commercial banks and brokers and dealers as of September 1978. Member banks accounted for $34 billion of this total. However, no complete data are available on RP borrowings only.

Assessing the implications of such borrowings for Treasury revenues is very difficult because if reserve requirements were imposed on these highly liquid liabilities of member banks, it is likely that their volume at banks would shrink significantly. If reserve requirements were put on Federal funds and RP's, member banks would have to lower the rate they offer on these liabilities and, given the highly rate-sensitive nature of their customers, a substantial amount of these funds would probably be shifted to other liquid assets, such as commercial paper. Thus, the effect on member bank reserves of putting reserve requirements on RPs could be minimal. Moreover, as the volume of member bank RP's declines, the demand for RP collateral—Treasury and Federal agency securities—is also likely to decline, which would tend to increase interest costs on Treasury debt.

Question 3. It seems to me that the bill before us, with its exemptions on the first $100 million of deposits and its provision that vault cash count as reserves, favors the small banks. At the same time, the Federal Reserve's administrative exemption from reserve requirements for short-term certificates of deposit of less than 30 days, and repurchase agreements—that is, certain nondeposit liabilities of commercial banks—and Federal funds probably mostly benefit the very large banks with the largest corporate customers. Everyone is talking about the tax expenditure effects of this legislation. Does that not put a squeeze on the middle-class bank?

Answer. The reduction in reserve ratios and the exemptions proposed in H.R. 7 (and the Board's modification) result in a reserve release to members amounting to 100 percent of existing reserve balances at Federal Reserve Banks for members with total deposits less than $100 million, 80 percent for those with deposits between $100 and $500 million, and 30 to 40 percent for members with deposits over $500 million. For nonmember banks, the percentage of deposits which must be held as sterile reserves at Federal Reserve Banks would increase with the size of the bank. The progressive nature of the reserve burden for members and the reserve imposition for nonmembers is partially offset by the relatively large value to large banks of access to the discount window. Thus, it appears that the benefits by size of bank do not discriminate against the middle size banks. (As shown in the answers to the questions Nos. 1 and 2, CD's cannot be issued in maturities of less than 30 days, and imposition of reserve requirements on Federal funds and RPs would likely result in a minimal reserve impact on large banks.)

Question 4. As a followup question, could we maintain the cost of this legislation to the Treasury at about $170 million, impose reserve requirements on short-term certificates of deposit and nondeposit liabilities of the repurchase agreement category, and lower the percentages of reserve requirement in this legislation?

Can we not broaden the base of deposit and nondeposit liabilities which have to have reserves, lower the reserve requirement percentage, and keep the overall cost of the legislation about the same?

Would you please have your staff prepare estimates of what we could do here to help maintain the competitive parity of the middle-class bank by broadening reserve requirements and lowering the percentages of reserve requirements?

Answer. Generally, the proposed bills do not discriminate against the middle-size bank. (See answer to question No. 2.) Moreover, broadening the base of reservable liabilities to include RP's and Federal funds likely would not raise a significant amount of additional revenue for the Treasury. (See answer to question No. 3.) Thus, H.R. 7 (and the Board's modification) represent an effective and equitable approach to dealing with the problems of attrition of deposits from the Federal Reserve System.

Assessing the amount of additional reserves the would result from imposing a reserve requirement on the repurchase agreement (RP) and/or Federal funds liabilities of member banks is complicated. First, there is the question of whether reserve requirements would be applied to all RP and Federal funds liabilities of member banks or just to those with parties other than commercial banks, in view of the important reserve adjustment function that is performed by the interbank market. In late September 1978—the most recent date for which data on such liabilities of all member banks are available—member banks borrowed in the form of RP's and Federal funds about $40 billion from other commercial banks, $12 billion from brokers and dealers, and $34 billion from other customers.

Second, there is the matter of whether reserve requirements would be assessed against only RP's or against both RP's and Federal funds from nonbank sources. Member banks have been allowed to borrow Federal funds from several nonbank institutions. Among the most important of these are mutual savings banks, savings and loan associations, and agencies of the Federal Government, particularly the Federal Home Loan Bank System. Unfortunately, current data sources combine Federal funds borrowings with RP's, rendering it difficult to separate one from the other. However, RP's are believed to account for most of Federal funds and RP borrowing from nonbank sources.[1] Of course, the reserve requirement implications of reserving both the Federal funds and RP liabilities of member banks are greater than those of reserving only RP's.

Finally, it is difficult to determine what the volume of reservable liabilities would be if reserve requirements were applied to RP's and Federal funds from nonbank sources. Banks would adjust to the higher cost of these instruments by reducing the interest rates they offer, and the public would hold correspondingly smaller amounts. For example, should RP's be reserved as short-term time deposits, they could be subject to an 8 percent reserve requirement, the same as the ratio currently applicable to large-denomination short-term time deposits. At current market rates, this would add roughly 80 basis points to the cost of RP funds. Many RP customers would likely turn to other highly liquid assets on which they could earn more favorable rates. Among these alternative assets are RP's with nonbank dealers, commercial paper, money market mutual funds, and Eurodollars.

Historical experience, unfortunately, is not a very useful guide for estimating the amount by which member bank RP's and Federal funds would consequently decline. However, should RP and Federal funds held by the nonbank public decline by one-half, reserves required against such liabilities would be $1.8 billion (.08 X $23 billion). Additional reserves of this amount could be offset by a reduction in required reserve ratios on all member bank deposits of about three-tenths of a percentage point, or alternatively, a reduction in reserve ratios on demand deposits of almost a percentage point, without affecting costs to the Treasury.

Chairman REUSS. If there are no further questions, I want to thank you, Chairman Miller, for an extremely careful and helpful presentation. We are much indebted to you.

We will now stand adjourned until further early hearings on the subject matter.

Mr. MILLER. Thank you, Mr. Chairman.

[Whereupon, at 4:50 p.m., the committee adjourned.]

[Subsequent to the hearing, Congressman D'Amours submitted the following questions to Chairman Miller. The questions appear along with Chairman Miller's answers.]

Question 1. Section 2 of H.R. 7 authorizes the Board to classify depository institutions and to impose different reporting requirements for different classes of institutions. Would the Board wish to differentiate among different classes of institutions and if so how, by size, by type of charter, or some combination thereof?

Answer. Any institution with reservable deposits—that is, with deposits in excess of the appropriate exemption level(s)—would be required to submit weekly a report of deposits to the Federal Reserve so that we may calculate required reserves for that institution. (Board staff estimates that under H.R. 7 about 1,500 institutions would have such reservable deposits.)

Question 2. How often would you expect an institution to have to make a report under section 2 of the bill? In particular, how often would you expect a state chartered institution which is not subject to the reserve requirements imposed by section 3 to have to report?

Answer. It is the Board's intention that the reporting burden on the remaining institutions be as small as may be consistent with an adequate flow of financial information for monetary policy purposes. Thus, while most institutions would not be required to report in as frequent or timely a manner as those with reservable deposits, it is likely that a small sample—selected by random sampling techniques to maximize the reliability of the estimates—would be required to report weekly. (The stratified sampling techniques make the likelihood of an institution being selected to report weekly increase with its size.)

Question 3. Are there any existing federal or state reports which the Board does not now have access to which would fulfill the informational needs of the Board under Section 2 and would at the same time obviate the need for a new report?

Answer. The various State and Federal regulatory institutions have been most cooperative with the Federal Reserve in giving access to their reports. Indeed, there is a great deal of coordination both among the Federal regulators and with the State bank supervisors for data gathering efforts. However, the information needs of

[1] A portion of RP funds raised by member banks is used to finance their dealer departments, in much the same way that nonbank dealers use this source of funds to acquire inventories of securities.

these other regulators are generally very different than those that are essential for the implementation of monetary policy, especially with regard to the frequency and timeliness of deposit reports. Thus, it appears that additional reports would be needed from all institutions with reservable deposits and from a sample of those institutions below the exemption to provide adequate information for calculating reserve requirements and for giving an accurate picture of money stock developments.

Question 4. Does the Board contemplate any change in its definition of "reservable liabilities"? Specifically, will it continue to allow banks to deduct "Cash Items In Process of Collection" and "Demand Balances Due From Banks"?

Answer. The Federal Reserve Act requires that member banks be permitted to deduct from reservable transactions deposits "Cash Items in the Process of Collection" and "Demand Balances Due From Banks". (12 U.S.C. 465) H.R. 7 would extend this provision to all depository institutions subject to reserve requirements. If transactions balances at all institutions are reservable under the universal reserve requirements provisions of H.R. 7, then it would be anticipated that to avoid double imposition of reserve requirements the Board would broaden the deductions to include transactions balances due from all depository institutions.

Question 5. Under what types of circumstances would the Board use its authority under section 5 of the bill to limit the proportion of required reserves which may be maintained in the form of vault cash?

Answer. The Board has not contemplated any action to limit the proportion of required reserves which may be maintained in the form of vault cash. Such an action might be desirable for monetary policy in the unlikely event that reserve requirements became so low that the increase in excess reserves in the banking system rendered monetary control ineffective. However, in such a circumstance, actions to limit the proportion of vault cash eligible to meet reserve requirements would be applied identically to all financial institutions subject to reserve requirements.

MONETARY CONTROL

TUESDAY, FEBRUARY 13, 1979

House of Representatives,
Committee on Banking, Finance and Urban Affairs,
Washington, D.C.

The committee met at 2:30 p.m., in room 2128 of the Rayburn House Office Building, Hon. Henry S. Reuss, chairman of the committee, presiding.

Present: Representatives Reuss, Ashley, St Germain, Gonzalez, Vento, Watkins, Lowry, Stanton, Wylie, Hansen, Hyde, Leach, Green, Paul, Shumway, and Campbell.

Chairman Reuss. Good afternoon. The House Committee on Banking, Finance and Urban Affairs will be in order for further consideration of H.R. 7. We are delighted this afternoon to have before us the Conference of State Bank Supervisors—CSBS—represented by its president, E. D. "Jack" Dunn, commissioner of banking and finance for the State of Georgia. And we are happy to have along with him Dr. Lawrence E. Kreider, executive vice president-economist of the CSBS.

You have prepared a comprehensive statement, Mr. Dunn, which, under the rule and without objection, will be received in full into the record. You have also submitted a pamphlet "Optional Affiliation With the Federal Reserve System for Reserve Purposes Is Consistent With Effective Monetary Policies," authored by Professors Ross M. Robertson and Almarin Phillips. Would you now proceed any way you wish, either by reading your statement or summarizing.

[The referred to pamphlet "Optional Affiliation With the Federal Reserve System for Reserve Purposes Is Consistent With Effective Monetary Policies" has been retained in the files of the committee and may be obtained from the Conference of State Bank Supervisors.]

STATEMENT OF E. D. "JACK" DUNN, COMMISSIONER OF BANKING AND FINANCE FOR THE STATE OF GEORGIA, PRESIDENT OF THE CONFERENCE OF STATE BANK SUPERVISORS, ACCOMPANIED BY DR. LAWRENCE E. KREIDER, EXECUTIVE VICE PRESIDENT-ECONOMIST OF THE CONFERENCE

Mr. Dunn. Thank you, Mr. Chairman.

I do have, I hope, a brief summary, and I will proceed immediately with that.

Mr. Chairman, I am E. D. "Jack" Dunn, commissioner of banking and finance for the State of Georgia and president of the Conference of State Bank Supervisors—CSBS—on whose behalf I am testifying today. Accompanying me is Dr. Lawrence E. Kreider, executive vice president-economist of CSBS.

We appreciate this opportunity to present our views regarding H.R. 7 because as State officials we view certain aspects of this bill as unnecessary for monetary policy considerations, as well as an unwarranted preemption of State authority in the reserve-setting area. A bill cloaked in the attractive garb of improving monetary control is being used as a vehicle to perpetuate a tax on consumers of bank services, and as an unwarranted means for extending the Fed's power over the banking system.

Let us examine some of the issues raised by H.R. 7. Let us look first at the monetary policy issue.

THE MONETARY POLICY ISSUE

We charge that no public documentation has been made by the Fed to support universal reserve-setting authority over State-chartered nonmember banks for monetary policy as is being proposed in H.R. 7. The statement of Chairman Miller in his recent testimony before this committee has done nothing to change our position on this issue at this time.

In 1974 we commissioned a study by Professors Ross M. Robertson and Almarin Phillips on the reserve-setting issue. That study, entitled "Optional Affiliation With the Federal Reserve System for Reserve Purposes Is Consistent With Effective Monetary Policies" concluded that:

> Major monetary policy weaknesses have been revealed in the recent past, and a prudent person should anticipate more in the future. Optional affiliation of some banks with the Federal Reserve for reserve purposes, however, cannot be considered high on the list of factors contributing to these weaknesses, if eligible at all for inclusion.

Henry C. Wallich, then professor of economics at Yale University, and Mable I. Wallich, in a 1973 article in Bankers Magazine stated:

> Since intermediation is a constructive activity, there seems to be no reason why Congress should place burdens upon it beyond those that the tax system imposes on any other form of business. The bulk of commercial banking has been exposed to a special tax, in the form of reserve requirements. It makes no essential difference that the revenues from the tax reach the Treasury via the Federal Reserve. There is no particular reason for this tax since the Federal Reserve can quite well conduct monetary policy operations without required reserves. The requirement could, then, be phased out to give full effect to the benefit of intermediation.

In addition to the foregoing, Chairman Henry Reuss during hearings conducted before this committee in 1978 on issues similar to those which we are discussing today commented that:

> The Federal Reserve does not now use reserve requirements for monetary policy. To do so would be clumsy and imprecise. The reserves of the banking system and the cash held by the public can be controlled * * * by open market operations.

On the issue of whether universal reserve requirements are necessary for monetary control, Chairman Reuss said that they are not; that monetary policy is conducted almost exclusively with open market operations; that the large, discrete changes in reserve requirements are a clumsy, imprecise way to change the money supply. We are in complete agreement with the remarks of Chairman Reuss.

We are forced, therefore, to inquire what is the justification for usurping reserve-setting authority of the States, and for proposing to discard our present system of optional affiliation with the Federal Reserve System for reserve-setting purposes. If it is for purposes of bringing about greater equity between member and nonmember banks, we should examine that issue.

Mr. Chairman, let us look at the equity issue.

THE EQUITY ISSUE

Data recently analyzed by CSBS do disclose that member banks on average hold relatively more noninterest-bearing reserve-type assets than nonmember banks. For some banks this results in a net competitive disadvantage, and such banks tend to leave the Fed. For others, however, reserve costs of Fed membership are more than offset by sizable correspondent balances which are primarily held in member banks, and such banks are inclined to remain in the Fed.

Membership in the Fed is normally a prerequisite for a major presence in the correspondent banking business.

Reserves held in interest-bearing form by nonmember banks constitute only a small fraction of all nonmember bank reserve requirements nationwide. Their impact in connection with the equity question between member/nonmember banks is minimal.

The simple facts are that some banks enjoy a net benefit from Fed membership and some from nonmember status. Banks today have the option of joining the Fed or not doing so, based upon such a determination. Why should this freedom of choice be denied them, particularly when such optional affiliation does not adversely affect the Fed in carrying out monetary policy responsibilities.

Furthermore, our banking system as a whole is strengthened by this choice of options. This alternative has fostered a dynamic and responsive private correspondent banking structure that has served well our country's economic needs. In addition, the withdrawal of banks from the System has not weakened our banking system.

Let us look at the future levels of Fed membership.

FUTURE LEVELS OF FED MEMBERSHIP

While the present 74 percent of all bank deposits in member banks may go a little lower, there are limits as to how far it will decrease. The Nation's correspondent banks generally will remain in the Fed, particularly if the Fed reduces the inequitable reserve tax. Numerous other banks will also remain as members for various reasons. As Chairman Reuss pointed out last year during hearings on related issues, many banks have no intention of leaving the Fed.

SOLUTION TO THE FED'S MEMBERSHIP PROBLEMS

Mr. Chairman, we think we have some very basic proposed solutions to the Fed's problems:

No. 1, the data needs of the Federal Reserve System.

I have indicated in my prepared statement that the FDIC is today providing the Fed with data from nonmember banks designed to improve the Fed's precision in its monetary estimations.

In mid-1979 the FDIC and the Fed are scheduled to review the information-gathering program from nonmember banks to determine whether data being collected are necessary for monetary policy purposes, and if so, whether the sample of nonmember banks now being used is adequate.

Although we are not aware of any evidence that the Fed needs any more data from nonmember banks than it is now receiving, it is recommended as a courtesy to the Fed that financial institutions be required through their appropriate Federal and State authorities to furnish data which the Fed determines it needs for monetary policy objectives. However, a cost-benefit analysis should be utilized to assure that the banking industry would not be subject to data gathering that is not essential to the Fed.

No. 2, optional affiliation with the Fed for reserve-setting purposes.

This should be continued. Some banks benefit from affiliation while other banks benefit from nonaffiliation. The option of whether to choose affiliation is consistent with the principle of equity between member and nonmember banks. There is no valid reason to deny banks the right to exercise such option, particularly since affiliation with the Fed for reserve-setting purposes is not necessary for monetary policy purposes.

No. 3, lowering of reserve requirement levels for member banks.

We estimate that an average reduction of about one-fourth in member bank reserve requirements, or more if accompanied by explicit pricing, would bring the reserve tax on member banks to levels more closely in line with the value of benefits which most banks receive from affiliation with the Fed. The benefits of such a reduction would largely be passed on to consumers of bank services, and would largely solve the Fed's membership problem. We propose a reserve range from 1 to 15 percent be set for reserve requirements on member bank demand deposits and those deposits subject to automatic transfers or to negotiable or other payment orders of withdrawal, and that a range from 1 to 8 percent be established for member bank deposits other than described above.

No. 4, phasing down of reserve reductions.

Although it is in the public interest to reduce the levels of reserve requirements on member banks as we have proposed, it is recommended that the phasing down be accomplished over a 4-year period starting in fiscal 1981. Through these reductions in a gradual and orderly manner, current fiscal and inflationary problems would not be exacerbated, the independence of the Fed to set reserve requirements would be retained, the Fed's loss of member banks would be greatly alleviated, and such action would lessen an unnecessary centralized presence and power by the Fed over the financial industry.

Mr. Chairman, we are doing a survey of State bank supervisors as to whether they feel nonmember banks in their respective locales would leave the State segments of our dual banking system should H.R. 7 become law, or whether nonmember banks would become member banks. Our survey is being completed. We will furnish results to this committee very soon.

We do feel that such a bill, involving a greater presence of the Fed in banking practices, including correspondent banking functions, could over time result in a greater centralization of authority in the Federal Reserve, and this would be unwarranted.

Mr. Chairman, I appreciate your time. I appreciate the opportunity and the privilege of appearing before you.

We have furnished you a great deal of information. I will see to it that, hopefully within less than 2 weeks, that we do have the additional surveys to you. I have, in my State, sent out a form to my 375 State banks. We are one of those States that are predominantly State banks. We have about 60 national banks.

Here is a good example, I think, of what the dual banking system is all about. We have 375 State banks. There are about 60 national banks. The deposits equal out. The 60 national banks are almost exactly the same aggregate size as the 375 State banks.

I would be happy to answer any questions that I can, Mr. Chairman.

[Mr. Dunn presented the following for inclusion in the record: A prepared statement on behalf of the Conference of State Bank Supervisors; a summary of a recent analysis on the member/nonmember equity issue entitled "Optional Fed Membership, Equitable Treatment and the Bank Regulatory Structure"; and proposed language of the Conference of State Bank Supervisors regarding reporting and reserve requirements. The material follows:]

STATEMENT OF MR. E. D. "JACK" DUNN

ON BEHALF OF

THE CONFERENCE OF STATE BANK SUPERVISORS

BEFORE THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

U. S. HOUSE OF REPRESENTATIVES

RE: H.R. 7 - MONETARY CONTROL ACT OF 1979

Mr. Chairman, I am E. D. "Jack" Dunn, Commissioner of Banking and Finance for the State of Georgia and President of the Conference of State Bank Supervisors (CSBS) on whose behalf I am testifying today. Accompanying me is Dr. Lawrence E. Kreider, Executive Vice President-Economist of the Conference of State Bank Supervisors.

The Conference is the nationwide organization of state officials who serve as the primary chartering, examination and regulatory authority for approximately 10,500 state-chartered commercial and mutual savings banks, with total assets of some $662 billion.

We appreciate this opportunity to present our views regarding H.R. 7, the "Monetary Control Act of 1979," because as state officials we view certain aspects of this bill as unnecessary for monetary policy considerations, as well as an unwarranted preemption of state authority in the reserve-setting area, despite the stated intention of the bill that nothing therein "shall be construed in derogation of the authority of any officer or agency of State over any institution organized or existing under the laws of such State."

Mr. Chairman, the Conference of State Bank Supervisors has appeared before this Committee over the years on a variety of issues. I do not recall any proposal in the past to have greater adverse implications for the State segment of our dual banking system than H.R. 7.

Testimony to date reveals that a bill being proposed to improve monetary policy is being supported by the Treasury Department principally for the purpose of retaining for revenue purposes a hidden "tax" on member banks in the form of unduly high reserve requirements, and for the purpose of extending them to nonmember banks. The Fed in its testimony, while supporting the concept of universal reserve-setting authority contained in H.R. 7, is using the bill as a means of broadening its presence in the banking system by advocating a lowering of the exemption levels, and the forcing of a class of banks to maintain "participation accounts" with the Fed.

Simply stated, a bill cloaked in the attractive garb of improving monetary control is being used as a vehicle to perpetuate a tax on consumers of bank services, and as an unwarranted means for extending the Fed's power over the banking system.

I believe it is appropriate to examine in some detail the concepts advanced in H.R. 7 and other proposals designed to solve the Fed's so-called membership problem and to improve monetary policy, and to offer some suggestions relative to both of these issues.

The Monetary Policy Issue

The Conference charges that no public documentation has been made by the Fed to support universal reserve-setting authority over state-chartered nonmember banks for monetary policy as being proposed. We have examined the statement of Chairman Miller in his recent testimony before this Committee and have found nothing to change the position of the Conference on this issue.

As you know, Mr. Chairman, we commissioned a study in 1974 by Professors Ross Robertson and Almarin Phillips on the reserve-setting issue. That study, entitled Optional Affiliation With The Federal Reserve System For Reserve Purposes Is Consistent With Effective Monetary Policies concluded that:

> Major monetary policy weaknesses have been revealed in the recent past, and a prudent person should anticipate more in the future. Optional affiliation of some banks with the Federal Reserve for reserve purposes, however, cannot be considered high on the list of factors contributing to these weaknesses, if eligible at all for inclusion.

In another study Dennis R. Starleaf, Professor of Economics at Iowa State University, in an article appearing in the September 1975 issue of Journal of Finance, rejected the contention that FRB reserve requirements are needed on nonmember bank deposits for precision in monetary control. He added that all of the tests conducted in his study indicated that nonmember banks had been a moderate source of stability for Federal Reserve control of the money stock; that "without nonmember banks Federal Reserve control of the money stock would have been slightly more unstable than it was...."

Henry C. Wallich (then Professor of Economics at Yale University) and Mable I. Wallich, in a 1973 article in Bankers Magazine stated:

> Since intermediation is a constructive activity, there seems to be no reason why Congress should place burdens upon it beyond those that the tax

> system imposes on any other form of business. The bulk of commercial banking has been exposed to a special tax, in the form of reserve requirements. It makes no essential difference that the revenues from the tax reach the Treasury via the Federal Reserve. There is no particular reason for this tax since the Federal Reserve can quite well conduct monetary policy operations without required reserves. The requirement could, then, be phased out to give full effect to the benefits of intermediation. (Underlining added)

In addition to the foregoing, Chairman Henry Reuss during hearings conducted before this Committee in 1978 on issues similar to those which we are discussing today commented that:

> The Federal Reserve does not now use reserve requirements for monetary policy. To do so would be clumsy and imprecise. The reserves of the banking system and the cash held by the public can be controlled ... by open market operations.

On the issue of whether universal reserve requirements are necessary for monetary control, Rep. Reuss said that they are not; that monetary policy is conducted almost exclusively with open market operations. He added that changes in reserve requirements have been made at an average of once a year since 1935; that the large, discrete change in reserve requirements are a clumsy, imprecise way to change the money supply. "Through open market operations the monetary base can be controlled very precisely, releasing or contracting reserves to the nearest penny," Rep. Reuss said. (Hearings on Monetary Control and the Membership Problem, 1978, pps. 49-51.)

We are in complete agreement with the remarks of Chairman Reuss noted above, and it is precisely for these, and for other reasons I will cite, that we believe provisions for universal reserve-setting authority in the Fed contained in H.R. 7 are unnecessary for monetary policy purposes. We are forced to inquire what is the justification for usurping reserve-setting authority of the states, and for discarding our present system of optional affiliation with the Federal Reserve System for reserve-setting purposes? Is it for purposes of bringing about greater equity between member and nonmember banks? If so, we should examine that issue.

The Equity Issue

Arguments have been advanced by those who propose universal reserve-setting authority in the Fed that only member banks hold "sterile" reserves; that by contrast nonmember banks hold their reserves in interest-bearing form or with correspondents in payment for services received. These distinctions, it is claimed, give nonmember banks a competitive advantage over member banks and force member banks directly to bear most of the burden of monetary policy.

These arguments are misleading. Data recently analyzed by CSBS do disclose that member banks on average hold relatively more noninterest-bearing reserve-type assets than nonmember banks. For some banks this results in a net competitive disadvantage, and such banks tend to leave the Fed. For others, however, reserve costs of Fed membership are more than offset by sizable correspondent balances which are primarily held in member banks, and such banks are inclined to remain in the Fed. Membership in the Fed is normally a prerequisite for a major presence in the correspondent banking business.

A summary of our recent analysis on the member/nonmember equity issue is attached to this statement.

In connection with nonmember bank reserves held in interest-bearing form, it should be pointed out that such reserves represent only a small fraction of all nonmember bank reserve requirements nationwide. Their overall significance from an equity standpoint has been grossly exaggerated by repeated statements from Fed officials. Their impact in connection with the equity issue is minimal.

The pattern of withdrawals from the Fed, when viewed in the light of data from our recent equity study and a comparable study conducted four years ago, would suggest that some member banks, because of reserve balances required by the Fed, are at a competitive disadvantage - particularly if they are not significantly involved in the correspondent banking business.

We must question, however, why the Fed over the years has not reduced reserves for its member banks in a manner that would have offset this inequity for that class of member banks. It is the position of CSBS that the Fed, under its present statutory limitations or with only moderate statutory changes, could largely have solved its membership problem by lowering its reserve requirements for member banks on average by about one-fourth.

In looking at the equity issue, the simple facts are that some banks enjoy a net benefit from Fed membership and some from nonmember status. Banks today have the option of joining the Fed or not doing so, based upon such a determination. Why should this freedom of choice be denied them, particularly when such optional affiliation with the Fed for reserve-setting purposes is totally consistent with effective monetary policies?

Furthermore, our banking system as a whole is strengthened by this choice of options. The member/nonmember alternative has fostered a dynamic and responsive private correspondent banking structure that has served well our country's economic needs.

CSBS rejects the proposition that equity should be achieved by imposing compulsory reserves on depository institutions other than member banks. That would be a negative solution. It would achieve a perverse sort of equity by imposing a hidden tax burden on others rather than correcting the problem at the source. It would spread, not solve, the problem. It would inevitably evolve into a bigger and broader hidden tax base. This would place all traditional depository institutions at a competitive disadvantage with relatively new but growing intermediaries such as the commercial paper market, brokerage houses, credit card companies, large retailers and large manufacturers/distributors/retailers. The end result would be an escalation of the problem to a larger arena, an unnecessary degree of greater direct federal control over all financial intermediaries and further dilution of state/federal checks and balances.

Future Levels of Fed Membership

There obviously has been a decline in Fed membership. The question arises, however, as to whether bank defections from the Fed will continue indefinitely. In 1978 approximately 74% of all bank deposits were in member banks. It doubtless will go a little

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lower. There are limits, however, to how far it will decrease, primarily because the Nation's correspondent banks generally will remain in the Fed, particularly if the Fed reduces the inequitable reserve tax. There is a strong relationship between Fed membership and correspondent banking services as evidenced by the fact that about 95% of all correspondent liability balances are in member banks. Very few withdrawals from the Fed have occurred among banks heavily involved in the correspondent banking business, because the relatively free marketplace more or less dictates that such banks be members.

In addition to this strong correspondent bank Fed membership base, numerous other banks will remain as members of the Fed for various reasons. As Rep. Reuss pointed out last year during hearings on related issues, many banks have no intention of leaving the Federal Reserve System.

Proposed Solution To The Fed's Problem

The Conference believes that the Fed's membership problem can be solved in a relatively simple and straightforward manner, without harm to monetary policies and without adverse implications to our dual banking system. To that end we make the following suggestions, most of which are incorporated in a draft bill attached to this statement.

(1) Data Needs of the Federal Reserve System

The FDIC in cooperation with insured nonmember banks is currently providing the Federal Reserve Board with data designed to improve the Fed's precision in its monetary estimations. Last year FDIC Chairman George LeMaistre, during testimony before this

Committee on various proposals to solve the Fed's membership problem, advised that beginning with the Spring 1976 Call for Report of Condition the FDIC had initiated a special schedule in the quarterly call report to provide the Fed with better information on the money supply. A second step went into effect in the first week of July 1977, according to Mr. LeMaistre. This involved a sample of 580 nonmember banks reporting on a regular weekly basis the same deposit and cash items that all nonmember banks report four times a year. The Fed, according to Mr. LeMaistre's testimony, expects the data from these two surveys to enable significant improvements in their estimates of the nonmember bank component of the Nation's money supply. In mid-1979 the FDIC and the Fed are scheduled to review this program, according to Mr. LeMaistre's testimony, to determine whether nonmember bank data are necessary for monetary policy purposes and, if they are, whether the sample of nonmember banks is adequate.

Although we are not aware of any actual evidence that the Fed needs any more data from nonmember banks than it is now receiving, or that it requires further statistical refinement of such information, in order to resolve any uncertainty in this matter, it is recommended as a courtesy to the Fed that financial institutions be required through their appropriate federal and state authorities to furnish data which the Fed determines it needs for its monetary policy objectives. However, a cost-benefit analysis should be utilized to assure that the banking industry, burdened as it is with regulatory and ever-increasing record keeping requirements, would not be subject to data gathering that is not essential to the Fed in its monetary role.

(2) Optional Affiliation With the Fed for Reserve-Setting Purposes

Our proposal would retain the principle of optional affiliation with the Fed for reserve-setting purposes.

As stated in earlier paragraphs, it is our position that:

(a) No showing has been made, or can be made by the Fed that optional affiliation with the Fed for reserve-setting purposes has thwarted the Fed's monetary policy objectives.

(b) Some banks benefit from affiliation with the Fed while other banks benefit from nonaffiliation. The option of whether to choose affiliation is consistent with the principle of equity between member and nonmember banks.

(c) There is no valid reason to deny banks the right to exercise the option of affiliation with the Fed. To do so could cause severe strains on the state segment of the dual banking system. H.R. 7 would statutorily force some nonmember banks to affiliate with the Fed for reserve-setting purposes and would tend economically to coerce some of them into joining the Fed and some of them into taking a national bank charter. Each of these alternatives would give federal agencies greater presence and unnecessary power over state-chartered banks. Regardless of the form of increased presence of federal agencies over the now state-chartered banks, it all adds up to further dilution of state/federal checks and balances and a weakening of the now relatively decentralized banking system which has served so well the thousands of trade areas of our Nation. There has been no evidence produced by the Fed or any other source to warrant any action with such implications to the integrity of the dual banking structure.

(d) Withdrawals from the Fed because of unnecessarily onerous current levels of reserves on member banks could be largely alleviated by simply reducing reserve requirements in an orderly manner consistent with consumer tax relief and sound fiscal policy.

(3) Lowering of Reserve Requirement Levels For Member Banks

We believe that reserve requirements currently levied on member banks should be lowered where this can be done under existing statutory provisions. Where this is not possible, legislation should be enacted which would permit lower statutory levels. We estimate that an average reduction by about one-fourth in member bank reserve requirements, or more if accompanied by explicit pricing, would bring the reserve "tax" on member banks to levels more closely in line with the value of benefits which most banks receive from affiliation with the Fed. A reduction by one-fourth would free about $7 billion to member banks. The benefits of such a reduction in the Federal Reserve "tax" would eventually be largely passed on to consumers of bank services in somewhat the same way that the current excessive "tax" levels of reserve requirements are ultimately borne by consumers of bank services. Fed reserves should be neither a hidden "tax" on consumers of bank services nor a subsidy; they should be neutral from that standpoint.

CSBS proposes that a reserve range from 1% to 15% be established for reserve requirements on member bank demand deposits, savings deposits subject to automatic transfers and deposits subject to negotiable or other payment orders of withdrawal, or for similar instruments used to make transfers by member banks; and that a range from 1% to 8% should be established for member bank deposits other than described above. This range of reserve levels would give the Fed more flexibility in setting reserves than presently available to them and would give the Fed greater independence in this respect than proposed by H.R. 7. As presently drafted, H.R. 7 would, in effect, vest in the Congress reserve-setting authority since it gives the Fed only very narrow ranges within unnecessarily high levels that the Fed can use in its reserve-setting actions.

We believe that an average reduction of one-fourth in reserve requirements would solve the erosion of the Fed's membership base, and would do so without any impinging on the dual banking system.

(4) Phasing-Down of Reserve Reductions

While we believe it is in the public interest to reduce the levels of reserve requirements on member banks in the manner we propose, it is recognized that the approximately $500 million reduction in Treasury revenues that would ensue would be unacceptable to that Department. We would recommend, therefore, phasing down the suggested reserve levels over a four year period starting in fiscal 1981. Through these reductions in a gradual and orderly manner, current fiscal and inflation problems would not be exacerbated, the independence of the Fed to set reserve requirements would be retained, the Fed's loss of member banks would be greatly alleviated and such action would lessen an unnecessary centralized presence and power by the Fed over the financial industry.

Summary

The CSBS proposal would:

(1) Be consistent with effective monetary policies;

(2) more than accommodate demonstrated needs for data;

(3) permit the Fed to correct whatever inequities may exist reflecting unnecessarily high reserves on member banks;

(4) maintain the independence of the Fed to set reserves;

(5) achieve a reduction in the hidden discriminatory tax on consumers of bank services in a gradual and orderly manner consistent with current fiscal policy needs and long run price stability goals; and

(6) strengthen and reinforce state/federal checks and balances inherent in a dual banking system.

We propose:

(a) An average reduction of one-fourth on member bank reserves;

(b) continued optional affiliation of state-chartered banks with the Federal Reserve System;

(c) availability to the Fed of data for which there is a demonstrated need; and

(d) a phasing down of member bank reserves over a four year period.

The CSBS proposal merits consideration as a public interest matter.

Thank you Mr. Chairman for this opportunity to present the views of CSBS.

OPTIONAL FED MEMBERSHIP, EQUITABLE TREATMENT
AND THE BANK REGULATORY STRUCTURE

At present, Congress, bank regulatory agencies, and the banking industry are discussing and attempting to solve one of the most important public policy issues affecting financial institutions and the dual banking system: the membership problem of the Federal Reserve System.

As part of our continuing effort to analyze this problem and the potential impact of the solutions being proposed, CSBS studied the problem in detail several years ago and, as a check, restudied the problem again more recently. The results of the more recent analysis are included in this report.

Two questions must be analyzed before considering specific proposals that purport to solve the Fed's membership problem: first, in the present system of optional affiliation consistent with equitable treatment between member and nonmember banks; and second, to the extent any inequity may exist, can it be corrected by changes in member bank reserve requirements within the framework of existing banking and bank regulatory structures.

Statement of Issue

In its continuing effort to place all banks under its authority the Federal Reserve has made a variety of claims centering on monetary policy, equitable treatment, availability of data, its need for a broad constituency base and maintenance of Treasury revenues from interest income on reserves held with the Fed.

Federal Reserve spokesmen have asserted that the present system of optional affiliation for state-chartered banks is inequitable; that over 8,000 nonaffiliated banks get a "free ride" while approximately 5,800 member banks bear the burden of monetary policy by carrying sterile reserves with the Fed; that nonmember banks earn interest on their reserves; and that nonmember banks use their noninterest-bearing reserve assets to pay for services from their correspondent banks.

A CSBS study conducted in 1974 showed that: Optional affiliation is consistent with equitable treatment between banks; both member and nonmember banks have noninterest reserve-eligible items; only a small fraction of nonmember bank reserves nationwide are held in interest-bearing assets; member banks also receive significant benefits from their so-called sterile reserves; member banks benefit more from noninterest-bearing correspondent deposit liabilities than do members; and whatever inequities exist could be corrected by lowering reserve requirements of member banks.

Data compiled more recently fully support all conclusions of the 1974 study.

The question remains, however, why has not the Fed corrected inequities which are of their own making.

Reserves With The Fed

Reserves which member banks place with the Fed are the most visible of the noninterest-bearing reserve-eligible assets of banks. As seen at the bottom of column two of the attached table, reserves with the Fed on average were equal to 4.7% of member bank deposits.

Ratios were unequal, however, for various size groupings. For example, the ratio of the largest size banks on average was nearly double that of a group of smaller banks on December 31, 1977. A comparable relationship prevailed in the CSBS study of four years earlier.

Member banks receive benefits from affiliation with the Fed. Correspondent banks (nearly all of which are members) receive the greatest benefits. These benefits partially offset costs of retaining reserves with the Fed. Thus, assertions about "sterile" reserves with the Fed are misleading.

Obviously, the ratios for all nonmember banks were zero, as noted in column seven of the table.

Demand Balances With Banks

Demand balances with banks constitute a second form of noninterest-bearing assets which member and nonmember banks hold. Somewhat as with reserves with the Fed, benefits from demand balances with banks partially offset costs of retaining them with correspondent banks; and somewhat as with member bank reserves with the Fed, nonmember bank demand balances with banks generally satisfy reserve requirements.

Unlike reserves with the Fed, however, member bank demand balances with banks average only about one-half as high as for nonmembers--3.7% vis-a-vis 6.8% as noted at the bottom of columns three and eight of the table. The fact that they are not equal is evidence of the fact that members obtain many of their correspondent-type services from the Fed with whom they place reserve balances while nonmembers get nearly all such services directly from private correspondent banks with which they place reserve balances.

Currency and Coin

Currency and coin, which represent the third major noninterest-bearing, reserve-eligible asset, averages about the same for member and nonmember banks--1.7% for members as compared with 1.5% for non-members, as noted in columns four and nine of the table.

Member and nonmember banks alike benefit from these noninterest-bearing reserve-type assets. They simply are necessary to the conduct of business.

Total Reserve-Type Assets

Reserves placed with the Fed, demand balances with banks and currency and coin are the major noninterest-bearing, reserve-eligible assets of member and nonmember banks.

Member banks generally hold more than do nonmembers--10.1% as compared to 8.3% as noted at the bottom of columns five and ten of the table. A higher member ratio prevails for most size categories. Member banks receive partially offsetting benefits directly from the Federal Reserve and correspondent banks. Nonmembers receive partially offsetting benefits directly only from correspondent banks.

Correspondent Balances

The opportunity to compete most effectively as a correspondent bank is one of the partially offsetting benefits from placement of reserves with the Fed. Nearly 95% of all correspondent balances are in member banks. As a consequence, member banks, on average, have much higher ratios of noninterest-bearing correspondent liability balances than nonmembers--3.5% vis-a-vis 0.3%--as noted at the bottom of columns six and eleven of the table. Nearly every size category of member banks shared to some degree in this partially offsetting benefit.

Correspondent banking, however, is a highly competitive business. Not all banks--not even all large banks--can compete profitably. Banks not heavily involved in a reasonably profitable correspondent banking function tend to get less offsetting benefits from reserves with the Fed and have a greater tendency to withdraw from the Fed. For them, the lost income from reserves held with the Fed is too much. Herein lies a focal point of the equitable treatment question.

Solutions

Under our dual system, individual banks have been able to solve reserve inequities by withdrawing from the Fed. Perhaps that is the best of all solutions. It adds to the dynamics of our nation's excellent private correspondent system without adversely affecting monetary policy in any significant degree and contributes to state/ federal checks and balances by limiting the direct presence and power of the Fed over the banking system.

This solution, however, has one adverse side effect: it assumes the perpetuation of a hidden tax primarily on banks and consumers of bank services variously estimated at about $1 billion annually. This is the approximate difference between income to the Fed from member bank reserves and costs to the Fed of providing services to its member banks.

CSBS takes the position that this hidden tax should be eliminated over the long run. Those institutions so taxed must pass on the tax to consumers of their services if they are to maintain their ability to serve their trade areas. The necessity to pass on the tax through their pricing structure places them at a competitive disadvantage. A reduction in member bank reserves, or an an alternative, the payment of some level of interest on member bank reserves, would be a direct solution to the problem and would avoid adverse side effects.

CSBS has proposed an average reduction in member bank reserves of one-fourth, or more if accompanied by explicit pricing. Such a reduction would free about $7 billion to member banks; would reduce sharply the hidden tax primarily passed on to consumers of bank services; would be consistent with sound fiscal policy, if phased in over a four year period starting in fiscal 1981; would prevent unfettered federal regulatory control by assuring the preservation of state/federal checks and balances inherent in our dual system; and would halt the erosion of banks from the Federal Reserve System.

Summary

Equitable treatment as it relates to Fed reserves can readily be achieved by lowering reserves on member banks. Reducing member bank reserves by an average of one-fourth, or comparable benefits through payment of interest on reserves and explicit pricing of Fed services, would:

(1) be equitable to banks and other intermediaries;

(2) eliminate the hidden tax imposed primarily on consumers of bank services;

(3) be consistent with sound fiscal policy if phased in over a four year period starting in fiscal 1981;

(4) minimize unnecessary centralized presence and power by the Fed over the financial industry; and

(5) stop the flight of banks from the Fed System, where reserves are the issue in departures from the Fed.

Equitable treatment for banks is consistent with optional affiliations of banks with the Fed for reserve purposes. Whatever inequities may now exist are not the fault of the existing structure. Rather, they are caused by failures to manage the system properly. Reductions of hidden Fed reserve taxes primarily on consumers of bank services would solve equitable treatment problems without adverse side effects.

RATIOS OF NONINTEREST-BEARING, RESERVE-TYPE ASSETS AND CORRESPONDENT BALANCES1/ TO TOTAL DEPOSITS ADJUSTED2/, INSURED COMMERCIAL BANKS, U. S. , DECEMBER 31, 1977

Bank total deposit size	Member					Nonmember				
	Reserve-type assets					Reserve-type assets				
	Reserves with FRB	Demand balances with banks	Currency and coin	Total	Corres-pondent balances	Reserves with FRB	Demand balances with banks	Currency and coin	Total	Corres-pondent balances
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
$5B+	.0598	.0543	.0121	.1263	.0692	--	--	--	--	--
3-5B	.0442	.0132	.0163	.0739	.0290	--	--	--	--	--
1-3B	.0465	.0208	.0180	.0854	.0388	0	.0658	.0130	.0789	.0052
750M-1B	.0426	.0219	.0182	.0828	.0272	0	.0456	.0161	.0617	.0022
500-750M	.0393	.0211	.0224	.0829	.0297	0	.1094	.0119	.1213	.0267
400-500M	.0404	.0288	.0214	.0907	.0221	0	.0641	.0187	.0828	.0073
300-400M	.0436	.0316	.0194	.0947	.0304	0	.0648	.0157	.0805	.0048
200-300M	.0431	.0366	.0188	.0986	.0249	0	.0636	.0152	.0789	.0092
100-200M	.0428	.0339	.0195	.0963	.0135	0	.0662	.0135	.0798	.0056
75-100M	.0433	.0322	.0189	.0945	.0069	0	.0690	.0134	.0825	.0050
50-75M	.0407	.0362	.0177	.0947	.0044	0	.0658	.0148	.0806	.0019
25-50M	.0376	.0424	.0175	.0976	.0018	0	.0658	.0155	.0814	.0008
10-25M	.0346	.0482	.0177	.1006	.0011	0	.0689	.0154	.0843	.0007
5-10M	.0344	.0571	.0185	.1100	.0011	0	.0751	.0151	.0903	.0007
2-5M	.0310	.0734	.0214	.1259	.0017	0	.0858	.0157	.1015	.0017
1-2M	.0877	.0949	.0337	.2164	.0202	0	.1201	.0216	.1418	.0021
0-1M	.0514	.2219	.1343	.4077	.0514	0	.2200	.0423	.2624	.0019
Total	.0473	.0370	.0167	.1011	.0352	0	.0680	.0149	.0829	.0033

1/ Demand deposits from commercial banks in the U. S. These are reduced by the amount associated with cash items in process of collection. This adjustment is made because such balances bring no direct balance sheet benefits per se to the bank. Studies have shown that an average of 44.1% of demand deposits from commercial banks are offset by uncollected balances.

2/ "Total deposits adjusted" are total deposits less cash items in process of collection.

H. R. _______________

IN THE HOUSE OF REPRESENTATIVES

A BILL

To assure the independence of the Federal Reserve System to set reserves, to avoid perpetuation of Federal Reserve reserves as an onerous tax on banks and bank customers, and to maintain state-federal checks and balances in the regulation of banks.

BE IT ENACTED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED.

REPORTING REQUIREMENTS

Section 1. Section 11 (a) of the Federal Reserve Act (12 U.S.C. 248 (a)) is amended (1) by inserting "(1)" immediately after "(a)," and (2) by adding at the end thereof the following new paragraph:

(2) "To require any depository institution specified in this paragraph to make, at such intervals as the Board may prescribe, such reports of its liabilities and assets as the Board may determine to be necessary to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates. Such reports shall be made (A) directly to the Board in the case of member banks, and (B) to the Board through the (i) Federal Deposit Insurance Corporation in the case of insured State nonmember banks; (ii) National Credit Union Administration in the case of insured credit

unions, (iii) Federal Home Loan Bank Board in the case of any institution insured by the Federal Savings and Loan Insurance Corporation or which is a member as defined in Section 2 of the Federal Home Loan Bank Act, and (iv) such State officer or agency as the Board may designate in the case of any other type of bank, savings and loan association, or credit union. The Board shall endeavor to the maximum extent feasible to avoid unnecessary burdens on reporting institutions and the duplication of other reporting requirements, and any data therefrom shall be made readily available to the Board. The Board may classify depository institutions for the purposes of this paragraph, and may impose different requirements on each such class."

RESERVE REQUIREMENTS

Section 2. Paragraphs (1) through (3) of subparagraph (b) of Section 19 of the Federal Reserve Act is hereby amended as follows:

(1) In the case of any member bank the minimum reserve ratio for any demand deposits, savings deposits subject to automatic transfers and deposits subject to negotiable or other payment order of withdrawal, or to any similar instrument used to make payments or transfers in that institution shall be not less than 1 per centum and not more than 15 per centum.

(2) In the case of any member bank deposit other than described in (1) above, the minimum reserve ratio shall be not less than 1 per centum and not more than 8 per centum.

Chairman REUSS. Thank you very much, Mr. Dunn.

There is evidently in your mind some feeling that the passage of H.R. 7 would hurt State bank supervisors and the State banking system. I want to explore that with you. Once H.R. 7 is enacted, that would not in any way detract from the present exclusive power of State bank supervisors to charter State banks, would it?

Mr. DUNN. No, not to charter, Mr. Chairman.

Chairman REUSS. Well, let me go on, then. It would not affect the ability of State bank supervisors to examine State banks, would it?

Mr. DUNN. Not to examine, Mr. Chairman.

Chairman REUSS. And I ask: It would not affect the present ability of State bank supervisors to regulate State banks, would it?

Mr. DUNN. Mr. Chairman, that possibly could create some problems.

Chairman REUSS. I would have thought that, in addition to being able to charter and to examine, as you say now, that H.R. 7 in no way impairs the power of a State bank regulator to find a State bank has done something wrong and take whatever remedial action the State banking law presents.

Mr. DUNN. The problem the majority of State bank regulators are having, Mr. Chairman, and also State banks themselves—and I might add, I think that the national banks are having the same problem—as you well know, in our country—and my State is guilty of it, also—we seem to be passing too many laws, and when we pass too many laws we issue too many regulations. As I said, we are guilty of it. We are trying to stop some of it.

If the Federal Reserve under this bill obtains additional authority, I think that we are talking about additional regulations, we are talking about additional examinations. And the banking industry, in particular the medium- and small-size banks, have got just about all they can take. They can't economically afford too much more regulation, Mr. Chairman.

Chairman REUSS. H.R. 7 exempts entirely from the reserve requirement banks with demand liabilities of $50 million and time liabilities of $50 million, as well as banks whose liabilities are that much but which have additional cash, does it not?

Mr. DUNN. Yes, Mr. Chairman. I think the main concern is where it would stop. Next year would it need to be dropped lower and lower, and would we have eventually all banks with required reserves? Now, I will admit without any question that the bill does not cover this part. But as we seem to progress in life, the banks are telling me and the regulators are telling me that their concern is that this is a foot in the door, and next year they will need a lower reserve. And there have even been comments by people in Washington that they think that all banks ought to be in it and all thrift institutions, savings and loans and everyone should be under universal reserves. This is what we are concerned about, Mr. Chairman.

Chairman REUSS. Now, you are aware of the fact that H.R. 7 departs from the position of the Federal Reserve in one very important regard, namely, the Federal Reserve would not exempt banks of liabilities under $50 million, but instead would require the posting of reserves both on transactions and time deposits down to $10 million.

Mr. DUNN. Yes, I am, Mr. Chairman.

Chairman REUSS. Is the Federal Reserve version, from your standpoint, better or worse than H.R. 7?

Mr. DUNN. I guess the answer is worse Mr. Chairman, I will just be perfectly honest with you. I think we have a very good system now. With what we have suggested, the Federal Reserve could do their job, given a little latitude, and it would not be necessary to have compulsory membership or compulsory affiliation for reserve-setting purposes.

Chairman REUSS. My question was this. You have said that while you observe the $50 million limitation in H.R. 7, the fact that that does allow banks with $100 or $150 million liabilities to escape reserve requirements, nevertheless you fear that the Federal Reserve might one day reduce the limit lower and actually get at banks smaller than those encompassed by H.R. 7.

Mr. DUNN. That is true, Mr. Chairman.

Chairman REUSS. I then ask you whether the Federal Reserve proposition, which, not tomorrow and not 2 years from now but right now, if their bill passes, would apply compulsory reserves to all banks down to a $10 million level—I ask you whether that isn't more inimical to the position of the State bank supervisors than H.R. 7, which simply stops at $50 million.

Mr. DUNN. Mr. Chairman, if I may speak very honestly, I think that would be the lesser of the two evils, yes.

Chairman REUSS. Which would be the lesser?

Mr. DUNN. H.R. 7 would be the lesser of the two evils to us.

Chairman REUSS. I won't take that as an unlimited endorsement of H.R. 7. [Laughter.]

Mr. DUNN. Thank you, Mr. Chairman.

Chairman REUSS. At an early point in your statement, Mr. Dunn, you referred to a quotation I made which was contained in the hearing of last July 27 on the predecessor bill to H.R. 7, which was very much like it, that set reserve requirements at a fixed level much as H.R. 7 does. And you quote from me—I ask unanimous consent that the pages in the record of July 27, 1978, be included at this point in the record, those being pages 49–51, containing what I actually said. And without objection, that will be so ordered.

[A portion of Chairman Reuss' opening statement at July 27, 1978, hearing on "Monetary Control and the Membership Problem" follows:]

(Pages 49 to 51 of the July 27, 1978, hearing MONETARY CONTROL AND THE MEMBERSHIP PROBLEM, are reproduced below:)

Monetary Control: The amendment to H.R. 12706 provides the greatest gain in the effectiveness of monetary policy per dollar of Treasury cost. It would solve the information problem, without imposing an overlapping regulatory jurisdiction on non-member depository institutions. It would eliminate discrepancies between the discount and market interest rates, thereby insuring that banks could not turn a profit by borrowing below-market at the discount window to obtain reserves on which they would then earn a near-market return from the Federal Reserve. It would eliminate the uncertainties now associated with abrupt, sporadic shifts in the discount rate.

While, for reasons of competitive equity, the amendment to H.R. 12706 eliminates the present flexible ranges of reserve requirements in favor of statutorily fixed ones, this would in no way impair the effectiveness of monetary control. The Federal Reserve does not now use reserve requirements for monetary policy. To do so would be clumsy and imprecise. The reserves of the banking system and the cash held by the public can be controlled down to the last penny by open market operations. Why swing a meat ax, when you have a scalpel?

Are universal reserve requirements necessary for monetary control?

No, they are not. Monetary policy is conducted almost exclusively with open market operations: the buying and selling of U.S. government securities by the New York Federal Reserve Bank. This occurs through a network of traders, independently of whether the transacting institutions are or are not members of the Federal Reserve System, of whether they are or are not subject to Federal Reserve-imposed reserve requirements, or of anything else. Reserve requirements are not altered for monetary policy purposes. Universal reserve requirements would have no impact on this aspect of monetary policy.

Reserves held do determine the multiplier relationship between the creation of reserves by open-market operations (the purchase of government securities) and the creation of new money in circulation. This is an important relationship. It is, however, estimated statistically in practice, and for this purpose any schedule of reserve requirements, universal or otherwise, is as good as any other. Since banks hold cash inventories whether they are subject to reserve requirements or not, there is no danger that exempting some classes of depository institutions from reserve requirements would destabilize the relationship between open market operations and money creation.

Are flexible reserve requirements necessary for monetary control?

No, they are not. Since 1935, the Federal Reserve System has been empowered to adjust reserve requirements applicable to member banks within legislated bands. The proposed amendment would set reserve requirements for demand deposits and other transactions accounts of member banks at fixed levels. Six reasons for this change follow:

1. The Federal Reserve does not need variable reserve requirements to conduct monetary policy; open market operations are sufficient.

2. The Federal Reserve, in practice, does not use changes in reserve requirements as a basic tool for the day-to-day implementation of monetary policy. Changes in reserve requirements have been made at an average of once a year since 1935.

3. The large, discrete changes in reserve requirements are a clumsy, imprecise way to change the money supply. Monetary policy would benefit from the elimination of this tool and by concentration on open market operations as a means of controlling the money supply. Through open market operations the monetary base can be controlled very precisely, releasing or contracting reserves to the nearest penny.

Chairman REUSS. If you look at those pages, you inadvertently left out a key sentence. You left out the topic sentence of the paragraph from which you quoted. The quotation starts with me saying: "The Federal Reserve does not now use reserve requirements for monetary policy." The sentence before that, which you left out, reads: "While, for reasons of competitive equity, the amendment to H.R. 12706 eliminates the present flexible ranges of reserve requirements in favor of statutorily fixed requirements, this would in no way impair the effectiveness of monetary policy."

As I say, I know this was inadvertent, but I think the full record should be in there, because what I was saying last July and am saying today—and I think will say while breath remains in me—is that you don't need—while you don't need universal requirements, you don't need flexible requirements, but you do need reserve requirements to act as the post upon which Federal open market policy can be based. However, the record will speak for itself.

On the study prepared by Messrs. Robertson and Phillips, did the Conference of State Bank Supervisors compensate those gentlemen for the study?

Mr. DUNN. We did compensate the people who made the study. Didn't we, Dr. Kreider?

Dr. KREIDER. Yes. It was a commissioned study, Mr. Chairman.

Chairman REUSS. Do you know what you paid them?

Mr. DUNN. No, we don't.

Chairman REUSS. If you could make that available, we would appreciate it.

Mr. DUNN. We will.

[In response to the request of Chairman Reuss, the following information was submitted for the record by Mr. Dunn:]

REPLY RECEIVED FROM MR. DUNN

The records of CSBS reflect that Professor Robertson was paid $4,100 as honoraria, plus $557 for travel and expenses; that Professor Phillips received $2,300 honoraria, plus $158 for travel and expenses.

Mr. DUNN. We apologize, Mr. Chairman, for not including your whole statement. We liked that part.

Chairman REUSS. Well, I can see why you liked that.

Mr. Stanton?

Mr. STANTON. Thank you, Mr. Chairman. Mr. Dunn, we appreciate your testimony here this afternoon.

Just quickly to follow up—I had not planned to ask this question, but in a colloquy a few minutes ago with the chairman, he put out the hypothetical example that, if H.R. 7 should pass and become law of the land in its present form, he asked, would it affect your ability as State supervisors as to your chartering ability or ability to regulate. And at each case you answered no.

I think what the chairman was getting at indirectly—and I am not sure of your answer, in fully realizing that some State supervisors are more aggressive than others, but would H.R. 7 in its present form—would it force States, in your opinion, some of them, anyhow, to feel compelled to alter their own reserve requirements?

Mr. DUNN. Mr. Stanton, I think that we are in agreement with your chart showing the reserve requirements. Let me go back to the principle of my opinion why we have the dual banking system, and why, also, States have reserve requirements, and why the Federal Reserve has reserve requirements.

The States' reserve requirements are set up, in my understanding—we only have one State that has no reserve requirements—they are set up for a safety and soundness basis. The Federal Reserve, of course, when it was formed, I think was set up for a different purpose. Now, I certainly am no expert on it or even propose to be an expert.

We would be concerned if even the banks of $100 million and above that were not willing or did not see any advantage in being a member of the Federal Reserve, and had the extra reserve requirement set on them. The biggest problem we have, Mr. Stanton, at the moment, the majority of banks in this country, regardless of what size, whether you are talking about small banks or large banks, are having a very difficult problem retaining proper capital adequacy. This has come about by many different reasons.

Our recession hurt the banks badly. Inflation has hurt banks badly. In my State I am very much concerned about the net earnings of banks, being able to keep up their capital requirements as they grow and as inflation makes them grow in a dollar amount.

So I think that this is of great concern, if we do extend it down to $100 million and then we get lower. This money that the banks would lose the ability to lend out to the public costs them net money.

Now, we in our State prefer that a bank never pay more than 50 percent of their total net earnings in dividends in any 1 year. This leaves only 50 percent, of course, to go into capital increases. And I can tell you that not only in my State, but I have talked with all of the other Commissioners. They have exactly the same problem. It is very difficult to go to the market and sell bank stock today because there are many other businesses and stocks that give a better return.

Mr. STANTON. Mr. Dunn, State bank supervisors are not the only ones to present the committee today with a detailed bill of what you think should be the answer to the loss of membership.

Mr. Chairman, I, this afternoon, put in a bill on this subject matter, and I wish simply to explain right now why I did it—and I have not asked for any cosponsors, but I did feel that we should have before the committee, and in fairness to the witnesses, and this reminds me of it—we have now a bill from the State bank supervisors. We should have a bill that offers a little different approach.

I am not asking for cosponsors, but just so we can gather information for the purposes of soliciting and eliciting from these witnesses, people who are out in the field and who are going to carry out this policy, and give them the broadest possible approach on which to comment on, and at the same time as they are giving us their own legislative requests. So that was the purpose of putting it in.

And I will, tomorrow or the next day, give an explanation to all of the members so they can be familiar with it. A lot of time, truthfully, was spent on the subject, Mr. Chairman.

I do have one last question, Mr. Dunn. You did—and I agree with you—come out strongly against the mandatory requirements for all types of transactions, especially savings and time deposits, being a challenge to the dual banking system.

But I wonder if you have thought about, or what would your opinion be, of a proposal where universal reserve requirements would only be imposed on transaction accounts—say demand deposits and NOW accounts—and would be put across universally to all types of institutions? And at the same time, requirements for savings and time deposits and reserves would be removed.

I wondered if you had a thought on that, or if you have ever thought of it, and what your thought might be.

Mr. DUNN. Mr. Stanton, let me try to answer the question as best I can.

I think the biggest problem that we are facing is that, as all of you know, interest rates are extremely high. My State alone, at the moment, our legislature is in session, we have a 9-percent limitation on simple interest. We have a 10-percent limitation on real estate loans. If a bill doesn't pass in our legislature by April the 1st, the real estate loans go back to 9 percent.

During the period that, unfortunately, I think was a recession, and may have been a depression, 1972, 1973, and 1974, in those years we saw in our State—the national banks, the State banks, the Federal savings and loans, the mortgage brokers, all lending institutions—suffer through a time when money completely dried up in our State.

We are hoping to go, as many of these States have gone and as has passed our Senate last Friday, to a floating rate bill. Banks are going to, or have gotten out of the lending business because they are paying more for money themselves, even on time deposits, than they can legally lend the money out for.

My main concern is that if we continue to put restrictions, whether it is reserve requirements, or whatever the restrictions are, on the lending institutions of this country, there is not but one person who pays for all of them, and that is the public.

And our interest rates are extremely high. You can blame it on our deficit spending, or whatever you want to blame it on, inflation, but every time we add a new requirement for a new reserve, the public is paying for it. And this is my main concern.

Mr. STANTON. Thank you, Mr. Chairman.

Chairman REUSS. Mr. Ashley?

Mr. ASHLEY. No questions, Mr. Chairman.

Chairman REUSS. Mr. Wylie?

Mr. WYLIE. Thank you, Mr. Chairman.

Do you believe that the decline in the Federal Reserve membership is in the public interest?

Mr. DUNN. Let me say this. I was a national banker, a small national banker. While I was president of the bank, assets never reached over $20 million. So I was under the Fed for 20 years.

Not until after I became a regulator 7 years ago did I really understand how the Fed worked, unfortunately. I have learned something in the last 7 years.

I do think that the Fed has lost some membership. I don't think that it really has been anything you could completely blame on the Fed, other than the fact that had we earlier had explicit pricing and had the reserves been dropped some, I don't think the banks would have left the Federal Reserve.

In my opinion, the reason the banks have left the Federal Reserve is purely a monetary squeeze on the banks themselves, because a bank, on leaving the Fed and not having to keep their membership, even though they are small banks—relatively small banks—picks up a considerable amount of money in today's market.

I do not think that the loss that the Fed has had to this point is anything of any great consequence. I think it can drop a few more percentage points, but I think it is—to some extent, it is healthy, because maybe it is showing the Fed—which they are proposing—that they do need to drop their reserve requirements in some areas; they do need to have explicit pricing; or they do need to pay some sort of interest.

That may be just exactly what they need on some of their reserve requirements.

Mr. WYLIE. I don't have anything really to base this on like the background knowledge that you have, but I have a feeling that the decline in Federal Reserve membership is dangerous to the economic structure of our country and to the banking system in general.

Is there a point beyond which, if there was a decline—I know this may be an intangible question, and it may be hard to put your finger on—but beyond which it might be dangerous, and it might not be in the public interest?

Mr. DUNN. After a while, I think definitely that would be true. If it continued to fall and went beyond a certain point, I think that I would be asking to come back up before this committee and say "please, let's do something."

But all the information that I have heard, and we have tried to gather information, we have talked to other people, we think that the period that they are going through can easily be corrected, and that deposits covered by Fed reserves will not decline a great deal further.

Now it has almost reached the point in that droppage, as far as we are concerned, or the runoff, or whatever you want to call it, that it is down to the point now that the majority of the banks left in it, is in some sort of correspondent banking business.

The correspondent banking system has done a very good job in this country. We just don't think it is going to fall much more, but I would certainly agree with you that if it did, I think I would be one of the first people back up here saying we need to help the Federal Reserve.

Mr. WYLIE. You indicated, I think in your testimony, that as far as you are concerned we don't really need any reserve requirements. Or, that the Fed should not impose reserve requirements on its member banks.

Mr. DUNN. On nonmember banks.

Mr. WYLIE. You didn't come out with a zero-reserve requirement recommendation, did you?

Mr. DUNN. No, sir.

Mr. WYLIE. So you think there should be some reserve requirements on member banks?

Mr. DUNN. I think there should be some. The way the Fed was originally set up, the way it is operating now, they have to have some reserve requirements, yes, sir.

Mr. WYLIE. But that doesn't have any effect on monetary policy?

Mr. DUNN. Many people have written on it, and even past members of the Fed have said that the open market is where the monetary policy is handled, and the way it is set, and the reserves do not control that.

And I certainly am no expert. I will take these people's word on it.

Mr. WYLIE. Could it be a tool of monetary policy? I think that is where Mr. Miller has come out, the Chairman of the Federal Reserve Board, that this bill is essential in the conduct of monetary policy. Do you disagree with that? That reserve requirements are essential?

Mr. DUNN. Some reserve requirements, yes, sir. But the system has worked well in the past, and we just don't think there is any need for additional reserve requirements.

Mr. WYLIE. Thank you.

Chairman REUSS. Mr. St Germain?

Mr. ST GERMAIN. I will pass.

Chairman REUSS. Mr. Hyde?

Mr. HYDE. I will pass.

Chairman REUSS. Mr. Gonzalez?

Mr. GONZALEZ. Mr. Dunn, in your statement you say this is a bill cloaked in the attractive garb of improving monetary control and is being used as a vehicle to perpetuate a tax on consumers of bank services, and as an unwarranted means for extending the Fed's power over the banking system.

I wonder if you could elaborate a little bit on that?

Mr. DUNN. I will be glad to try to, Mr. Gonzalez.

As you know, I think there have been several figures that have been mentioned, but some are between $700 million and $1 billion per year is estimated that this amount of money is a direct tax on banks. And it then of course is passed on, as everything is, to the consumer.

Now the Federal Reserve, I think last year, turned over to the Treasury something like $7 billion as income. We well realize that there is no way, at this point in our country, that the Treasury can do without this amount of money.

We also realize that even the $1 billion would be difficult to do without, but we think over a cycling period, and we are estimating that it should start in 1981, that this between $700 million and $1 billion could be slowly cut out as far as the expense is concerned.

Now if you go to explicit pricing, then it might be done a little quicker than this, but we well realize that we cannot ask, or we don't think it would even be intelligent to say, that this should be cut out immediately.

Banks have been taxed, and I don't think this started out when the Federal Reserve was set up. I don't think the Fed was intentionally proposed as a taxing arm for Federal revenue. I think it happened. I think it exists. I don't think anyone denies that. And I don't think we can just cut it off; I think it has to be done gradually.

Many States have crazy tax laws on banks. They are taxed from two or three different directions. We have the same problem in the State of Georgia. They are not taxed as other corporations. People have been fussing and thinking that banks were getting less taxed, and the figures actually came out that they were paying more than an ordinary corporation. So they are being taxed twice—from an income tax standpoint, and also from this position from the Fed.

And as I said, I do not think it has been done intentionally; I don't think the Fed started out to do it. It has just actually happened.

Mr. GONZALEZ. What about that second part? That this would be an unwarranted means of extended power over the banking system by the Federal Reserve—an "unwarranted means for extending power"?

I know in your statement you offer the argument that the argument used by the Federal Reserve, that this is necessary to round out its control in the formulation of monetary policy. And I realize that.

But leaving that aside, how would this provide unwarranted means for extending the Fed's power?

Mr. DUNN. Let me try to explain it this way.

As you well know, as far as the dual banking system is concerned, there are banks that are chartered under the National Banking Act, which is the Comptroller of the Currency.

There are also banks chartered under the State banking systems, and they are the two primary regulators.

And then the FDIC, of course, is a regulator from the standpoint of the insurance company. The Federal Reserve is a regulator as far as the Federal Reserve people's—the members and holding companies. We feel like the reserves will drop and will continue to drop, and then this will also end up as almost another primary regulator.

And the way the dual banking system evolved—even though it was accidental—we still are the only country in the world that has a dual banking system. Some people say we would be better off not to have a dual banking system, but I contend, Mr. Gonzalez, that even if we are the only country in the world which has a dual banking system, it must be good. It has worked well for us.

So I think that the main concern is not to get too many primary regulators. There are only supposed to be two. We have almost got four. And we feel that if we continue to make banks be members of the Fed by mandate rather than by option, that this would increase the Fed's likelihood to become more of a regulator, rather than the monetary policy decisionmakers.

Mr. GONZALEZ. Thank you very much. My time has expired. I was going to ask one question, and maybe we could do it for the record.

Chairman REUSS. Without objection, the gentleman can continue.

Mr. GONZALEZ. That is, how do you describe the difference between this version of this bill that you are testifying for today, and the one that we had hearings on and considered last autumn before we adjourned?

I am sure you are familiar with that one. And since my time has expired, maybe I should ask unanimous consent that, if you would be kind enough, you offer the answer for the record, I would appreciate it.

Mr. DUNN. I will be more than glad to, if I may, Mr. Gonzalez, since we have a time limitation. I would like to present to you in writing, and to the committee, that part of it, because it would take quite a while to explain.

Mr. GONZALEZ. I appreciate that very much.

[In response to the request of Mr. Gonzalez, the following information was submitted for the record by Mr. Dunn:]

REPLY RECEIVED FROM MR. DUNN

Major differences between H.R. 14072 and H.R. 7 include the following: (1) H.R. 7 would include automatic transfer accounts along with demand deposits at commercial banks for reserve-setting purposes; (2) Transaction accounts held by other types of depository institutions would also be included in H.R. 7 for reserve-setting purposes. Additionally, in H.R. 7 there has been a slight change in the proposed rates to be set for reserve requirements in order to lower the rate on noncheckable savings accounts, but to maintain the same level of total required reserves.

There are other technical changes between the two bills. However, it is the position of the Conference of State Bank Supervisors that both bills are totally unacceptable in that they embody the concept of compulsory affiliation with the Fed for reserve-setting purposes of state-chartered nonmember banks based on a deposit-size test. There is no reason to preempt state reserve-setting authority over state nonmember banks, regardless of deposit size, because the Fed does not require this type authority in order to carry out its monetary policy responsibilities.

As the Conference pointed out in its testimony on February 13, 1979, the Fed has made no showing that the long-established principle of optional affiliation with the Fed for reserve-setting purposes has in any way impeded it in its monetary policy role. CSBS pointed out that the Fed utilizes its Federal Open Market Committee operations almost exclusively for implementing monetary policy—not reserves.

Chairman REUSS. Mr. Shumway?

Mr. SHUMWAY. Thank you, Mr. Chairman.

Mr. Dunn, as a relative newcomer to this discussion, could you tell me: Does the burden of membership in the Fed fall unequally on different-sized banks?

In other words—maybe this is too general for you to respond to—but could you tell me how it might differ, as far as large, or small, or medium-sized banks would be concerned?

Mr. DUNN. Well, if a bank of course is a national bank, they automatically, as you know, I am sure, are members of the Fed.

The larger banks use more services of the Fed, because the majority of your larger banks are in the corresponding business. Your smaller banks use less of the services of the Fed, because they then in turn, rather than using the Fed, go through a large correspondent bank for many reasons—mainly loan participations—and help in this area.

So the majority of the smaller banks, even if they are national banks, do not use the facilities of the Fed like the large banks do. And of course, here again, the State banks have the option of being members, or nonmembers. There are a few, but the great majority of your large State banks are members of the Fed. It is almost a complete necessity that they be so.

Mr. SHUMWAY. Now in your detailed testimony on page 6, you discuss the competitive equity issue. And you state there that: "Only a small fraction of nonmember bank reserves are held on interest-bearing form."

Would you provide the committee with a list of individual State reserve requirements, telling us which States allow reserves to be held in the form of Treasury Bills, or other interest-bearing accounts?

Mr. DUNN. Yes, sir. We do have that information and we will give it to you, and we will have it here by Friday of this week.

Mr. SHUMWAY. I would appreciate it if you could indicate for each State the percentage of reserve requirements held in interest-bearing form.

Mr. DUNN. We have that prepared, and it is ready. We will be more than glad to do that.

[In response to the request of Congressman Shumway, the following information was submitted for the record by Mr. Dunn:]

Representative Norman Shumway asked that the Committee be provided with: (a) A list of individual state reserve requirements; (b) Data indicating which states permit reserves to be held in the form of Treasury bills or other interest-bearing form; and (c) The percentage of required reserves held by nonmember banks in each state in interest-bearing form (pps. 33-34).

With respect to (a), attached are data from the CSBS publication Profile of State-Chartered Banking reflecting individual state reserve requirements for commercial banks for the years 1967 through 1977.

With respect to (b), 1977 Profile data reflect the following 23 states permit reserve requirements of state nonmember banks to be held in the form of Treasury bills or other interest-bearing form:

> California, Colorado*, Connecticut, Delaware, Florida*, Georgia, Kentucky, Maryland, Massachusetts, Michigan*, Minnesota, Nebraska, New Hampshire*, New Mexico, Ohio, Oregon, Pennsylvania*, Rhode Island*, South Dakota*, Texas, Vermont*, Wisconsin* and Wyoming*.

In 13 of the above 23 states, nonmember banks, as a group, hold sufficient noninterest-bearing, reserve-eligible assets to meet state reserve requirements. Therefore, the "privilege" of investing reserve balances in interest-bearing form is, in practice, meaningless in those 13 states.

Reserve requirements against demand deposits in the remaining 10 states (listed above with *) of the above-mentioned 23 states are quite high relative to those of other states, and the reserve requirements of the Federal Reserve. In a ranking of the 50 states by their reserve requirements against demand deposits all but one of these 10 states are in the upper one-half, and four of the six highest states in such a ranking are in this group of 10 states.

With respect to (c), attached is Table 1 which reflects the percentage of required reserves held by nonmember banks in each state in interest-bearing form. As previously indicated, nonmember banks in only 10 states use interest-bearing assets to meet state reserve requirements. In addition, nonmember banks in these 10 states also hold noninterest-bearing, reserve-type assets much as do nonmember banks in other states, and as all member banks do. The average percentage of noninterest-bearing, reserve-type assets to total deposits adjusted in these 10 states as of December 31, 1977 was 7.1%, or only 1.5 percentage points less than the average for all other states. (See Table 2)

This 1.5 percentage point difference has been of itself a small advantage to nonmember banks in the 10 states in question. However, it has been at least partially offset because nonmember banks in those 10 states must, as a result of substantially higher reserve requirements, accommodate their investment portfolios to such interest-bearing reserve statutes. This is a real cost to nonmember banks in these states. They must make investments in volumes they otherwise might not make, and they are forced to forego investments that might be more profitable.

In any event, the maximum benefit derived from interest-bearing reserves in these 10 states cannot exceed the interest income from the reduction in noninterest-bearing, reserve-type assets. This reduction is estimated to be 1.5 percentage points of total deposits adjusted.

Averaging this 1.5 percentage point benefit in the 10 states, with zero benefits in the other 40 states, yields a U.S. weighted average reduction in noninterest-bearing assets as a percent of total deposits of only 0.3 percentage points. By this measure, the privilege of holding reserves in interest-bearing assets relieves nonmember banks nationwide, on average, of approximately 1/25 of their total burden of holding noninterest-bearing assets. Hardly a great benefit. As stated above, even this small fraction may be an overstatement since there is a real cost in the requirement that a stated proportion of interest-bearing, reserve-type assets must be of a certain type or maturity.

STATE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS, AS A PERCENT OF TOTAL DEPOSITS, DECEMBER 21, 1977

State	Reserve requirements as a percent of total deposits: Demand deposits	Time deposits[1]	Unless otherwise indicated, reserves must be held in vault cash or demand balances in banks[2]
Alabama	10	3	
Alaska	20	8	
Arizona	10	4	
Arkansas[3]			
California[4]		5	80% T in U.S. securities
Colorado[5]	15	15	100% in unpledged direct U.S. obligations
Connecticut[6]	12	3	16.7% in U.S. securities
Delaware[7]	7	3	110% in pledged U.S. securities
Florida	20	20	100% in U.S. securities
Georgia	15	5	50% D in U.S. or Fed Agency securities or CDs issued by banks insured by FDIC, provided such securities or CDs are unpledged and mature within 1 year. 100% T in U.S., Fed Agency or Georgia securities.
Hawaii	12	5	
Idaho	15	5	
Illinois	0	0	
Indiana	10	3	
Iowa[8]	7	3	
Kansas[9]			
Kentucky[8]	7	3	100% in U.S. or Kentucky securities or CDs
Louisiana	20	0	
Maine[10]			
Maryland[11]	15	3	100% T and 33-1/3% D in U.S. or Maryland securities
Massachusetts[12]	15	0	80% in U.S. or Massachusetts securities
Michigan	11	6	90% T in U.S. securities
Minnesota	12	3	30% in U.S. securities maturing within 1 year
Mississippi[13]			
Missouri[22]			
Montana	10	3	
Nebraska	15	5	50% in unpledged U.S. securities at market value
Nevada[14]			
New Hampshire	12	5	40% in U.S. securities maturing within 2 years
New Jersey[15]			
New Mexico	12	4	50% in U.S. securities maturing within 100 days
New York[16]			
North Carolina[17]			

North Dakota	8	2	
Ohio[18]	7	3	60% T requirement may be in U.S. Government securities unpledged. 5% T requirement may be in CSV of life insurance policies issued by companies licensed in state. Policies must be owned by the bank and cover lives of directors, officers, or employees of the bank.
Oklahoma[13]			
Oregon	12	4	100% T in U.S. securities maturing within 1 year
Pennsylvania[19]	12	3	50% in U.S., U.S. agency, or Pennsylvania securities
Rhode Island	15	0	60% in U.S. securities maturing within 91 days
South Carolina	7	3	
South Dakota	17.5	17.5	60% in U.S. securities
Tennessee	10	3	
Texas	15	5	100% T in CDs issued by banks approved as depositories by Banking Commissioner
Utah[13]			
Vermont	27	6.5	40% in U.S. securities maturing within 1 year (1/3 of 40% in Vermont securities)
Virginia	10	3	
Washington[17]			
West Virginia	7	3	
Wisconsin[20]	12	12	33-1/3% of D and 58.3%T in U.S. securities maturing within 18 months
Wyoming[21]	20	10	50% in Treasury bills

[1]Unless otherwise indicated, savings deposits have the same reserve requirement as time deposits.

[2]The percentage figures listed below represent the maximum amount of reserves that may be held in the listed types of securities.

[3]Savings deposits: 3%. Time deposits: 3% under \$5mm and 5% over \$5mm. Demand deposits: 8% under \$2mm; 10% over \$2mm up to \$10mm; 12% over \$10mm up to \$100mm; 13% over \$100mm up to \$400mm; 17 1/7% over \$400mm.

[4]Demand deposits: 7 1/2% up to \$2mm; 10% over \$2mm up to \$10mm; 12% over \$10mm up to \$100mm; 13% over \$100mm up to \$400mm; 16 1/2% over \$400mm.

[5]The reserve requirements listed in the table are only applicable to banks which are nonmembers of the Federal Reserve. Member banks are subject to the reserve requirements of the Federal Reserve.

[6]3% reserve requirement on savings deposits and 12 1/2% on demand deposits over \$5mm.

[7] 9% on demand deposits over \$100mm.

[8] 10% on demand deposits in cities designated as Reserve cities.

[9] Savings deposits: 3%. Time deposits, less secured public funds: 3% under \$5mm and 5% over \$5 million. Demand deposits, less secured public funds: 7% up to \$2mm; 9 1/2% over \$2mm up to \$10mm; 11 3/4% over \$10mm up to \$100mm; 12 3/4% over \$100mm.

[10] Savings deposits: 2%. Time deposits: 4%. Now deposits: 8%. Net demand deposits: 10%.

[11] "Total deposits exclusive of public fund deposits which are fully secured in accordance with state law."

[12] 20% on demand deposits for Boston banks.

[13] Same as those applicable to FR member banks.

[14] Time deposits: 3% up to \$5mm and over. Demand deposits: 7 1/2% under \$2mm; 10% over \$2mm up to \$10mm; 12% over \$10mm up to \$100mm; 13% over \$100mm up to \$400mm; 16 1/2% over \$400mm.

[15] Savings deposits and club accounts 3%. Time deposits: 3% of first \$5mm of accounts with initial maturity of less than 180 days, 6% on excess. Plus 2 1/2% of all time deposits with initial maturity of 180 days or more, but less than 4 years, plus 1% of all other time deposits with an initial maturity of 4 years or more. However, in no event may the total of such reserves be less than 3% of total time deposits. Demand deposits: 7% under \$2mm up to \$100mm; 9 1/2% over \$2mm up to \$10mm; 11 3/4% over \$10mm up to \$100mm; 12 3/4% over \$100mm up to \$400mm and 16 1/4% over \$400mm.

[16] Savings deposits: 3%. Time deposits: 3% with two exceptions; 6% on accounts with maturity less than 180 days over first \$5mm exclusion; 1% on accounts with 4 years or more maturity. Demand deposits: 6 1/2% under \$2mm; 9% over \$2mm up to \$10mm: 11% over \$10mm up to \$100mm; 12% over \$100mm up to \$400mm; 15 1/2% over \$400mm.

[17] Savings deposits: 3%. Time deposits: 3% under \$5mm and 6% over 5mm. Demand deposits: 8% under \$2mm; 10% over \$2mm up to \$10mm; 12% over \$10mm up to \$100mm; 13% over \$100mm up to \$400mm; 15% over \$400mm.

[18] 6% on time deposits in denominations of \$100,000 and more with a maturity of less than 6 months and in excess of \$5 million.

[19] 5% on time deposits in excess of \$5 million.

[20] 20% on demand deposits for banks designated as Reserve Agents or depositories.

[21] No bank shall be required to maintain reserves on deposits of the United States, the State, its political subdivisions or postal savings funds, when such funds are secured by lawful negotiable securities which are assets of such banks; provided further that any State bank that is a member of the Federal Reserve shall be required to hold only reserves equal to that of a national bank.

[22] Demand deposit reserve requirements are the same as those applicable to Federal Reserve members. Banks and Trust Companies may maintain reserves as follows: (1) vault cash or (2) demand balances in banks, and more than fifty percent of required reserves may be invested in: (1) Unencumbered obligations of the U.S. Government or obligations which are fully guaranteed, maturing in 5 years or less, (2) Fed funds sold, (3) U.S. Government securities purchased under agreements to resell.

STATE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS, AS A PERCENT OF TOTAL DEPOSITS, NOVEMBER 1, 1975

State	Reserve requirements as a percent of total deposits		Unless otherwise indicated, reserves must be held in vault cash or demand balances in banks[2]
	Demand deposits	Time deposits[1]	
Alabama	10	3	
Alaska	20	8	
Arizona	10	4	
Arkansas[3]			
California[4]		5	80% T in U.S. securities
Colorado[5]	15	15	100% in unpledged direct U.S. obligations
Connecticut[6]	12	5	16.7% in U.S. securities
Delaware[7]	7	3	
Florida	20	20	100% in U.S. securities
Georgia	15	5	100% T in U.S. or Georgia securities 50% D in U.S. securities maturing within 1 year or CD's issued by banks domiciled in Georgia
Hawaii	12	5	
Idaho	15	5	
Illinois	0	0	
Indiana	10	3	
Iowa[8]	7	3	
Kansas[9]			
Kentucky[8]	7	3	100% in U.S. or Kentucky securities or CD's
Louisiana	20	0	
Maine[10]			
Maryland[11]	15	3	100% T and 33-1/3% D in U.S. or Maryland securities
Massachusetts[12]	15	0	80% in U.S. or Massachusetts securities
Michigan	11	6	90% T in U.S. securities
Minnesota	12	3	30% in U.S. securities maturing within 1 year
Mississippi[13]			
Missouri[13]			
Montana	10	3	
Nebraska	15	5	50% in unpledged U.S. securities at market value
Nevada[14]			
New Hampshire	12	5	40% in U.S. securities maturing within 2 years
New Jersey[15]			
New Mexico	12	4	50% in U.S. securities maturing within 100 days
New York[16]			
North Carolina[17]			
North Dakota	8	2	
Ohio[18]	7	3	
Oklahoma[13]			
Oregon	12	4	100% T in U.S. securities maturing within 1 year
Pennsylvania[19]	12	3	50% in U.S., U.S. agency, or Pennsylvania securities
Rhode Island	15	0	60% in U.S. securities maturing within 91 days
South Carolina	7	3	
South Dakota	17.5	17.5	60% in U.S. securities
Tennessee	10	3	
Texas	15	5	100% T in CD's issued by banks approved as depositories by Banking Commissioner
Utah[13]			
Vermont	27	7	60% in U.S. securities maturing within 1 year (1/3 of 60% in Vermont securities)
Virginia	10	3	
Washington[17]			
West Virginia	7	3	
Wisconsin[20]	12	12	33-1/3% of D and 58.3% T in U.S. securities maturing within 18 months
Wyoming[21]	20	10	50% in Treasury bills

Continued from preceding page.

[1] Unless otherwise indicated, savings deposits have the same reserve requirement as time deposits.

[2] The percentage figures listed below represent the maximum amount of reserves that may be held in the listed types of securities.

[3] Savings deposits: 3%. Time deposits: 3% under $5mm and 5% over $5mm. Demand deposits: 8% under $2mm; 10% over $2mm up to $10mm; 12% over $10mm up to $100mm; 13% over $100mm up to $400mm; 17½% over $400mm.

[4] Demand deposits: 7½% up to $2mm; 10% over $2mm up to $10mm; 12% over $10mm up to $100mm; 13% over $100mm up to $400mm; 16½% over $400mm.

[5] The reserve requirements listed in the table are only applicable to banks which are nonmembers of the Federal Reserve. Member banks are subject to the reserve requirements of the Federal Reserve.

[6] No reserve requirement on savings deposits and 12½% on demand deposits over $5mm.

[7] 9% on demand deposits over $100mm.

[8] 10% on demand deposits in cities designated as Reserve cities.

[9] Savings deposits: 3%. Time deposits, less secured public funds: 3% under $5mm and 5% over $5 million. Demand deposits, less secured public funds: 7½% up to $2mm; 10½% over $2mm up to $10mm; 12½% over $10mm up to $100mm; 13½% over $100mm.

[10] Savings deposits: 3%. Time deposits: 3% under $100mm and 5% over $100mm. Demand deposits: 8% up to $10mm and 10% over $10mm.

[11] Reserve required for trust companies may be held in obligations of the U.S., state of Maryland, city of Baltimore, county or municipality of the State up to the following amounts: 5% for demand deposits and 100% for time deposits.

[12] 20% on demand deposits for Boston banks.

[13] Same as those applicable to FR member banks.

[14] Time deposits: 3% up to $5mm; 8%, $5mm and over. Demand deposits: 7½% under $2mm; 10% over $2mm up to $10mm; 12% over $10mm up to $100mm; 13% over $100mm up to $400mm; 16½% over $400mm.

[15] Savings deposits: 3%. Time deposits: 3% with two exceptions; 6% on accounts with maturity less than 180 days over first $5mm exclusion; 1% on accounts with 4 year or more maturity. Demand deposits: 7½% under $2mm; 10% over $2mm up to $10mm; 12% over $10mm up to $100mm; 13% over $100mm up to $400mm; 16½% over $400mm.

[16] Savings deposits: 3%. Time deposits: 3% with two exceptions; 6% on accounts with maturity less than 180 days over first $5mm exclusion; 1% on accounts with 4 years or more maturity. Demand deposits: 6½% under $2mm; 9% over $2mm up to $10mm; 11% over $10mm up to $100mm; 12% over $100mm up to $400mm; 15½% over $400mm.

[17] Savings deposits: 3%. Time deposits: 3% under $5mm and 5% over 5mm. Demand deposits: 8% under $2mm; 10% over $2mm up to $10mm; 12% over $10mm up to $100mm; 13% over $100mm up to $400 mm; 15% over $400mm.

[18] 6% on time deposits in denominations of $100,000 and more with a maturity of less than 6 months and in excess of $5 million.

[19] 5% on time deposits in excess of $5 million.

[20] 20% on demand deposits for banks designated as Reserve Agents or depositories.

[21] No bank shall be required to maintain reserves on deposits of the United State's, the State, its political subdivisions or postal savings funds, when such funds are secured by lawful negotiable securities which are assets of such banks; provided further that any State bank that is a member of the Federal Reserve shall be required to hold only reserves equal to that of a national bank.

STATE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS, AS A PERCENT OF TOTAL DEPOSITS, JULY 31, 1973

State	Reserve requirements as a percent of total total deposits: Demand deposits	Time deposits	Unless otherwise indicated, reserves must be held in vault cash or demand balances in banks
Alabama	10	3	
Alaska	20	8	
Arizona	10	4	
Arkansas[1]			
California[2]		5	80% T in U.S. securities
Colorado	15	15	100% in U.S. securities
Connecticut[3]	12	5	16.7% in U.S. securities
Delaware[4]	8	3	
Florida	20	20	100% in U.S. securities
Georgia	15	5	100% T in U.S. or Georgia securities 50% D in U.S. securities maturing within 1 year or CD's issued by banks domiciled in Georgia
Hawaii	12	5	
Idaho	15	5	
Illinois	0	0	
Indiana	10	3	
Iowa[5]	7	3	
Kansas[6]			
Kentucky[5]	7	3	100% in U.S. or Kentucky securities or CD's
Louisiana	20	0	
Maine[7]	8.5	3	
Maryland[8]	15	4	100% T and 33-1/3% D in U.S. or Maryland securities
Massachusetts[9]	15	0	80% in U.S. or Massachusetts securities
Michigan	11	6	90% T in U.S. securities
Minnesota[5]	12	3	30% in U.S. securities maturing within 1 year
Mississippi[10]			
Missouri[10]			
Montana	10	3	
Nebraska[11]	15	5	50% in U.S. securities
Nevada[1]			
New Hampshire	12	5	40% in U.S. securities maturing within 2 years
New Jersey[12]			
New Mexico	12	4	50% in U.S. securities maturing within 100 days
New York[12]			
North Carolina[14]			
North Dakota	8	2	
Ohio	7	3	60% T in U.S. securities
Oklahoma[10]			
Oregon	15	5	100% T in U.S. securities maturing within 1 year
Pennsylvania[15]	12	3	50% in U.S., U.S. agency, or Pennsylvania securities
Rhode Island	15	0	60% in U.S. securities maturing within 91 days
South Carolina	7	3	
South Dakota	17.5	17.5	60% in U.S. securities
Tennessee	10	3	
Texas	15	5	
Utah[16]			
Vermont	27	7	60% in U.S. securities maturing within 1 year (1/3 of 60% in Vermont securities)
Virginia	10	3	
Washington[14]			
West Virginia	7	3	
Wisconsin[17]	12	12	33-1/3% of D and 58.3% T in U.S. securities maturing within 18 months
Wyoming[18]	20	10	50% in Treasury bills

Continued from preceding page.

[1] Time deposits: 3% under $3MM and 5% over $5mm. Demand deposits: 8% under $2mm; 10% over $2mm up to $10mm; 12% over $10mm up to $100mm; 15% over $100mm up to $400mm; 17½% over $400mm.

[2] Demand deposits: 8% under $2mm; 10½% over $2mm up to $10mm; 12½% over $10mm up to $100mm; 13½% over $100mm up to $400mm; 10% over $400mm.

[3] No reserve required on savings deposits and 12½% on demand deposits over $5mm.

[4] 10% on demand deposits over $100mm.

[5] 10% on demand deposits of banks in cities designated as Reserve cities.

[6] Time deposits: 3% under $5mm and 5% over $5mm. Demand deposits: 8% under $2mm; 10% over $2mm up to $10mm; 12% over $10mm up to $100mm; 13% over $100 mm.

[7] Time deposits: 5% over $5mm. Demand deposits: 12½% over $10mm.

[8] 5% of the reserve required of trust companies on demand deposits may be invested in obligations of the U.S., state of Maryland, city of Baltimore, county or municipality of the State. As well, reserve requirements on time deposits may be invested in the same obligations as permitted to trust companies on their 5% reserve for demand deposits.

[9] 20% on demand deposits for Boston banks.

[10] Same as those applicable to FR member banks.

[11] 30% on demand deposits in cities with population over 25,000.

[12] Time deposits: 3% under $5mm and 5% over $5mm. Demand deposits: 8% under $2mm; 10½% over $2mm up to $10mm; 12½% over $10mm up to $100mm; 13½% over $100mm up to $400mm; 10% over $400mm.

[13] Time deposits: 3% under $5mm and 5% over $5mm. Demand deposits: 7% over $2mm; 9½% over $2mm up to $10mm; 11½% over $10mm up to $100mm; 12½% over $100mm up to $400mm; 17% over $400mm.

[14] Time deposits: 3% under $5mm and 5% over $5mm. Demand deposits: 8% under $2mm; 10% over $2mm up to $10mm; 12% over $10mm up to $100mm; 13% over $100 up to $400mm; 15% over $400mm.

[15] 5% required on time deposits over $5mm.

[16] Time deposits: 3% under $5mm and 5% over $5mm. Demand deposits: 8% under $2mm; 10½% over $2mm up to $10mm; $10mm; 12½% over $10mm up to $100mm; 13½% over $100mm.

[17] 20% for banks designated as Reserve Agents or depositories.

[18] No bank shall be required to maintain reserves on deposits of the United States, the State, or its political subdivisions, or deposits of postal savings funds, when such funds are secured by lawful negotiable securities which are assets of such banks; provided further that any State bank that is a member of the Federal Reserve shall be required to hold only reserves equal to that of national banks.

STATE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS AND TRUST COMPANIES, 1971

(Figures are percentages of deposits: Those not in parentheses apply to all State banks not members of the Federal Reserve System or to such banks other than those described in note 1: those in parentheses to banks designated as Reserve agents or depositories, banks in Reserve cities, or banks in cities exceeding a specified population[1]).

State[2]	Required holdings in vault cash or balances with depository banks		Additional (in securities cash, or due from banks)	
	Demand deposits	Savings deposits[3]	Demand deposits	Savings deposits[3]
Alabama*	11.0	3.0	—	—
Alaska	20.0	8.0	—	—
Arizona*	10.0	4.0		
Arkansas*	15.0	4.0	—	—
California*	12.0 (15-18)	1.0	—	4.0
Colorado	—	—	15.0	15.0
Connecticut*	12.0	5.0	2.0	—
Delaware*	12.5	3.0	—	—
District of Columbia*	16.5	5.0	—	—
Florida	—	—	20.0	20.0
Georgia[8]	15.0	—	—	5.0
Hawaii	12.0	5.0	—	—
Idaho	10.0	10.0	5.0	5.0
Illinois	—	—	—	—
Indiana	10.0	3.0	—	—
Iowa	7.0 (10)	3.0	—	—
Kansas	12.5 (20)	5.0	—	—
Kentucky	7.0 (10)	3.0	—	—
Louisiana	20.0	—	—	—
Maine*[9]	12.0	3.0	—	—
Maryland*[5]	15.0	—	—	3.0
Massachusetts*	9.0 (12)	—	6.0 (8)	—
Michigan*	11.6	.6	—	5.4
Minnesota*	12.0 (15)	3.0	—	—
Mississippi[7]	—	—	—	—
Missouri[7]	(18)	3.0	—	—
Montana*	10.0	3.0	—	—
Nebraska	7.5	2.5	7.5	2.5
Nevada*	11.0	5.0	—	—
New Hampshire*[4]	—	—	—	—
New Jersey*	12.0[11]	3.0[11]	—	—
New Mexico*	12.0	4.0	—	—
New York*	7.0 (10)	3.0	—	—
North Carolina	15.0	5.0	—	—
North Dakota*	8.0	2.0	—	—
Ohio*	12.0	8.0	—	5.0
Oklahoma	12.5 (13)	3.0	—	—
Oregon*	15.0	2.0	—	3.0
Pennsylvania*	7.2	1.8	4.8	1.2
Rhode Island	15.0	—	—	—
South Carolina	7.0	3.0	—	—
South Dakota	7.0	7.0	10.5	10.5
Tennessee	10.0	3.0	—	—
Texas	15.0	5.0	—	—
Utah*	12-16.5	3.0-6.0	—	—
Vermont*	12.0[6]	3.2[6]	18.0	4.8
Virginia	10.0	3.0	—	—
Washington*	12.0[10]	3.0[10]	—	—
West Virginia	7.0	3.0	—	—
Wisconsin	8.0	5.0	4.0	7.0
Wyoming	20.0	10.0	—	—

[1] Applicable to banks designated as Reserve agents or Reserve depositories in Montana, Oklahoma, and Wisconsin; to banks in places with 50,000 to 100,000 population and Reserve depositories in smaller places, 15 percent, and to banks in places with population of 100,000 or over, 18 percent,

STATE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS AND TRUST COMPANIES—Continued

in California, in banks designated Reserve cities in Iowa, Kentucky, and Minnesota; to demand deposits due to banks in Kansas; to Boston banks in Massachusetts; to banks in places with population exceeding 25,000 in Nebraska, 50,000 in Mississippi and Utah, and 200,000 in Missouri, and to banks in Buffalo and Manhattan Borough in New York.

[2] In States marked with asterisk (*) the State banking authority has power (usually within specified limits) to vary the precentage requirements.

[3] Applicable also time deposits except as follows: In Arizona, Connecticut, Nebraska, Rhode Island, Utah, and Wyoming the requirement for time deposits, other than savings deposits, is the same as for demand deposits; in Connecticut the requirement for time deposits is 4.17 percent.

[4] Reserve requirements call for 12 percent of the aggregate amount of the demand deposits plus an amount equal to 5 percent of the aggregate amount of time and savings deposits.

[5] 5 percent of the reserve required of trust companies on demand deposits may be invested in obligation of the U.S., state of Maryland, Baltimore City or county or municipality of the state. As well, reserve requirements on time deposits may be invested in the same obligations as permitted to trust companies on their 5 percent reserve for demand deposits.

[6] Or in direct obligations of the United States, maturing in one year or less.

[7] Same as those applicable to FR Member Banks.

[8] Not more than 50 percent of the required reserves on Demand Deposits may be invested in obligations of the U.S. Government or obligations of government agencies which are guaranteed as to principal and interest by the U.S. Government and which mature in less than one year from the date on which the securities are used as reserves or may be invested in time certificates of deposit issued by State of Georgia chartered banks or National banks demociled within Georgia or in any combination of the above two forms of investment.

[9] 13½ percent for demand and 5 percent for time deposits in excess of $5 million.

[10] 12% percent for demand and 6 percent for time deposits in excess of $5 million.

[11] 13½ percent for demand and 6 percent for time deposits in excess of $5 million.

Source: 1971 Survey of State Bank Supervisors.

STATE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS AND TRUST COMPANIES, 1969

[Figures are percentages of deposits: Those not in parentheses apply to all State banks not members of the Federal Reserve System or to such banks other than those described in note 1; those in parentheses to banks designated as Reserve agents or depositories, banks in Reserve cities, or banks in cities exceeding a specified population [1]]

State [2]	Required holdings in vault cash or balances with depository banks		Additional (in securities, cash, or due from banks)	
	Demand deposits	Savings deposits [3]	Demand deposits	Savings deposits [3]
Alabama*	11.0	3.0		
Alaska	20.0	8.0		
Arizona*	10.0	4.0		
Arkansas*	15.0	4.0		
California*	12.0 (15–18)	1.0		4.0
Colorado			15.0	15.0
Connecticut*	12.0	5.0	2.0	
Delaware*	11.0	3.0		
District of Columbia*	16.5	5.0		
Florida			20.0	20.0
Georgia	15.0			5.0
Hawaii	12.0	5.0		
Idaho	10.0	10.0	5.0	5.0
Illinois				
Indiana	10.0	3.0		
Iowa	7.0 (10)	3.0		
Kansas	12.5 (20)	5.0		
Kentucky*	7.0 (10)	3.0		
Louisiana	20.0			
Maine*	12.0	3.0		
Maryland* [5]	15.0			3.0
Massachusetts*	9.0 (12)		6.0 (8)	
Michigan*	12.0			12.0
Minnesota*	12.0 (15)	3.0		
Mississippi [7]				
Missouri [7]	(18)	3.0		
Montana*	10.0	3.0		
Nebraska	15.0 (20)	5.0	4.0 (3)	1.0
Nevada*	10.0	5.0		
New Hampshire* [4]				
New Jersey*	12.0	4.0		
New Mexico*	12.0	4.0		
New York*	7.0 (10)	3.0		
North Carolina	15.0	5.0		
North Dakota*	10.0	5.0		
Ohio*	12.0	8.0		5.0
Oklahoma	15.0 (18)	5.0		
Oregon*	15.0	5.0		
Pennsylvania*	7.2	1.8	4.8	1.2
Rhode Island	15.0			
South Carolina	7.0	3.0		
South Dakota	7.0	7.0	10.5	10.5
Tennessee	10.0	3.0		
Texas	15.0	5.0		
Utah*	12-16.5	3.0-6.0		
Vermont*	12.0 [6]	3.2 [6]	18.0	4.8
Virginia	10.0	3.0		
Washington	15.0	6.0		
West Virginia	7.0	3.0		
Wisconsin	8.0	5.0	4.0	7.0
Wyoming	20.0	10.0		

[1] Applicable to banks designated as Reserve agents or Reserve depositories in Montana, Oklahoma, and Wisconsin; to banks in places with 50,000 to 100,000 population and Reserve depositories in smaller places, 15 percent, and to banks in places with population of 100,000 or over, 18 percent, in California; to banks in designated Reserve cities in Iowa, Kentucky, and Minnesota; to demand deposits due to banks in Kansas; to Boston banks in Massachusetts; to banks in places with population exceeding 25,000 in Nebraska, 50,000 in Mississippi and Utah, and 200,000 in Missouri, and to banks in Buffalo and Manhattan Borough in New York.

[2] In States marked with asterisk (*) the State banking authority has power (usually within specified limits) to vary the percentage requirements.

[3] Applicable also to time deposits except as follows: In Arizona, California, Connecticut, Nebraska, Rhode Island, Utah, and Wyoming the requirement for time deposits, other than savings deposits, is the same as for demand deposits; in Connecticut the requirement for time deposits is 4.17 percent.

[4] Reserve requirements call for 12 percent of the aggregate amount of the demand and time and savings deposits in bank's commercial department.

[5] 5 percent of the reserve required of trust companies on demand deposits may be invested in obligations of the U.S., state of Maryland, Baltimore City or county or municipality of the state. As well, reserve requirements on time deposits may be invested in the same obligations as permitted to trust companies on their 5 percent reserve for demand deposits.

[6] Or in direct obligations of the United States, maturing in one year or less.

[7] Same as those applicable to FR Member Banks.

STATE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS AND TRUST COMPANIES, 1967

[Figures are percentages of deposits: Those not in parentheses apply to all State banks not members of the Federal Reserve System or to such banks other than those described in note 1; those in parentheses to banks designated as Reserve agents or depositories, banks in Reserve cities, or banks in cities exceeding a specified population [1]]

State [2]	Required holdings in vault cash or balances with depository banks		Additional (in securities, cash, or due from banks)	
	Demand deposits	Savings deposits [3]	Demand deposits	Savings deposits [3]
Alabama*	15.0	4.0		
Alaska	20.0	8.0		
Arizona*	10.0	4.0		
Arkansas*	15.0 (20)	15.0 (20)		
California*	12.0 (15–18)	1.0		4.0
Colorado			15.0	15.0
Connecticut*	12.0	5.0	2.0	
Delaware*	11.0	3.0		
District of Columbia*	16.5	5.0		
Florida			20.0	20.0
Georgia	15.0			5.0
Hawaii	12.0	5.0		
Idaho	10.0	10.0	5.0	5.0
Illinois				
Indiana	10.0	3.0		
Iowa	7.0 (10)	3.0		
Kansas	12.5 (20)	5.0		
Kentucky*	7.0 (10)	3.0		
Louisiana	20.0			
Maine*	12.0	5.0		
Maryland* [5]	15.0			3.0
Massachusetts*	9.0 (12)		6.0 (8)	
Michigan*	12.0			12.0
Minnesota*	12.0 (15)	5.0		
Mississippi	15.0 (25)	7.0 (10)		
Missouri	15.0 (18)	3.0		
Montana*	10.0 (15)	10.0 (15)		
Nebraska	15.0 (20)	5.0	4.0 (3)	1.0
Nevada*	10.0	5.0		
New Hampshire* [4]				
New Jersey*	15.0	3.0		
New Mexico*	12.0	7.0		
New York*	7.0 (10)	3.0		
North Carolina	15.0	5.0		
North Dakota*	10.0	5.0		
Ohio*	15.0	10.0		6.0
Oklahoma	15.0 (18)	5.0		
Oregon*	15.0	5.0		
Pennsylvania*	7.2	2.4	4.8	1.6
Rhode Island	15.0			
South Carolina	7.0	3.0		
South Dakota	7.0	7.0	10.5	10.5
Tennessee	10.0	3.0		
Texas	15.0	5.0		
Utah*	15.0 (20)	15.0 (20)		
Vermont*	12.0 [6]	3.2 [6]	18.0	4.8
Virginia	10.0	3.0		
Washington	15.0	6.0		
West Virginia	10.0	5.0		
Wisconsin	8.0 (13.33)	5.0	4.0 (6.67)	7.0
Wyoming	20.0	10.0		

[1] Applicable to banks designated as Reserve agents or Reserve depositories in Montana, Oklahoma, and Wisconsin; to banks in places with 50,000 to 100,000 population and Reserve depositories in smaller places, 15 percent, and to banks in places with population of 100,000 or over, 18 percent, in California; to banks in designated Reserve cities in Iowa, Kentucky, and Minnesota; to demand deposits due to banks in Kansas; to Boston banks in Massachusetts; to banks in places with population exceeding 25,000 in Nebraska, 50,000 in Mississippi and Utah, and 200,000 in Missouri, and to banks in Buffalo and Manhattan Borough in New York.

[2] In States marked with asterisk (*) the State banking authority has power (usually within specified limits) to vary the percentage requirements.

[3] Applicable also to time deposits except as follows: In Arizona, California, Connecticut, Nebraska, Rhode Island, Utah, and Wyoming the requirement for time deposits, other than savings deposits, is the same as for demand deposits; in Connecticut the requirement for time deposits is 4.17 percent.

[4] Reserve requirements call for 12 percent of the aggregate amount of the demand and time and savings deposits in bank's commercial department.

[5] 5 percent of the reserve required of trust companies on demand deposits may be invested in obligations of the U.S., state of Maryland, Baltimore City or county or municipality of the state. As well, reserve requirements on time deposits may be invested in the same obligations as permitted to trust companies on their 5 percent reserve for demand deposits.

[6] Or in direct obligations of the United States, maturing in one year or less.

Table 1: Noninterest-Bearing, Reserve-Eligible Assets As a Percent of Total Required Reserves, By State, Insured Nonmember Commercial Banks, December 31, 1975.

State	(1) Noninterest-bearing reserve eligible assets (000,000)	(2) Total required reserves (000,000)	(3) Percent col. 1 of col. 2
AL	262	164.5	159.3
AK	18	36.3	49.6
AZ	172	107.3	160.3
AR	266	153.6	173.2
CA*	794	717.1	110.7
CO*	169	244.4	69.1
CT*	239	167.2	142.9
DE	109	95.1	114.6
FL*	934	1,909.2	48.9
GA*	487	468.4	104.0
HI	170	166.0	102.4
ID	52	41.6	125.0
IL	1,024	0	
IN	438	345.2	126.9
IA	494	273.7	180.5
KS	385	258.5	148.9
KY*	524	206.4	253.9
LA	525	384.2	136.6
ME*	68	44.2	153.9
MD*	284	289.9	98.0
MA*	209	158.6	131.8
MI*	271	339.1	79.9
MN*	368	292.8	125.7
MS	304	195.9	155.2
MO	769	489.1	157.2
MT	46	31.9	144.2
NE*	218	224.5	97.1
NV	32	29.4	108.8
NH*	29	40.3	72.0
NJ	257	219.7	117.0
NM*	90	67.7	132.9
NY	697	291.9	238.8
NC	394	321.3	122.6
ND	82	54.0	151.9
OH	245	165.4	148.1
OK	326	208.4	156.4
OR*	122	99.4	122.7
PA*	622	703.0	88.5
RI*	34	37.0	91.9
SC	207	91.5	226.2
SD*	80	137.9	58.0
TN	395	247.7	159.5
TX*	1,736	1,294.6	134.1
UT	83	44.2	187.8
VT*	81	121.8	66.5
VA	202	153.6	131.5
WA	79	78.6	100.5
WV	122	70.5	173.0
WI*	535	869.8	61.5
WY*	24	35.6	67.4

* All or part of state reserve requirements can be met by certain types of interest-bearing assets.

Table 2: Noninterest-Bearing, Reserve-Type Assets of Nonmember Insured Commercial Banks in 10 Selected States Compared With Averages of 40 Remaining States, December 31, 1977.

(1) State	(2) Noninterest reserve-type assets (000,000)	(3) Ratio column 2 to total deposits adjusted	(4) 40-State average ratio	(5) Column 4 minus column 3
Colorado	$ 213,008	.0983	.0860	-.0123
Florida	1,032,486	.0881	.0860	-.0021
Michigan	382,965	.0620	.0860	.0240
New Hampshire	43,883	.0503	.0860	.0357
Pennsylvania	772,663	.0550	.0860	.0310
Rhode Island	41,499	.0353	.0860	.0507
South Dakota	79,196	.0874	.0860	-.0014
Vermont	80,665	.0666	.0860	.0194
Wisconsin	720,352	.0771	.0860	.0089
Wyoming	31,005	.0837	.0860	.0025
Total or Average	$3,397,722	.0709	.0860	.0151

Mr. SHUMWAY. Thank you, Mr. Chairman.

Chairman REUSS. Mr. Vento?

Mr. VENTO. Thank you, Mr. Chairman.

Mr. Dunn, as to the last question, you don't have the information with regard to what the reserves are that are held by nonmember banks in various States ready today; is that right?

Dr. KREIDER. Reserves in interest-bearing form?

Mr. VENTO. Noninterest and interest.

Dr. KREIDER. Yes, we have that.

Mr. VENTO. Is it fair to say there have been changes from State to State with regard to the amount of reserve requirements that exist currently?

Mr. DUNN. Do you mean in just recent years or in the last 10 years?

Mr. VENTO. The last 10 years.

Mr. DUNN. There have been some changes, but you would be amazed at the chart, and I would be glad to give it to you. We were planning on furnishing the entire committee with that.

Mr. VENTO. You did do a study of the changing reserve requirements in States, for State-chartered or State-affiliated banks; is that right?

Dr. KREIDER. We have done that.

Mr. VENTO. You don't have it with you, but you plan on presenting it to the members of the committee? Well, I think it would be interesting, because, of course, you understand that one of the major concerns is that States, by and large, have withdrawn various requirements on State membership.

[In response to the regard of Congressman Vento, the following information was submitted for the record by Mr. Dunn.]

REPLY RECEIVED FROM MR. DUNN

A review of data appearing in the CSBS publication Profile of State Chartered Banking for the period 1967–1977 reflects the following:

22 States made no changes in levels of reserve requirements against demand deposits or time deposits;

12 States changed the levels of reserve requirements in 1973, but these States essentially followed Federal Reserve action in November 1972 in converting to a schedule of variable reserve requirements based on bank size;

5 States made no changes in levels of reserve requirements against demand deposits but lowered those levels against time deposits;

2 States made no changes in levels of reserve requirements against time deposits but lowered those levels against demand deposits; and

9 States reduced the levels of reserve requirements against both demand deposits and time deposits;

For information on how any State adjusted its reserve requirements during the period 1967–1977, please consult the listing of individual state reserve requirements See the previously submitted information on page 410.

Mr. VENTO. The Fed is in an impossible position in terms of trying to maintain membership, and State requirements are being greatly diminished, in fact, to encourage chartering by State.

What is your reaction to that statement?

Mr. DUNN. Well, the first reaction I would have is that that there was only one State, and that is Illinois, that did not have reserve requirements. If any other States have lowered their rates, I will have to plead ignorant on it. I did not know it, sir.

Mr. VENTO. That does make it pretty difficult to compete on that basis, does it not?

Mr. DUNN. If that is true.

Mr. VENTO. Hasn't Ohio just changed its requirements?

Mr. DUNN. Not to my knowledge, no, sir; but I certainly could be wrong.

Mr. VENTO. There are different requirements with regard to branching, as well, aren't there—other types of regulatory requirements that exist?

Aren't there other changes with regard to it?

Mr. DUNN. Not to my knowledge.

Mr. VENTO. You have said you have some fears about the dual banking system. Are State bank supervisors also concerned about losing members where there are no reserve requirements?

Mr. DUNN. I am sorry. I don't understand the question. You are talking about members who have no reserve requirements?

Mr. VENTO. Well, under this proposal, for instance, it would be possible to become a member of the Fed without having reserve requirements if you were a small enough national institution, would it not?

Mr. DUNN. Yes.

Mr. VENTO. What is the attitude of the State bank supervisors with regard to providing a free ride with Fed membership?

Mr. DUNN. Are you talking about losing the bank, the State bank, to a national bank; is that what you are referring to?

Mr. VENTO. Yes, I am.

Mr. DUNN. I have no problem with this at all. We have what we consider, in our State, a very open door policy on it. This is a freedom of choice. If a bank wants to change from a State to a national, we are more than glad to help them do it. If a bank wants to change from a national to a State, we are more than glad to help them do that.

I might point out, in my State, whereas I earlier said we have 375 State banks and 60 national banks, we have had no conversion in either direction for over 4 years. And then we had one conversion each way.

I know in other States there have been some conversions, but I think this is part of the dual banking system. If someone wants to convert, I think they should have the privilege to convert.

Mr. VENTO. How many banks in your State, under the $50 or over the $50 million threshold, would be forced to have State membership? You are, of course, representing a national group. How many banks in Georgia?

Mr. DUNN. How many banks in Georgia? I think it is only about seven.

Mr. VENTO. Only seven. So they all would then be relatively large banks, would they not?

Mr. DUNN. Well, you have to remember in our State, being as prolific as we are, in the total number of banks, we don't have too many banks, when you get right down to it, that are over $100 million.

Mr. VENTO. Staff just called to my attention that there was only one bank that apparently would be added by virtue of this legislation because of the cash reserve requirements, but would satisfy the reserves.

Mr. DUNN. Well, I understood the question, how many banks do I have above that? You are exactly right. I was talking about how many banks over $100 million.

Mr. VENTO. But only one would have to be forced or mandated to have reserves with the Fed. Do you think that would destroy the dual banking system in Georgia?

Mr. DUNN. If they had become a member of the Fed?

Mr. VENTO. Yes.

Mr. DUNN. No, I don't think it would. Also, I don't think if they left the Fed, it would destroy the dual banking system either.

Mr. VENTO. So it wouldn't cause any great problems in Georgia. It might in other States, but you are fighting for the principle, as I understand it?

Mr. DUNN. That is right. I think we need a freedom of choice in this country whatever we do.

Mr. VENTO. One of the questions that you raised in your testimony asked: What does a bank benefit from having membership with the Fed, or having a relationship? Probably the bank doesn't benefit that much, but it is in the public interest that you have an appropriate amount of dollars available in the system and that public interest is very much wrapped up with whether or not the monetary supply is increased or reduced and the vehicles through which we go; so I guess I would just, off the cuff, try and answer it that way.

Thank you, Mr. Chairman.

Chairman REUSS. Thank you, Mr. Vento.

Mr. Campbell?

Mr. CAMPBELL. Thank you, Mr. Chairman.

Mr. Dunn, we are wrapped up in a discussion of theory, and a degree of that theory, it seems like, No. 1, is to whether reserves are required to control monetary policy or not, and, if so, what percentage of the reserves are required, and the fears seem to be coming forth that the reserves have declined. They are around 74 percent in the Fed now, and I believe Chairman Miller said that he would have to have about 68 percent to control monetary policy, if that is what he used. And, of course, there is conflicting testimony.

I would like to ask you, in line with your testimony, on page 8, where you point out the strong relationship between Fed membership and correspondent banking services is evidenced by the fact that about 95 percent of the correspondent banks are members of the Federal Reserve, have you seen any movement by the large corresponding banks to withdraw from the Federal Reserve Board or Federal Reserve membership?

Mr. DUNN. Let me say this. Now, when you speak of large correspondent, that is what I am going to relate to, because there have been a few correspondent banks that are in the correspondent business that have withdrawn from the Fed, but you certainly could not, I think, classify them as large correspondent banks.

And I want to readily admit that there have been a few banks who are in the correspondent business that have withdrawn. There has been no indication that I know of that any of the large banks are even considering withdrawing from the Fed. It is almost impossible for them to do it.

These large banks must have access to the window. They must clear through the Federal Reserve with electronic funds transfer coming on as strong as it is. We think that is where the Fed is going to have a greater and greater responsibility.

So, as I said earlier in my testimony, it may drop a few more points, but most people do not believe that it will drop even to 70 percent. It certainly could.

Mr. CAMPBELL. Let me ask you this, and I don't know whether you have these figures or could get them: Of the 95 percent of all correspondent liability balances that are in member banks that are in the Federal Reserve System, could you tell me what percentage of the total reserves that constitutes?

Mr. DUNN. Off the top of my head, I am sorry, I cannot; but I certainly will endeavor to find the information and get it to you as soon as possible.

Mr. CAMPBELL. I would certainly appreciate your submitting if you could.

Mr. DUNN. Dr. Kreider says the estimate is about 60 percent, but we will get that information.

[In response to the request of Congressman Campbell, the following information was submitted for inclusion in the record by Mr. Dunn:]

REPLY RECEIVED FROM MR. DUNN

Assuming a "large" correspondent bank to be any bank with more than $10 million in demand deposits "due to" other banks, there are 316 such banks in the United States. Of these 316 banks, 287 are member banks, and 29 are nonmember banks.

In these 287 member banks, total deposits are $372 billion, or 45.05 percent of total commercial bank deposits of $825.9 billion.

In addition to this strong correspondent bank Fed membership base, numerous other banks will remain as members of the Fed for various reasons. As Representative Reuss pointed out last year during hearings on related issues, many banks have no intention of leaving the Federal Reserve System.

Mr. CAMPBELL. Mr. Miller says you need 68 percent to control monetary policy. I would be quite interested in seeing that complete figure if you would supply it.

I have no further questions, Mr. Chairman.

Chairman REUSS. Mr. Watkins?

Mr. WATKINS. Thank you, Mr. Chairman.

I would like to express to Mr. Dunn my appreciation for his being here. A friend of yours and a colleague of mine, Congressman Doug Barnard, has mentioned your name a couple of times in some of our discussions. Also Harry Leonard from Oklahoma has brought your name up in some testimony.

Mr. Barnard had discussed with me several questions which he had intended for me to address. However, I think most of them have been answered.

One question, what effect do you feel like that this might have on the dual banking system, as such?

Mr. DUNN. Mr. Watkins, this is a question that is very difficult to answer. I would certainly be the first to admit this. I don't think that anyone can categorically say that if this bill passed, that it would destroy the dual banking system. I absolutely do not think that would happen.

I would like to say though that we are in a field that, the truth of the matter is, I don't think there is anyone that knows exactly what would happen.

I think it is something that we need to diligently study. There is a meeting here, of at least 200 bankers for the next 3 days, that I will attend to study exactly this question. I would not in any manner say that this would destroy the dual banking system, but I think that it is coming closer. This is what concerns me and other State regulators, to putting it at a point that there could be something that way down the line, whether we're talking about 5, 10, or 15 years, that if we keep moving in this direction, that it could have some great effect on the dual banking system.

Mr. WATKINS. In Oklahoma, during the last 2 days, we have had some informal hearings on various legislation that has already passed and various legislation being proposed. The effect on the dual banking system was the one thing that was probably batted around as much, if not more, than anything else.

I would like to express for Congressman Barnard, his personal appreciation, for you being with us today. I think he had transportation problems and could not be here today at this time. I know he would have loved to have been present during your testimony, but I would just like for you to know that we think very highly of him, and he is doing a great job in Congress for the people of Georgia.

Mr. DUNN. Mr. Watkins, I am glad that he was with you, because I was going to speak to him later about why he wasn't here while I testified today.

Mr. WATKINS. He was in very safe hands, I might say.

That is all I have, Mr. Chairman.

Chairman REUSS. Thank you, Mr. Watkins.

Mr. Green?

Mr. GREEN. I apologize, Mr. Chairman, that another meeting took me away for part of the questioning. At the risk that I may be going over ground that others have gone over, even conceding, for the moment, that there are other ways of dealing with the issue of control of the money supply and adequate statistical data for the Fed, isn't it a fact that the continuance of the Fed as a profitable enterprise is of significance in terms of the independence of the Fed? And isn't that something that the whole banking system ought to be concerned about and not just those that may have benefits because they are correspondent banks and need access to the window?

Mr. DUNN. Mr. Green, let me say this at this point, and I appreciate your asking the question, because I was going to ask the chairman if I could make a statement at the end, but I think I can cover it with your question, I have a great deal of sympathy for the Federal Reserve.

The Federal Reserve, particularly in the last 6 or 7 years, has gone through a very difficult time trying to help control the monetary policy of our country.

I personally think that the Federal Reserve does not have quite the leverage that they need for this purpose. I think they need a little more flexibility. I think you gentlemen need to help them, as

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we have suggested; and it is not proposed legislation, because we have not asked anyone to introduce it, and we don't intend to.

But I think that the Federal Reserve has definitely some problems. I think they need some help in solving them, and certainly you gentlemen understand and know that they have some problems.

We would like to see you try, first, some simple remedies, rather than going to some extent that could—and I am not one of these great people who waves the dual-banking flag; I don't believe in it; I believe in freedom of chcice, and I don't believe in waving a flag, because I have been on both sides. But I think that you are definitely right, and I would like to commend Chairman Miller. He is doing an excellent job, in my opinion. He needs a little help, and even though I am sure he will not think that the testimony that I have given today is of great help to him, I would like to assure him, before this committee, that we do realize his problems, we do realize he needs help. We just don't want him to go too far, Mr. Chairman.

Mr. GREEN. I guess if I could pursue my question this is a matter of concern. I certainly appreciate your statement.

Mr. DUNN. If the Federal Reserve isn't healthy, it doesn't matter whether banks are members or not.

Mr. GREEN. Well, don't we have to take some step, like the chairman's bill, if we are going to put the Fed on a firm footing?

Mr. DUNN. Well, definitely, if the membership—and I said—Mr. Green, one of the first things I said was that if the membership continues to slip, give it a little time—if it continues to slip, I will be one of the first people back up here asking you to do something to stop it, but we really do not think it will go much lower than it is now.

Mr. GREEN. I yield back the balance of time, Mr. Chairman.

Chairman REUSS. Does any other member desire additional time?

Mr. VENTO. Mr. Chairman.

Chairman REUSS. Mr. Vento.

Mr. VENTO. Thank you, Mr. Chairman.

Mr. Dunn, wasn't the Federal Reserve membership over 80 percent of the assets in the marketplace?

Mr. DUNN. At what period?

Mr. VENTO. Well, I don't have the figures right in front of me, but it was 83 percent at one time, was it not?

Mr. DUNN. I will be perfectly honest with you, I don't know.

Mr. VENTO. So you don't know really how far it has declined? Here are the percentages right here. In 1945, it was 86 percent. In 1978, they characterize it as being 70.8 percent. That apparently is a projection. Are you aware of that?

Mr. DUNN. Yes, sir. But I think that if you are talking about the difference between 1945——

Mr. VENTO. Let us move up a little further. For 20 years—in 20 years, it dropped 11 percent. And in 8 years, it has dropped almost 5 percent. And it has not gone up in one of those years from 1945, according to the material I have.

Maybe they selected all the wrong years, because it does jump by fives, but it might be something that you would want to look at, in light of your concern, because based upon what you've just said, if it went much below 70 percent, you would be back up here testifying differently.

Mr. DUNN. Mr. Vento, let me answer that very simply. I think you are right. I know the figures are correct, but had the Fed dropped some of their requirements just slightly, even less than the one-fourth that we threw out as a recommendation, I think they would not have lost some of those.

I can't prove it, but I don't think the Fed can either.

Mr. VENTO. The other side of the coin is, of course, that they have offered a number of services, have they not—special services, or advantages, that would seem to be an incentive for members to belong? Don't you think their services have any value at all?

Mr. DUNN. They certainly have; for the right-sized bank, they definitely have services. And there is a definite need for some of the other banks.

Mr. VENTO. The point is it is just a question of what types of incentives they have and what they really have in terms of what they earn with the money. That isn't, of course, the entire amount that they turn over to the Treasury, which some people think is the case. It certainly is not the case, is it, that the Federal Reserve System does not earn $6 billion a year, do they?

Mr. DUNN. I had understood they did, sir. I don't know where they got it from.

Mr. VENTO. I think, if you check into it, you will find out the reserves do not earn that much money.

Mr. DUNN. No, the reserves themselves—no, sir, they make it on the market.

Mr. VENTO. That is right. So they don't make that money from the reserves that they hold?

Mr. DUNN. No, sir. As I said earlier, the estimate is somewhere between $700 million and $1 billion per year earned off the reserves, the rest of it on the open market.

Mr. VENTO. Well, I appreciate your testimony and your concerns. And, based on that, I hope you will evaluate this, and maybe you will be back in a little while to testify differently.

Mr. DUNN. I hope I am not back, for the Federal Reserve standpoint, but I certainly will be if it is necessary.

Mr. VENTO. Thank you.

Mr. DUNN. Thank you.

Chairman REUSS. Thank you very much, Mr. Dunn, and Dr. Kreider, for your very helpful testimony, your offering of an alternative, which will certainly be fully considered, and your good humor throughout.

Mr. DUNN. Thank you, Mr. Chairman. It is alway an honor to be here.

Chairman REUSS. We stand adjourned, until 9:30 on Thursday morning, at this place, for further hearings.

[Whereupon, at 3:40 p.m., the hearing was adjourned, to reconvene at 9 a.m., Thursday, February 15, 1979.]

MONETARY CONTROL

THURSDAY, FEBRUARY 15, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS.
Washington, D.C.

The committee met at 9:30 a.m., in room 2128 of the Rayburn House Office Building, Hon. Henry S. Reuss (chairman of the committee), presiding.

Present: Representatives Reuss, Gonzalez, D'Amours, Vento, Barnard, Watkins, Stanton, Hyde, Paul, Bethune, Shumway, and Campbell.

Chairman REUSS. Good morning. The House Committee on Banking, Finance and Urban Affairs will be in order for consideration of witnesses in its continuing effort to combat inflation by providing adequate monetary controls and for monetary authorities.

We are privileged to have a delegation from the State of Hawaii, and very shortly I expect Congressman Akaka to join us.

Meanwhile, in order to use the time most appropriately I will ask Mr. Dennis Y. M. Ching, on behalf of the Hawaii Bankers Association, to proceed, awaiting the Congressman and such other gentlemen who want to be heard.

STATEMENT OF DENNIS Y. M. CHING, PRESIDENT, HAWAII BANKERS ASSOCIATION, AND CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, AMERICAN SECURITY BANK, ACCOMPANIED BY WILSON P. CANNON, JR., CHAIRMAN AND CHIEF EXECUTIVE OFFICER, BANK OF HAWAII, HUGH R. PINGREE, EXECUTIVE VICE PRESIDENT, FIRST HAWAIIAN BANK, AND DR. THOMAS K. HITCH, SENIOR VICE PRESIDENT AND ECONOMIST, FIRST HAWAIIAN BANK

Mr. CHING. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, the Hawaii Bankers Association very much appreciates this privileged opportunity to express our views on the Monetary Control Act of 1979, and the impact H.R. 7 will have on the State-chartered banks and on our economy in Hawaii.

I am Dennis Y. M. Ching, president of the Hawaii Bankers Association and chairman of the board and chief executive officer of the American Security Bank. Three other Hawaii bankers join me in this hearing: Wilson P. Cannon, Jr., chairman and chief executive officer of the Bank of Hawaii; Hugh R. Pingree, executive vice president of First Hawaiian Bank; and Dr. Thomas K. Hitch, senior vice president and economist for the First Hawaiian Bank.

I want to start my testimony by pointing out that there is a considerable difference between the banking industry in Hawaii and the banking industry in the 49 continental States. The most striking difference is the relative absence of membership in the Federal Reserve System in Hawaii. Of the bank deposits in Hawaii, 96 percent are in nonmember banks, with the average of the country being only 27 percent.

Chairman REUSS. Excuse me.

Mr. Heftel, would you like to come up and take your seat? Mr. Ching had started on his statement, but we will recognize you. We are honored to have you here.

Mr. Ching, you may continue,

Mr. CHING. Puerto Rico, for reasons which parallel Hawaii, has 91 percent of its banks' deposits in nonmember banks. This fact alone makes the offshore areas of the country quite different from continental areas when Fed membership legislation is being considered.

Any legislation, such as H.R. 7, which imposes reserve requirements on nonmember banks, therefore has a much greater impact on Hawaii than it has on other States.

For example, the 1978 Proxmire bill was analyzed to determine its impact on bank earnings State-by-State, and it was found that that bill would have improved the earnings of banks in 42 of the States and in the District of Columbia, and that it would have had an adverse impact on the earnings of banks in 8 States. Of the total adverse effect in these States, Hawaii's share would represent over 23 percent.

While the impact of H.R. 7 would be slightly different from that of the 1978 Proxmire bill, the relative impact among the States would be about the same.

The relative absence of member banks in Hawaii is not just happenstance, nor is it a recent occurrence. Until 1959, no banks in Hawaii were members of the Federal Reserve System, nor had any bank ever been a member.

Chairman REUSS. Excuse me, again.

Representative Akaka, we are delighted to have you here, if you would join us. And we will call on you for your statement very shortly. Meanwhile, we will let Mr. Ching proceed.

I should tell Mr. Ching and his colleagues that you have two very aggressive Representatives here, and they are highly respected in the House, and I am not telling any secrets when I say that. They have been bending my ear a little bit about the particular history of Hawaii banking, so what you are saying is not entirely new.

Mr. CHING. Thank you very much.

In 1959, as a coincidence of statehood, one bank which was operating as a nationally chartered nonmember bank was forced into membership, but it resigned a few years later when it became abundantly clear that there was not a single benefit of membership.

It is true that the two banks that have been chartered in Hawaii in recent years were chartered as national banks, and hence were automatically members of the Fed, but they chose a national charter in spite of built-in Fed membership because that was the most expedient way that they could obtain a bank charter. These two banks represent only 4 percent of the bank deposits in Hawaii.

The reason that Hawaii's banks have not been members of the Fed is that it is not possible—by virtue of their being located 2,400 miles and several time zones away from the closest Federal Reserve bank—to integrate any of their operations into the Federal Reserve System. The only result of membership would be the privilege of owning some stock that paid inconsequential dividends and maintaining deposits that paid no interest.

To understand our position, it is necessary to appreciate the impossibility of coordinating bank practices in an area as remote as Hawaii with the Federal Reserve System. One of the chief benefits of the Federal Reserve System has been the availability of the discount window; yet in the 10 years that First Hawaiian Bank, one of our largest banks, was a member of the Fed, it never once used the discount window, primarily because of the problems of sending collateral by courier to San Francisco.

Nor is check-clearing through the Fed a feasible practice for Hawaii banks. At best, the float time in clearing mainland checks through the Federal Reserve System is 1 full day to the west coast and 2 days to the east coast, not counting holidays and weekends. This is approximately twice the time required for clearing through correspondent banks. One of the larger banks in Hawaii has made a study of this and found that clearing through the Fed would immobilize nearly as much money as half the vault cash it normally maintains.

Other activities of the Fed which form part and parcel of the national banking system but which are beyond the reach of banks as remote as Hawaii's are the collection of noncash items, safekeeping of securities, fund transfers, purchase and sale of securities, and so forth.

We have made an analysis of how this proposed type of legislation would affect different groups of banks in the country, and we find that the only banks that would suffer significant costs and disadvantages from this bill with no compensating benefits or savings would be the nonmember banks in Hawaii which account for practically all the banking services of the State, plus half a dozen large nonmember banks in Puerto Rico whose situation is similar to ours.

The bill would lower the reserve requirements of large member banks on the mainland and eliminate the reserve requirements of all banks with less than $100 million in deposits. The only banks that would face higher costs are several hundred large nonmember banks but those that are located on the mainland will have available to them the full services of the Fed at prices which, while mandated by the bill to cover all costs, are unquestionably going to be attractive enough to guarantee that the vast bulk of the banks on the mainland will benefit by using them.

Under these circumstances, the obvious solution is to exempt from the coverage of the reserve requirements sections of H.R. 7 to the offshore banks of the country. We will be happy to comply with the reporting and other nonreserve requirements of the bill, but we feel that the circumstances of geography result in the reserve requirements parts of the bill having an adverse impact on us that this should be recognized in any legislation on this subject.

If H.R. 7 were amended to specify that the banks covered by the reserve requirements were those in the continental United States, then offshore State banks would continue to hold reserves in accordance with existing regulations of their regulatory agencies, and since the bulk of these reserves are held on deposit with banks in the continental United States, those reserves would be subject to the reserve requirements of the bill.

Thus, the offshore State banks would continue to maintain reserves which are completely adequate to insure financial security, and some of these reserves would be represented in the deposits of our correspondent banks with the Federal Reserve System.

Let me underscore the point that this request is not unique nor is it out of order. As our Representative, the Honorable Cecil Heftel, will be noting, the Congress in enacting legislation, and various administrative agencies in promulgating rules and regulations, have on many occasions made provisions for the special circumstances of various areas of the country, most frequently the far-distant offshore areas such as Hawaii. He will cite a number of instances in which the vagaries of geography not only make the application of national legislation inappropriate to offshore areas, but also dictated legislative or administrative exemption or special treatment.

I might add that, for the first 46 years of the Federal Reserve System, banks in Hawaii were able to operate under a national charter, but with no requirements of Federal Reserve membership being applied—a close analogy to what we recommend at this time.

Finally, I would also like to underscore the point that the exemption of banks in Hawaii from the reserve requirements of this legislation would in no conceivable way weaken the power of the Federal Reserve Board on its conduct of monetary policy. The de minimis nature of this issue is shown by the fact that the six Hawaiian banks involved account for only 0.4 percent of the total deposits of commercial banks in the United States. The six Puerto Rican banks, assuming they would be covered, would add only another 0.4 percent.

By contrast, the $100 million exemption of H.R. 7 excludes on the same de minimis grounds approximately one-third of total U.S. commercial bank deposits.

Mr. Chairman, this concludes my testimony. I wish to thank you for your attention.

[Tables accompanying Mr. Ching's statement follow:]

TABLE I

NET IMPACT OF THE PROXMIRE BILL ON PROFITS OF BANKS, BY STATES

(In Thousands of Dollars)

	STATE	CHANGE IN PROFITS	PERCENT OF TOTAL
		(MINUS)	
1.	Hawaii	6,732	23.4
2.	Maryland	5,709	19.8
3.	Delaware	5,454	18.9
4.	Connecticut	3,686	12.8
5.	Arizona	3,258	11.3
6.	Rhode Island	2,634	9.2
7.	Vermont	1,043	3.6
8.	North Carolina	283	1.0
	Total	28,799	100.0
		(PLUS)	
9.	Maine	153	0.03
10.	Oregon	277	0.05
11.	Idaho	505	0.09
12.	Nevada	647	0.1
13.	New Hampshire	1,216	0.2
14.	Utah	1,293	0.2
15.	Alaska	1,315	0.2
16.	South Carolina	1,669	0.3
17.	Massachusetts	2,755	0.5
18.	District of Columbia	3,335	0.6
19.	North Dakota	3,625	0.6
20.	New Mexico	3,817	0.7
21.	Wyoming	3,955	0.7
22.	South Dakota	4,050	0.7
23.	Mississippi	4,443	0.8
24.	Washington	4,474	0.8
25.	New Jersey	5,182	0.9

TABLE I

(Continued)

	STATE	CHANGE IN PROFITS (PLUS)	PERCENT OF TOTAL
26.	Montana	6,200	1.1
27.	Michigan	6,901	1.2
28.	Tennessee	7,633	1.3
29.	West Virginia	7,814	1.4
30.	Arkansas	7,948	1.4
31.	Nebraska	8,204	1.4
32.	Pennsylvania	8,205	1.4
33.	Louisiana	8,285	1.5
34.	Alabama	9,013	1.6
35.	Kentucky	9,186	1.6
36.	Kansas	10,076	1.8
37.	Iowa	10,953	1.9
38.	Wisconsin	10,982	1.9
39.	Virginia	10,986	1.9
40.	Colorado	11,107	2.0
41.	Georgia	12,151	2.1
42.	California	12,417	2.2
43.	Indiana	14,235	2.5
44.	Missouri	14,473	2.6
45.	Oklahoma	14,843	2.6
46.	Minnesota	16,611	2.9
47.	Ohio	17,972	3.2
48.	Florida	21,920	3.9
49.	Illinois	59,881	10.5
50.	Texas	68,043	12.0
51.	New York	139,277	24.5
	Total	568,027	99.87

Source: Data provided to Senator Inouye by Senator Proxmire

TABLE II

FIRST HAWAIIAN BANK

FLOAT ANALYSIS
CORRESPONDENT BANKS
(FIGURES IN THOUSANDS $)

	AVERAGE DAILY CASH LETTER	AVERAGE DAILY FLOAT CORRESPONDENT BANKS
BANK OF AMERICA	$ 2,880	$ 864
CROCKER NATIONAL BANK	1,920	2,592
FIRST NATIONAL OF CHICAGO	2,280	1,642
SEATTLE FIRST	1,080	346
SECURITY PACIFIC	1,200	1,116
FEDERAL RESERVE BANK, S.F.	2,280	
WELLS FARGO	240	
BANK OF CALIFORNIA	120	
TOTAL	$12,000	$6,560

FLOAT FACTOR

$$\frac{\text{AVERAGE DAILY FLOAT}}{\text{AVERAGE DAILY CASH LETTER}} \; \frac{\$\ 6,560}{\$12,000} = .546$$

FLOAT ANALYSIS PROJECTION
CASH LETTER SENDS TO FEDERAL RESERVE OFFICES
(FIGURES IN THOUSANDS $)

	AVERAGE DAILY CASH LETTER NUMBER OF ITEMS	$ AMOUNT	CREDIT AVAILABILITY
TREASURY CHECKS AND POSTAL MONEY ORDERS	2,080	$ 1,680.0	IMMEDIATE
FEDERAL RESERVE OFFICES			
BOSTON	920	240.0	2 DAY
NEW YORK	3,000	1,200.0	1 DAY
PHILADELPHIA	280	60.0	2 DAY
CLEVELAND	320	84.0	2 DAY
RICHMOND	760	276.0	2 DAY
ATLANTA	560	840.0	1 DAY
CHICAGO	1,520	540.0	1 DAY
ST. LOUIS	280	48.0	2 DAY
MINNEAPOLIS	320	72.0	2 DAY
KANSAS CITY	880	240.0	2 DAY
DALLAS	1,160	264.0	1 DAY
SAN FRANCISCO	7,520	5,736.0	1 DAY
TRAVELER'S CHEQUES	20,400	720.0	½ DAY*
	40,000	$12,000.0	

CREDIT AVAILABILITY	AMOUNT		FLOAT AMOUNT
IMMEDIATE	$1,680	X 0	$ -0-
½ DAY	720	X .5	360
1 DAY	8,580	X 1.4	12,012
2 DAY	1,020	X 2.8	2,856
	TOTAL FLOAT	- -	$15,228

$$\text{FLOAT FACTOR } \frac{\$15,228}{\$12,000} = 1.268$$

*TRAVELER'S CHEQUES WILL GO TO CORRESPONDENT BANKS

TABLE III

Banks grouped by impact of 1978 Proxmire Bill (S. 3485)	Benefits and Savings	Costs and Disadvantages
762 Large Member Banks	Reserve requirements for most of these banks significantly reduced, plus a lower maximum allowable reserve ratio	Would have to pay for Fed services
4,902 Small Member Banks	All reserve requirements eliminated	Would have to pay for Fed services
8,374 Snall Nonmember Banks	Discount window open	None
349 Large Nonmember Banks in continental United States	Discount window open and Fed services available at reasonable cost	Same reserve requirements as large member banks
6 Large Nonmember Banks in Hawaii [and possibly 6 Large Nonmember Banks in Puerto Rico]	None	Same reserve requirements as large member banks

"Large" means large enough to be required to maintain reserves

"Small" means small enough to be exempt from reserve requirements

Source: William Proxmire lettter to Mr. Willis W. Alexander of the American Bankers Association included in text of House Banking Committee Report on H.R. 14072

Chairman REUSS. Thank you very much, Mr. Ching, for a very able statement.

We would now like to hear from our friends and colleagues in Congress.

Congressman Heftel, if you would lead off.

STATEMENT OF HON. CECIL (CEC) HEFTEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. HEFTEL. Thank you very much, Mr. Chairman and members of the committee. We certainly appreciate the time that you are affording us from Hawaii on the subject of H.R. 7.

I would ask unanimous consent to place my prepared statement in the record.

Chairman REUSS. Without objection, it will be received.

Mr. HEFTEL. I will summarize, because I think many of the basic facts have been enumerated by Mr. Ching very well.

I think my primary concern, and that of my constituents, is that Hawaii is not in a position to do anything about its economic life in relation to its location. We are 2,500 miles from the west coast, about 6,000 miles from the east coast. We have about a 6-hour time differential, some 7 months of the year; 5 hours, the balance of the year. And we have to live with those differences.

Because we don't have contiguous geographic areas with banking resources for a people to develop alternate banking relationships, Hawaii has to be self-sustaining in the way the funding is available to us and the way we counsel with our banking resources. And so I would hope that we would take a look at what happens to Hawaii because of its location, over which none of us have any control, and over a time differential.

I think we in the Congress realize that we need to have fairness and equity in this legislation. And I suppose that is primarily what we are asking for today; namely, that the committee examine what happens to Hawaii, with less than four-tenths of 1 percent of the population in the Nation, contrasted to the fact that some 23 percent of the cost factor, the impact factor, falls on Hawaii, among the eight States that are negatively impacted as a whole by H.R. 7.

And if we can impose upon your time and energies to look at Hawaii in relation to its isolation and the impact of this bill upon it in relation to the other continental States, I think we would be very appreciative of that fact.

And I would be glad to answer any questions you may have.

[Congressman Heftel's prepared statement follows:]

Testimony of Cec Heftel

United States Representative

State of Hawaii

Before The

Committee on Banking, Finance, and Urban Affairs

U.S. House of Representatives

Mr. Henry S. Reuss, Chairman

February 15, 1979

The reserve requirements provisions of H.R. 7 affect the banking industry of the several states quite differently. In most states, the immediate effect will be to reduce reserve requirements materially, and therefore benefit the banking industry and the economy of those states, but in a handful of states the effect will be an increase in bank reserves and a negative impact on the economy. Of all states where bank reserves will have to be increased, Hawaii is far and away the most seriously affected. The Hawaii Bankers Association has calculated (See Table I. attached) that the six affected banks in Hawaii would, under H.R. 7 have to withdraw some $91 million from circulation in order to meet the reserve requirements, and I am deeply concerned that immobilizing $91 million of bank loan resources would have a serious adverse impact on Hawaii's economic development and on the provision of housing for our citizens. To pull $91 million of loanable assets out of the banking system in Hawaii would have a major impact on the ability of the local banks to take care of the financial needs of individuals (for mortgages and personal loans) and of the financial needs of business and commerce. While $91 million is an insignificant sum as far as control of the nation's money supply is concerned, it is a very big amount in Hawaii's economy. Hawaii, as you know, represents only a small fraction of one percent of the national economy, so that $91 million to us is the equivalent of nearly $21 billion to the national economy.

Hawaii has been a capital-short state for many years, and the state government has undertaken various programs to attract investment capital for its economic development. We have been quite successful, as attested by Hawaii's growth rates which have been well above the national level for the past ten years. One reason for the success has been the ability of our local banks to induce Mainland correspondent banks to participate with our banks in loans that otherwise could never have been made, as a result of our keeping deposits in those Mainland banks. If our banks have to draw down our deposits with the Mainland banks in order to maintain sterile reserves in the vaults of the San Francisco Federal Reserve Bank, we would see this multiplier effect in reverse, and Hawaii's capital shortage would worsen.

For these reasons, I ask that Hawaii be exempted from the provisions of H.R. 7 relating to bank reserve requirements.

In asking that Hawaii's banks be exempted from the reserve requirements sections of this bill, we are not asking for any kind of special treatment that hasn't been accorded various areas of the country by this Congress on many occasions when the circumstances of geography make the application of national legislation inappropriate. Certainly H.R. 7 is a case in point. I am hopeful that the Committee will carefully review the manner in which this bill affects Hawaii, not because we are Hawaii, but because of our geographic location and the time difference involved. These are realities that the people of Hawaii cannot escape.

The purpose of H.R. 7 is to facilitate the implementation of monetary policy in order to contribute to the economic welfare of the country. Including six offshore banks in Hawaii in this legislation will obviously do nothing to facilitate the implementation of national monetary policy, yet the uniquely adverse impact of their inclusion is such that irreparable damage would be done to the state's whole economy.

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TABLE I

ESTIMATED IMPACT OF PROPOSED HOUSE BILL #7 (REUSS)

TO INCREASE RESERVE REQUIREMENTS OF HAWAII BANKS

(BASED ON BALANCES AS OF DECEMBER 31, 1978)

(In thousands of dollars)

	AMERICAN SECURITY	BANK OF HAWAII	BANK OF HONOLULU	CENTRAL PACIFIC	CITY BANK	FIRST HAWAIIAN	HAWAII NATIONAL	LIBERTY BANK	TOTAL
I. Demand Deposits	$ 90,077	$ 536,259	$14,912	$ 87,306	$ 58,733	$ 466,669	$43,553	$51,027	$ 1,348,536
Less: Items in Process of Collection	19,596	64,204	3,316	-	2,180	86,846	6,223	9,836	192,201
Due from Domestic Banks	9,589	65,647	258	27,193	16,233	28,313	4,275	2,388	153,896
Adjusted Demand Deposits	60,892	406,408	11,338	60,113	40,320	351,510	33,055	38,803	1,002,439
Exemption	50,000	50,000	11,338	50,000	40,320	50,000	33,055	38,803	323,516
Deposits Subject to Reserves	10,892	356,408	-	10,113	-	301,510	-	-	678,923
Rate	.095	.095	.095	.095	.095	.095	.095	.095	.095
Required Reserves	1,035	33,859	-	961	-	28,643	-	-	64,498
II. Time Deposits with Maturities less than 180 days	72,165	264,268	10,459	96,166	57,750	260,461	29,198	39,404	829,871
Exemption	20,200	16,211	10,459	20,223	23,718	18,124	19,675	23,234	151,844
Deposits Subject to Reserves	51,965	248,057	-	75,943	34,032	242,337	9,523	16,170	678,027
Rate	.080	.080	.080	.080	.080	.080	.080	.080	.080
Required Reserves	4,157	19,845	-	6,075	2,723	19,387	762	1,294	54,243
III. Savings Deposits	81,819	462,645	6,295	95,196	40,143	375,764	37,166	34,765	1,133,793
Exemption	22,903	28,380	6,295	20,019	16,487	26,147	25,044	20,499	165,774
Deposits Subject to Reserves	58,916	434,265	-	75,177	23,656	349,617	12,122	14,266	968,019
Rate	.030	.030	.030	.030	.030	.030	.030	.030	.030
Required Reserves	1,767	13,028	-	2,255	710	10,489	364	428	29,041
IV. Time Deposits with Maturities greater than 179 days	24,637	88,183	987	46,405	23,850	82,337	7,836	10,629	284,864
Exemption	6,897	5,409	987	9,758	9,795	5,729	5,281	6,267	50,123
Deposits Subject to Reserves	17,740	82,774	-	36,647	14,055	76,608	2,555	4,362	234,741
Rate	.010	.010	.010	.010	.010	.010	.010	.010	.010
Required Reserves	177	828	-	366	141	766	26	44	2,348
TOTAL REQUIRED RESERVES	7,136	67,560	-	9,657	3,574	59,285	1,152	1,766	150,130
Less VAULT CASH/BALANCE WITH FRB	5,132	24,295	765	4,852	3,526	18,595	5,749	2,434	65,348
ADDITIONAL REQUIRED RESERVES	$ 2,004	$ 43,265	$ -	$ 4,805	$ 48	$ 40,690	$ -	$ -	$ 90,812*
Impact on Pre-tax Earnings (9% Earning Asset Rate)	$(180)	$(3,894)	$ -	$(432)	$(4)	$(3,662)	$ -	$ -	$(8,172)

* Amount does not total down because of excess vault cash of banks with lower reserve requirements.

FRB=Federal Reserve Bank

Chairman REUSS. Thank you, Congressman Heftel, very much. I think we will hear from Congressman Akaka now, and then conclude with questioning.

Mr. Akaka, you submitted a very comprehensive statement, which, under the rule, is received in full for the record, and you may proceed in any way you wish.

STATEMENT OF HON. DANIEL K. AKAKA, A REPRESENATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. AKAKA. Thank you, Mr. Chairman. I, too, express my appreciation to you and the committee for hearing us this morning.

And I ask unanimous consent to include my testimony and five tables that I attached to be inserted into the record.

Chairman REUSS. Without objection, so ordered.

Mr. AKAKA. Chairman Reuss and members of the Banking Committee, I am here to speak to you concerning the shock that H.R. 7 will have upon the Hawaiian economy.

Briefly, I would like to remark upon one aspect of the effect of H.R. 7 in Hawaii: the availability of capital. Two interacting factors characterizing the Hawaiian economy must be considered: first, the capital-short condition in Hawaii; and second, the high capital demand. Hawaii's capital needs are great because of the State's rapid growth and development rate. This is evidenced by Hawaii's population growth, which reached 23.8 percent during the last decade. Compare this to the national growth rate of 9.6 percent for the same period.

Another indicator of the high growth rates, where large concentrations of capital funds are necessary, is in the construction rate. Calculated as a percent of total income, construction rates averaged 18.3 percent for Hawaii. Nationally it averaged only 12.1 percent.

Economists project that Hawaii's growth rates will remain high; therefore, we cannot expect capital demand to decrease. Despite this demand, Hawaii's supply of capital is far below the national average.

Three factors serve to illustrate Hawaii's capital shortage.

First, the very heavy inflow of capital from foreign and continental U.S. sources in the last 10 years has brought with it a net outflow of investment earnings from Hawaii of $100 million annually. Converting this data into figures representing Hawaii's balance of indebtedness, overseas investments in Hawaii amounted to $5.4 billion in 1976. This $5.4 billion represents 73 percent of the total gross State product. By contrast, foreign assets in the United States amount to only 16 percent of the gross national product.

Second, total per capita assets of financial institutions in the Nation show a figure of over $11,000 in 1977. In Hawaii, the amount is just over $9,000 during the same period.

Third, Hawaiian banks are unable to loan in as large a volume as those banks operating in the continental United States. To clarify my point, total bank loans averaged $2,418 per capita. The average for the country was $3,144.

To meet demand for capital and comply with State loan limits, Hawaiian banks have relied upon the sale of packages of mortgage loans to mainland investors. Close financial relationships have been established with mainland correspondent banks with whom Hawaiian banks hold reserves required by State law. Any significant reduction in the deposits held with such correspondent banks would injure the ability of the Hawaiian banks to attract and hold mainland investment interest in Hawaii.

Clearly, the Hawaiian banks are not large enough to accumulate the required $91 million in Fed reserves without depleting the amounts held with the correspondent banks.

All of these factors will lead to a lessening of the total amounts available for loans in Hawaii.

Hawaii will not be the only area negatively affected by this legislation. The economies of all offshore areas will bear a tremendous burden from the imposition of universal reserve requirements.

Finally, I recognize your objective in imposing universal reserve requirements. However, taking into account the negative effects of this legislation, I must stress the need for an exemption for Hawaii and all offshore areas.

Thank you very much, Mr. Chairman.

[Congressman Akaka's prepared statement follows:]

TESTIMONY OF DANIEL K. AKAKA

UNITED STATES REPRESENTATIVE

STATE OF HAWAII

BEFORE THE

COMMITTEE ON BANKING, FINANCE, AND URBAN AFFAIRS

U. S. HOUSE OF REPRESENTATIVES

MR. HENRY S. REUSS, CHAIRMAN

FEBRUARY 15, 1979

Chairman Reuss, members of the Banking Committee, I am here to speak to you concerning the shock that H.R. 7 will have upon the Hawaiian economy.

Briefly, I would like to remark upon one aspect of the effect of H.R. 7 in Hawaii, the availability of capital.

Two interacting factors characterizing the Hawaiian economy must be considered:

First, the capital short condition in Hawaii and second, the high capital demand.

Hawaii's capital needs are great because of the State's rapid growth and development rate. This is evidenced by Hawaii's population growth which reached 23.8 percent during the last decade. Compare this to the national growth rate of 9.6 percent for the same period.

Another indicator of high growth rates, where large concentrations of capital funds are necessary, is in the rate of construction. Calculated as a percent of total income, construction rates averaged 18.3 percent for Hawaii. Nationally, it averaged only 12. 1 percent.

Economists project that Hawaii's growth rates will remain high. Therefore, we cannot expect capital demand to decrease.

Despite this demand, Hawaii's supply of capital is far below the national average.

Three factors serve to illustrate Hawaii's capital shortage.

First, the very heavy inflow of capital from foreign and continental U.S. sources in the last ten years has brought with it a net outflow of investment earnings from Hawaii of $100 million annually.

Converting this data into figures representing Hawaii's balance of indebtedness, overseas investments in Hawaii amounted to $5.4 billion in 1976. This $5.4 billion represents 73 percent of the total gross state product. By contrast foreign assets in the United States amount to only 16 percent of the gross national product.

Second, total per capita assets of financial institutions in the nation show a figure over $11,000 in 1977. In Hawaii, the amount is just over $9,000 during the same period.

Third, Hawaiian banks are unable to loan in the large volume as those banks operating in the continental United States can make. To clarify my point, total bank loans in Hawaii comprise a figure that is 31.9 percent of total personal income. Total bank loans for the nation are 44.8 percent of total personal income.

In 1977, total bank loans in Hawaii averaged $2,418 per capita. The average for the country was $3,144.

To meet demand for capital and comply with state loan limits, Hawaiian banks have relied upon the sale of packages of mortgage loans to mainland investors. Close financial relationships have been established with mainland correspondence banks with whom Hawaiian banks hold reserves required by State law. Any significant reduction in the deposits held with such correspondence banks would injure the ability of the Hawaiian banks to attract and hold mainland investment interest in Hawaii. Clearly, the Hawaiian banks are not large enough to accumulate the required $91 million in fed reserves without depleting the amounts held with the correspondence banks.

All of these factors will lead to a lessening of the total amounts available for loans in Hawaii.

Hawaii will not be the only area negatively effected by this legislation. The economies of all off-shore areas will bear a tremendous burden from the imposition of universal reserve requirements.

Finally, I recognize your objective in imposing universal reserve requirements. However, taking into account the negative effects of this legislation, I must stress the need for an exemption for Hawaii and all off-shore areas.

TABLE I

PERSONAL INCOME AND BANK LOANS (INCLUDING INTERBANK)

HAWAII

Year End	Bank Loans ($ Mil.)	Total Personal Income ($ Mil.)	Bank Loans Related to Total Personal Income (%)	Resident Population, as of July 1 (Thousands)	Per Capita Bank Loans (Dollars)
1967	778.8	2,440	31.9	722.5	1,078
1968	865.3	2,729	31.7	734.5	1,178
1969	1,024.0	3,099	33.0	750.2	1,365
1970	1,163.5	3,519	33.1	774.2	1,503
1971	1,267.0	3 750	33.8	798.0	1,588
1972	1,495.6	4,110	36.4	820.9	1,822
1973	1,724.7	4,620	37.3	843.7	2,044
1974	1,848.0	5,173	35.7	854.1	2,164
1975	1,830.0	5,739	31.9	868.4	2,107
1976	1,981.5	6,252	31.7	883.5	2,243
1977	2,163.3	6,773	31.9	894.7	2,418
Change: 1967-1977		177.6%		23.8%	

UNITED STATES

Year End	Bank Loans ($ Bil.)	Total Personal Income ($ Bil.)	Bank Loans Related to Total Personal Income (%)	Resident Population, as of July 1 (Millions)	Per Capita Bank Loans (Dollars)
1967	236.0	629.2	37.5	197.5	1,195
1968	265.3	689.0	38.5	199.4	1,330
1969	295.5	751.4	39.3	201.4	1,467
1970	313.3	808.2	38.8	203.8	1,537
1971	346.9	852.0	40.7	206.2	1,682
1972	414.7	935.5	44.3	208.2	1,992
1973	494.9	1,045.1	47.4	209.9	2,358
1974	549.2	1,147.3	47.9	211.4	2,598
1975	546.2	1,248.4	43.8	212.2	2,573
1976	594.9	1,374.4	43.3	214.7	2,771
1977	680.1	1,518.4	44.8	216.3	3,144
Change: 1967-1977		141.3%		9.6%	

Sources:
1. Bank loans - Hawaii -- Hawaii State Department of Regulatory Agencies.
   Bank loans - U.S. -- Board of Governors of the Federal Reserve System.
2. Total Personal Income - U.S. Department of Commerce, Bureau of Economic Analysis.
3. Population - Hawaii -- Hawaii State Department of Planning and Economic Development.
   Population - U.S. -- U.S. Bureau of the Census.

TABLE II

CONSTRUCTION

HAWAII

Year	Construction Put in Place ($ Mil.)	Total Personal Income ($ Mil.)	Construction Related to Total Personal Income (%)
1967	354.8	2,440	14.5
1968	463.2	2,729	17.0
1969	625.6	3,099	20.2
1970	783.8	3,519	22.3
1971	697.0	3,750	18.6
1972	714.3	4,110	17.4
1973	921.0	4,620	19.9
1974	1,044.1	5,173	20.2
1975	1,140.0	5,739	19.9
1976	1,010.2	6,252	16.2
1977	996.1 (Est.)	6,773	14.7
Average: 1967-1977			18.3%

UNITED STATES

Year	Construction Put in Place ($ Bil.)	Total Personal Income ($ Bil.)	Construction Related to Total Personal Income (%)
1967	78.1	626.6	12.5
1968	87.1	685.2	12.7
1969	93.9	745.8	12.6
1970	94.9	801.3	11.8
1971	110.0	859.1	12.8
1972	124.1	942.5	13.2
1973	137.9	1,052.4	13.1
1974	138.5	1,154.9	12.0
1975	134.3	1,255.5	10.7
1976	147.5	1,380.9	10.7
1977	169.7	1,529.0	11.1
Average: 1967-1977			12.1%

(Est.) = Estimated

Source: 1. Construction Put in Place - Hawaii -- Hawaii State Department of Taxation.
Construction Put in Place - U.S. -- U.S. Department of Commerce.
2. Total Personal Income - U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE III

RETURN ON INVESTMENTS

(Millions of Dollars)

Year	Earnings by Hawaii: Return on Overseas Investments	Expenditures by Hawaii: Return on Investments in Hawaii	Surplus or Deficit
1950	21	19	+ 2
1951	22	22	0
1952	23	21	+ 2
1953	26	23	+ 3
1954	24	29	- 5
1955	26	33	- 7
1956	32	37	- 5
1957	34	40	- 6
1958	33	40	- 7
1959	37	46	- 9
1960	49	46	+ 3
1961	51	50	+ 1
1962	59	61	- 2
1963	66	72	- 6
1964	73	82	-11
1965	86	93	- 7
1966	90	104	-14
1967	101	114	-13
1968	113	130	-17
1969	121	155	-34
1970	128	153	-25
1971	144	185	-41
1972	154	220	-66
1973	176	252	-76
1974	195	303	-108
1975	213	312	-99
1976	254	345	-91

Source: Bank of Hawaii, Department of Business Research

TABLE IV

HAWAII'S BALANCE OF INDEBTEDNESS

Year	Hawaii Assets Overseas	Overseas Assets In Hawaii
1950	$ 457	$ 413
1955	728	924
1960	1,244	1,167
1965	2,296	2,483
1971	2,676	3,439
1976	3,975	5,399

Sources: 1950-1971 -- The Economic and Social Impact of Foreign Investment in Hawaii, by H. Robert Heller and Emily E. Heller, University of Hawaii, Economic Research Center, 1973.

1976 -- First Hawaiian Bank Research Division

TABLE V

ASSETS

FINANCIAL INSTITUTIONS

As of December 31, 1977	Hawaii ($ Thousands)	U.S. ($ Billions)
Banks	3,609,198	1,166.0
Savings & Loan Institutions	2,535,006	459.282
Mutual Savings Banks	-	147.287
Finance Companies	762,108	124.8
Insurance Companies	257,440	350.5
Credit Unions	535,726	54.084
State & Local Government Pension Funds	599,930	131.9
Total	8,299,408	2,433.853

	Hawaii	U.S.
Population - July 1, 1977	894,700	216,332,000
Per Capita Assets	$ 9,276	$ 11,251

Sources: Hawaii

1). Commercial bank, savings and loan, industrial loan (finance company), and insurance company assets. - Hawaii State Department of Regulatory Agencies
2). Credit union assets - Hawaii Credit Union League
3). State and local government pension fund assets - Historical Statistics of Hawaii, 1977, by Robert C. Schmitt
4). Population - Hawaii State Department of Planning and Economic Development

Sources: U.S.

1). Commercial bank, savings and loan, mutual savings bank, life insurance company, and credit union assets - Board of Governors of the Federal Reserve System, Federal Reserve Bulletin
2). Finance company and state and local government pension fund fund assets - U.S. League of Savings Associations, Savings and Loan '78 Fact Book, 1978
3). Population - U.S. Bureau of the Census, Current Population Reports, Series P-25

Chairman REUSS. Thank you very much, Congressman Akaka. Mr. Cannon, Mr. Pingree, and Dr. Hitch, we are delighted to have you with us. Dr. Hitch is an alumnus of an institution around here that we see a lot of, the Council of Economic Advisers.

Do any of you three gentlemen have anything to add to the statements already made? If not, we will proceed to questioning.

Let me say, Mr. Ching, and your banking colleagues, that your congressional representation down here, as I said, is of the very top order, and this committee repeatedly, in matters relating, for instance, to housing, has determined that your State is entitled to specialized treatment. Higher housing costs than even those in the continent have been a burden you have had to bear in Hawaii, and this committee has recognized that in the past. So, the principle is established.

I have this question, Mr. Ching. You point out in your testimony that the discount window and check-clearing services by the Fed are not really very helpful to Hawaiian bankers because you can hardly go to San Francisco to get those services done, yet that is what would be required of you.

Suppose, as an incident to asking the banking system of Hawaii to conform itself in national terms to the banking system everywhere, this committee were to ordain that there be set up a branch of the Federal Reserve System in Hawaii. Would not that make discount services and check-clearance services of value to these member banks?

Mr. CHING. Yes, Mr. Chairman, that would help. But we still have the impact of Hawaii being the most affected by the reserves that are required under this bill.

Maybe some of my colleagues can enlarge on that.

Mr. PINGREE. Mr. Chairman, I am Hugh R. Pingree, executive vice president of the First Hawaii Bank in Honolulu.

Undoubtedly, the establishment of a branch in Hawaii would have some benefit, but it would not improve our current availability. And when I say current availability, that is on checks that we send to the mainland. We are not at the present time using correspondent facilities all across the country, and our studies indicate that unless there was immediate availability in Honolulu that we would lose 1 day's float time in the items sent to the mainland United States.

I would like to address myself, if I might—it might be outside of the context of your question—but to the dependence we place on correspondent bank relationships. The largest loans that the largest banks in Hawaii can make are slightly in excess of $11 million under our State legal lending limit. And yet we are packaging projects that are considerably higher than that. We, under those circumstances, call on our friends, our correspondent banking friends, to participate with us, and quite frankly, one of the reasons they are so available to us is the fact that we do compensate them by keeping balances in their banks, not only to encourage them to participate on larger credits, but also to compensate them for services that they perform for us, that is, the clearing of checks.

We realize that the discount window located in Hawaii would definitely have some advantages, although we don't know to what extent because we have not seen the language. We do feel, however, that the time and distance situation, unless there was a Fed established there, would be very detrimental to the Hawaiian banks.

I hope that answers your question.

Chairman REUSS. As long as we are on this subject and quite apart from the issue that is before us here in H.R. 7 and in Mr. Stanton's bill and in other bills which in one way or another seek to put our Government in a position where it can carry forward the monetary battle against inflation and seek also to keep the Nation's deficit in check—an object of great concern to members of this committee—quite apart from that, we should have a nationwide banking system, and there should not really be areas of pronounced capital shortage within borders of the 50 States, whether they are onshore or offshore or whatever.

I have no doubt this is a continuing subject of thought and discussion in the Hawaiian financial community, and I would like to ask any member of the panel, including your congressional representatives, whether, this bill apart—there are things that can be done to insure that Hawaii gets its fair share of the Nation's credits and lending ability.

Dr. HITCH. I could only say, sir, that you mention special attention has been given to the housing situation in Federal legislation, and I think that is probably one of the prime examples in Federal action to alleviate some of the financial shortages—fiscal shortages of the State of Hawaii.

Chairman REUSS. No one has ever suggested that you be allowed to pay a premium over regulation Q? Or, have some credit from the mainland?

Mr. CANNON. Mr Chairman, I am Wilson P. Cannon, Jr., chairman of the Bank of Hawaii. There never has been a suggestion of that nature to implement and then to respond.

We have made 2 loans in the last year in excess of $60 million on major developments, in each case in which we brought in over 10 participants to join us in order to put the pool of capital together that was necessary.

We have also sold considerable packages of residential mortgages to where, at this time, there are only five banks in the United States that are servicing mortgages sold in a larger amount than our own bank in the tiny State of Hawaii.

We have also made more SBA loans in the last 10 years than every bank in the country, except 10 banks. We have worked very hard at providing the credit needs of the State, and in providing the relationships with correspondents and with others.

I think that our response to H.R. 7, the bill that we are talking about today, recognizes the fact that there are only 200 banks in the country that are being walloped hard under the terms of this bill; that all 3 of the bills which have been proposed recognize the concept of exception on the basis of size; and that if there is an exemption on the basis of size, and it is our feeling that time and distance are the inability, you might say, to respond to or defeat the exigencies of time and distance, would make such an exemption perhaps more vital to Puerto Rico, the State of Hawaii, the territory of Guam, and others, than an exemption based on size alone.

I think there perhaps might be answers in the long run, but I don't say that at this point in time we have had an opportunity to step past that hurdle and try to evaluate what answers or responses we could come up with in the light of any new frameworks that we are now looking at.

Chairman REUSS. Thank you very much.

Mr. Stanton?

Mr. STANTON. Thank you, Mr. Chairman.

Gentlemen, I truly appreciate your appearance here today—although I have to remark, Mr. Chairman, that we get calls to go to Alaska and those kinds of places—if we just took the panel members here on the committee who are interested in this subject and go to Hawaii, instead of the members of Hawaii coming here, I think we would have accomplished a great deal more. [Laughter.]

But, Mr. Ching, I just have a couple of quick questions—or for anyone on the panel who wants to answer them. I am sure everybody knows all the answers.

In reading your testimony last night, I understand that only 4 percent of the financial institutions in Hawaii are members of the Fed, or roughly that. Is that correct?

Mr. CHING. Yes.

Mr. STANTON. All of you gentlemen represent a view that are nonmember banks—are you all members of the American Bankers Association?

Mr. CANNON. We are all FDIC members, and all members of the ABA.

Mr. STANTON. You know, I can express this in my own words, but I just happended to have—Mr. Schechter's, who is our next witness, and he has done an excellent job of outlining a little philosophy here.

He said:

> In a time of tight money economies, that sovereign powers and the National Government can coin moneys and guard its value and so forth, but this principle is recognized in the Constitution which vested in the Congress the power to coin money and to regulate the value thereof. The reservations of these powers to the Congress have been consistently upheld by the courts. And the Congress, in turn, has turned to the Federal Reserve Board to implement its monetary control policy and carry out the guidelines of the Constitution.

In the carrying out of this responsibility, as a country we have put upon the shoulders of the Federal Reserve Board this responsibility. Everyone, I think you would agree, has benefited—member banks, nonmember banks, savings and loans, credit unions, and everybody else has benefited because we have had, to a degree, a centralized bank in this country which has brought prestige and fulfilled the goals of the Constitution.

Wouldn't you all basically agree with that? That it has a ripple effect that is positive over the years since 1913? Would you agree with that?

Mr. CANNON. If you would let us restate it, are you saying that a central system which would include the banks, the thrift institutions, the savings and loans, and the credit unions, would assist the Fed in handling monetary policy?

Mr. STANTON. No. They would all agree that the existence of the Fed has been a good thing for everybody, basically. We are better off with it than without it. I mean, that is obvious, I think.

Now the question comes up: Who is going to pay for these services? Should it be just left to one branch, or the member banks? Or should we somehow spread this cost around?

I mean, is there any rationale for all types of institutions to help pay somewhat for the existence of a central bank?

Mr. CANNON. Sir, I think I am with you. However, if you are going to exclude someone for size, or if you are going to exclude someone because they are not a commercial bank, or if you are going to exclude someone because of a variety of reasons, then I feel that our own needs and our own problems are in excess of any that I have heard otherwise described.

If you are going to exclude no one, I will try to wave the flag with you as best I can.

Mr. STANTON. I appreciate that answer, and I hope it would be the answer for all of you.

Of course, what you are immediately faced with, though, is the problems of the political realities of going back, if you could, to 1913 and starting all over again. And then these costs should have been spread equally, but you cannot go back.

Mr. CANNON. Sir, if I could add a point on this. And this, I appreciate, is not a political reality, but if I take the loss that I would take under this bill, or any one of the three bills, my ability to go to the market for capital is very severely impaired—and I mean, very severely impaired.

And I do not feel that that is helping anyone—the shareholders, the depositors, the community. It is a real blow in the kidney.

I appreciate that this is not a political problem, but it is a reality problem, as far as I am concerned.

Mr. STANTON. We want to keep this moving, and I appreciate everybody, once again, attending the hearing.

Thank you Mr. Chairman.

Chairman REUSS. Thank you, Mr. Stanton.

Mr. D'Amours?

Mr. D'AMOURS. I have no questions, Mr. Chairman.

Chairman REUSS. Mr. Hyde?

Mr. HYDE. I have no questions.

Chairman REUSS. Mr. Vento?

Mr. VENTO. Thank you, Mr. Chairman.

I very much appreciate the chairman extending the opportunity for special focus on this problem that was brought to my attention first by Representative Akaka, and more recently by Cec Heftel, the other Congressman from Hawaii.

I think that there are some unique aspects to this, but let me just explore for a moment, if I could, the nature of the financial institutions in Hawaii.

What are the branch laws in Hawaii like? Could I have just a little bit of background on that?

What is the type of State regulation, the nature of it, and the limitations on branching, and so forth?

Mr. CANNON. There are four zones that basically divide the area between—under the State law, you are allowed four branches in each of those zones. Other than that, the remainder of the State is open to branching, subject, of course, to approval by the FDIC and by the State.

Mr. VENTO. So most of you now are chartered under State law?

Mr. CANNON. Six of the eight banks are chartered under State law; two are chartered under national law.

Mr. VENTO. So they have reserves right now; is that right?

Mr. CANNON. They have reserves right now, and in effect the same branching capacity.

Mr. VENTO. And what is their size and their special problems with regard to that? Don't they have the same problems that you are alluding to that you will have?

Mr. CANNON. Yes, they do, sir. One is a bank of approximately $20 million in size; the other, approximately $100 million in size. And it would be my estimate that both chose the national route feeling it would be easier and quicker for them to get a national charter than a State charter.

Mr. VENTO. That is the logic for it. But you suggest that you would be severely impaired if you had to do that. The banks that are excluded right now are of a larger size? Is that right?

Mr. CANNON. The banks that are excluded from the bill are the smaller banks.

Mr. VENTO. I understand that, but the banks that chose not to charter nationally are larger than those two that have? Is that right?

Mr. CANNON. Within the State, that is correct.

Dr. HITCH. Those banks represent 96 percent of the deposits in the State; whereas, the two national banks represent 4 percent.

Mr. PINGREE. They are also the two last banks that were chartered.

Mr. VENTO. Do you have any branches on the mainland that you are affiliated with? Any of the other six banks?

Mr. CANNON. None of the banks is permitted branches on the mainland. Two of us have branches on Guam, and one of us has branches in other areas of the Pacific.

Mr. VENTO. What are the reserve requirements that are required by Hawaii under the State charter?

Mr. PINGREE. Very basically, they are 12 percent on demand deposits, and probably an average of 5 to 6 percent on the make up of the time deposits.

Mr. VENTO. Are there any sterile reserves?

Mr. PINGREE. No.

Mr. VENTO. There are no sterile reserves?

Mr. PINGREE. Well, actually the reserves are cash in the bank, and balances with correspondent banks.

Mr. VENTO. Balances with correspondent banks, then, is an offset to which you do not receive—you have indicated that you do not receive interest on those, but you receive various types of services?

Mr. PINGREE. That is correct. We would have to, in the normal course of banking business, maintain some correspondent bank balances to take care of drafts and money transfers and so forth.

Mr. VENTO. Well, I think that is true.

In other testimony here, talking now about the mainland banks, those were the correspondent banks with which you maintain balances. You indicated that there would be some difficulty in terms of proceeding with various transactions unless you had deposits with them. You are saying that the mainland banks would not participate in loans to Hawaiian banks if the mainland banks did not receive correspondent balances?

Mr. PINGREE. I would say that that is true, particularly in times of tight money. There is no question in reality that balances are an incentive for mainland U.S. banks to participate with the Hawaiian banks. There is no question about that, particularly in times of tight money.

Mr. VENTO. Well, my impression about Hawaii has always been that it has been a very lucrative place. There is much growth. I mean, your figures in fact indicated capital shortage. There is much demand because of growth, as is indicated by the size of your loans. Opportunities seem very lucrative in terms of the type of investment that would go forward.

I am wondering about the psychology of the fact that you think that you have to have money in correspondent banks in order for them to make investments, or to proceed with loans.

Mr. PINGREE. Well, actually, there is another facet I think we ought to address ourselves to. And that is, the check-clearing facilities. In Hawaii, because of time and distance, we are able to carry these items which are very substantial each day through our correspondents much more efficiently than we can currently do them through the Fed if we were a member of the Federal Reserve System.

Mr. CANNON. Sir, if I could try to answer the first part of your question, also. There are a variety of types of loans. We can sell residential mortgage loans without bringing a correspondent out, or without a correspondent relationship. Those are sold primarily to insurance companies, pension funds, savings and loans.

The loans where we need participants, and where the correspondent relationship becomes an essentiality, is on major construction loans where you are, in effect, providing the commercial construction advance, waiting for future takeouts in the way of residential loans and individual loans, and in the major lines of credit to our major companies out there, the A's and B's, and so forth.

Mr. VENTO. My time has almost expired, Mr. Chairman, but if I could just proceed for a moment. Do you think you get preferential treatment by having correspondent balances? Is that right?

Mr. CANNON. We know we get preferential treatment.

Mr. VENTO. I appreciate your testimony.

Mr. CANNON. I would like to change the words "preferential treatment" to "we get their attention."

Mr. VENTO. Thank you.

Chairman REUSS. Thank you very much.

Mr. Paul?

Mr. PAUL. Thank you, Mr. Chairman.

In the desire to be fair and equitable—and I can see the need to be fair and equitable with Hawaii—would it not be proper to give the same advantage to any State, rather than just Hawaii, that chooses not to be in the Federal Reserve System, if they see it as a disadvantage now or at a later date?

Mr. HEFTEL. I think, if I may, that the critical issue is whether some other State has the same problems of distance and time—the 6-hour time difference, and the geographic distance makes such a dramatic difference, simply because of that fact.

Mr. PAUL. But as far as being fair and equitable, if another State saw disadvantages of getting in, whether it is distance or time or something else it seems to me that we should give them that same prerogative as well.

Mr. HEFTEL. I don't think we would ever want to deny access to fairness and equity in the legislation which we draft. And if this bill has an equally unfair impact upon another State, I am sure that you would want to look at it and determine what the reason was, and whether or not it warranted some type of different treatment or exemption.

Dr. HITCH. If I could comment, briefly. The bill recognized one category that should be exempt—namely small size.

We suggest that there is the possibility that there is another category that could be considered for exemption. Namely, offshore areas of the country, insular areas that are very distant from the mainland and who find it difficult to integrate their banking operations into a national system.

Now if there were some third basic general reason that exemption might be considered in the case of some other State, it might be looked at. But I have not heard it.

Mr. PAUL. What about the reason of unprofitability? I see Hawaii would lose more money than anybody else. They would have the greatest loss of profits. If we took the category of it being unprofitable, possibly this would be a justification to exempt other States.

Dr. HITCH. That is, of course, of concern to us, but we are not putting that forward as a basic reason.

Mr. CANNON. Sir, I think the only way to respond to your question, really, would be a bill that made membership voluntary. That would be the only way to broaden it as broadly as you are suggesting.

Mr. PAUL. Thank you.

Chairman REUSS. Thank you.

Mr. Barnard?

Mr. BARNARD. Thank you, Mr. Chairman.

Gentlemen, we welcome you here today and certainly are sympathetic to the special problem that the banks of Hawaii have as far as this legislation is concerned.

It interests me greatly that the banks in Hawaii have not sought membership in the Fed, and yet they have this very fine relationship with correspondent banks on the mainland.

Have you achieved special considerations in the way of float between your banks and correspondent banks because of the distance involved, in order to facilitate the clearing of items?

Mr. PINGREE. No, sir, we have not. We have, through our own—utilizing our own resources, however, been able to facilitate faster clearing, by using—watching airline flights, and so forth, and using couriers, and other types of vehicles that are at our disposal, to improve our availability of funds.

I might say that the correspondent banks do a very, very thorough analysis generally on the float factors of checks going into their banks, and we get reports every month on the costs incurred to them along these lines.

Mr. BARNARD. But are you saying that your balances are not adjusted upward at all because of float?

Mr. PINGREE. They are adjusted upward.

Mr. BARNARD. Well, have you sought to get special arrangements? Has there ever been an effort on the part of the Fed, or yourselves, to get a like understanding with the Fed, as far as the correspondent balance is concerned?

Mr. PINGREE. I am with the First Hawaiian Bank, and we were for 10 years a member of the Fed. We worked very diligently in that area—now this was up until 1969, so I can only speak up until that time.

We did try to negotiate, but we were never afforded any reduction in availability on cash.

Mr. BARNARD. So the Fed was pretty adamant and steadfast that, in spite of the distance, that you had to be treated like all banks on the mainland?

Mr. PINGREE. Yes sir, at that time, definitely.

Mr. BARNARD. Are you familiar with mod 7, or modification 7, that the Fed has come up with, whereby they have reduced the exemption in seeking to pay interest on a difference? Are you familiar with that plan?

Mr. PINGREE. Yes, sir. Just vaguely, however, because we just became aware of it just before we left.

Mr. BARNARD. I did not get to read the testimony, and I apologize for being late, but have you addressed yourself to that particular plan and how that would affect the banks in Hawaii?

Dr. HITCH. No.

Mr. BARNARD. What would be your reaction to that?

Mr. CANNON. Sir, it would be the same thing. The interest is paid up to a $40-million or $50-million figure. There is a $10-million basic limitation on the floor. Everything over that amount would be non-interest-bearing reserves. There would only be 566 banks in the country, I believe, which would be carrying non-interest-bearing reserves with the Fed; 6 of those would be from the State of Hawaii.

Mr. BARNARD. Let me ask you one further question. We have suggested that there are certainly alternative plans yet to come up with as far as this problem is concerned of Fed membership. If universal reserves were suggested or implemented in this law, including all depository institutions, reducing the percentage down to a much, much lower percentage, say 1 percent, but including all of the depository institutions—do you think that the banks in Hawaii would still want to seek an exemption from that?

Mr. CANNON. I think we would like to see the bill you are referring to, sir. But what you are saying makes a great deal of sense to me as an individual.

Mr. BARNARD. In other words, you feel if universal reserves were imposed at the lower figure, that the profits that would have to be sacrificed could much more easily be borne by the banks?

Mr. CANNON. Again, sir, speaking only as an individual for my own bank, if you would add a brief phasein period, so as we can take three short steps instead of one long step.

Mr. BARNARD. Would these other gentlemen care to react to that?

Dr. HITCH. Could I comment on that, sir?

Mr. BARNARD. Yes.

Dr. HITCH. Our calculations under the present H.R. 7 is that the required sterile reserves of the Hawaiian banks would amount to $91 million. Now, $91 million is not very much money to you people here, but when you relate $91 million to the gross State product of Hawaii you get a figure that is the equivalent of $21 billion to the gross national product. So if you want to put this in terms of national figures, we are looking at sterilizing $21 billion, which is our $91 million.

Now, if you are talking about much smaller reserves, of a fraction of that amount, then the impact on Hawaii would not be anywhere near the same and our attitude would be somewhat different.

Mr. BARNARD. Well, I think that that is very interesting and I think that this is something this committee needs to be thinking about very seriously. Hawaii's problems have been brought up this morning, but it appears that we do have a significant effect of this bill on other States. I understand Maryland would lose about 19.8 percent of its total bank profit; Delaware, 18.9 percent; Connecticut, Arizona, and Rhode Island, nearly 10 percent.

So we have got a serious problem here as far as eroding the profitability of banks in this bill, and I think we very definitely have to take it into consideration.

Thank you very much for your testimony.

Mr. CANNON. Thank you, sir.

Chairman REUSS. Thank you, Mr. Barnard.

Mr. Bethune?

Mr. BETHUNE. Thank you, Mr. Chairman.

Is the limited participation that Hawaii has with the Fed more historical than logical?

Dr. HITCH. I would say, sir, it is both historical and logical. Hawaii, as you know, was not a part of the United States until 1898. We were a territory until 1959, and prior to 1959 Hawaii was treated, under the banking laws of the country, like all of the other insular territorial offshore areas. It was under those terms that the bank that Mr. Pingree and I are affiliated with, now known as First Hawaiian Bank and then known as Bishop Bank, was a national bank but not a member of the Federal Reserve System.

So the exclusion of these far-distant offshore insular areas is both historical and logical. So I would say both historical and logical rather than historical or logical.

Mr. BETHUNE. So far I have been listening carefully to try to find what the logic is, and it seems to me that the best explanation is time and distance; is that so?

Dr. HITCH. Yes.

Mr. BETHUNE. Can you enumerate any other reasons or factors which would come under the rubric of logic?

Dr. HITCH. I think time and distance is the logic.

Mr. CANNON. If I could add one thing to that, the one service of the Fed that is helpful at this point in time is the delivery of cash and coin, which is done by the Fed at the Fed's expense today. It is a little like a candy store being across the street and your mommy won't let you cross the street. That is the logic.

Mr. BETHUNE. Then with respect to the time and distance factors which you cite, would not that be softened by the location of the Fed in Hawaii?

Mr. CANNON. Only if they gave us credit based on delivery to their office in Hawaii. Because, as Mr. Pingree commented, our ability to use couriers, to have cabs waiting at airports, and so forth, far exceeds the ability of the Fed under its present plans, and they are moving those same checks. We can move them faster because to us it is essential.

Mr. BETHUNE. Could it be softened, then, by the suggestion just made by the gentleman that there might be a way to work out arrangements with the Fed that would be comparable to those which you now have with your correspondents?

Mr. CANNON. I would doubt very much the possibility of that. I am really trying to be logical in responding to you. I don't think it would work.

Mr. BETHUNE. Then would it be possible that in the future, with the growth of electronic funds transfer, that some of the impact of time and distance might be softened somewhat?

Mr. PINGREE. I think if we get into a situation where we are not moving paper around, which is really somewhere out in the future and I don't think anybody really knows, there are all kinds of possibilities. But at this point in time, I would have to say we have to get the paper there to effect our transfers. Whether it's 10, 20, or 40 years from now, I could not tell you. It is a possibility, however.

Mr. BETHUNE. Then finally, I would just like to ask, is there any option other than a complete exemption from the reserve requirements of H.R. 7 which would be acceptable to the Hawaiian bankers?

Dr. HITCH. We have given a great deal of thought to this, sir, and the solution that we have come up with as being the most satisfactory and logical is what we have proposed, exemption from only the reserve requirements provision of the bill.

Mr. BETHUNE. Thank you very much.

Thank you, Mr. Chairman.

Chairman REUSS. Thank you.

Mr. Gonzalez?

Mr. GONZALEZ. Thank you, Mr. Chairman.

I first want to thank my two colleagues from Hawaii for taking time to come here in the meeting. I notice that from the testimony and the figures you present, that Puerto Rico is pretty much in the same position. And I was asking if the Commissioner from Puerto Rico was going to be present, and apparently not, which I think underlines the importance of having clout, that is Representatives. And I think this is one instance in which it is clearly shown.

I have three basic questions. I understand the Commissioner will be here before the committee later.

[The statement of the Commissioner of this Commonwealth of Puerto Rico appears in the hearing of March 2, 1979.]

There are really three basic questions I was going to ask of you gentlemen from our standpoint, confronted with the need to vote or not vote on H.R. 7.

The principal reason that we have for considering the bill is the apparent need of the Federal Reserve to impose uniform reserve requirements in order to better control the money supply. Now, question No. 1: By excusing Hawaii from reserve requirements, do you believe that the Federal Reserve's ability to control the money supply will in any way be impaired?

Dr. HITCH. We are completely satisfied that the answer to that is "No."

Mr. GONZALEZ. The second one is: Would you advocate excusing large banks in any other State?

Dr. HITCH. Our suggestion is the exemption of banks in offshore areas.

Mr. GONZALEZ. Is this or is it not true? It has been touched upon, but I don't know in this precise form, that in this age of rapid communications—we have gone into the electronic funds transfer system. Is it or is it not true that funds could be moved in and out of Hawaii with sufficient rapidity nowadays to justify the assertion that the money supply in Hawaii is an intricate part of the United States money supply?

Mr. CANNON. Insofar as rates are concerned, that is pretty much correct, but not from a movement sense. The paper still has to be delivered in order for the final clearing to be made. We are part of a national money pot from a rate sense, pretty much.

Mr. GONZALEZ. You do consider that——

Mr. CANNON. Sir, you mentioned Puerto Rico. If I could add one thing we have not talked about, but perhaps to underline our points, we have branches on Guam. Guam is a commonwealth. The only commonwealth-chartered bank there, the Bank of Guam, is a very small one, $40 or $50 million, and hence appears not to be concerned with this particular measure. But our plight, I think, can be underlined by pointing out that Guam is 7 hours beyond us by air, and its first step is the State of Hawaii, from which it now has to plug into—I am sorry, it is the territory of Guam, not commonwealth, but from where they have to plug into our communications networks.

If they were a large bank, I would be pleading their cause as well as my own, because they have physically and geographically time problems that in my opinion serves to underline what we are trying to say. Guam is a long ways away, and we are too.

Mr. GONZALEZ. Well, I deeply appreciate your answers. They satisfy the reasons I had for asking the questions.

Thank you very much, Mr. Chairman. I yield back the balance of my time.

Chairman REUSS. Thank you, Mr. Gonzalez.

Mr. Shumway?

Mr. SHUMWAY. Thank you, Mr. Chairman. I have no questions.

Chairman REUSS. Mr. Watkins?

Mr. WATKINS. I have no questions.

Chairman REUSS. Mr. Campbell?

Mr. CAMPBELL. I have no questions.

Chairman REUSS. Does any other member have any further questions? [No response.]

If not, we want to thank you, Congressman Akaka, and you, Congressman Heftel for your helpfulness in bringing before the committee these outstanding representatives of Hawaii's banking community.

Mr. CANNON. Mr. Chairman, you were kind enough to say some nice things about two Congressmen, and I would like to say that they have assured us that they will receive fair and equitable treatment by this committee.

Chairman REUSS. Well, I think we all agree on that. There remains then just the little definition of "fair and equitable treatment" and what constitutes such.

Thank you very much. We are glad to have you with use.

We will now hear from an old friend, Henry B. Schechter, at one time of the Library of Congress and more recently legislative representative for the AFL-CIO.

Your statement has caught the favorable eye of the ranking minority member, and let me say that I have looked at it, too, and find, as usual, it is a very able job. Please proceed, Mr. Schechter.

STATEMENT OF HENRY B. SCHECHTER, DIRECTOR, DEPARTMENT OF URBAN AFFAIRS, AMERICAN FEDERATION OF LABOR-CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO)

Mr. SCHECHTER. I appreciate the opportunity to present before your committee the views of the AFL-CIO on H.R. 7, the Monetary Control Act of 1979.

The chairman and members of the committee are to be commended on proposing innovations that look toward a means of more effective monetary policy which limit the frequency and duration of tight-money, high-interest-rate periods. The omission in H.R. 7 authority for the Federal Reserve to pay interest on reserves is a most noteworthy and welcome change from bills that were considered last year.

The AFL-CIO advocated such a change last year. However, the Chairman of the Federal Reserve Board has proposed a new means of interest payment on required reserves. I would like with your permission, to address myself to a fundamental issue that encompasses the question of interest payments on required reserves.

From the time that money economies succeeded barter economies, it has been one of the sovereign powers of a national government to coin money and to guard its value. Such power is necessary to protect the Nation's economic viability. This principle was recognized in the Constitution which vested in the Congress the powers "to coin money" and "to regulate the value thereof". The reservation of those powers to the Congress has been consistently upheld by the courts, and it has been established that the States may not interfere with an agency created by the Congress to implement its monetary control powers.

Congress has assigned that mission to the Federal Reserve. Its authority to require from all depository institutions such reserves as necessary to maintain stable dollar value should be made explicit, as it would be by H.R. 7. There should be no weakening of that Federal Reserve power by a precedent of any interest payments on required reserves. In addition, such a precedent could pave the way for interest payments on reserves at a later date that would entail a significant loss of Federal Reserve earnings which are paid to the U.S. Treasury.

If the $50 million deposit level of exemption from reserve requirements, proposed in H.R. 7, would leave too small a proportion of the money supply under control for effective implementation of monetary policy, that level could be changed. The Federal Reserve has proposed $10 million as the minimum and the companion Senate bill, S. 85, proposes $40 million. Some reasonable compromise could undoubtedly be determined that would both protect small banks against excessive paperwork and financial burdens, and assure adequate control of the money supply for policy implementation.

The payment of interest on required reserves of depository institutions is not necessary to deal with the related problems of Fed membership attrition and achievement of more effective monetary policy.

By requiring equal reserves of nonmember commerical banks, and of thrift institutions on their transaction accounts, H.R. 7 would eliminate the competitive disadvantage which leads member banks to leave the Federal Reserve System.

The so-called burden borne by banks in complying with the reserve requirements is part of the cost of conducting a business which must be a joint public-private venture, in order to minimize general economic instability, depository institutions are given Government franchises to operate, and protected from injurious competition by the regulatory authorities who control the charters of new institutions and branches.

The depository institutions are the guardians of other people's money which can best be safeguarded under a monetary supply that is regulated to meet the needs of the economy without becoming too excessive or too tight. The meeting of reserve requirements, therefore, is a necessary cost of the banking business, and one with which the business has lived and on which it has thrived over the past 64 years.

Available data for all insured commercial banks indicate that they have indeed been thriving recently. Their net return on average equity increased moderately from 11.6 to 11.8 percent between 1976 and 1977, and to an annual rate of 12.9 percent, based on the first half of 1978. However, operating earnings for the full year 1978 for the 98 largest banks were up 30 percent, indicating for the latter part of 1978, as the New York Times describes it, "the most extraordinary earnings in years," so that final full year 1978 figures will probably show net return on equity well above 12.9 percent.

Incidentally, the same article quoted bankers who cited the absence of jawboning from Washington against raises in interest rates as a major reason for impressive earnings.

The data on net earnings for 1976, 1977, and 1978, moreover, show higher returns on net equity for insured banks with less than $100 million than for larger banks. Thus, based on the first half of 1978, the annualized return for the banks with less than $100 million was 14 percent versus 12.9 percent for those in the $100 million to $1 billion class and 12.2 percent for those with $1 billion or more in assets. Of course, in each size category there are both nonmember and member banks. The relative experience of members and nonmembers in each size category should be examined. If smaller member banks, as a group, have shared in the above-average returns on equity, consideration should be given to a reduction in the proposed amount of deposit exemption, to provide added assurance that monetary policy could be implemented effectively.

With certain modifications, enactment of H.R. 7 should provide a satisfactory means for improved control of the money supply.

Reporting requirements for depository institutions, in section 2, would make available to the Federal Reserve Board more comprehensive data on assets and liabilities of depository institutions. The data should increase the Board's ability to determine the most appropriate monetary policies for stable economic growth.

Effective implementation of policies would be enhanced through applicability of a simplified schedule of universal reserve requirements described in section 3 to large member and nonmember commercial banks, and to transactions accounts in other types of depository institutions. There would also be added flexibility for credit expansion in tight situations by giving access to the Fed discount window to all institutions subject to reserve requirements.

However, the range of proposed reserve requirements is significantly narrower and the top of the range lower than under present statutory authority, with respect to demand deposits and long-term time deposits.

At a hearing before this committee on August 11, 1978, on an earlier draft bill addressed to the same purpose as H.R. 7, Prof. Paul McCracken and I commented on the narrow range within which reserve requirements might be prescribed. We pointed out that it might leave the Federal Reserve Board without adequate flexibility if there is a need for a quick, sizable change in reserve requirements in the event of either a liquidity crisis or a sudden inundation of dollars from abroad.

The need for greater flexibility was illustrated on November 1, 1978. The Federal Reserve had occasion to raise the reserve requirement on long-term time deposits of over $100,000 from 2½ to 4½ percent, as part of a concerted program to counteract the weakening of the dollar. The proposed new range for such deposits, however, would be 1 to 3 percent, with an initial level of 1 percent.

In response to the need for greater flexibility under extraordinary circumstances, paragraph 10 of section 19(b) of the Federal Reserve Act, would be revised by section 3(a) of H.R. 7, to permit the Federal Reserve Board, upon a finding by five members, and after consultation with appropriate committees of Congress, that extraordinary circumstances require such action, to impose reserve requirements outside of the numerically prescribed limits. Such special requirements could be imposed for a period of up to 30 days, but could then be extended for additional 30-day periods. Each time that the Board exercised this special authority, it would have to promptly transmit a report to the Congress, stating the reasons for such action.

It would undoubtedly be desirable to have the Federal Reserve Board consult the appropriate committees of Congress before exercising its authority in extraordinary circumstances. Consider the need for rapid action during a crisis, however, such as the one which necessitated the November 1, 1978, action, or which led to the 1933 bank holiday, and the possibility that Congress might not be in session.

To be able to counteract the types of financial panics which gave rise to the creation of the Federal Reserve System, the Board should have the authority to impose special reserve limits proposed in section 3(a), upon the finding of the need for such action by five members, if it has not, after a good faith effort, been able to arrange and hold consultations with appropriate congressional committees.

Another consideration arises from the potential difference in timing between the implementation of new reserve requirements and Federal Reserve charges for services to members.

The initial phase of the new uniform reserve requirements, to be met by all depository institutions with respect to different categories of deposits, would be made effective between 6 and 7 months after the date of enactment. Additional phaseins of the new, lower requirements would take place over the next 3 years, resulting in an increasing net reduction in reserves held at the Federal Reserve. As reserves are reduced, the Fed would have to sell Treasury securities of about an equal dollar amount, to maintain a given desired money supply.

It would mean an estimated loss of earnings to the Federal Reserve and payments to the Treasury of about $500 million in 1980, $1.1 billion in 1981 and above $1.4 billion in 1984. That would about equal the amount of estimated gross earnings by the banks from funds taken out of reserve deposits, since the banks presumably would buy Treasury bills carrying the same yield as bills which the Federal Reserve had held and sold.

The bank gains and Federal Reserve losses would each be reduced, primarily through charges to banks for services by the Fed and second through increased income taxes on increased bank earnings.

There is no date in H.R. 7 however, as to when such charges for services by the Fed would have to be imposed. The bill simply requires that not later than July 1, 1979, the Federal Reserve System shall have prepared and shall publish for public comment a set of pricing principles and a proposed schedule of fees for Federal Reserve bank services. The estimated service charges would be about $535 million in 1981 and $682 million by 1984. The proposed service charge principles and fee schedule could conceivably be subject to protracted comments and negotiations that could go on for years. It would certainly be to the advantage of one of the negotiating parties to have greatly protracted negotiations.

In a period of great concern about Government deficits and inflation, when programs which benefit poor people are being cut back, there should not be legislation that could give banks a windfall of over $500 million a year and increase the Federal deficit by that amount. In order to preclude that possibility, while implementing H.R. 7 for its main purpose, the imposition of uniform reserve requirements within approximately 6 months should be mandatory, but the reduction of present reserve requirements to

H.R. 7 statutory levels should not become effective until such time as charges for services have been determined and imposed.

If the new reduced reserve requirements imposed by the Monetary Control Act of 1979 would become effective only simultaneously with the imposition of charges for services, the charges for service would, to a large extent, recoup the loss of Treasury revenue resulting from a reduction in reserve requirements.

With the changes that have been recommended, H.R. 7 would significantly strengthen the durability and operating capabilities of the Federal Reserve System, without unnecessary losses of Treasury revenues.

Chairman REUSS. Thank you very much, Mr. Schechter, both for your excellent testimony and for your several constructive suggestions for improvement of H.R. 7 which you made, which certainly will get full consideration.

I would have just one question. It is currently being argued in some banking circles that what is needed to solve the problem for us is a system of universal reserve requirements right down to zero or close to zero, not only for all banks but for other depository institutions, and that the Fed pay interest at some designated rates on those minimal reserves which would have to be maintained.

It is argued in favor of that that that Treasury bonanza which is passed out to the financial institutions will be passed through in lower interest rates, and hence benefit the borrower. Would you agree with that position?

Mr. SCHECHTER. Mr. Chairman, I would like to review a bit of history which led to the creation of the Federal Reserve. But before I do that, I would like to comment on the last supposition that the increased amount of funds would lead to lower interest rates being charged by the banks. There is also a demand side to loan demands, and during tight money periods, such as at present, there tends to be an increasing spread between the cost of funds to the institutions, to many of them, at least, and the interest rate charged, as evidenced by the earnings I cited for 1978, which are higher than they usually have been.

So I think the consumer would not benefit just at the time when interest rates are high and the charge upon the economy for higher interest rates would be just expanded.

The need for reserves really began to develop even before the Civil War, when we had many State banks which were, in effect, issuing their own script, or in effect, money, and increasing the supply without any control or requirement for adequate reserve requirements, and it sparked many speculative periods in the economy, particularly in land speculation.

We had booms and busts.

So in 1863, we got the National Bank Act, which did provide for some supervision and some reserves, but the ability for the supply of money to expand was limited in relationship to U.S. Government bonds outstanding, which were the reserve medium.

And funds could be issued, I believe, up to 90 percent of the amount of bonds that a bank would have.

This, again, proved to be an inflexible monetary supply system and we had panics, financial panics, 1873, 1893, 1907, and after several of those panics, the idea of having a central bank with more flexibility and controls took hold, and we got the Federal Reserve System.

It hasn't always worked perfectly, but we have not had as frequent instability caused by the financial mechanism as in the past.

And even in recent times, there has been occasion when there have been illustrations of the need for flexibility. For example, the most recent occasion I cited when the Fed raised the reserve requirement on long-term time deposits from 2½ to 4½ percent. This followed from experience in 1966 and 1970, and in each of those periods when we had some financial instability, not panics, but we had credit crunches. One of the reasons was the buildup of large certificates of deposits by the commercial banks at which time they did, incidentally, raise the rates on them. And then when they had to be—there was a bunching of these large certificates, and when they had to be run off, we really got a crunch and the banks had to start bidding very high to obtain their funds.

This was beginning to develop again in 1978. Again, there was a need for fast action and significant action, a change in the reserve requirements.

Therefore, the idea that we should have either zero or 1-percent reserve requirements, I think, would take away the very tool to deal with what is the reason for the creation of the Federal Reserve System.

Chairman REUSS. Thank you. My time has expired. Mr. Stanton?

Mr. STANTON. Thank you, Mr. Chairman.

Mr. Shechter, in your statement in support of the legislation, at page 2, you state, referring to exemption from reserve requirements, you point out that this legislation, that $50 million or less are exemption and the Senate version comes down to $10 million and no expense and no cost to participate in the Federal Reserve System.

The point I was making with the Hawaiian bankers is that what H.R. 7 does is to create an inequity, based on size?

I mean smaller banks are exempt and larger banks stay in the System.

Mr. SCHECHTER. I would say that there is an inequity, but the purposes, I suppose, are not to drive any small bank out of business. And I would say before the level is set, given the lineup of earnings, it would be well to examine in detail the earnings.

Mr. STANTON. But the parallel, Mr. Schechter, and your organization represents the small and the big, the great and the good, the bad and the indifferent corporations and companies.

I am sure some of your memberships of your great union are 5 employees, 10 employees. Some of those small ones are extremely profitable and extremely good.

The dues to your membership, at least I think so, and I am just assuming this, whether or not there are 10 employees or 2,000, doesn't that same employee pay about the same minimum dues to belong to the AFL-CIO?

Mr. SCHECHTER. Mr. Stanton, we have 109 international unions. They each have their own scale of dues, and I think the scale is related to the prosperity of the industry and the wage rates.

Mr. STANTON. They differ in size?

Mr. SCHECHTER. It depends upon the wage scale in the industries.

Mr. STANTON. But if they all made the same wages, I mean let us take the construction trade industry. Davis-Bacon applies to Government contracts, and the same price scale, whether or not there are over 4 units or 4,000, it is the same scale. The same dues are subtracted from each one of those members, whether or not they are a small contractor or the country's largest.

Or am I wrong in that?

Mr. SCHECHTER. Well, for the same operation. But on one project, for example, the laborer gets much less than the plumber. And I am sure, although I don't know for a fact, but I would guess that the dues payment for the laborer——

Mr. STANTON. Well, all of the plumbers in the local plumbers' union, Local No. 55 in Ohio, as far as I know, the smallest plumbing contractors to Cleveland's largest pay the same dues.

Mr. SCHECHTER. Probably that is so.

Mr. STANTON. It is interesting, you know, when we try to base something on size, an exemption of the small ones, that there are small ones that are hurt, there are large ones that are hurt, unprofitable organizations.

It is just too hard to do it.

We probably did it because of the political expediency of trying to get something passed.

Mr. SCHECHTER. Well, I recognize that as true. As a matter of fact, it was only about a week or two ago that the Community Bankers Division of the ABA had their meeting here and they all said they wanted in. They wanted to have universal requirements.

The only thing is they did want a little interest paid on their reserves.

And I submit that they have done rather well during the last year, those who are members, without payment of interest on reserves. And if the figures stand up for members as well as nonmembers, the franchise they have, the protected franchise, after all, it is a business which, by nature, must be noncompetitive for the sake of the community and the depositors.

And, therefore, there is a quid pro quo. This is not like another business. And I would submit that only if it becomes a matter of very—of survival of the institution should there be great consideration for exemption.

Mr. STANTON. In closing, let me just make the point, though, that if you worked it a little bit differently, it would come out with the same results. If you treated everbody the same, large or small, and you had an interest limitation on the payment of interest on reserves based on a certain amount, $4 million, $5 million, $6 million in deposits, everybody would feel they are paying a part of it and everybody would be created equal.

Thank you.

Chairman REUSS. Thank you. Mr. Vento?

Mr. VENTO. Thank you, Mr. Chairman.

Mr. Schechter, I appreciate the last point that was being made here by our ranking minority member in terms of everyone being treated the same. But are they all really treated the same? The relationship between the correspondents that was explored to the extent, just recently with the bankers from Hawaii. Are they really treated the same?

There are, apparently, instances where a large bank acting as a correspondent may use another bank as a correspondent and as occasion occurs, I suppose, can withdraw or put in funds to show displeasure or to approve a loan.

Isn't that a fact of life?

Mr. SCHECHTER. I believe it is and I believe the ones with the large compensating balances probably get that dirty word "preferential treatment."

Mr. VENTO. Well, I don't know. Maybe we left a misimpression in the last set of questions when I raised the subject with the witness. It goes to individuals, more than it does to banks, so I guess it is all right to have preferential treatment for one bank over another.

But do some of these large banks also have some of their deposits in foreign banks outside the jurisdiction, outside the reserve requirements that would come under this proposal?

Mr. SCHECHTER. I don't know the answer.

Mr. VENTO. Well, I am informed that they do. For example, Citibank has over half its deposits overseas. So they have half their revenue there in that franchise which they have been extended.

You know, there has been a great deal of concern about what the cost of this would be to banks. I don't think we want to necessarily put anyone at a competitive disadvantage. There would be some costs.

There is nothing barring the smaller banks that would be exempted under this bill, under Senator Proximire's bill, or under the proposal by the Fed from still being members and keeping their reserve accounts with the Fed, is there?

Mr. SCHECHTER. Not that I know of.

Mr. VENTO. I am not aware of any, either. So they can still maintain their membership if they felt that they wanted to, in fact, use the discount window and the other services that are now being provided, generally without cost. If we are going to exempt many banks as we do in this bill there will be a reduction in revenue. That is substantial in this bill.

Mr. SCHECHTER. And I believe the estimates are that even after all of the payments are made, the offsetting payments and the reduction of reserve requirement earnings, there is some net gain in earnings left to the banking community as a whole.

Now the distribution may not be even among all of them.

Mr. VENTO. We have some special problems with regard to why and apparently, in other jurisdictions where there is rapid growth, I don't know how we are going to solve that.

You disagree, apparently.

Mr. SCHECHTER. No; I am surprised we have not seen Alaska represented here today. Although they are attached by land to the continental United States, I believe they also have great distances.

But there was some mention of the use of electronic funds. And possibly if there were, a Federal Reserve branch with a sufficient depository of currency—I think the Hawaii problem could be overcome.

Mr. VENTO. I just think that the suggestion made by my colleague from Georgia would seem to be one way that the Fed could help solve some of its own problems.

But I think we would be far better off to go in that way and at least treat like financial institutions alike through the correspondent facilities.

I was especially interested in your comments with regard to the benefits that are derived from being a member of the Fed and the responsibility involved.

It just seems that there is a repeated litany that appears before this committee in terms of those who would be affected. Those that are not affected generally are not appearing here and complaining and it comes off as being sort of complaining, but they just derive no benefits from being members of the Fed and it is a total cost.

And you disagree with that, you say that they do get benefits and that they do have a responsibility to participate in the System. I don't know. The monetary control aspects have been played down. Some would say that this bill is misnamed, it is a misnomer, that it doesn't control monetary policy.

Well anyone who has looked at the process of the Fed trying to control the money supply in the last year has to recognize that we have obtained the higher interest rates. We have obtained a lot of the side effects, but we have attained few, if any, of the positive results in view of the costs that we impose upon ourselves and the National Government in terms of the increased deficit by some $2 to $3 billion. The high cost we inflicted on the home construction industry and the high cost of inflation while not really controlling monetary policy.

So the Fed is overextended in terms of controlling the monetary, in terms of trying to control the monetary policy—they are overextended and they have many negative effects, I think, without a compensating positive result.

That is my own opinion. And I just think—I don't know if this is at the heart of that problem. I think it is one of the problems and there are some other things there that have to be looked at, like regulation Q and we have to look at some other aspects.

But the Fed has a job to do and a responsibility, but they are certainly not attaining that by virtue of the present modus operandi.

So, I think that has to be said and I do think this Monetary Control Act does partially address that.

Mr. SCHECHTER. I agree with you.

Mr. VENTO. Thank you. Thank you, Mr. Chairman.

Chairman REUSS. Thank you. Mr. Hyde?

Mr. HYDE. I have no questions.

Chairman REUSS. Mr. Barnard?

Mr. BARNARD. Thank you, Mr. Chairman.

Mr. Schechter, I certainly appreciate your being here today, and I can see that the millions of those that you represent are certainly affected by the money supply and how its effect is on the economy.

And I think it is very timely that you are here today to testify on this legislation.

I notice, though, that in your testimony, you have not referred to profits of financial institutions during those years of 1973 and 1974 and 1975.

Do you by any chance have any figures for those years?

Mr. SCHECHTER. Yes; The comparable returns on equity in 1973, which was the high point previously was 12.86 percent. And for 1978, I am sure it is going to be over 12.9 percent, because for the first half, it was 12.9 percent and in the second half, it was much better. For 1974, it was 12.53 percent. For 1975, 11.75 percent; 1976, 11.41 percent.

Mr. BARNARD. Well, you were mindful of the tremendous losses that banks took to their reserve for losses on loans and their capital during those years.

Mr. SCHECHTER. This is net, sir, net earnings. After all, losses have been taken into account.

Mr. BARNARD. Well, I don't think that is exactly the way the system works.

Mr. SCHECHTER. This is net income on equity during the years.

Mr. BARNARD. Well, let me ask you this question: What do you think the earnings of banks should be?

Mr. SCHECHTER. I look back historically and see that the rates were much lower. And I think the banks have done very well and they should be strong. But I think apparently banking attracts capital at net earnings of less than 12 percent, because throughout the sixties, the rates were lower. Since the 1973 crunch, they were lower than they were in 1973 and this year.

And the banks grew.

There is another angle besides just considering what the banks should earn. During the 1973 period, and I am sure you will recall, sir, we had the highest interest rates in 100 years coming then, and this preceded a collapse of housing and other industries that are very credit-dependent, and we had the worst recession since World War II.

So the earnings of the banks that reflect high interest rates are also something that must be viewed, not only from the point of view of the individual bank, and we should see that it is adequate, but perhaps not to a point where it weakens the economy.

Mr. BARNARD. Well, in comparison, don't you think other industries have expressed the same increase in the rate of return. Using your figures, that between 1973 and 1978, don't you think we are talking about a pretty standard rate of return.

Mr. SCHECHTER. Other industries, sir, do not have, except public utilities, which are limited on return, do not have what is recognized as a business which must have an element of monopoly because the community cannot afford unbridled competition. And therefore, the banks do, and other financial institutions do have an element of monopoly in that every time somebody wants to open another branch or open a new bank, there is a whole hearing to see whether there would be injury through competition to those who already exist in that market.

Mr. BARNARD. The only concern I am having here is that you haven't established what profits banks should have.

In other words, banks seemingly, in your testimony, are making so much money that they can afford to support a reserve program and to help the Fed as far as their problems are concerned.

But you are not bringing into consideration the fact that there are different aspects of management. There are different aspects of loan-to-deposit ratios. Some banks are serving their communities better than others.

There are so many factors here that need to be considered, and I don't want to belabor that question except I think it is somewhat unfair to say that banks across the board are making too much, as opposed to General Motors or 3M, or others and so consequently, let them take the consequences of this monetary policy.

Mr. SCHECHTER. Sir, I am not comparing banks to General Motors. As I said, they do have a monopoly element protected by the Government, which is a great difference.

Furthermore, as to the level of earnings, I think the level of earnings should be sufficient to attract capital so that there will be growth of the industry.

Mr. BARNARD. Everybody competes with banks. The Government competes with banks. Sears, Roebuck & Co. competes with banks.

If you're talking about the level of competition, there is plenty of competition as far as commercial banks are concerned.

Mr. SCHECHTER. Not as far as entry is concerned.

Mr. BARNARD. Have you ever tried to get a bank charter?

Mr. SCHECHTER. That is the protection for the people who are already in.

Mr. BARNARD. Have you ever tried to get one?

Mr. SCHECHTER. No; but I have read about hearings.

Mr. BARNARD. Well, you ought to try to get one. It is not that easy.

Second, do you think we should move entirely to, like, the system in West Germany and have a strong, dominant, compelling central bank?

Mr. SCHECHTER. I think as the economy has changed and become more complex and interdependent, we have adapted our financial system over 200 years to try to deal with the additional complexities.

Now there have been cyclical changes in our economy in the last 20 or 30 years, certainly since the Federal Reserve System was established.

We have, for example, a much greater deployment of household funds by the households themselves, without going through intermediaries. They buy securities in the market directly and this goes up, especially to a very high level every time interest rates are high.

Like last year. It amounted to about $55 million.

This makes it more difficult for the Federal Reserve to be able to maintain a stable use of credit, and perhaps at a time like that we have to think of strengthening the Federal Reserve so they can do the job better.

Mr. BARNARD. My time has expired, but I would like to ask you one question further. Do you believe reserves mean that much in controlling monetary growth?

Mr. SCHECHTER. Reserves, the level of reserves, partly they do control, because if there are banks that have no reserves at all that don't have to meet requirements therefore they are out from under the control and they make it more difficult to exercise control. I don't know to what degree nor do I think anybody else knows to what degree.

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Mr. BARNARD. But don't you think we have to ascertain that? Before we get into all of this control, we ought to really know about reserves and the part they play in the monetary policy. We don't know that; do we?

Mr. SCHECHTER. We know they play some part, because when you sterilize reserves and insist on it, it simply doesn't add to the money supply and the ability to change reserves, as the Fed did on November 1, means that there is an expansion or a contraction of the money supply to the extent that it is used. And I think we have to have reserves for the extraordinary circumstances that I referred to.

So, to leave a large block of financial institutions that have in effect transaction accounts or demand deposits, to leave them loose, so to speak, I think weakens the ability to control the money supply, to have a stable supply.

Mr. BARNARD. Thank you, Mr. Chairman.

Chairman REUSS. Thank you very much.

Mr. Vento.

Mr. VENTO. Well, Mr. Chairman, not another question, but I think the point that my colleague from Georgia may be leading to and which we should really answer, is: Which institutions currently would fall under H.R. 7 and have required reserves; and which have required reserves right now—in other words, that are not controllable by the Fed but nevertheless have reserves that are sterile.

So, I think we want to look at that to determine how much they have that are sterile right now. I don't know if we have that information available or not, and I think we ought to have that information available. At least that would give us a ballpark figure as to the impact that this might have on monetary policy.

Of course, the desire of this bill is not to control a great deal more of the total deposits. In fact, it lowers reserves but does not have a greater degree of control over deposits; in fact, it sets a floor of 68 percent, I believe, where the current level of deposits that are affected is something like 70.9 percent. So, it actually is a somewhat lower floor than that which exists right now. I know the net effect doesn't initially give us more control over deposits, but it does set a floor.

Maybe it disperses it in such a way that is even undesirable. I think that is another factor we might want to look at, which would tend to cause us to lower the floor and include more financial institutions.

Thank you.

Chairman REUSS. Thank you, Mr. Vento.

And thank you very much, Mr. Schechter, for your very helpful testimony.

We are now going to hear from Jay J. DeLay, of the Huron Valley National Bank of Ann Arbor, Mich., of which he is president and chief executive officer.

Please proceed, Mr. DeLay.

STATEMENT OF JAY J. DeLAY, PRESIDENT, HURON VALLEY NATIONAL BANK, ANN ARBOR, MICH.

Mr. DELAY. Mr. Chairman, members of the Banking, Finance and Urban Affairs Committee, first, I am president of an Ann Arbor, Mich., bank. I am speaking not as any representative of any group of the ABA, the IBA, or the Fed, even though I am a director of the Chicago Fed. I am speaking as an individual, as a so-called people's banker.

I appreciate this opportunity to express my approval for the monetary control bill of 1979. H.R. 7 is similar to H.R. 14072, which this committee acted favorably upon in September of 1978. On September 22, 1978, I testified in support of H.R. 14072. Today I am speaking in favor of H.R 7.

My family has been in banking in the midwest for three generations. I have been associated with Federal Reserve banks for 35 years, and I am aware of the reserve and membership problems that confront the Federal Reserve System. Shortly after I was elected a director of the Federal Reserve Bank of Chicago, I conducted a survey of banks which I represent. These banks were in Illinois, Iowa, Indiana, Wisconsin, and Michigan.

In December of 1974 I presented to the board of directors of the Federal Reserve Bank of Chicago, "Recommendations and Structural Changes," with alterations related to the following:

One, the burdens of membership; two, the inequities and disparities between member and nonmember banks which caused the exodus of member banks from the system; and three, the limitations of the discount window, plus other recommendations.

In 1976 I presented these suggested changes to Chairman Burns, Governors Wallich and Coldwell and the late Governor Gardner. The Board members were sympathetic and receptive, but no action was taken. The exodus of member banks continued.

Chairman Miller, immediately after assuming chairmanship of the Federal Reserve Board, took steps to alleviate these problems. In April of 1978, under Chairman Miller's leadership, the Fed proposed a bill titled "Interest on Reserve Balances," which proposed "to promote greater competitive equality among depository institutions and to place a limitation on the payment of interest on reserve balances held by member banks of the Federal Reserve System."

Later in the year the Fed presented a bill entitled "Reserve Requirements Act of 1978," which was a modification of the earlier bill.

In September of 1978, after close consultation between Chairman Miller and Chairman Reuss, bill H.R. 14072, the "Federal Reserve Act Amendments of 1978," was presented, which would "provide for greater competitive equality among financial institutions and arrest the loss of Federal Reserve member banks by reducing the burden of membership."

Many proposals have been submitted by various banking groups, by congressional leaders, individual bankers, but have been unsuccessful. The new bill, H.R. 7, comes closer than any alternative so far produced.

This document, called the Monetary Control Bill of 1979, first, provides for an accounting from all financial institutions on their deposit and liability data in a timely and orderly fashion so that the money supply figures of M_1, M_2, M_3 are clear and concise measures of the money base. With this additional information, the Fed can better discharge its monetary policy responsibilities. It will provide stable economic reports which are not subject to the consequences of float and other disruptive measures.

The summary in section 3 deals with evolutionary measures of a reserve structure that eliminates the hodgepodge of many years of frustration for the Fed in determining accurate money base figures. It imposes for all financial institutions and defines the types of accounts carried. It brings in financial institutions that make up a large and growing segment of the Nation's money base, mainly the savings and loans, the credit unions, and the mutual savings banks, that are a vital part of the Nation's economy.

It removes the link between reserves and memberships, and focuses on the types of deposits. It removes the disparity between member and nonmember banks that has existed in a discriminatory fashion for years.

Presently, the burden of membership falls on 5,600 member banks. The new bill proposes a $50 million exemption on demand, savings, and NOW accounts, and exemptions on the first $50 million time deposits. Banks that exceed these exemptions would be subject to the reserve structure, but with a vault cash offset. H.R. 7 would impose membership only on approximately 240 new banks, which range from $200 million to over $2 billion. Approximately 95 percent of the Nation's banks would be free from this nonearning asset problem, and it would leave approximately 800 banks that would maintain reserves in the System.

The discount window would be opened to members and nonmembers for borrowing and discount privileges. That would provide a sound basis for liquidity for all the Nation's financial institutions. The freedom of all financial institutions to borrow through the discount window should prevent uncontrolled Fed Fund borrowing.

In this new bill, international banks would be under the Fed. They would be subject to the same terms as our own regional and money center banks. They should not be given preferential privileges in the U.S. banking market.

All new member banks with increased reserve positions will be phased in over a 3-year period. Maybe that could be extended to a 4-year period because of income transitional adjustments. The phasing out of banks with decreased reserve positions will be transacted over a 2-year period. I believe most banks would accept this phasing process in good faith.

Section 4 deals with the preservation of the State and its financial supervisors. The act clearly states that it protects present State financial supervisors and their institutions that they supervise. The question of dual banking is not jeopardized, even though some State financial supervisors believe there will be switching from State to Federal charters. The concept of universal reserves is not contrary to dual banking. Monetary policy is set by the Federal Government and not by State institutions. If the States would set policy, we could have 50 so-called State monetary policies. "The Federal Government has no liability to insure the viability of State supervision by making it financially unattractive for a bank to be a member of the Federal Reserve." The act does not violate the freedom to choose between a State or a federally chartered financial institution.

In section 5, H.R. 7 permits the maintenance of reserves at correspondent banks. It does not disrupt the correspondent relationship that exists between those banks using correspondent services for check processing, loan participation, investment advice, custodial and safekeeping or any other service offered.

The bank with such a correspondent relationship can continue with that relationship, but the deposits of the bank can be used as balances at the Fed if the correspondent passes through the amount of required reserves to a Federal Reserve district bank. This section causes some consternation among correspondent banks. They are alarmed because they aren't certain the relationship will continue. If an existing correspondent bank provides clearing services, loan participations, investment advice with accurate and fair prices, the bank should not be afraid of the pricing schedule of the Fed. The free enterprise system should operate effectively.

Section 6 would repeal the requirement that Federal Reserve banks charge a higher rate when discounting certain types of bank assets than is applicable with respect to other assets.

Section 7 requires that the Federal Reserve Board prepare and publish a set of pricing principles and proposed fees for Federal Reserve bank services. The Fed has already mailed member banks a pricing proposal for certain services and has asked for public comment.

Section 8 provides that the requirements are to be effective 6 months after enactment. The reserve changes will be on July 1, 1979, or at an earlier date as determined by the Federal Reserve Board.

I commend Chairman Reuss, members of his committee, and the staff, who wisely prepared this valuable legislation. They showed keen insight into the needs of present-day banking. The enactment of this bill will provide for Chairman Miller and the Federal Reserve System a monetary policy truly in the public interest; it will promote competitive equality among depository institutions; and will afford banking liquidity and flexibility for all financial institutions.

I agree with Chairman Reuss when he stated, "No solution can satisfy the desires of all competing groups. To press exclusively for self-serving positions that have no chance of passing will not serve even the banks."

Chairman Reuss and members of this committee, I thank you for your attention. I am aware this is an important piece of legislation for not only the financial institutions of the country, but for the people that these institutions serve.

Thank you very much.

Chairman REUSS. Thank you very much, Mr. DeLay.

What is the size of the deposits of the Huron Valley National Bank?

Mr. DELAY. $103 million, Mr. Chairman.

Chairman REUSS. Are you presently a member of the board of directors of the Federal Reserve bank?

Mr. DELAY. Yes.

Chairman REUSS. How long have you served?

Mr. DELAY. This is my final year of 6 years.

Chairman REUSS. In the course of your duties as a director of the Federal Reserve Bank of Chicago, do you have an opportunity to talk to bankers throughout the region which your bank serves?

Mr. DELAY. Yes, I do, Mr. Chairman. Very, very much. Probably too much. My postage bill has increased considerably in 5 years. I feel like I have the pulse of my 450 banks I represent, banks of $25 million to $150 million, not only in my 5 States, but I keep on top of it in the 50 States—not Hawaii or Alaska, with their Hawaiian float—but I am on top of the so-called peoples bankers, how they feel; yes.

Chairman REUSS. Based upon your conversations with your colleagues from the banking world, do you think that your view of what H.R. 7 is trying to do—your view being basically favorable—is unique to you? Or is your view shared, do you think, if they were afforded an opportunity to express their views, shared by a number of other bankers?

Mr. DELAY. I think my view is not unique. I think that withdrawal from the system, even though many members would like to still be a part of the greatest central bank in the world, they look at that bottom line and also what they can do within the community. I don't think there is any question of—roughly, you are talking about 14,000 banks in the country that are $100 million or less—they would share my views. Maybe not with all my enthusiasm, or agree with me on all points, but I would say basically, yes, they agree with what I have presented today.

Chairman REUSS. One of the things that the bill, H.R. 7, does is to exempt, as you know, the deposits of under $50 million in the two categories of transaction accounts and all others from reserve requirements. If you add in the realities of all cash, it comes out slightly higher.

Do you think there is a case for doing what H.R. 7 does? And that is, very frankly, treating the first $100 million, or $50 million times two, as the object of favored exemption?

Mr. DELAY. Yes; of course, it falls in my category, and you could lower it maybe to Proxmire's $40 million or whatever the Fed would like to do on that earnings participation agreement.

However, there is no question, I think, that the number of banks in the system, the 5,100 of the 5,600, are those banks with $100 million or less. It is geared to give and to eliminate the disparity between member and nonmember banks.

Why should I have to, out of my earnings, give up $150,000 a year, and down the street the same type of a bank but a nonmember bank have $150,000 that he can put in his capital account?

Banks, most of these banks, that if they would have this—and I don't call it a windfall—but would immediately transfer any portion of that earning into a capital and surplus account. I think it is a way to build capital which—many, many of the 14,000 banks in the country are undercapitalized.

Did I answer that question, Mr. Chairman?

Chairman REUSS. Yes; you did. Thank you very much.
Mr. Hyde.
Mr. HYDE. I have no questions.
Chairman REUSS. Mr. Barnard.
Mr. BARNARD. I have no questions.
Chairman REUSS. Well, we are most grateful to you, needless to say. I think very highly of your testimony. And thank you for coming here today.
We now stand in adjournment.
[Whereupon, at 11:35 a.m., the hearing was adjourned.]

MONETARY CONTROL

WEDNESDAY, FEBRUARY 28, 1979

House of Representatives,
Committee on Banking, Finance and Urban Affairs,
Washington, D.C.

The committee met at 9:30 a.m. in room 2128 of the Rayburn House Office Building; Hon. Henry S. Reuss (chairman of the committee) presiding.

Present: Representatives Reuss, Ashley, Moorhead, AuCoin, Cavanaugh, Vento, Barnard, Garcia, Lowry, Stanton, Wylie, Hansen, Hyde, Kelly, Leach, Green, Paul, Bethune, Shumway, and Campbell.

Chairman Reuss. The House Committee on Banking, Finance and Urban Affairs will be in order for its continued hearings into H.R. 7 and other measures of H.R. 2133 to help the Federal Reserve fight inflation by developing monetary tools and to avoid the extension of the disastrous deficits in the national budget.

We are privileged to hear this morning an old friend and esteemed colleague, the Honorable Gunn McKay of the State of Utah.

Representative McKay, you have a prepared statement. Under the rule and without objection that will be inserted in full.

STATEMENT OF HON. GUNN McKAY, A REPRESENTATIVE IN CONGRESS FROM UTAH

Mr. McKay. I appreciate very much, Mr. Chairman, your allowing me to come before you. As you know, there was a major individual who was into banking policy many years ago from my State, a fellow by the name of Marriner Eccles, who was instrumental in earlier times related to our fiscal policy. And the concerns of banking still remain in our State. I am here today, Mr. Chairman, to raise some concerns of some banking interests about the bill before you.

I am here this morning to submit for the record testimony on H.R. 7. In brief summary, I attempt to discuss some general problems I find with this bill.

First, it is important to understand that while this bill will benefit the vast majority of banks in America, there are still some large regional banks who are not located in money centers on the west coast or in the East who will be hurt.

I understand that many on the committee believe H.R. 7 is needed to improve the Federal Reserve's ability to conduct monetary policy. There is solid scholarly research, however, behind the proposition Federal Reserve open market operations have the same effect on nonmember banks as member banks.

Furthermore, as I understand H.R. 7, the Federal Reserve's control over reserve deposits will be lessened, not increased, because of exemptions and lower reserve requirements.

Another reason cited for H.R. 7 is to restore competitive equity by requiring all banks of comparable size to maintain the same Federal Reserve deposits. It seems to me, however, that competitive equity can also be achieved by making all reserve deposits voluntary rather than mandatory.

It has also been suggested that nonmember banks are benefiting from a Federal Reserve System being supported by member banks. The Federal Reserve's own staff study shows, however, that the nonmember banks which do enjoy this competitive advantage are predominantly those below the $100 million in deposit size. Most of these banks, however, will be excluded for the most part from maintaining any reserves at all as I understand H.R. 7.

If the primary objective of H.R. 7 is to turn around the continued decline in Federal Reserve membership, this can be accomplished by either reforming the existing structure of reserve requirements or by making them voluntary in nature similar to that being proposed by Representative J. William Stanton in H.R. 2133.

In conclusion, I believe a strong case can be made to suggest that the Federal Reserve's membership problems can be resolved by rendering the reserve requirement voluntary rather than mandatory, to accommodate those areas of the country which are not in the Federal Reserve.

Mr. Chairman, I appreciate the time and will submit as you suggested the statement in detail.

Chairman REUSS. Thank you. I will go over your prepared statement knowing the thoughtful care you have presented in such matters and it will certainly be considered. We are very grateful to you.

Mr. McKAY. Thank you.

[Congressman McKay's prepared statement follows:]

PREPARED STATEMENT OF CONGRESSMAN GUNN McKAY

Mr. Chairman, members of the committee, I appreciate this opportunity to testify on H.R. 7, a bill that would compel bank membership in the Federal Reserve System. Because H.R. 7 has just been introduced and has not yet been amended, I will direct my comment to the more general issues involved in the bill.

It is expected that H.R. 7 will exempt the overwhelming majority of banks, member and non-member alike, from reserve requirements, and reduce requirements for all member banks, in most cases substantially. This will receive considerable support. To the extent that these proposals move toward simplification of the present reserve requirement structure, and reduce the cost of maintaining reserves, such support is indeed understandable. However, the 194 banks that would be affected adversely deserve to be heard.

These are, for the most part, regional banks, located outside of the money centers. In general, there are significant differences between the nature of their business and that of banks of similar size that are members of the Federal Reserve. They tend to do little in the way of correspondent business, and are generally retail oriented. They have, in effect, structured their businesses to take account of the advantages and disadvantages of remaining outside of the Federal Reserve System. To put it bluntly, these banks do not need the Federal Reserve.

The Need for Legislation

The justification for legislation of the type described has been defined by proponents in the following fashion:

1. The need to improve the Federal Reserve's ability to conduct monetary policy,
2. The need to remove the inequity inherent in the unequal treatment for reserve requirement purposes of commercial banks which are members of the Federal Reserve System and those which are not, and
3. The need to meet the Federal Reserve's concern over the possible adverse consequences of a continued decline of the Federal Reserve System membership.

These three stated reasons (taken from the December 1978 House Banking Committee report) are not unrelated. In fact, the tail wags the dog in this case, since it is almost surely the Federal Reserve's concern over its declining membership that has prompted the assertions relating to the conduct of monetary policy and competitive inequity. In any event, it is important to examine each of the stated needs, with particular reference to the banks that will be most severely affected.

Ability to conduct monetary policy. The mere lodgement (directly or indirectly) of sterile reserves with Federal Reserve Banks is not a requisite for the conduct of monetary policy. The contention that removal of such reserves from Federal Reserve Banks, because of membership erosion, impedes the efficient operation of monetary policy has been flatly contradicted by serious, scholarly research. The essence of virtually all such research is contained in a single paragraph from a study by Professors Ross M. Robertson and Almarin Phillips:

> Like the rain from Heaven which falls on all of us regardless of our merits, open market operations (by the Federal Reserve) affect member and nonmember banks alike. There is not one shred of evidence to the contrary.

The Federal Reserve appears to argue that, while this may be the case, the lack of uniformity in reserve requirements complicates its monetary policy tasks. Given its formidable research capabilities, it is strange that the Fed has, to date, produced no evidence of any meaningful impairment of monetary policy. Moreover, one must wonder why some leaders in the Congress believe this problem would be lessened if the proportion of total deposits covered by reserve requirements were lowered still further or, more importantly, if the vast majority of banks were exempted from the requirement. It is, in addition, important to note that the reserve requirement reform summarized in Item I above would still allow for substantial variation in reserve requirements at larger banks, depending on the type of deposit in question. The imposition of different requirements against different types of deposits has not to date been justified in terms of careful, well-documented analyses.

Competitive equity. Quite apart from questions of membership and non-membership in the Federal Reserve, it is clearly inequitable and unwarranted to require that member banks maintain sterile balances, at the amounts called for under the existing level of reserve requirements, as a condition of Federal Reserve membership. Such reserves simply constitute a drag on earnings, and an impediment to the development of a stronger capital base for such banks. The only conceivable rationale that one might find for the present system is that required reserves provide income for the Federal government (by providing earnings to the Federal Reserve which in turn are largely passed through to the Treasury). But commercial banks are already subject to the corporate income tax. If, for some reason, additional taxes are thought necessary the issue should be addressed directly and forthrightly, rather than through the confusing and unwieldy device of requiring the lodgement of sterile deposit balances at Federal Reserve Banks.

But proponents of the kinds of legislative proposals here under consideration refer again and again to another supposed inequity. That is that the burden of supporting the nation's central banking system is being borne only by member banks, and that non-member banks are escaping paying their fair share -- or any share at all. The implication, of course, is that the non-member banks are enjoying unjustified profits because they remain outside of the Federal Reserve System, while the member banks are suffering by reason of their remaining in the System.

To be sure, there are data which suggest that non-member banks, as a group, may be slightly better earners than member banks. But, according to the Federal Reserve's own staff study entitled "The Burden of Federal Reserve Membership" ("Paulus Study," June 1977) the non-member banks that enjoy this advantage are predominantly those below $100 million in deposit size -- the very banks that would be excluded, for the most part, from maintaining any reserves at all. Proponents of the legislative proposals discussed here have somehow managed to stand the equity issue on its head, arguing not only that uniform reserve requirements are needed for monetary policy, but that the inequitable burdens imposed by these requirements should be shared equally among all insured commercial banks -- provided they are large!

The contention that medium size and larger non-member banks have been profiteering in some improper and injust way at the expense of member institutions, simply disappears when subjected to close scrutiny. To the extent that any meaningful advantage to non-member banks may be identified, reserve requirement reductions for member banks alone, on the order of those described earlier in Item I, would more than redress the balance. To go even further, and mandate an increase in the reserves required of non-member banks, would indeed create a substantial inequity.

The "Membership Problem." If the primary objective of the proponents of the type of legislation here discussed is to stem the erosion of Federal Reserve membership, for whatever reason, then it is clear that Item III -- the extension of requirements to non-member banks -- is entirely unnecessary. Enactment of just Items I and II (reserve requirement reform and the small bank exemption) would be more than sufficient to serve this purpose. Indeed, merely reforming the existing structure of reserve requirements would by itself go a long way toward solving the "membership problem," even assuming that there is a problem that needs solving.

The facts seem clear. If the proposal described earlier were enacted except for Item III (i.e., if substantial reserve exemptions were provided, and present reserve requirements were made more uniform and lowered, but the mandatory features were deleted) then, again using the Reuss proposal for purposes of illustration, 8,535 non-member banks should have no reason for remaining outside the Federal Reserve System if their present non-member status is due to concern over the cost of lodging sterile balances with Federal Reserve Banks. They would either be exempt from having to do so, or would already have vault cash sufficient to cover such requirements. In addition, some 5,240 member banks now maintaining such reserves would henceforth be exempt from doing so, or would have sufficient vault cash. Accordingly, to the extent that these banks might have been tempted to leave the Federal Reserve System in the future because of the cost of holding reserves, such a reason would no longer be applicable.

It might be argued, however, that if reserve requirements were not extended to all banks, there would be nothing to prevent medium and larger-size member banks from deciding to leave the System. Under present circumstances this might well happen with respect to certain member banks, but if the schedule of reserve requirements set forth in this proposal were to be adopted, the burden of maintaining sterile reserves would be substantially reduced or disappear entirely. As a matter of fact, if reserve requirements were reduced for member banks, the House Committee data suggest that voluntary membership in the Federal Reserve might be quite attractive to at least 20 of the 194 non-member banks discussed earlier.

I would urge the committee to take a strong look at H.R. 2133 introduced on February 13 by my colleague Rep. William Stanton (R-Ohio) which calls for a voluntary reserve system. A strong case can be made to suggest that the Federal Reserve's membership problem can be resolved by making the reserve requirement voluntary rather than mandatory.

Chairman REUSS. All right, if our friends from the great banking organizations, the ABA and IBAA, will step forward, we will put your written statements in in timely fashion.

Under the rule and without objection the full statements and appendixes will be admitted into the record.

We would now like to hear from each of you gentlemen.

STATEMENT OF JOHN PERKINS, PRESIDENT, AMERICAN BANKERS ASSOCIATION (ABA), ACCOMPANIED BY WILLIAM H. KENNEDY, CHAIRMAN, GOVERNMENT RELATIONS COUNCIL, AND ROBERT W. RENNER, CHAIRMAN, COMMUNITY BANKERS DIVISION

Mr. PERKINS. I am John Perkins, president of the Continental Illinois Bank & Trust Company of Chicago. I am here today in my capacity as president of the American Bankers Association.

Also representing the association today are William H. Kennedy, chairman of the National Bank of Commerce, Pine Bluff, Ark., and Robert W. Renner, president of the Citizens State Bank of Hartford City, Ind. Mr. Kennedy is chairman of the Government Relations Council of the American Bankers Association, and Mr. Renner is chairman of the ABA's Community Bankers Division whose membership includes virtually all of the more than 12,000 banks in the United States with less than $100 million deposits.

On behalf of the American Bankers Association, we are submitting a written statement pertinent to the consideration of H.R. 7 and H.R. 2133, which should be read in conjunction with this summary. We request that it be made part of the record of this hearing.

We have been looking forward to this opportunity to discuss the Federal Reserve issue for several reasons:

First, there is an important problem to solve. Through the committee's leadership and the efforts of the Federal Reserve these issues are receiving timely attention.

Second, last August we expressed a view that proposed legislation on the Federal Reserve issue had such far-reaching implications that it needed to be postponed to allow time for adequate study, analysis, and understanding.

Since then, the banking industry has done its homework as promised. In the 6 months leading up to our Banking Leadership Conference on February 13–16, 1979, intensive study and attention throughout the banking industry were focused on the Federal Reserve issue.

We now feel that the association can come before the committee well prepared on this issue, with a clearly defined and widely supported consensus position.

Third, there are significant areas of agreement with respect to actions needed to resolve the Federal Reserve issue.

There are also some fundamental points of disagreement. In our frequent and open exchanges of views and information with the Federal Reserve, we have sought to emphasize and enlarge upon areas of agreement. We come before the committee with the same constructive attitude.

Bankers representing every element of organized banking, along with consultants, academic experts, and other advisory and virtually every division, council, or committee of our association have been involved in study of the Federal Reserve issue.

One of our first conclusions was that we are dealing with much more than Federal Reserve membership.

Our use of the phrase "Federal Reserve issue" reflects the broad context of our approach.

Included in this context are the move toward explicit pricing of Federal Reserve services, the proposed changes in access to services, the role of the Federal Reserve as a provider of payments services, the role of member-bank reserves as an instrument of monetary policy, the independence of the Federal Reserve System, the preservation of an appropriate balancing of Federal and State power in the regulation of banking and other depository institutions—the very nature and position of many aspects of the banking system—and a number of other issues and questions.

The scope of our inquiry and discussion was, therefore, broadened beyond the Federal Reserve membership issue as such.

Furthermore, early on in our studies, we recognized that the financial impact of proposed changes in the structure of reserve requirements and proposed explicit pricing was much more complex than had been assumed. The computer printouts supplied the committee in the past showing changes in reserve balances and implied income gains and losses for banks show only the tip of the iceberg.

The printouts and discussion imply that a bank will automatically gain earnings from having more money to work with because of lower reserve requirements. In the real world, this would not be the case, as the competition would see that these savings to the banks were largely passed on to customers in the form of lower prices or lesser minimum balance requirements to cover service costs.

To trace through the further effects of changes in reserve requirements an interactive computer model had to be constructed.

To accomplish this, we employed an outside consulting group well qualified to conduct this type of technical analysis. The outside consultants and the banker task force established to work with them have produced an exceptionally fine piece of searching analysis.

Changes in reserve requirements, which are called first round impacts in our analysis, cause changes in bank behavior altering the mix of bank assets and the use made of Federal Reserve services by banks not currently members of the Federal Reserve.

These "second round" effects may interact in ways that significantly reduce or at least shift deposits at correspondent banks and other financial institutions.

The far-reaching effects identified by the interactive computer model developed for us also imply "third round" effects, further complicating the analysis. Several conclusions were clear. First, any change in reserve requirements that bring nonmember banks under Federal Reserve control has major implications for the future viability of the correspondent banking system.

The correspondent banking system is one of the major strengths of our banking and financial system. It provides services for banks which the Federal Reserve cannot provide, such as loan participations, investment advising, consulting on operational problems and improvements, to name only a few. Moreover, without a viable corresponding banking system, the paperwork burden of clearing checks could overwhelm the Federal Reserve, and we would have another problem on our hands like the U.S. Postal Service.

An interesting further discovery was that the model showed that when reserve savings were balanced against paying explicit charges for Federal Reserve services and after allowing for other second- and third-round effects, large- and medium-sized regional money center member banks would only come out about even. Larger nonmember banks would suffer and small banks would gain.

My comments on only these few implications with respect to banking structure illustrate the complexity of the Federal Reserve issue. We think that we have covered the more important aspects of the Federal Reserve issue in our written statement. And, despite its considerable length, our written statement should be regarded as a summary of the careful, professional study we have given this issue.

Our association has carefully considered the need for universal reserve requirements. We believe the need has not been adequately demonstrated from a monetary policy standpoint.

It has also become abundantly clear that the only way a consensus could ever be achieved among bankers on the issue of universal reserve requirements is by imposing the same burdens on thrift institutions for all types of deposits.

A promising way of achieving this result might be to eliminate reserve requirements on time and savings accounts at banks, as the monetary policy value of these required reserves are particularly questionable.

We believe the voluntary approach is the best one to follow.

One of the reasons bankers are anxious to adhere to voluntarism stems from their distaste for unnecessary regulatory burdens being imposed on them, particularly by the recently enacted Community Reinvestment Act and Financial Institutions Regulatory Act. We elaborate on this in our detailed statement.

There are many aspects of the Federal Reserve issue which we might discuss, and I think you will find that our written statement presents a rather thorough discussion.

So let me try to move to the heart of the issue by noting areas of agreement and disagreement.

First, we agree with you that the conditions which are leading to a decline in the number of banks belonging to the Federal Reserve System should be changed in order to halt, and hopefully reverse, the attrition in Federal Reserve membership. We would also add that, among serious students of monetary policy, there is far from unanimous agreement on how important this is for the conduct of monetary policy.

Second, we agree that the cause of the decline in Federal Reserve membership is the excessively high financial burden of such membership.

Third, we agree that the principal means of reducing the financial burden of membership is through reductions in required reserve ratios on member banks. In addition to addressing the problem of membership attrition, we believe such reductions will substantially benefit customers of member banks through lower prices for financial services.

Fourth, we agree that the current graduated structure of reserve requirements is an impediment to proper conduct of monetary policy and should be truly uniform.

Fifth, we agree that required reserve ratios on member banks can be substantially reduced without adverse implications for the effectiveness of monetary policy in combating inflation.

Sixth, we agree that explicit pricing of Federal Reserve services should be initiated as soon as feasible, but only after reductions have been effected in the financial burden of Federal Reserve membership.

Seventh, we agree that receipt of more timely data from all depository institutions could be helpful in predicting changes in the money supply and other money aggregates.

However, we would add that the potential of such information should not be overemphasized.

I think we have some very substantial areas of reasonable agreement. They should provide an adequate basis for proceeding to a solution in the Federal Reserve membership problem.

We hold several other points to be essential features of any solution to this problem.

Although in conflict with certain provisions of H.R. 7, these several points permit timely and appropriate action to resolve the membership problem. In fact, we think that these several other points help assure the maintenance of a strong and truly independent, effective Federal Reserve System.

First, based on the decision of our leadership conference 2 weeks ago, arrived at after exhaustive analysis of the alternatives, the principle of voluntary members is essential to any equitable solution to the membership problem. Extension of mandatory reserve requirements to nonmember banks is contrary to the principle of voluntary membership.

We believe this for several reasons:

(a) Maintenance of voluntarism is important to the systems of checks and balances preventing undue concentrations of regulatory power at the Federal level. The balancing of Federal and State power, as found in the Constitution, the concept of the dual banking system, and the concept of voluntary membership in the Federal Reserve, has contributed to innovation, increasing competition, and vitality in our banking system. Extending reserve requirements to nonmember banks is viewed by bankers throughout the Nation as further centralization of authority in Washington when the public convenience and need in this industry as well as other regulated industries, would be best served by deregulation and some relaxation in the exercise of centralized authority.

(b) Voluntary membership is an important underpinning of the independence of the Federal Reserve. Rather than seeking to abrogate the concept of voluntary membership by extending reserve requirements to nonmember banks or to eliminate most small banks, the Federal Reserve should seek to strengthen its voluntary base of membership by making membership less financially burdensome and by improving the benefits of membership.

This can be done within the general confines of our areas of agreement. Access to Federal Reserve services is one of the benefits of membership. Giving all depository institutions access to these services, except for emergency borrowing privileges, would negate the value of this benefit and is contrary to the concept of voluntary membership.

It is also unnecessary since the smoothly functioning correspondent banking system has efficiently provided these services to nonmember banks.

(c) We find no reason to extend Federal Reserve reserve requirements to nonmember banks to improve the effectiveness of monetary policy. The deficiencies affecting the implementation of monetary policy lie elsewhere. Federal Reserve research purporting to show that nonmember banks are a problem for monetary policy, in fact, merely reinforces the conclusions of previous researchers that the graduated structure of reserve requirements on member banks is the serious problem.

Our written statement discusses this somewhat technical subject in detail. We believe uniformity in reserve requirements levied on member banks would substantially improve the ability of the Fed to conduct monetary policy, and we strongly support this uniform reserve concept.

(d) In sum, extension of reserve requirements to nonmember banks is unnecessary for improvement in the effectiveness of monetary policy and is undesirable from the point of view of maintenance of the independence of the Federal Reserve and the viability of the dual banking system.

Our second point of apparent disagreement, Mr. Chairman, pertains to what has been characterized as the Treasury revenue problem.

(a) We believe a solution consistent with Federal Reserve membership can be achieved within the broad framework of generally acceptable impact on Treasury revenues.

(b) The need for open market operations to offset the monetary policy effects of proposed reserve requirement reductions could have more of an effect on Treasury revenues other than factors that have been heretofore considered.

As explained in our prepared statement, H.R. 7 could be more adverse to the Treasury in this regard than the ABA's proposal. The outcome will depend on monetary policy needs at the time reserve requirements are reduced. However, if there are adverse effects, they can be minimized through the use of an appropriate phasein period.

I cannot emphasize enough that once the relevance of a phasein period is admitted, the Treasury revenue problem drops out of the picture.

A phasein program can be structured to minimize, and perhaps eliminate, any reduction in the level of Federal Reserve payments to the Treasury.

(c) The American Bankers Association would like to see reductions over a period of time in required ratios that go beyond those proposed in H.R. 7.

This is consistent with recommendations of past Federal Reserve Chairmen and the findings of other thoughtful students of monetary policy.

The range for permissible reserve requirements should be wide, so that the Fed has the latitude to flexibly manage the reserve requirement reductions, consistent with monetary policy needs.

The higher costs of further reserve requirements reductions does not argue as such against their ultimate realization; it merely indicates that a longer phasein period will be needed to permit other sources of growth in the Federal Reserve securities portfolio to offset the reductions in required reserve ratios.

Our third point of disagreement with H.R. 7 is that we believe that no member bank should be exempt from reserve requirements.

The exemptions in H.R. 7 would perpetuate a form of graduated reserve requirements, and such requirements have been shown to be a source of instability in monetary policy.

Instead of exemption levels, we would propose that the concept of an earnings participation account for each member be adopted, as it will have the same positive impact on smaller banks.

However, we would not exclude member banks under $10 million as Chairman Miller would. We think that an earnings participation account—providing a riskless, assured source of income at market rates—could make it attractive for new and small banks to join the Federal Reserve.

In particular, new banks should be regarded as a future source of growth in Federal Reserve membership.

Our areas of disagreement with H.R. 7 do not pose a barrier to resolution of the membership problem. An effectual solution is available without extending reserve requirements to nonmember banks and without imposing significant costs on the Treasury. There is much to be gained by timely solution of the membership problem along the lines we propose. Most importantly, this would not entail the serious negative public policy effects that would stem from an abandonment of voluntarism.

The provisions of H.R. 2133 are consistent with our view that the membership problem can and should be resolved without abandoning the concept of voluntary Federal Reserve membership.

H.R. 2133 does not go as far as we would like in providing the Federal Reserve with authority to make future reductions in the financial burden of membership.

We do disagree with two specific provisions of H.R. 2133. We do not see a need for a one-house veto on increases in interest payments, and we believe NOW accounts should be treated as savings accounts for reserve requirement purposes.

If the latter is not done, banks in the Northeast that face serious competition from thrift institutions with NOW accounts would be placed at a serious competitive disadvantage.

As we have said, the ABA's position is based on intensive study and discussion throughout the industry and was finally developed in our banking leadership conference on February 13 to 16, 1979.

One way of looking at our efforts in this regard is that we have, in effect, conducted a market research study for the Federal Reserve to determine how it can market its product—membership—more effectively, based on careful analysis, research, and professional marketing testing.

In closing, I need to touch on one other far-reaching point discussed in our prepared statement. Treasury revenue considerations now apparently affecting the Federal Reserve have serious adverse implications for the independence of the Federal Reserve in the conduct of monetary policy.

It should be recalled that from 1942 to 1951 the Federal Reserve was obliged to support the market for Government securities to hold down Treasury borrowing costs.

This pegging policy made it impossible for the Fed to pursue a flexible monetary policy to restrain inflation in the postwar period.

As you may recall, Mr. Chairman, the late Senator Paul Douglas chaired hearings inquiring into the effects of the pegging policy.

It was clearly shown at the time that the Federal Reserve must be independent of the Treasury in the conduct on monetary policy. A Treasury revenue requirement has essentially the same pernicious effects on the Federal Reserve's ability to combat inflation as did the pegging policy.

Whether the objection is to hold down Treasury borrowing costs or increase Treasury revenues, the effects on the independence of the central bank are the same.

This is a major public policy issue which we are pleased is receiving thoughtful consideration.

That ends my summary statement.

My associates, Mr. Kennedy and Mr. Renner are here with me to answer any questions or cover any points in more detail that you would like, sir.

The CHAIRMAN. Thank you very much.

[Mr. Perkins' prepared statement, on behalf of the American Bankers Association, appears along with the following additional material: an interim summary report to the ABA leadership conference by Abt Associates, Inc., and a letter dated February 5, 1979, to Chairman Miller of the Federal Reserve, with an attached report of the ABA pricing task force. The material follows:]

STATEMENT OF JOHN H. PERKINS

ON BEHALF OF THE

AMERICAN BANKERS ASSOCIATION

BEFORE THE

COMMITTEE ON BANKING, FINANCE, AND URBAN AFFAIRS

OF THE U. S. HOUSE OF REPRESENTATIVES

ON

H.R. 7, the MONETARY CONTROL ACT OF 1979

AND

H.R. 2133, the RESERVE REQUIREMENT SIMPLIFICATION ACT OF 1979

Mr. Chairman and members of the committee, I am John H. Perkins, President of the Continental Illinois National Bank and Trust Company of Chicago, and President of the American Bankers Association, a trade association whose membership includes more than 92 percent of the nation's 14,500 full-service banks. Accompanying me are William H. Kennedy, Jr., Chairman of our Government Relations Council, and Robert W. Renner, President of the Citizens State Bank of Hartford City, Indiana, and Chairman of our Community Bankers Division. We welcome the opportunity to appear before you today to testify on important policy issues relating to the Federal Reserve System.

Through its consensus process, the American Bankers Association has developed the following position pertinent to H.R. 7, H.R. 2133, and alternative proposals.

Consensus Statement

The American Bankers Association reaffirms its strong support of and belief in the concept of an independent and effective central bank.

To that end, the Association reaffirms its support of the principle of voluntary Federal Reserve membership.

To provide an incentive to banks of all sizes to remain members of the Federal Reserve System, existing reserve requirements of the Fed should be reduced substantially.

To meet the particular needs of small banks and to encourage them to remain Fed members on a voluntary basis, at least a portion of each Fed member's reserve balances should produce earnings.

In order to provide the Federal Reserve with the tools necessary to stem its loss of membership while implementing monetary policy effectively, uniform (not graduated) reserve ranges would be set as follows for Fed member banks:

Demand deposits:	1-10%
Savings deposits:	1-3 %
Short term time deposits:	1-6 %
Long term time deposits: (over 179 days)	No reserve requirement

These reserve requirements would apply to Fed member banks only, and for those banks there would be no exemptions from the reserve requirements based on deposit levels of banks.

Deposits in NOW accounts should continue to be treated as savings deposits for the purpose of setting reserve requirements.

The Fed's authority should be confirmed to immediately establish earnings participation accounts at the Fed's portfolio rate on the first $10 million of member bank's reserve balances. Participation in such earnings should be considered when monetary, economic, and other factors make such action desirable.

The Association reaffirms its support for the concept of explicit pricing of Fed services. However, pricing of Fed services should not be put in place until Fed members' reserve burdens have been reduced and minimum returns paid on reserve balances as described above. The full costs of the Fed's non-monetary services should be reflected in its pricing schedule, with an adjustment to reflect all factors which affect pricing by the private sector.

The Association supports action to grant authority to the Fed to collect through appropriate regulatory and supervisory agencies current liablity and asset data needed for monetary control purposes from all depository institutions.

Background of Consensus Statement

This consensus was developed by the Government Relations Council of our Association and approved by its Banking Leadership Conference at a group of meetings on February 13-16. The Banking Leadership Conference is the largest group of banking leaders that assembles to discuss legislation and regulations affecting banks. It consists of our Government Relations Council, our Governing Council, our Board of Directors, our executive officers, the chief staff person and top elected official of all state bankers associations, and the chief staff person and top elected official of each of the other major banking trade associations.

Intensive study through the banking industry took place over the last six months in preparation for the February meeting of the Leadership Conference. Many state bankers associations held special meetings to discuss the issue. The ABA convened a special meeting of large nonmember banks, which would suffer an especially severe earnings impact under H.R. 7, to discuss the issue. Our Economic Advisory Committee convened a special meeting of over one-hundred economists from the banking industry, universities, and the government to help the committee develop its input to the Association's decision-making process. Our Community Bankers Division convened a special meeting of its 160-member advisory board, devoted exclusively to discussion of H.R.7 and attendant issues. The membership of this division consists of approximately 12,500 of the nation's smaller banking organizations. The executive committees of several of our Banking Professions divisions, including Correspondent Banking, Agricultural Banking, and Operations and Automation also held special meetings.

In August of 1978, our Association contracted with ABT Associates Inc., a consulting firm headquarted in Cambridge, Massachusetts for a major study of the pricing of Federal Reserve services and its interaction with various proposals to reform the structure of reserve requirements. The accounting firm of Arthur Anderson and Co. was hired as a special subcontractor in the area of cost analysis. An interim summary report on this project is attached to this testimony.

A special banker task force was created to consider the pricing question while the ABT study was in progress. The task force consisted of members of the executive committees of our Operation and Automation Division, our Correspondent Banking Division, our Community Bankers Division, and our Economic Advisory Committee. In the course of its work, this task force held extensive discussions of the problems affecting pricing of Fed services and the proposed schedule of prices. The Task Force submitted a report to me which I then forwarded to the Federal Reserve. A copy is attached to this testimony.

Finally, our Government Relations Council and its Administrative Committee have been holding frequent and extensive discussions on H.R. 7, H.R. 2133, and alternative proposals. As you can see, bankers have been working hard to develop a consensus position that is fair, reasonable, and has the support of the banking industry. The consensus position stated above, if implemented, would solve the problem we are now discussing in a manner that would advance the public interest. We commend it to your consideration.

Criteria for Reform of Reserve Requirements

Our association believes that three criteria should be paramount in considering proposals to change the structure of reserve requirements and/or Federal Reserve membership. These criteria are:

1. The continued independence and effectiveness of our central bank in its management of monetary policy should be assured.
2. The efficiency of the payments system should be enhanced.
3. Arbitrary forms of discrimination against particular types of financial institutions should be eliminated where discrimination inhibits the delivery of banking services at least possible cost.

I would now like to relate this criteria to the issues being considered by the committee.

Efficiency and Effectiveness of Monetary Policy

Measures to halt the decline in the number of banks belonging to the Federal Reserve System should be consistent with the maintenance of the independence and effectiveness of the Federal Reserve in the management of monetary policy. As background to discussion of the monetary control implications of pending proposals affecting Federal Reserve membership, we have reviewed in some detail the way in which Federal Reserve monetary policy is implemented. This review has pointed up opportunities to improve the effectiveness of monetary policy while enhancing the attractiveness of Federal Reserve membership.

The Federal Reserve relies mainly on three instruments to accomplish its monetary-policy objectives: the discount rate, reserve requirements, and open-market operations. These instruments exert a wide-spread influence on the capacity of the commercial banking system to meet the credit demands of customers. We find need for change in Federal Reserve policy in the use of each of these insturments.

Discount Rate

The discount rate is, of course, the rate of interest charged by Federal Reserve Banks on loans to member banks. These loans may take the form of promissory notes collateraled by U.S. Government securities or "eligible paper" or the rediscounting of "eligilbe paper." Eligible paper is defined essentially as very short-term loans for the production and distribution of goods. The discount rate at each Federal Reserve Bank is set periodically by the Bank's board of directors, subject to the approval of the Board of Governors of the Federal Reserve System. In recent years, the Board of Governors has maintained close control of the discount rate.

Access to the discount window provides member banks with a source of short-term funds to meet seasonal or other temporary increases in loan demand and to make temporary adjustments in reserve balances to satisfy reserve requirements. For many years the Federal Reserve's policy has been to limit lending to member banks to preclude extensive or prolonged reliance on this source of funds. As a result of difficulties experience by the Federal Reserve in controlling member bank borrowing in the 1920's, when a large proportion of bank reserves was borrowed, a "tradition against borrowing" was articulated and nurtured. Borrowing at the Federal Reserve became a "privilege," and relatively little use was made of the discount window between the early 1930's and the late 1960's. During the past decade the Federal Reserve has given recognition to the need of banks, especially those in agricultural areas, for seasonal accomodation through the discount window. Access to the window continues to be more restricted, however, than many member banks apparently feel it should be.

Even over the past decade, loans to member banks have been a relatively minor source of total member-bank reserve balances, dropping at times to less than one percent of total reserve balances and only infrequently increasing to as much as three or four percent of such balances. Low points are found in periods of recession and high points in periods of economic expansion and tight money. The discount window as currently administered, serves something of a "safety-valve" function. As the Federal Reserve tightens monetary policy in periods of economic expansion and inflation, the short-term effects do not fall evenly on all banks. Through the discount window, needs for temporary assistance in adjustment of reserve balances can be handled on a case-by-case basis while the Federal Reserve continues to tighten credit in general. Discount policy is not the "cutting edge" of Federal Reserve monetary policy, but it enhances the ability of the Federal Reserve to implement flexible monetary policy.

Effects of Discount Rate Changes

Sensitivity of member banks to changes in the discount rate varies among member banks and over the business cycle. Member banks that have come to make more frequent use of the window are obviously susceptible to more influence from discount rate changes than member banks that continue to be reluctant to be indebted to the Fed. Sensitivity to changes in the discount rate is somewhat less in periods of recession, when credit demands are declining, than in periods of economic expansion, when credit demands are rising. The influence of the discount rate on banks may be more pervasisve, however, than suggested by the behavior of member bank borrowing. Projected or expected discount-rate levels often enter into the formulation of bank's plans for management of assets and liabilities over the next six monts to a year even though access to the discount window may not be contemplated. The discount rate is regarded as one of the indicators of the degree of tightness of Federal Reserve monetary policy and general level of interest rates that may be expected.

Federal Reserve policy has generally been to adjust the discount rate to follow changes in the level of key money-market rates, such as the rate on changes in the discount rate can be used as a "signal" by the Fed and, under certain conditons, this can be useful. However, changes in the discount rate may also tend to have "announcement effects" that are sometimes difficult to foresee. For example, an unexpected change in the disount rate may have reverberation in the stock market. Changes in the discount rate, expected and unexpected, also affect foreign perceptions of the posture of the Federal Reserve in controlling domestic inflation and protecting the international value of the dollar.

The Federal Reserve Act of 1919 contemplated that the discount mechanism would be the instrument through which the Federal Reserve would control expansion in the money supply. During the 1920's open-market operations were developed as an instrument through which the

Federal Reserve could control expansion in the money supply. As open-market operations were developed as an instrument of Federal Reserve control, reliance on the discount mechanism began to lessen. As noted earlier, the Federal Reserve experienced some difficulty, especially in the early 1920's, in controlling the volume of member-bank borrowing. Today the linkage between the discount mechanism and the money supply is of little significance. Changes in the volume of loans to member banks, by affecting the level of reserve balances, do imply changes in the member bank demand-deposit component of the M-1 money supply. However, the Federal Reserve relies mainly on open-markert operations to control volume of member bank reserves, taking into account current and anticipated levels of member-bank borrowing.

Better Access to Discount Window Needed

Since the late 1950's there has been a growing opinion that the discount mechanism should figure more prominently in the implementation of Federal Reserve monetary policy. More open access to the discount window for member banks has been recommended. This recommendation is often coupled with a proposal that the discount rate be linked, in some way, to a key market rate, such as the Treasury bill rate. The American Bankers Association believes that access to the discount window can be and should be further developed into a more attractive benefit of Federal Reserve membership as well as a more useful instrument of monetary policy.

It is often observed that the discount window is an advantage of membership because member banks are assured of access to a "lender of last resort." The term, "lender of last resort" is subject to misinterpreation, however. Broadly stated, the central bank's role as "lender of last resort" is to prevent the development of a liquidity crisis, or disorderly conditions in debt markets, severe enough to impose disastrous losses on parties forced to sell to obtain cash. The Federal Reserve performs this function today through open-market operation.s

More narrowly defined, the concept of "lender of last resort" means that the central bank should come to the rescue of a member faced with a sudden and temporary need for cash which cannot be met through other

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means or only through the sale of assets at such losses as to endanger the solvency of the bank. "Lender of last resort" does not mean assistance to banks failing because of poor management practices, nor does it mean assistance to a bank just to keep its profits at some target level. The "lender of last resort" function is relevant therefore, to a rather narrow range of circumstances in which a bank may find itself. Perceptions of its importance vary somewhat among bankers, depending on their management philosophies and objectives. More open access to the discount window in general would help remove some of the uncertainly now affecting banker perceptions of its value.

Open-Market Operations

It is well known, of course, that the Federal Reserve relies mainly on open-market operations to implement monetary policy. The advantages of this control instrument are found in its direct, certain effect on member bank reserves and in its flexibility. When the Federal Reserve purchases Government securities in the open market, payment is made in Fed funds. The transaction therefore increases member bank reserves, regardless of who the ultimate seller of the securities may be. Federal Reserve sales of Government securities, which must be paid for in Fed funds, reduce member-bank reserves in the same direct fashion.

Whereas the effect of the discount function on member bank reserves depend on decisions by member banks to borrow at the Fed, the effect of open market operations on reserve balances is exerted entirely at the initiative of the Federal Reserve. Transactions can be readily effected in almost any amount that may be needed to affect reserve balances, and plans for purchases or sales be quickly altered to meet changing market conditions. The flexibility of open-market operations has been further enhanced through the development of matched purchases and sales of securities and repurchase agreements; these types of transactions have become somewhat larger in volume than outright purchase and sales.

Problems Affecting Open-Market Operations

In addition to open -market transactions at the initiative of the Fed and member bank borrowing, the level of member bank reserves is affected by:

a. changes in Federal Reserve float;

b. the amount of the U.S. stock of gold and holdings of Special Drawing Rights ("paper gold");

c. fluctuations in Treasury currency outstanding;

d. swings in the volume of currency in circulation outside Federal Reserve Banks;

e. variation in Treasury deposits at Federal Reserve Banks; and

f. changes in other Federal Reserve asset holdings and liability items.

The effective use of open-market operations requires accurate projections of short-term fluctuations in these factors affecting the supply and use of member bank reserves. The more difficult aspects of the forecasting problem relate to changes in Federal Reserve float, swings in currency-in-circulation variations in Treasury deposits, and shifts of deposits among member banks with different required reserve ratios. These several factors, in particular, are the source of what has sometimes been called "noise," which may obscure cyclical changes in the demand for reserve balances.

Demand for reserve balances is much affected by the reserve requirements that member banks must hold in relation to their demand, savings, and time deposits. Through open market purchases, the Fed can increase the reserve balances above the required level; i.e., create "excess" reserves. With additional excess reserves, member banks can add to their holdings of loans and securities. By prompting an increase in the amount of bank funds going into the debt markets, open market purchases tend to have a direct effect lowering market rates of interest below what they would otherwise be. Moreover, the additional excess reserves, through the workings of the fractional reserve system, provide the basis for a multiple expansion in the deposits and assets of banks in general. In similar fashion, open market sales remove excess reserves from the system or create a reserve deficit, with direct effects tending to increase market rates of interest and to contract the volume of bank deposits and assets.

Targets of Open-Market Policy

Since the late 1950's there has been much controversy about the appropriate target for Federal open-market policy. A prominent point of view in this controversy has been that the Fed should use open-market operations to maintain a desired growth rate, or rates, in one or more of the monetary aggregates, such as the M-1 money supply -- currency and private (excluding interbank) demand deposits. This point of view was not readily accepted at the Federal Reserve, and some would say that it has not yet been sufficiently well accepted. In any event, Federal Reserve open-market policy in the latter 1950's and in the 1960's was not directed to a "monetary aggregates" target but was directed to targets indicative of the cost and availability of funds in the money market. More recently, the "monetary aggregates" have received attention in the deliberations of the Federal Open Market Committee, and desired growth rates in the "monetary aggregates" have been specified as broad objectives. The operating target of open market policy continues, however, to be the cost and availablity of funds in the money market, as measured by the Fed funds rate.

One of the problems affecting the use of open market operations to control the money supply is that actual data on changes in the money supply are not available to the Fed on a sufficiently timely basis. This is so with respect to the currency and member-bank demand deposit components of the money supply as well as the demand deposit component of non-member banks. More frequent and timely reporting of relevant data would assist the Federal Reserve to focus open-market operations on a money-supply growth rate target, rather than a Fed funds-rate target, if the Federal Reserve really wants to do so.

Improvement in Open-Market Operations

There is also some view that the Federal Reserve is engaged too heavily in open market operations for the sake of ironing-out wrinkles -- real, expected, and imagined -- in the cost and availability of funds in the money market. This view suggests that the money market and other major debt markets have sufficient depth, breadth, and resiliency to adjust themselves to short-term variations in the supply of and demand for funds.

It is also suggested that steps could be taken to reduce the sources of short-term variation and "noise," especially those associated with float, the graduated structure of member bank reserves, and the ebb and flow of Treasury deposits in Federal Reserve Banks.

The power and flexibility of open market operations have not assured close control of the money supply. Part of the slippage is attributable to the fact that open market policy has not been directed to close control of the "monetary aggregates". Instead it has been directed to targets indicative of the cost and availability of funds in the money market. If the Federal Reserve wishes to change its policy orientation to closer control of the "monetary aggregates," better reporting requirements would be helpful, and steps should be taken to reduce "noise" in Fed funds market. One of the first steps that should be taken in this regard is the elimination of graduation in the structure of reserve requirements.

Reserve Requirements

The graduated structure of reserve requirements established by the Federal Reserve Act of 1913 was a legacy of the national banking system, as it had existed for fifty years. For reserve purposes, national banks were classified into central reserve city banks, reserve city banks, and country banks. Reserve balances of country banks were held in banks in reserve cities, and these banks in turn held their reserve balances with banks in central reserve cities, where reserves were held in the form of vault cash. This "pyramiding" of reserves proved to be a weakness of the national banking system. Currency drains at county banks, sometimes even on a seasonal basis, sent shudders throughout this tiered system as reserve balances and vault cash had to be drawn all along the line.

Actually, the tiered reserve system was more a victim than the cause of the problems affecting the banking system in that period. There was no way of expanding the volume of Treasury currency in response to seasonal and other short term changes in demand; national bank notes, a major component of the paper currency, were not legal tender, and hence, did not meet the demand for case in a liquidity crisis. Not only was there no central bank but the Treasury kept its balances in cash in the vaults of sub-treasuries and disbursing offices around the country. The movement of cash from the banking system to the Treasury's vaults and vice-versa was a serious source of instability in bank reserve balances and the money supply.

The reserve requirements of the national banking system were an improvement over the requirements found in a number of state banking systems before the Civil War. States that had low, inadequately defined, and/or poorly enforced reserve requirements found that their banks were prone to the overissuance and underredemption of bank notes. Concepts about adequate levels of reserve requirements originated not with respect to bank deposits but with respect to the paper currency then issued by state banks. As this paper currency was redeemable in gold and silver coin, relatively high reserve requirements were found, not surprisingly, to be better than relatively low ratios. High ratios curbed overissuance of paper currency and assured that a good supply of specie would b e kept on hand to redeem notes returned for such purpose.

The National Bank Act took reserve requirement concepts developed for convertibility of paper currency and applied them to deposits. (National bank notes were collateraled by Treasury securities.) The rationale for the relatively high reserve requirements on deposits was not as misplaced as some current-day students of the subject apparently think. The national bank had to stand ready to convert deposits into currency and had no central bank to turn to for short-term assistance. In this regard, there was good reason to belive that the reserve city and central reserve city banks needed more reserves than outlying banks. The requirements also were a constraint on overexpansion of bank deposits in the absence of a central monetary authority.

The Role of Reserve Requirements

It has been fashionable for some time to say that reserve requirements are not a source of liquidity for banks and that the role of reserve requirements is control of the money supply. Under the national banking system, reserve requirements did serve a liquidity function. They served this function inadequately at times, but if reserve ratios had been lower, the financial crises affecting the system would have had worse consequences than they did.

Under the Federal Reserve System, reserve requirements lost their significance as a source of liquidity for two principal reasons. First, the establishment of the Federal Reserve as the nation's central bank expressly provided for an "elastic currency" to be effectuated through the discount mechanism. Thus, a better source of liquidity became available. Second, the Federal Reserve imposed close regulation and enforcement of reserve requirements, which diminished their liquidity function but made them into an instrument of monetary control. With liquidity needs met through the discount mechanism and, later, through open market operations, the close administration of reserve requirements to make them into an instrument of monetary control was unreasonable.

Two aspects of this transition in the role of reserve requirements, however, were unreasonable. First, the graduated structure was maintained even though its rationale had been left behind. Second, it was not recognized by policy makers that relatively high required reserve ratios have no advantage over low ratios when the purpose is monetary control under a central bank as compared to maintenance of convertibility in a system without a central bank. Scholarly appraisals pointing out these unreasonable aspects of the reserve requirements of member banks date back more than 40 years, but more compelling problems faced the banking sytem at that time.

Variable Reserve Requirements

The authority of the Federal Reserve to vary required reserve ratios within certain statutory ranges dates from the Banking Act of 1935, though there was a Congressional grant of emergency powers in this regard in 1933. The original motivation for this authority was apparently fear of inflationary increases in paper currency following the U.S.'s abandonment of the gold standard in 1933. There was uncertainty about whether or not the Federal Reserve could continue to meet the gold collateral requirement for Federal Reserve Notes. The issuance of Federal Reserve Bank Notes, without the gold collateral requirement was authorized. The fear was that this "cheap" currency would be inflationary. It was thought that the Federal Reserve might need a means, such as raising reserve ratios, to force the return of this currency from circulation if things really got out of hand. Gold, however, began to flow into the United States after the establishment of the restricted gold bullion standard at $35 an ounce in 1934, and the issuance of Federal Reserve Bank Notes was not needed.

By 1935, increases in the U.S. gold stock were being reflected in relatively rapid growth in the excess reserves of member banks. Variable reserve ratios were adopted in The Banking Act of 1935 to assure that the Federal Reserve would be able to neutralize these excess reserves if they began to feed an inflationary expansion of the money supply.

In 1936-37 the Federal Reserve tried its hand at increasing required reserve ratios, and a modest recovery in the depressed U.S. economy quickly aborted. Between August 1936 and May 1937 the Federal Reserve raised required ratios from statutory minimums to their statutory maximums, a doubling in required ratios against demand deposits and savings and time accounts. Modest reductions were made in 1938 as economic activity declined, but in November 1941 the ratios were again increased to their maximums. They remained there until late 1948 when temporary authority was given the Federal Reserve to <u>exceed</u> the statutory maximuns to shore up efforts to "peg" interest rates on Government securities at arbitrarily low levels.

This late episode was most interesting. Essentially the Treasury was imposing an inflationary open market policy on the Federal Reserve so that it might keep its borrowing costs low. The Fed tried to mitigate the effect of the general "tax" imposed on consumers by the inflation by imposing a more specific "tax" on commercial banks through reserve requirement increases. Of course, it didn't work. As we point out later in this testimony, policymakers are trying to do the same thing today in their attempts to impose a Treasury revenue constraint on solutions to the Federal Reserve's membership problem.

We believe flexible reserve requirements are a useful monetary policy tool. But their average level has been too high for too long.

The Fed should be given the flexibility to reduce them downwards so that it can solve its membership problem in a way that is consistent with sound monetary policies.

When the Federal Reserve found its way back to a flexible monetary policy in 1953--after the Treasury Federal Reserve Accord of 1951--required reserve ratios were at their statutory maximums. Downward adjustments were made through the rest of the 1950's, and the counting of vault cash as part of required reserves was initiated in 1959. Since then, only relatively small decreases have been made except for reductions in the ratios on savings accounts, long-term time accounts, and the first $10 million of demand deposits.

The structure of reserve requirements today continues to reflect an history that is no longer relevant. What we have today is a legacy from the convertibility problemsaffecting the operation of the national banking system, from the great gold inflow of the 1930's, and the period of war finance and "pegging" of the prices of Government securities prior to 1951. Moreover, upward variation of required reserve ratios has proved to be an unwieldy instrument of policy, falling too heavily and too uncertainly on banks in diverse situations.

It is clear that modernization of the structure of reserve requirements is needed. Indeed, modernization is long overdue. In 1958, the American Bankers Association recommended, in a special report on reserve requirements prepared by its Economic Policy Committee, that required reserve ratios be reduced somewhat and be made uniform for all classes of member banks.

Role of Cash Reserve Requirements in Today's Environment

In today's monetary environment, are legal reserve requirements really needed? Two of these arguments can be discussed rather quickly. Legal reserve requirements, as administered by the Federal Reserve, are for all practical purposes not a source of liquidity. To the individual bank, the requirements are regarded as a constraint on liquidity. It is true that a small part of a deposit drain can be covered by the reserve balance released by the decline in deposits. However, the liquidity of a bank is dependent on its holdings of short-term Government securities and the pace of repayment of loans, especially instalment loans. In a larger sense the liquidity of the banking system is dependent on the Federal Reserve's management of monetary policy.

It is sometimes suggested that reserve requirements contribute to the soundness of a bank through what might be called a diversification effect. That is, no credit risk attaches to cash. If diversification, however, is really a problem of concern, required reserves could be held in Government securities, which are as riskless as cash.

The only relevant argument for cash reserve requirements is their function as an instrument of monetary control. However, Federal Reserve monetary policy has not been directed to close control of the reserve base of the monetary system. In the current context of Federal Reserve monetary policy the need for reserve requirements has not been demonstrated and is questionable.

Federal Reserve monetary policy could be directed to a "monetary aggregates" target, such as the M-1 growth rate, and effectively accomplished without reserve requirements. Through the issuance of Federal Resetve Notes, the Federal Reserve directly controls approximately 25 per cent of the money supply. As demand for currency varies seasonally and grows in time, banks--in the absence of legal reserve requirements--would need to hold and/or obtain Fed funds to assure access to currency. By controlling the availability of Fed funds through open-market operations, the Federal Reserve could affect the growth rate of the total money supply.

The effect of legal reserve requirements is to put a floor under the demand for Fed funds. Although this floor is not essential to the effective implementation of monetary policy, it may reduce the problem of administering monetary policy in circumstances where predictions must enter into the formulation of policy. <u>The case for reserve requirements thus rests on their contribution to the ease of administration of monetary policy, not on their necessity</u>.

In summary, the liquidity and diversification functions sometimes attributed to cash reserve requirements are relatively unimportant and could be accomplished through reserve requirements in the form of Government securities. Cash reserve requirements are not essential to the effective implementation of monetary policy but may be desirable for the sake of ease of administration. Increases in required ratios have proved too unwieldy. Future ranges for variation should be set with a view to accommodating further decreases in ratios.

Non-Member Banks and Monetary Policy

Contrary to current assertions from the Federal Reserve, the existence of non-member banks has not been a source of instability or error in monetary policy in any significant degree. Representations from the Federal Reserve in this regard are based on a mathematical model that suffers from erroneous assumptions. As the model is somewhat technical, a critique of it would unduly burden this statement. The most significant error in the model is that it treats non-member banks as if they were a special class of member banks with somewhat lower required reserve ratios than other member banks. As a result, the model does nothing more than demonstrate a graduated system of reserve requirements on member banks is a source of error in monetary policy, something that has been widely acknowledged for many years. This point was brought out at the meeting of more than 100 economists held on January 18, 1979 by our Economic Advisory Committee.

In challenging the Federal Reserve assertions we need not rely only on criticism of their model. Empirical studies have been made demonstrating that non-member banks have not been a source of error or instability in monetary policy. One of the most thorough studies on this subject was published by Professor Dennis R. Starleaf, of the Iowa University, in the September 1975 issue of the Journal of Finance -- "Non-member Bank and Monetary Control." After close, even tedious, analysis of the available data, Professor Starleaf concluded: "None of the tests reported in this paper supports the contention that FRS reserve requirements are needed on non-member banks deposits for precision in monetary control. Indeed, all of the tests indicate that the non-member banks have been a moderate source of stability for Federal Reserve control of the money stock -- without non-member banks Federal Reserve control would have been slightly more unstable than it was in fact."

Bringing non-member banks into a system of graduated reserve requirements would do nothing to reduce instability or error in monetary policy and might increase such error and instability. If precision in monetary control is the issue, the first step that should be taken by the Federal Reserve is to establish uniformity in member bank reserve ratios, as recommended by the American Bankers Association more than 20 years ago. In this regard it should be recognized that H.R. 7, or any other plan that exempts any class of member banks from reserve requirements, perpetuates a system of graduated reserve requirements. The proposal being put forward by the American Bankers Association today clearly recognizes this problem and explicitly precludes exemption of any class of member banks.

The plain fact is that a case cannot be made on monetary policy grounds that non-member banks should be subject to the reserve requirements of the Federal Reserve System. Moreover, non-member banks are not insulated from the effects of Federal Reserve monetary policy. Changes in the discount rate and open-market operations affect the cost and availability of funds for banks in general.

<u>Efficiency of the Payments System</u>

Efficient use of payment services depends on whether or not such services are priced to reflect their costs of production. If prices are below costs of production, users of these services will have a tendency to waste them. If prices are above costs of production, there is an incentive to conserve on the over-priced services and inefficiently substitute other means of meeting the transactions and liquidity functions of money. The current practice of providing Federal Reserve services free to banks that bear the high fixed cost of membership does not result in prices for payments services which reflect their actual cost of production.

We support explicit pricing of Federal Reserve services as necessary to achieving an efficient allocation of resources in the production of payments services. The Federal Reserve has taken an important step in this direction with the publication of its proposed price list. As indicated in the early part of this statement the American Bankers Association has contracted with ABT Associates of Cambridge, Massachusetts to analyze both the Federal Reserve pricing proposal and the various reserve requirement proposals. Also as indicated, a Pricing Task Force was established by the Association. While generally supporting the Federal Reserve's initial work on pricing, our Task Force has identified several major problems that remain unresolved. These are described in the attached letter from Task Force Chairman, Donald Buchanan.

While the explicit pricing of Federal Reserve services is important, pricing alone will not guarantee efficient allocation of resources in the production of payment system services. The burden of maintaining large sterile balances at the Federal Reserve introduces another distortion in the pricing of these services. The high fixed cost of membership incurred in order to obtain Federal Reserve services is passed on at least in part in the form of higher prices for services provided to customers of member banks. Thus, explicit pricing without elimination of the excessive burden of Federal Reserve membership will result in prices being set too high, prompting bank customers to use inefficient substitutes for money balances. For example, use credit cards more frequently, and use savings accounts as transaction balances. By leaving a substantial reserve requirement burden on commercial banks, H.R. 7 fails to eliminate this source of inefficiency.

In the long run, reductions in the costs of operating the payments systems come primarily from innovations and technological advances. Therefore, it is desirable that pricing should encourage such technological advances. The incentives for technological advances will be greatest when the private sector has full opportunity to compete with the Fed services. Any price list used by the Federal Reserve should not preempt competition from the private sector but should seek to maintain the active involvement of the private sector in the payments system. If this objective conflicts at times with the objective of setting prices to reflect the Federal Reserve's costs of production, such a conflict should be resolved on the side of promoting competition and technological progress in the private sector with a view that long-term benefits to the public will more than affect any short-term costs resulting from current price levels.

Any proposal for changing the current structure of reserve requirements should also recognize that excessively burdensome mandatory requirements may, in the long run, be self-defeating. Imposing burdensome reserve requirements on only a portion of financial institutions will tend to shift deposits to financial institutions that are free of such a burden -- e.g., non-member banks and thrift institutions. However, expanding the coverage of these burdensome reserve requirements would only provide an incentive for the development of new institutions and instruments outside the reach of existing reserve requirements. Thus, the only feasible solution lies in reducing the burden of reserve requirements imposed on member banks.

Equity Among Financial Institutions

It has been agreed that the excessive burden of reserve requirements on member banks relative to non-member institutions is inequitable. Such inequity can be eliminated in one of two ways. The burden on member banks can be relieved. Alternatively, a greater reserve burden can be placed on non-member institutions. The consensus position of the American Bankers Association takes the former approach, as does H.R. 2133. H.R. 7 opts for a combination of the two by imposing new reserve requirement burdens on large non-member banks, while the reserve burdens of member banks are reduced. For a large number of smaller institutions the reserve burden is eliminated entirely. Thus, a new form of discrimination is instituted based solely on the size of institutions. H.R. 7 does not eliminate inequity; it merely changes it. Bankers--representing both small institutions and large--do not want this kind of a system and we ask that it not be imposed on them.

If the average level of reserve requirements were fair over the course of an interest rate cycle, member banks would not complain when reserve requirements were raised temporarily for monetary policy purposes. However, the problem we are addressing has arisen because the burden of reserve requirements has increased steadily with the secular rise in interest rates. Congress and the Federal Reserve have thus far chosen not to relieve this burden. Why should an additional burden be imposed on non-member banks, when the approach of relieving the burdens of member banks and thereby preserving the system of voluntary membership has not been tried? We have been told that maintaining voluntary membership by reducing reserve ratios on member banks is too expensive to the Treasury at a time when it is trying to reduce the budget deficit and stem inflation. Yet we are also told that the reason for solving the Fed's membership problem is so that it can adequately fight inflation. We heartily endorse the goals of maintaining a strong Fed and fighting inflation, but the burdens of achieving them should be spread throughout society and not merely on banks and their customers. A special tax on banks for the purpose of fighting inflation makes no sense from the standpoint of monetary policy, fiscal policy or simple standards of equity and fairness. The system of reserve requirements based on voluntary affiliation with the Federal Reserve has given banks a way of avoiding punitively high reserve requirements when the offsetting advantages of being in the Fed did not seem to warrant continued membership. For many years, the system worked well, and it should be continued. The inequities present in the current system could easily be corrected by the Fed under our proposal. All it would need is the will to do so.

Our proposal calls for uniform reserve requirements to be imposed on member banks regardless of size. In past testimony, the Fed has justified the current graduated structure of reserve requirements by stating that the net membership burden on larger banks is less than that on smaller banks. The Fed's calculations indicate that, even though reserve requirements are greater for larger banks, these banks use a proportionately greater amount of Federal Reserve services.

We have some disagreements with the Fed's methodology which we have communicated to them. Perhaps, it is more important to note, however, that the attempt to calculate net membership burden by size of bank hides more than it reveals. Chart 1 of our testimony shows the distribution of net membership burden by size of bank as presented to this committee by Chairman Miller in his testimony of January 28, 1979. Chart 2 shows the distribution of net membership burden by size of bank in the sixth Federal Reserve district as calculated by Stuart Hoffman of the staff of the Atlanta Federal Reserve Bank, using the Board's methodology. Net membership burden certainly does not seem to decline as bank size increases. Thus, even if the Board's methodology is correct, there is too much variation of the net burden within specified size classes for this to be an equitable way to distribute the reserve requirement burden.

While many large banks use Fed services extensively, they are also competitors of the Fed in providing payments services to other institutions. The current system of graduated reserve requirements has put the Fed in the rather unique position of being able to impose a special tax on its competitors. This system does not enhance the efficiency of the payments system, and should be ended.

Of course, disputes about the effect of free services on the net membership burden by size of banks are irrelevant under a regime where those services are priced fairly to all banks. The Federal Reserve has said that it would not price its services until its membership problem was solved. Otherwise, the problem would only be aggravated. We agree, and offer our consensus proposal as the most promising way of allowing the Fed to effectively manage its membership problem under a system of voluntary membership and fair pricing of its services.

If equity is truly the crucial issue, we think it requires more searching consideration than it has thus far received. The most troublesome part of all this apparent concern with equity is that, as Chairman Miller stated to our Banking Leadership Conference on February 14, 1979, "political considerations" precluded action to include mutual savings banks, savings and loan associations, and credit unions in any plan for universal reserve requirements. Discussion at this conference made it abundantly clear that it would be virtually impossible to achieve a consensus in the banking industry on universal reserve requirements that did not impose the same reserve burdens on thrift institutions as are imposed on banks. Our Economic Advisory Committee, after discussion with over one hundred knowledgable economists on these issues, adopted a position that there was little need for reserve requirements on time and savings accounts. Thus, equity might be facilitated by relieving these burdens on banks instead of imposing them on thrifts. No logical arguments were made by anyone for distinguishing between the same kind of deposit at thrift institutions and banks for reserve requirement purposes. In any case, for reasons specified elsewhere in our testimony, we believe a voluntary approach is the best way to solve the Fed's membership problem. We believe the equity problem affecting commercial banks *vis-a-vis* thrift institutions and credit unions can be partially relieved by reducing required reserve ratios of member banks but would be worsened by imposing Federal Reserve reserve requirements on non-member banks unless the same requirements are imposed on thrifts and credit unions.

Voluntary Membership

Voluntary membership is one of the unique features of the structure of our nation's central bank. The reason for this unique feature is that we have a unique banking system. Ours is a decentralized banking system, in which more than 14,500 commercial banks serve the banking needs of the public from rural

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areas and small towns to large complex metropolitan areas. This decentralization is the foundation on which our financial system has developed. It is a financial system uniquely suited to serving the diverse financial needs of a competitive enterprise economy. An attack on the concept of voluntary membership in the Federal Reserve is, in effect, an attack on the decentralized structure of the banking system, and to propose a centralized structure is to propose a structure that would be detrimental to the needs of the competitive enterprise structure of our economy.

Public fear of concentration of control of credit and banking resources has been one of the most influential forces affecting structure of our financial system. The decentralized structure of commercial banking has its origin in the early decades of our nation in the opposition of the states and general public to the concentration of political and financial control in the First and Second Banks of the United States.

In 1913, the structuring of the Federal Reserve System, with its twelve district banks and voluntary membership, reflected that same fear. The Federal Reserve System was designed with a view that control of credit should not be centralized and that use of central authority should be subject to checks and balances. That view is as relevant today, perhaps more so, as in the days of Jefferson, Jackson, and Wilson--Presidents whose views and actions shaped our decentralized banking system.

Mandatory membership in the Federal Reserve or mandatory Fed reserve requirements on all commercial banks portend further concentration of power at the Federal level in the control and regulation of banking. The balancing of Federal and state power, as articulated in the concept of the dual banking system, has facilitated innovation in the banking services and has contributed to the development of a competitive banking system. Extension of Fed reserve requirements to non-member banks would shift the balance of power towards the Federal level and away from the states, thereby posing a threat to the viability of the dual banking concept. In supporting the maintenance of the dual banking concept, we are not just arguing the case of states rights for its own sake but are arguing for maintenance of a balancing of Federal and state power that has worked well for the public in the development of our nation's banking system.

Extension of Federal power in the regulation of banking is currently a subject of much concern in the banking industry. The Community Reinvestment Act and the Financial Institutions Regulatory and Interest Rate Control Act are imposing additional costs on commercial banks without commensurate benefit to the public. The problems being encountered with the two acts stem not only from the Acts as such but also, and perhaps more so, from the regulations promulgated to implement them. If the climate in the banking industry seems especially hostile to H.R. 7 and similar proposals to extend Federal Reserve reserve requirements to non-member banks, it reflects a growing concern that Federal regulation is being extended too much simply to increase the scope of Federal control.

The American Bankers Association has consistently supported the independence of the Federal Reserve. Voluntary membership is essential to the maintenance of that independence. The imposition of Federal Reserve reserve requirements on other than a voluntary membership basis would be tantamount to compulsory membership or would make membership an irrelevant concept. Without a viable concept of membership, resting on voluntarism, the Federal Reserve would be more vulnerable than it is today to politically inspired encroachments on its independence.

Reflecting, we think, the benefits of voluntarism in protecting the Fed's independence, the membership problem facing the Federal Reserve today is happily not the result of political tampering or encroachment on the Federal Reserve's independence. It is the result of a failure by the Federal Reserve to reduce in a timely way the financial burden of membership. As discussed in some detail earlier in this statement, we recognized more than 20 years ago that required reserve ratios on member banks should be reduced and made uniform among all classes of member banks. The Federal Reserve made progress towards these goals in the latter 1950's and early 1960's but relaxes its efforts too soon to forestall the emerging membership problem.

The relatively high level of required reserve ratios today is not needed for efficient and effective implementation of monetary policy. Rather, our discussion of the tools of monetary policy has pointed up the need for improvement in monetary policy through changes in the Federal Reserve's discount policy, through reduction of the "noise" complicating open-market operations (including elimination of graduated reserve requirements), and through more timely reporting of data needed for predicting changes in the monetary aggregates. We have also cited existing empirical evidence showing that the existence of non-member banks has not diluted the efficiency and effectiveness of Federal Reserve monetary policy. Indeed, the evidence suggests that non-member banks have contributed to stability in monetary policy. In addition, our statement has emphasized that relatively high reserve ratios are adverse to efficiency in the provision of payments services. Several conclusions are clear. The need for improvement in the efficiency and effectiveness of monetary policy lies in other directions than extension of Federal Reserve reserve requirements to non-member banks. The cause of efficiency in the payments system will be served by reduction in required reserve ratios on member banks and by the explicit pricing of Federal Reserve services. Resolution of the membership problem is within easy reach without casting aside the checks and balances provided by the voluntary concept of Federal Reserve membership.

The cornerstone of our economic as well as political system is freedom of choice. What is it today that tells us that the burden of Federal Reserve membership is inequitable? It is the fact that members are using their freedom of choice and leaving the Federal Reserve System. That is, the checks and balances are working. What is the remedy we find in some of the proposals before Congress? It is to eliminate freedom of choice. But eliminating freedom of choice does not eliminate inequity; what it does is suppress the problem by eliminating the ultimate mechanism by which inequitable treatment is remedied.

The decline in membership has made clear to the Fed that the financial burden of membership must be reduced. Equity will be served by reducing required reserve ratios on member banks, as set forth in the ABA's proposal. Extending reserve requirements to non-member banks does not serve the cause of equity. It is, indeed, contrary to the concept of equity, which rests on freedom of choice.

The concept of voluntary membership is too important to the independence of the Federal Reserve to be cast aside. It may appear to the Fed that universal reserve requirements would resolve the membership problem. However, this is a short-run view reflecting understandable reaction to a difficult administrative problem. In the long run, maintenance of the Federal Reserve's independence will be best served through a voluntary system where the benefits of membership are commensurate with its costs.

Treasury Revenue Problem

Proposals to relieve the financial burden of Federal Reserve member banks while preserving the important concept of voluntary membership have been challenged as imposing too much revenue loss on the Treasury. The projected loss of Treasury revenues reflects several circumstances. The net earnings of the Federal Reserve after certain deductions, are paid into the Treasury. This source of Treasury revenue has grown rapidly as the Federal Reserve has accumulated an increasingly large portfolio of U. S. Government securities in the process of conducting open-market operations to support long-term growth in the currency-in-circulation, net demand deposits, and saving and time deposits of commercial banks. Federal payments to the Treasury were only $75 million in 1947; they grew to $543 million by 1957, $1,907 million by 1967, and jumped to $5,939 million by 1977.

Reduction of required reserve ratios would leave member banks with excess reserve balances as compared to the present situation. These excess reserves could become the basis for an inflationary expansion in the money supply (as explained in our discussion of the tools of monetary policy earlier in this statement). To prevent such an inflationary monetary expansion the Federal Reserve would presumably need to engage in open-market sales of securities to eliminate the excess reserves. As the Fed's portfolio of Government securities would thereby be reduced below what it would otherwise be, net earnings and payments to the Treasury would be correspondingly less. We would like to discuss this problem in two contexts. First, the Treasury revenue problem is far less consequential in the short run than it has been made to appear. Second, the long-term implications of the Federal Reserve being an important source of revenue for the Treasury are seriously adverse to the maintenance of the Fed's independence in the conduct of monetary policy.

The net cost of H.R. 7 to the Treasury has been estimated by the Federal Reserve to be $173 million. This estimate takes into account not only the loss of revenue from reductions in reserve ratios on member banks but also gains in revenue from imposing reserve requirements on non-member banks, from the pricing of Federal Reserve services, and from increased Treasury collections of taxes on income. Using the same data, we have calculated that H.R. 7 would have a net cost of $222 million if reserve requirements were not imposed on non-member banks, i.e., if voluntary membership were maintained. Is is worth $49 million to the public to maintain the concept of voluntary membership as one of the forces helping assure the independence of the Federal Reserve in combating inflation? We think that this is a small cost, indeed, for the resulting investment in the independence of the Federal Reserve System.

The ABA's proposal differs from H.R. 7 in several other respects as to cost. We would eliminate reserve requirements entirely on long-term time deposits, i.e., deposits with original maturities of 180 days or more. Also, we would have a ceiling of six percent on the reserve ratio for short-term time deposits instead of the eight percent proposed in H.R. 7. If our proposal were implemented with these lower ratios on time deposits but with the same initial ratios proposed by H.R. 7 for demand deposits and savings accounts, the net costs to the Treasury would be $ 93 million greater than H.R. 7.

Also, our proposal calls for an earnings participation account for the first $10 million of reserves held by each member bank. The return paid on these balances would annually be equal to the average return on the Fed's portfolio of Government securities, currently estimated at 6.50 percent. We propose this earnings participation account instead of H.R. 7's exemption of the first $50 million of demand and $50 million of savings and time deposits from reserve requirements. Our proposal would help improve the efficiency of monetary policy by facilitating the establishment of uniform reserve ratios among member banks. H.R. 7's exemption levels would perpetuate the instabilities associated with a graduated structure of reserve requirements. Compared to the proposed exemption levels, the ABA's earnings participation account would add only $10 million to the cost of H.R. 7.

These differences in costs can be summed up as follows:

H.R. 7	$173 million
plus:	
No Fed reserves for non-member banks	49
Lower ratios on time deposits	93
Earnings participation, instead of exemption levels	10
equals: ABA's proposal	$325 million

The ABA would prefer that initial ratios on demand deposits and savings deposits also be lower than in H.R. 7. Reducing the demand deposit ratio to 7 percent and savings to 1 percent, compared to 9.5 percent and 3 percent, respectively in H.R. 7, would increase the Treasury revenue loss to $458 million.

From these calculations we can define a range of potential Treasury revenue loss that would accommodate a solution to the Federal Reserve membership problem. We think that a solution to the problem must have initial ratios at least as low as H.R. 7, must have an earnings participation account instead of exemptions, and must be limited in its coverage to member banks only. A solution including these requirements would cost the Treasury about $222 million, compared to $173 million for H.R. 7. In addition, we would like to see further reductions in initial ratios that might raise the cost to as much as $458 million. The range from $222 million to $458 million would therefore accommodate solution to the membership problem with various combinations of reserve ratios on demand, savings, and short-term time deposits.

We emphasize that the cost savings to the Treasury of including non-member banks under the Fed's reserve requirements is at most only $49 million. That is, as required ratios decline there is less and less benefit to be obtained for the Treasury by extending reserve requirements to non-member banks, and $49 million is the maximum benefit if H.R. 7 is taken as the point of reference for the cost calculations.

A potential cost that has been ignored in cost calculations by the Federal Reserve and others is the effect that large open-market sales of Government debt may have on the Treasury's borrowing costs over some period of time. For example, H.R. 7 implied a reduction of $12.2 billion in reserve balances at the Fed. Could a comparable volume of Government securities be sold by the Fed without adversely affecting the Treasury's borrowing costs? An adverse effect is implied, but the extent of it would depend on the length of the period during which the securities would be fed into the market.

Any program to resolve the membership problem will therefore necessarily involve a phasing-in period. Moreover, during a phasing-in period of, say, two years or so, the need to sell securities will be reduced by growth in currency-in-circulation and in the reserve base of the bank deposits. Growth in these items might be sufficient over a period of two years to offset completely the need to make any net reduction in the Fed's holding of securities. The result then would be gain for the Treasury rather than loss. If Fed earnings were not reduced by securities sales, the Treasury would benefit from the Fed's increased income from pricing of services and from collections of larger income taxes resulting from income flows associated with reduction of reserve ratios on banks.

Interestingly enough, the ABA's proposal is more beneficial to the Treasury than H.R. 7 if it were applied only to member banks, and it if is assumed that the phase-in period is long enough and the transactions well enough timed to avoid reductions in the Fed's earnings portfolio and payments to the Treasury. Under this assumption the ABA's proposal would increase Treasury revenues by between $397 million and $561 million annually, compared to an increase of only $211 million under H.R. 7.

Moreover, the ABA's proposal would call for a reduction on only $8.1 billion in reserve balances at the Fed if reserve ratios were set at the maximum of the ABA's ranges, whereas H.R. 7 calls for a reduction of $12.2 billion. The difference is that the ABA proposes that a portion of the balances at the Fed be maintained in earnings participation accounts, thereby relieving the Fed of actually having to reduce its portfolio as much as would be required by the exemption levels under H.R. 7. The ABA's proposal thus implies less adverse effect on the costs of Treasury borrowing. One way of sharply pointing up this difference is to ask: Is it worth $182 million to the Treasury to keep the Fed from dumping $4.1 billion of securities into the market? To give perspective to this figure, $182 million are equal to 18 basis points (18/100ths of one percent) of interest for one year on $100 million of debt. It wouldn't take much of an adverse effect on Treasury offerings in a period of only six months or so to offset the cost difference between the ABA's plan and H.R. 7.

The answer to the Treasury revenue problem clearly lies in the use of a phase-in period. Once we admit the possibility of a phase-in period, perhaps one that avoids any net reduction in the Fed's earnings portfolio, the Treasury revenue consideration drops out of the picture as a constraint on proposals to resolve the Federal Reserve membership problem.

The ABA therefore believes that agreement should first be sought on the following points: (1) The membership problem will be resolved without imposing Fed reserve requirements on non-member banks. (2) The burden of membership will be reduced through reductions in reserve ratios to 10 percent or less on demand deposits, 3 percent or less on savings deposits, and 6 percent or less on short-term time deposits, and to 0 percent on long-term time deposits. (3) Uniform ratios will be established among member banks, and there will be no exemptions. (4) An earnings participation account for the first $10 million of reserves of each member bank will be established. With agreement on these points, alternative strategies can then be considered for minimizing adverse effects on the Treasury. We are confident that once the general dimensions of the change in reserves are defined strategies for dealing with the revenue problem can be more readily defined and more rationally considered than at present.

We now wish to comment on the serious implications we find in the fact that the Federal Reserve has apparently become a source of significant revenue to the Treasury.

The Treasury-Federal Reserve Accord of 1951 is widely regarded as a landmark event in the history of Federal Reserve monetary policy. The Accord released the Federal Reserve from any obligation to support the prices of Government securities to hold down the interest costs for the Treasury, as it had done since 1942. The so-called pegging policy of the 1942-1951 period had vitiated the Federal Reserve's ability to control the reserve base of the banking system. The Accord affirmed the independence of the Fed from the Treasury in 1951, and in the next few years the Fed re-established its flexibility in the conduct of monetary policy.

The imposition of revenue requirements by the Treasury on the Fed is equivalent to the obligation imposed in 1942-1951 to hold down the Treasury borrowing costs by pegging the prices of Government securities. Whether the specific objective is to hold down costs or increase revenues, the net effect is the same. The independence of the Federal Reserve to conduct an independent monetary policy is compromised. A Treasury revenue requirement on the Fed would clearly violate the spirit of the 1951 Accord. The problem is serious enough, we think, to warrant a new Treasury-Federal Reserve Accord making clear that the Fed is independent of the Treasury and can conduct its operations without regard to effects on Treasury borrowing costs or revenues.

To what extent have the Federal Reserve's decisions on monetary policy in recent months or years been affected by Treasury revenue considerations? Has the Fed permitted faster growth in currency-in-circulation and member bank reserves in order to increase its holdings of Government securities and make larger revenue payments to the Treasury? As bad as it was, the pegging policy was at least conducted openly for all to see. A revenue requirement--whether expressed formally as such or informally as a target or expectation or "ball park" figure--is not so open and clear for all to see. Moreover, even good and earnest people dedicated to making the best decisions they can on monetary policy are not immune to the subtle, indirect, and pernicious influence that the mere existence of a Treasury expectation may have.

The Treasury and the Federal Reserve should make full disclosure of correspondence, internal memoranda, and conversations pertinent to Federal Reserve payments, past and expected, to the Treasury. An open, public record should be established. Evaluation can then be made as to whether the Federal Reserve's independence has been compromised or is threatened. Mere assertions that it has not been are not good enough. The issue is serious enough that full disclosure should be made so that a determination can be made as to whether or not the spirit of the 1951 Accord has, in fact, been violated.

The emphasis placed on Treasury revenue considerations in discussions of the Federal Reserve's membership problem has served to alert the banking industry to the longer term implications discussed above. As the short-term problem of minimizing any loss in Treasury revenues can be handled through a phase-in period for reductions in reserve requirements, we should proceed to a resolution of the membership problem without dealing here with the longer-term implications adversely affecting the Federal Reserve's independence. That is, the issue of longer-term implications should be addressed separately from the membership problem. There are means of cutting the revenue tie between the Federal Reserve and the Treasury, without loss of benefit to the Treasury. However, this would involve a basic change in the way in which currency is issued in this country. Searching inquiry should be conducted before any specific proposal is made. As the means of resolving the membership problem are at hand, we should proceed to do so.

Conclusions

In concluding our statement, the American Bankers Association wishes to emphasize key points where there appears to be substantial agreement as well as essential points of disagreement.

We think that the areas of substantial agreement are as follows:

1. The time has come for action to halt the decline in the number of banks that voluntarily affiliate themselves with the Federal Reserve System.
2. The financial burden of membership in the Federal Reserve System must be reduced.
3. Reducing the financial burden of membership can be effected through reductions in the required reserve ratios of member banks, and as proposed by the Federal Reserve, by permitting member banks to participate in a portion of the portfolio earnings of the Federal Reserve Banks derived from investment of member bank reserve balances.
4. Required reserve ratios on member banks can be reduced without impairing the efficiency and effectiveness of monetary policy.
5. Explicit pricing of Fed services should be established.
6. Additional reporting requirements should be imposed on all depository institutions to give the Federal Reserve data for predicting changes in the monetary aggregates.

Our essential points of disagreement with H.R. 7 and the Federal Reserve are as follows:

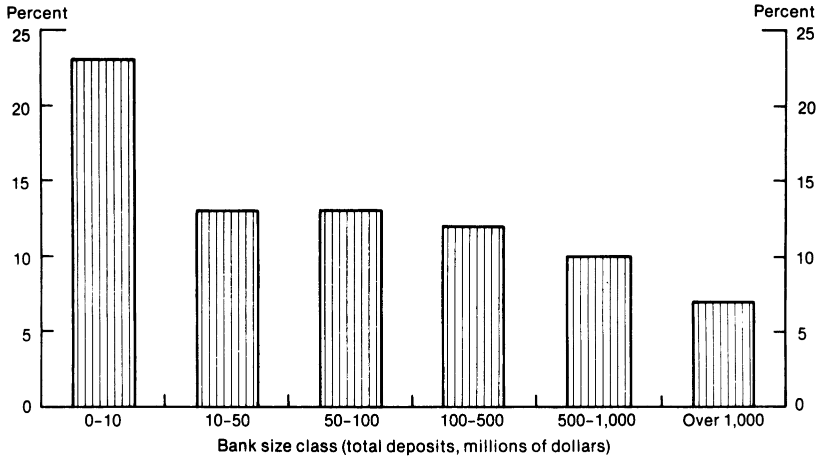
1. Contrary to Federal Reserve assertions based on a faulty theoretical model, empirical studies have shown that non-member banks have not been a source of consequential error, if any error at all, in Federal Reserve monetary policy.

2. The American Bankers Association firmly holds that the concept of voluntary membership is essential to maintenance of the Federal Reserve's independence in the conduct of monetary policy, whereas H.R. 7 would abrogate this concept. Moreover, the Association believes that voluntary membership is an essential aspect of the dual banking system, whereby appropriate checks and balances have been maintained on the concentration of power at the Federal level.
3. Reserve requirements for member banks should be made uniform by class and size of banks, and no group of member banks should be exempted.
4. The Association recommends wider ranges than H.R. 7 for future changes in required reserve ratios in order to facilitate further downward revisions at the Federal Reserve's discretion.
5. The Federal Reserve's flexibility in resolving the membership problem should not be constrained by Treasury revenue considerations, which encroach upon the Federal Reserve's independence in the same way as the discredited "pegging policy" of 1942-1951. Moreover, the adverse short-term effects that a restructuring of reserve requirements implies for Treasury revenues can be minimized, and perhaps even eliminated, through a phase-in period.

We think that our Association has taken a sensible, constructive position on this issue. Resolution of the membership problem can be readily effected without extending Federal Reserve reserve requirements to non-member banks. Maintaining the principle of voluntary membership does not involve additional significant cost to the Treasury. There is no cogent rationale for extending Federal Reserve reserve requirements to non-member banks unless such action is part of a total plan to extend such reserve requirements to all other types of depository institutions. We think that at the present time the membership problem should be considered apart from the issues affecting competition between commercial banks and other types of depository institutions. As we have been advised that there is no reasonable prospect that truly universal reserve requirements can be established at this time, we have no alternative but to maintain that the Federal Reserve membership problem be resolved in a manner that preserves the optional nature of membership for commercial banks.

CHART I

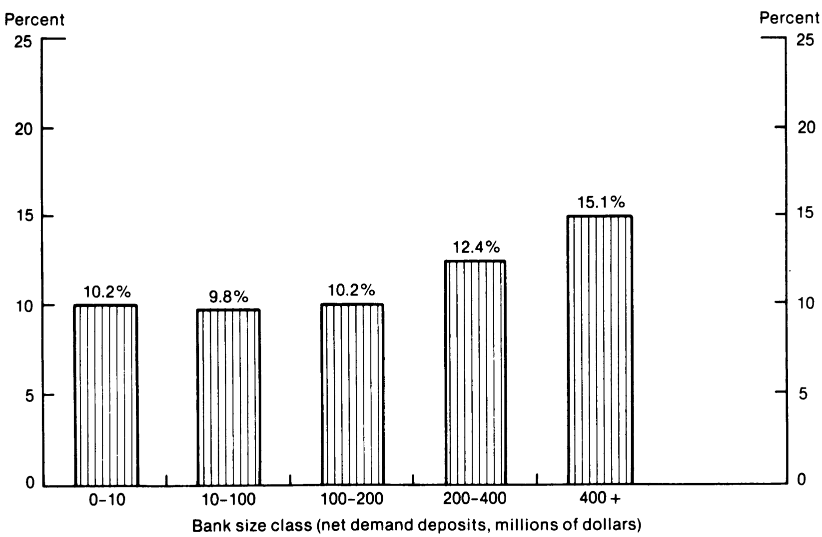
AGGREGATE BURDEN AS PERCENT OF ESTIMATED 1977 DOMESTIC PRE-TAX EARNINGS



Source: Statement of G. William Miller, January 24, 1979.

CHART II

MEMBERSHIP BURDEN AS A PERCENT OF 1977 PRE-TAX EARNINGS FOR SIXTH DISTRICT MEMBER BANKS



Source: Federal Reserve Bank of Atlanta, *Economic Review*, Nov.-Dec. 1978.

AN INTERIM SUMMARY REPORT TO THE AMERICAN BANKERS ASSOCIATION LEADERSHIP CONFERENCE

by
Abt Associates Inc.

Peter Merrill, Project Director
Paul Horvitz, Principal Investigator

1.0 Background

Attrition from the Federal Reserve System has stimulated several proposals by the Federal Reserve Board and counter-proposals by Congress which are aimed at solving the problem of Federal Reserve "membership burden." The stated objective of the Federal Reserve Board is to stop the decline of deposits on which reserves are required, on the grounds that further decline will reduce the ability of the Fed to control monetary policy. The Fed has also proposed that services, such as check collection, which are provided to Fed members at no cost, would in the future bear a price, if and when the membership burden problem is solved.

The various proposals and bills introduced to date include some or all of five basic policy variables:

1. **Universal reserves.** Most of the proposals would solve the membership burden by making reserves at the Fed mandatory, rather than based on Fed membership which presently is voluntary. Most proposals for universal reserves include an "exemption level," below which deposits do not bear a reserve requirement. Some proposals have included only banks, while others have included thrift institutions as well. Treatment of time and savings deposits has also varied among the proposals.

2. **Lower and uniform reserve requirements.** Present reserve schedules require higher reserve ratios, the higher the deposit levels. All proposals to date would simplify these schedules. Reserve ratios would also be lowered by all proposals. Some bills have included lower and uniform requirements *without* universality. These "voluntary" plans lower reserve ratios to make membership more attractive. Others include *both* universal and lower, uniform reserves.

3. **Interest on reserves.** Some proposals have included interest paid by the Fed on some portion of required reserves, as a means of reducing the burden of keeping reserves. Variations of this have included the concept of an "earnings participation" which would compensate banks at the earnings rate of the Fed portfolio, or slightly less.

4. **Pricing of Fed services.** The Fed has declared its intention to price its services such as check collection once the membership problem is resolved. Pricing would therefore be an important ingredient of *any* future Federal Reserve policy.

5. **Universal access to Fed services.** In those proposals which include a universal reserve requirement, Fed services now available only to members would become available to all financial institutions covered by reserve requirements. These services would, however, be priced.

Not all of the proposals include all of these policy variables. However, all must be considered in a thorough analysis of the Federal Reserve issue. To our knowledge, this study is the first to explicitly and quantitatively consider all of these critical variables as they interact to affect bank earnings and operations.

In August 1978, the ABA formed a special Task Force to study the implications of these proposals for all banks, and for the future structure of the banking industry. Abt Associates Inc. of Cambridge, Massachusetts, was selected to assist this Task Force on Fed Policy and Pricing in analyzing the probable impacts on banks of the various proposals. Arthur Andersen and Company was awarded a subcontract to examine the cost basis for Fed pricing.

Since August, the Task Force has met three times with the Abt/Arthur Andersen team. The Abt project director, Peter Merrill, and the Abt principal investigator, Paul Horvitz, have presented the results of their financial simulation model, and Task Force members have reviewed assumptions and suggested modifications to the model. This multiple revision process, which has subjected the model and its findings to broad scrutiny, has resulted in interim findings regarding impacts on the earnings of eight types of banks, caused by four specific Federal Reserve reform proposals.

This report summarizes these interim findings of Abt Associates. The report is organized as follows. In Section 2.0, we provide an explanation of the model, together with a description of the eight types of banks and four proposals or "policy scenarios" on which the findings are based. Section 3.0 provides a summary of major numerical results from the model. Section 4.0 examines the implications of these findings for two major issues of current concern: the impact of Federal Reserve reform on the correspondent banking system, and on the dual banking system. Section 5.0 provides other information of a broader nature which the results to date imply.

2.0 The Federal Reserve Impact Simulation Model

Abt Associates and Peter Merrill Associates have developed for the purpose of this analysis a computer-based simulation of the banking system designed to illustrate the effects of various legislative "scenarios" on several types of banks. We will provide a brief explanation here of the selection of bank types, the scenarios examined, and basic operations of the model.

Bank Types

The bank types were selected with the advice of the ABA pricing task force so as to focus on those types of banks that would be most affected by the reserve proposals. Since it appeared that the correspondent banking system would be significantly impacted, we included a composite of money market correspondent banks ("type 1" in our simulation), and regional correspondents ("type 2"). The pattern of recent withdrawals from the Federal Reserve suggested that large retail-oriented members should be singled out ("type 3"). These three groups of banks account for about 50 percent of total commercial bank deposits in the U.S., though only about 200 of the 14,000 banks fall into these categories.

Many of the proposals under consideration involve mandatory reserves for all banks above a specified size (roughly $80 million of deposits under the Proxmire bill and $100 million under the Reuss proposal). It was obviously important to analyze the impact on large non-member banks, those with deposits of over $200 million ("type 4"). We also included composites of member banks with deposits of about $100 million ("type 5") and about $20 million ("type 7"). Non-member banks of comparable size were represented in "type 6" and "type 8".[1] We have examined the impact on reserves, cash assets, earnings assets and earnings of several alternative scenarios in each of these types of banks. The full results will be described in the body of our final report.

[1] It is recognized that a great many banks in the U.S. have deposits under this $20 million level. However, the impact of any of the scenarios considered has been found to be the same for banks at $20 million and below. Therefore, explicit consideration of smaller banks is not necessary.

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Table 1: The Eight Types of Banks Analyzed

1. Large money market correspondent.
2. Regional correspondent: Assets over $1 billion.
3. Large retail member: Assets over $500 million.
4. Large retail non-member.
5. Community member: Assets over $100 million.
6. Community consumer-oriented non-member. Assets over $100 million.
7. Community member: Assets about $20 million.
8. Community non-member. Assets about $20 million.

Policy Scenarios

In our work to date with the ABA Task Force, we have analyzed the impacts of many hypothetical scenarios, representing most combinations of the policy variables listed above. For the summary report, however, we focused on four specific proposals under current consideration, three from the House and Senate Banking Committees, and one from the Fed. The latter, summarized in Chairman Miller's January 12 letter to ABA President John Perkins, is a suggested amendment to either a Reuss or a Proxmire bill.

The four proposals are summarized in Table 2. All of these proposals have some elements in common, but there are differences in approach and detail. All involve lower reserve requirements and pricing of Fed services. Three involve universal reserve requirements and an exemption level, together with universal access to Fed services.

Table 2: The Four Proposals Analyzed

<table>
<tr><th>MAJOR PROPOSALS</th><th>Reuss Bill</th><th>Proxmire Bill</th><th>Tower Bill</th><th>Fed Proposal</th></tr>
<tr><td>Universal Reserves</td><td>Yes</td><td>Yes</td><td>No</td><td>Yes</td></tr>
<tr><td>Exemption: Demand</td><td>$50M</td><td>$40M</td><td>0</td><td>$10M</td></tr>
<tr><td>Exemption: Time</td><td>$50M</td><td>$40M</td><td>0</td><td>$10M</td></tr>
<tr><td>Reserve requirement: Demand</td><td>9.5%</td><td>13%</td><td>3-10%</td><td>Reuss</td></tr>
<tr><td>Reserve requirement:</td><td></td><td></td><td></td><td>or</td></tr>
<tr><td>savings deposits</td><td>3.0%</td><td>3.0%</td><td rowspan="2">1-7%</td><td rowspan="2">Proxmire</td></tr>
<tr><td>short-term time</td><td>8.0%</td><td>6.0%</td></tr>
<tr><td>long-term time</td><td>1.0%</td><td>1.0%</td><td>0</td><td>Schedule</td></tr>
<tr><td>Earnings Credit</td><td>No</td><td>No</td><td>½% below Fed Rate</td><td>On 10-50 DD 10-50 T+S At Fed Rate</td></tr>
</table>

The Reuss and Proxmire proposals involve modest differences in the reserve requirements against various types of deposits and a difference in the level of exemption. It should be stressed that these modest differences produce very different impacts on individual banks. For some banks, the impact of the higher requirement on demand deposits in the Proxmire proposal is offset by the lower requirement on short-term time deposits. For a bank with a high proportion of demand deposits and a low proportion of short-term deposits, the Proxmire bill will prove to be much more costly. This is an illustration of the fact that results for our bank types will not be precisely applicable to any individual bank. Banks desiring more precise estimates can make use of the instructional material we have provided in a separate self-analysis guide.

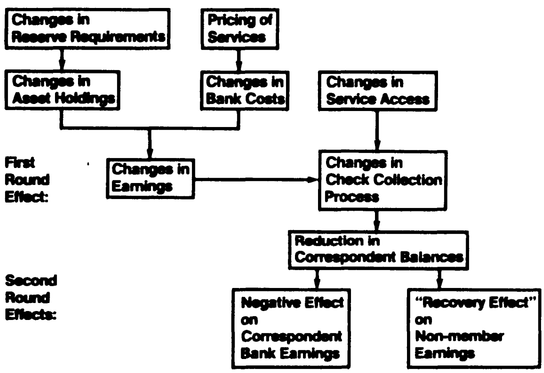
The Miller proposal can be applied to either the Reuss or Proxmire bills; in our analysis, it is based on the Reuss bill. It reduces the exemption level from $50 million against demand deposits and $50 million against time, to $10 million against each. The Federal Reserve would pay interest at the Fed portfolio earning rate (6-1/2% in our version) on those reserves required against deposits between the $10 million and $50 million exemption levels.

The Tower proposal differs significantly in approach from the others. It retains the voluntary nature of Federal Reserve membership that exists under our present system. Tower would resolve the membership problem by reducing reserve requirements to the extent necessary to make membership attractive, or at least to discourage further attrition. Interest would be paid on required reserves, at 1/2% below the Fed portfolio earning rate. Although it is not part of the Tower proposal, our analysis includes the effect of the pricing of Federal Reserve services, on the assumption that the Fed will price under any "membership solution" scenario.

Operations of the Model

The Federal Reserve Impact Simulation Model projects complete financial statements for each of the eight bank types, using the logic summarized in Figure 1.

Figure 1: Major Operations of the Model



As shown in Figure 1, the model projects two "rounds" of impacts. In the first round, we generate the impact of the changed reserve requirements and the pricing of Federal Reserve services on each of the eight bank types. In a second round, the secondary impact of a universal reserve requirement and universal access to Fed services with pricing (as contained in the Reuss, Proxmire and Miller proposals) is recognized. These features will result in an incentive to non-members to move check collection business and balances toward the Fed, and away from correspondent banks. (The major incentives here are newly-required reserves at the Fed, resulting in redundant balances at the correspondent, together with access to Fed services at prices which are probably lower than correspondent prices.)

The impact of this second-round reaction can be very significant, both for the non-member respondent banks and for the correspondent banks. It is very difficult to estimate precisely the magnitude of this reaction. Some evidence suggests it would be very large. The ratio of "due-froms" to total deposits for non-member banks is about twice that for member banks; a survey we made of about one hundred large non-member banks found that the majority expected to be able to reduce their balances with correspondents by over 50 percent. An evaluation of the burden of Federal Reserve membership by Board of Governors staff estimated that foreign banks gaining access to Federal Reserve services "could reduce their collected due-froms by as much as 50 percent." However, our analysis of likely reactions to a loss in volume by correspondent banks and their price changes suggests that the impact on the volume of correspondent business will not be as large as some have feared. We do believe that a reduction in due-froms of non-member banks on the order of 20 percent is likely. We conducted our analysis on the assumption of either a 20 percent reduction or a 50 percent reduction.

The "typical" financial statements introduced into the model as starting points are composites of actual banks in each of the eight types which were selected as representative of a class of bank, as described above. The December 31, 1977, income statement and the June 30, 1977, balance sheet were used. The June 1977 asset portfolios are considered optimal by the model; freed-up reserves are distributed over assets proportionately as of holdings on that date.

3.0 Interim Findings from the Model

Tables 3 and 4 summarize the impacts on the net earnings before taxes and securities transactions of the eight bank types. Only percentage changes in net income which amount to 5% or more are shown. Positive or negative changes of less than 5% are treated as non-significant, and are displayed as "gray areas" on the tables. In either table, the figure shown is the percent change from present (pre-reform) earnings to either post-first-round or post-second-round earnings.

Table 3: First-Round Impacts: Percent Changes in Net Income

Banks / Bills	MMC	RC	RET MEM	RET NM	100M M	100M NM	20M M	20M NM
Reuss	+8	+7	+	-20	+13	–	+14	–
Fed	+7	+5	+	-23	+11	–	+15	–
Proxmire	+	+	–	-25	+13	–	+14	–
Tower	+21	+20	+21	–	+16	–	+15	–

First-Round Impacts

The first-round effects of the Reuss, Proxmire and Miller proposals show similar results for our bank types. The money market correspondents show earnings gains of 3 to 8 percent as a net result of the reduction in reserve requirements and the increase in cost of Federal Reserve services.

The regional correspondents have a smaller gain since the reduction in reserve requirements under these proposals is smaller than for the largest banks (which now are subject to a 16-1/4 percent requirement against a significant fraction of their demand deposits). Earnings gains for the large retail member banks are still smaller, for similar reasons. In fact, under the Proxmire proposal, the large retail member banks suffer a reduction in earnings. That is, the cost of Federal Reserve services (which they are less able to offset by changes in techniques than the larger banks) outweighs the modest gain to them from lower reserve requirements.

The smaller member banks ("types 5 and 7") enjoy the largest gains, 11 to 15 percent under each of the scenarios. These banks, because of the exemptions in the Reuss and Proxmire bills, are relieved from all requirements for reserves to be held with the Federal Reserve. To the extent that the $100 million member banks are subject to reserve requirements, they can be met with vault cash. The Miller proposal produces similar effects on these banks, since the reserves they must hold with the Federal Reserve will draw interest at an interest rate only slightly below the market.

The situation with respect to non-member banks is quite different. The smaller non-members ($20 million and $100 million) show small declines in earnings, due to the impact of Fed pricing. It is the large non-member banks that are, of course, most significantly and adversely affected by each of these proposals; the negative impacts on the large retail non-members amount to between 20 and 25 percent of pre-tax earnings. It should be noted that our composite large non-member bank has deposits of about $640 million; the impact of smaller non-members would be smaller and for larger non-members slightly greater. It is the fixed dollar exemption that plays the determining role here, so that a bank slightly larger than the exemption level suffers only a small loss in earnings. There are about 140 non-member banks with over $200 million of deposits, and they hold total deposits of about $48 billion.

The Tower proposal has a different distribution of results. Since membership is voluntary, non-members are not directly affected, and presumably would join the Federal Reserve only if that were advantageous to them. The reduction in reverse requirements is particularly beneficial to the larger member banks and all benefit from the interest paid on reserve requirements. Large member banks would have about a 30 percent increase in pre-tax earnings while the small banks would have earnings gains of about 15 percent. Non-member banks would have slight earnings declines due to the impact of Federal Reserve pricing.

Second-Round Impacts

As we have indicated, it is likely that banks faced with this new operating environment will make adjustments in their portfolios and in their operations. We analyzed these same three scenarios under the assumption that non-member banks would decrease their due-from balances by either 20 or 50 percent. This change offsets some of the effects described above. In particular, this economizing on cash balances allows the smaller non-member banks to show a small increase in earnings.

The position of the large non-members is improved, but they still suffer a 12 to 15 percent decline in earnings with a 20 percent reduction in due-froms. The assumption of a decline in due-from balances of non-member banks does not have any significant effect on the retail member banks of any size, but it does impact on the operations of correspondent banks. Since non-member banks account for about 40 percent of total due-from balances, a decline of 20 percent in such deposits results in about an 8 percent decline in the due-tos of the correspondent banks. That loss of business reduces the earnings gains of the "first round." This reduces correspondent earnings gains in all cases to under 5 percent, and, under the Proxmire bill, produces small earnings declines for both money market and regional correspondents. The small member banks maintain the large earnings gains reported in the first round results.

Table 4: Second-Round Impacts: Percent Changes in Net Earnings

Bills \ Banks	MMC	RC	RET MEM	RET NM	100M M	100M NM	20M M	20M NM
Reuss	+	+	+	-12 (0)	+13	+13	+14	+13
Fed	+	+	+	-15(-2)	+11	+13	+15	+5 (+14)
Proxmire	–	–	–	-16(-4)	+13	+13	+14	+13
Tower	+21	+20	+21	–	+16	–	+15	–

Aggregate Impact on Banking Income

Rough estimates can be made of the aggregate impact on U.S. bank income of the four proposals, after a second round impact which assumes a 20% reduction in due-froms by non-members. The proposals would increase the total income in the banking system by the following amounts: Miller and Proxmire, .8%; Reuss, 3.6%; and Tower, 13.7%.

The banks which are generally negatively impacted by the bills include 142 larger non-members (earning 6% of total banking system income in 1977), 1383 medium-sized non-members (representing 7.1% of total income), and 7514 smaller non-members (amounting to 6.0% of total income). Although under most proposals these non-members lose income (the largest loss to a class of bank is the $130 million that large non-members lose under Reuss) the medium-sized non-members end up after a second-round recovery with an *increase* of $20 million under Reuss and Proxmire, and smaller non-members do even better, gaining $60 million under all but Tower.

The largest gains, of course, are by members. The 203 banks in the three bank types which include large Fed members represent (as of 1977) 55.5% of the total $11,790 million in bank earnings. These banks gain a maximum of $1,340 million under Tower, and $140 million under Reuss. They *lose* $160 million under Proxmire, however, due to the second-round reactions by non-members. Gains by the 1103 medium-sized members (with assets between $50 and 300 million) are similarly substantial (from a present $1,370 million to $1,540 million under Reuss, a gain of $170 million). The smaller members (4167 have assets under $50 million) gain $130 million under Reuss, Miller, or Proxmire, from a current total of $970 million to a new total of $1,100.

4.0 Structural Considerations

The major source of future structural change in the banking system will be the response of the larger non-member banks to significant earnings declines caused by increases in reserve requirements. As we have stated above, the precise magnitude of the reaction by non-members cannot be predicted. However, based on numerous interviews conducted with banks across the country, we feel confident in expressing the following opinions as to the meaning of our financial projections for the future of two major areas of banking industry structure: correspondent banking, and the dual banking system which provides banks a choice between state and national charters.

Correspondent Banking

The quantitative analysis summarized above, together with many interviews with correspondent bankers and customers of correspondents, strongly suggest that any of the proposals which include universal reserves, universal service access, and pricing will have a significant impact on correspondent banking. This is not to say that the impact will necessarily be negative. The combination of effects reviewed above will lead to a degree of technological and process change, possibly but not necessarily accompanied by efficiency gains, in the payments system. Decisions by relatively smaller banks to purchase sorting equipment may lead to under-utilization of equipment by the larger banks. It is distinctly possible that *both* the Fed and large correspondent banks will lose check collection volume. In a possible "third round" of adjustments, further changes in pricing and organizational innovation by both the Fed and correspondents will determine the extent to which either might recover these losses.

As shown in the second-round analysis, the correspondent bank can end up with improved earnings, even though correspondent balances have declined; lower reserve requirements can dominate the net effect. However, the more important and profitable the correspondent business to the bank, the more likely it is that proposals will have a negative impact, and therefore the more likely that the correspondent banks will modify relationships with the Fed.

What final equilibrium may be reached is impossible to predict due to the uncertainty surrounding the future shape of Fed and correspondent actions. Particularly important is the question of whether the Fed will willingly suffer reductions in service volume. The Fed has previously stated that it would not change availability schedules nor act in a predatory manner in pricing its services. Because of the unique position of the Fed, it could probably prevail in any outright pricing competion.

Dual Banking System

Much discussion has been given to the impacts of Federal Reserve reform on the dual banking system. We believe that the relationship between Fed policy and charter choice is less predictable than some presently claim. Under the present Federal Reserve system, the major determinants of charter choice appear to include preference for either state or national regulatory environment, a prestige factor, access to Fed services including the discount window, and relative levels of reserve requirements. Table 5 suggests how these incentives exist now, and how they would exist after the passage of a Reuss, Proxmire or Miller bill.

Table 5: Positive Incentives for Choice of Charter

	To State Nonmembership	To State Membership	To National Charter
Present	1 Preferred Regulator?	1 Preferred Regulator?	1 Preferred Regulator?
	2	2	2 Prestige
	3 Lower Reserves	3	3
	4	4 Access to Fed	4 Access to Fed
With Universal Reserves Plus Access	1 Preferred Regulator?	1 Preferred Regulator?	1 Preferred Regulator?
	2	2	2 Prestige?
	3	3	3
	4	4	4

What this comparison suggests is that it will be *primarily* a preference for either a state or a national regulatory environment which will ultimately determine which type of charter is preferred. Our interviews with non-member state-chartered banks indicate that in some states mandatory reserve requirements would be enough to "tip the balance" and cause some conversions to national charters.

In other states, we do not find this to be the case. Recognizing that a newly-gained access to the Fed may have some influence, it nevertheless appears that differences between state and national regulations governing lending and investment limits and other important facets of banking will have an even stronger influence.

It is distinctly possible that Federal Reserve reform could lead to changes in state regulations. That is, state banking departments may, under a system of universal reserves, be induced to more closely examine their policies, when Fed membership ceases to be an important determinant of charter choice.

5.0 Other Policy Considerations

The problem of membership is sometimes put in terms of monetary policy needs and sometimes in terms of equity among banks. While an *evaluation* of the alternative scenarios (in terms of which is "best for banks") is beyond the scope of this report, some objective results can be reported which may be useful to ABA policy formulation.

The Issue of Monetary Policy

Monetary policy is affected by the size of the monetary multiplier (roughly the relationship between the money supply and bank reserves) and, more importantly, by the variability or lack of predictability of the multiplier. All of the proposals involve an increase in the multiplier. This is least so for the Federal Reserve's universal reserve proposal of July 1978 and most so for the Tower proposal. The Reuss proposal involves a $12 billion reduction in reserves held with the Federal Reserve while the Proxmire bill results in an $8.4 billion reduction. The Miller proposal, like the previous Federal Reserve approach, opts for higher reserve requirements (thus reducing the multiplier), while mitigating the adverse effect on bank earnings from the higher requirements by paying interest on the additional reserves required.

The Federal Reserve has argued that the conduct of monetary policy is made more difficult by the slippage that can occur depending on whether deposits are held by member banks, subject to reserve requirements, or by non-member banks not subject to reserve requirements. This source of variability in the multiplier is eliminated by all but the Tower proposal since there would be no distinction between member and non-member banks. On the other hand, there is now a similar slippage that can occur depending on whether reserves are gained or lost by large member banks, subject to high reserve requirements, or by small member banks, subject to low reserve requirements. It appears that this difficulty would be exacerbated by the Reuss and Proxmire proposals, since the large majority of banks would be exempt from reserve requirements, while a small number would be subject to relatively high reserve requirements. The Miller proposal mitigates this by having a very low exemption, and the Tower mitigates it by having low reserve requirements. The recent ABA meeting of economic advisors concluded that there was less support for the view that the distinction between member and non-member banks poses a greater problem for monetary policy than does the difference between reserve requirements on large and small member banks. While this may be a point in favor of the Miller or Tower approach, it should be noted that those proposals use quite different means of resolving the problem: Miller involves mandatory reserves on all but the smallest banks; Tower involves low reserves and interest on reserves to make uniformity of results attractive. But this difference means a significant difference in the impact on Treasury revenues.

Most of the advocates of a change in rules on reserve requirements express concern about the effect on Treasury revenue, though it is by no means a settled point that this is a relevant constraint.

In particular, it has been argued that if the problem is as serious as the Federal Reserve and some others believe, then a rigid limit on the use of Federal Reserve income to resolve it is unreasonable. We cannot resolve that issue which is, after all, more a political than an economic one, but we can describe the impact of the various proposals on Treasury revenue. The net impact on the Treasury comes from three sources: lowered interest income on the Federal Reserve's government securities portfolio; income from new charges for Federal reserve services; and higher taxes from the higher earnings of the banking system.

The Reuss, Proxmire and Miller proposals involve net Treasury revenue loss within the bounds that have been discussed as acceptable to the Treasury: \$196 million under Proxmire; \$272 million under Reuss; and \$447 million under Miller. The Tower bill, however, would result in a loss, after income from pricing, of \$719 million. It is important to consider the additional tax revenue to be gained on higher bank earnings since on a pre-tax basis the Reuss bill appears twice as costly to the Treasury as Proxmire. But the Proxmire proposal generates only a nominal \$10 million increase in aggregate bank pre-tax earnings while Reuss results in a \$490 million increase.

The Issue of Equity

The equity issue is equally complex. All of the proposals remove the distinction between member and non-member banks that some feel is inequitable under present law. They do this, however, at the expense of creating an even greater distinction than now exists between large and small banks (except for the Tower approach). There are, of course, many preferences in existing law for small banks deriving in many cases from traditional American concerns with concentrations of economic power. There is a large body of opinion that holds that such preferences are appropriate and worthy of continuation. Others hold that small banks are able to compete on an equal basis and note that small banks' earnings are generally significantly better than those of large banks. They argue that there is no basis for setting into law a difference in reserve requirements that substantially affects the relative earnings of small and large banks. Under Reuss and Proxmire, only several hundred large banks would be required to hold reserves with the Federal Reserve. The Miller proposal imposes requirements on smaller banks, but they would receive interest on all or a large fraction of their reserves. It is possible to disagree as to whether these proposals reduce or increase equity in terms of the treatment of large and small banks.

All four scenarios were analyzed assuming the pricing of Federal Reserve services, even though such pricing is not mandatory under all the legislation. We believe that the pressures in that direction are strong, in terms of legal issues concerning access to services, efficiency arguments, and the need for revenue to offset the loss of Federal Reserve income from other aspects of the proposals. The Federal Reserve is seeking to recover about \$400 million of costs involved in providing such services. They have published a price list for check collection services which account for about 60 percent of the total costs involved. We have analyzed the proposed price list in terms of its cost justification and its implications for the role of the Federal Reserve in the payments system.

Our analysis of the Federal Reserve prices, performed by Arthur Andersen and Company, concludes that the prices are reasonably in accord with available data on Federal Reserve costs and the adjustments for profit and cost of capital that the Federal Reserve has used. Criticism of the prices from the banking industry has generally focused on the inadequacy of some adjustments for private sector costs, and lead to the view that the prices are slightly lower than they should be.

We believe that even with the Federal Reserve prices as announced, the Federal Reserve will lose a significant volume of check collection business. This conclusion is reflected in our simulations, where the impact of Federal Reserve pricing amounts to less than the 4 percent of pre-tax earnings that a \$400 million income to the Federal Reserve implies. Many banks, particularly the larger correspondent banks, already have plans underway which will significantly reduce their reliance on the Federal Reserve for services. We estimate, in fact, that the Federal Reserve will be unable to generate much more than \$300 million of income from services. To a considerable extent, this follows not from Federal Reserve inefficiency, but from the fact that the Federal Reserve must collect items of low value drawn on banks in remote areas. If we are to maintain a uniform value for checks circulating in the economy, the Federal Reserve will be providing some services at a loss.

It should be noted that this view is not inconsistent with the conclusion that correspondent banks will also lose volume. Essentially, banks will do more themselves – we expect a significant increase in the activity of local clearing houses for example. Correspondent banks may retain volume if their prices are lowered, though with the adverse impact on their earnings generated by our simulation.

AMERICAN
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1120 Connecticut Avenue, N.W.
Washington, D.C.
20036

PRESIDENT
John H Perkins
President
Continental Illinois
National Bank and
Trust Company
Chicago Illinois 60693

February 5, 1979

The Honorable G. William Miller
Chairman--Board of Governors
Federal Reserve System
Federal Reserve Building
20th and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Bill:

The various areas of ABA are moving along with conferences and meetings and all the rest, aiming toward our mid-February session.

Meanwhile, I thought you might be interested in the attached informal report to me of the Pricing Task Force which was established last September. As noted in the report, our people and the consultants worked closely with your staff and this seems to have worked very well. The consultants are still at work, particularly in the area of what the impact of the membership proposals and the pricing plans might be on different types of banks and different areas of business. They have developed some very extensive models, and we think the results are going to help a lot in answering the question of where these basic proposed changes may lead as we look a few years ahead.

Obviously I recognize that this kind of thing--no matter how well done--cannot give any answers but at least we hope it will help our bankers in analyzing the issue. You will appreciate that these are committee views and not an official policy statement of the ABA. But they do indicate the consensus of one group of well informed bankers and the questions on their minds. I hope you will find them useful.

Best wishes and looking forward to seeing you next week.

Sincerely,

John H. Perkins

JHP:lo
Enclosure

AMERICAN
BANKERS
ASSOCIATION

1120 Connecticut Avenue N.W.
Washington D.C.
20036

February 5, 1979

Mr. John H. Perkins
President
American Bankers Association
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036

Dear John:

I am writing you in my capacity as chaiman of the Pricing Task Force established by the American Bankers Association last September. The role of the Pricing Task Force has been to provide an interface between the Association and the ABT Associates-Arthur Anderson research team employed to study the effects of Federal Reserve pricing of services.

ABT Associates and Arthur Anderson will present their findings, as independent consultants, in an oral report to the Government Relations Council on February 14, 1979, and in a written report as soon thereafter as possible. The Pricing Task Force does not plan to present a report, as it was established not to make policy recommendations but to serve as a source of information and as a sounding board for the independent consultants. However, the members of the Task Force, at their last meeting, thought that it would be appropriate for me to supply you with some comments on the Federal Reserve's proposed price schedule.

First of all, the Task Force members are appreciative of the cooperation and responsiveness of Federal Reserve staff in supplying information to the ABT Associates-Arthur Anderson research team. The general feeling of the Task Force has been one of approbation for the professional way in which the Federal Reserve has proceeded in this very difficult assignment of developing a price schedule for its services. As my comments will indicate, we find some deficiencies in the proposed schedule of charges, but our main area of concern is not with the Federal Reserve's effort at staff level to derive a price schedule from available cost data. Our main concern is that there is need for fuller articulation of principles that will guide the Federal Reserve in the future in the provision and pricing of services. In short, it appears to us that the Board of Governors should give future consideration to what might be called the philosophy of future pricing policy.

Throughout the discussions of the past several months, the Task Force members have been in clear agreement that explicit pricing of Federal Reserve services is desirable. We concur, also, in the view that pricing of services should not be initiated, however, until there is at least a commensurate reduction in the cost burden imposed on member banks by the current structure and level of reserve requirements. In the absence of some reduction in the cost burden of reserve requirements, pricing of services would, of course, exacerbate the Federal Reserve's "membership problem." The Task Force quite deliberately refrains from commenting on the various proposals that have been put forward for resolving the "membership problem." We have, of course, considered these various proposals in our discussions of the pricing issue, but all we are prepared to say, at this point, is that implementation of a pricing program by the Federal Reserve should not be undertaken unless the cost burden of reserve requirements on member banks is reduced in at least a commensurate degree.

The price schedule proposed by the Federal Reserve in its statement of November 16, 1978, on "System Program for Pricing Federal Reserve Services" is incomplete in several respects.

1. The proposed prices pertain to services accounting for only 58% of Federal Reserve expenditures for services to be priced.

2. The Federal Reserve has indicated that differentials in prices may be established for Federal Reserve offices of areas within Federal Reserve districts. However, the geographical differentiation in the November 16, 1978 schedule did not proceed beyond Federal Reserve districts.

3. The definitions of types and levels of service need to be more detailed and specific. The Federal Reserve has said, in its memorandum of November 16, 1978, on "Questions and Answers on Pricing" that it "feels the level of service now provided is appropriate and does not intend to change when pricing is initially implemented." However, the definitions included in the proposed schedule of prices are sufficiently terse that significant changes in service levels could be made before pricing is initiated.

The degree of incompleteness in the Federal Reserve's proposal is so great that no bank can be certain about the effects that Federal Reserve pricing will have on costs of operation. We suspect that many banks have been awaiting further announcements from the Federal Reserve before commenting on the proposed pricing program. This was the posture of the Task Force until its last meeting when we decided that comments should be sent to you even though future announcements by the Federal Reserve might require reconsideration.

Let me turn now to the proposed price schedule as such. Except for the proposed charges on Automated Clearing and Settlement Services, the price schedule appears to be consistent with Federal Reserve costs as reflected in the PACS data. As with any cost accounting system, the reliability of the PACS data can, of course, be questioned with respect to the appropriateness of assumptions and allocation procedures. As PACS was developed over a period of several years as part of a general cost control system for the Federal Reserve before the pricing issue reached its current level of controversy, the Task Force members do not believe that PACS data reflect any intentional bias to understate the costs of services. As I have said, the general feeling of the Task Force was that the Fed's staff had done a good job in a difficult assignment. At the same time, the Task Force found several reasons for suggesting that the Federal Reserve reconsider its proposed prices.

Past capital budgeting decisions. Several members of the Task Force noted that in the past at least some Federal Reserve decisions in the acquisition of plant and equipment have not been made in the standard format of capital budgeting decisions in which a cost is assigned to internal capital. Also, such decisions have been made without regard to the tax consequences that would affect a private firm. Federal Reserve decisions may therefore have been biased in favor of purchasing plant and equipment, especially computer equipment, rather than leasing such facilities. To the extent that the proportion of purchased plant and equipment in the Federal Reserve is larger than in private firms engaged in the same service area, the Federal Reserve's costs, as estimated by conventional accounting procedures, would be lower. Consequently, depreciation charges, based on original costs, would influence the Federal Reserve's costs more than those of a private firm. That is, in a period pf rising prices for plant and equipment, the Federal Reserve's accounting-derived costs reflect underestimation of replacement costs to a greater extent than in private firms where capital budgeting procedures have resulted in relatively less reliance on purchased plant and equipment. The Federal Reserve should recognize that past practices in the purchase of plant and equipment have probably resulted in a downward bias in the current cost estimates and should inquire into the extent to which an adjustment may be needed to make its prices reflect costs more comparable to those of the private sector.

Private sector adjustment. The private sector adjustment of 11 per cent is too low. The adjustment was derived by the Federal Reserve by assuming a 50/50 debt-equity split, an income tax rate of 45 per cent, before-tax debt cost of 9 per cent, and after-tax return of 7 per cent on equity. We presume that the before-tax debt cost would be adjusted from time to time to reflect changing market conditions, and the Federal Reserve's assumption for the period in question seems appropriate. However, the amount of debt in relation to equity should not exceed one dollar of debt for every two dollars of equity, consistent with the regulatory restraint under which member banks operate. Also, the assumed after-tax return of 7 per cent on equity is clearly low when compared with the average of around 12 per cent on bank equity in recent years. If the Federal Reserve were to assume one dollar of debt for every two dollars of equity and after-tax return of 12 per cent on equity, the private sector adjustment would be 14.9 per cent instead of 11 per cent. We think that an adjustment of 14.9 per cent is the minimum the Federal Reserve should consider. Something more than 14.9 per cent could be justified, we think, by basing the adjustment on the actual ratio of long-term debt to equity in banks and by recognition that the bank equity market indicates that the average return on equity in recent years has been less than it should be.

A private sector adjustment of 14.9 per cent, instead of 11 per cent, would increase most of the Federal Reserve's proposed charges by between one-tenth and two-tenths of a cent. This may seem a relatively small amount. However, the Federal Reserve does differentiate its charges by amounts as small as one-tenth of a cent, and a change in the private sector adjustment should therefore not be regarded as insubstantial. Also, the large volumes involved in the activities being priced make one-tenth of a cent a difference of some consequence.

Consequence of marketing program. It is to be expected that implementation of Federal Reserve pricing of services will include a marketing program for Federal Reserve services. It might be argued that a part of the current bank and public relations program of the Fed is a marketing program for services. In any event, there should be some direct allocation of marketing expenditures to the cost of services, either on the basis of current or anticipated marketing programs. The adjustment in proposed chaiges would be relatively small, but it should not be overlooked.

Automated Clearing House and Settlement Services. The Task Force members are deeply concerned about the long term implications of the Federal Reserve's proposed prices for ACH services, and by the Fed's failure to specify whether these services will be prices to ACHA's or directly to user institutions. Both questions--the "How derived" and the "To whom directed"--are likely to have major impact on the continued viability of automated clearing houses and on the motivations and ability of the private sector to develop competing systems.

Prior ABA positions have made clear the industry's firm conviction that ultimate ACH prices should encourage the development of private sector alternatives as a means of improving the overall efficiency of the payments system. The current Fed policy of providing a temporary subsidy for electronic items necessitates further elaboration on their part as to the intent of the subsidy both in terms of its duration and per item cost. Members of the Task Force hold the view that a Fed strategy to build electronic item volume by permanently subsidizing the price for the exchange and settlement of those items at the Fed will seriously undermine the development of an efficient payments system. The proposed Fed price for an ACH item is one small component of the total cost to an originator of such an item. The corporate decision to utilize electronic debits, and/or credits is based on the overall benefits calculated by the originator, versus his total cost of utilizing the present paper-based system. To the extent the marketplace is not driven by the Fed's price for the exchange and settlement of these items, Fed pricing will probably have a modest impact on building volume, but a major impact on preempting the development of private sector alternatives.

The Task Force is also concerned that, by pricing Automated Clearings and Settlement Services directly to user institutions, the Federal Reserve will undermine the viability of the Automated Clearing House Associations. When added to certain current practices of the Federal Reserve, direct pricing seems part of a pattern of tactics to weaken the ACHA's. Currently, the Federal Reserve is processing certain collection items as cash items and is failing to provide proper warranty for items of institutions that are not members of an ACHA. In this regard, it should be noted that the Federal Reserve is not using the available originator status coder in processing ACH items. Without the originator status code, a receiving bank cannot distinguish between ACHA-member items and non-member items; the result is that the bank does not know which items are subject to ACHA warranty and which are not. By not facilitating this distinction, the Federal Reserve has imposed on ACHA members the costs of warranty of non-member items whereas the Federal Reserve itself should be responsible for assuring proper warranty of non-member items.

The proposed charges for Automated Clearing and Settlement Services and the problems affecting ACHA's are of significant concern in themselves. The Task Force members also find in these matters reason for considerable uneasiness about the direction of Federal Reserve pricing policy in the future. The need for fuller articulation of principles, or guidelines, is thus underscored.

Pricing differentials. The Task Force generally agrees with the apparent rationale for differentiating charges by Federal Reserve district and by type of services. We would note, however, that such differential pricing is at variance with prevailing practice in the private sector. There is some belief that the private sector will probably move to a differentiated schedule and that such a move would be a good thing. An opposing view suggests that administration of a differentiated schedule of prices may involve more trouble and expense than would be justified by additional revenues. It is possible that the private sector will move towards a schedule that is differentiated but less so than the Federal Reserve's. The ultimate outcome will, of course, depend on competition, and at the present time that outcome cannot be predicted with any degree of confidence.

Federal Reserve float. In its November 16, 1978 statement, the Federal Reserve observed that "the value of float is not included in the prices for check services." On January 4, 1979, Chairman Miller sent to Senator Proxmire answers to a set of questions where, in response to one question, a general reference was made to "alternative strategies" for dealing with the problem posed by Federal Reserve float. We surmise that "alternative strategies" might include (a) adjustment of availability to reflect actual collection time, as is the general practice in the private sector, (b) commitment of additional resources by the Federal Reserve to reduce collection times, and/or (c) regulations aimed at reducing or segregating the presentation of items that cannot normally be collected within the times provided by the prevailing availability schedule. The simplest solution to the float problem would appear to be the adjustment of Federal Reserve availability to reflect actual collection time. However, the elimination of float would make the Federal Reserve check-clearing services less attractive than they are today, and the Federal Reserve would incur some additional expense in matching the availability of a particular item to its collection time. The need for commitment of additional resources to reduce Federal Reserve collection times is not apparent, and Federal Reserve costs would, of course, be increased. The elimination of float through adjustment of availability to reflect collection time or through increased expenditures to reduce collection time may be a "no-win" situation in that the competitive position of the Federal Reserve may be adversely affected in either case. We are, therefore, concerned that the Federal Reserve may seek to deal with the float problem through restrictive regulation. Such an approach would demonstrate that the Federal Reserve is unwilling to accept the results of competition in the market for check-clearing services.

Federal Reserve float is an important factor to be taken into account in evaluating the cost of Federal Reserve services. If priced at some rate of interest, such as the 91-day Treasury bill rate or the Federal funds rate, the value of Federal Reserve float in recent years would exceed the cost of Federal Reserve services. Pricing to include the value of float would be a very complicated procedure, for the value of float would vary item to item. If, however, the servicing of items were priced to include the value of float, the average price per item would be at least two to three times the average implied by the price schedule proposed on November 16, 1978.

The Federal Reserve's allusion to "alternative strategies" to deal with the float problem is disquieting. Depending on what these strategies may prove to be, additional costs could be imposed on banks in a relative magnitude of at least two or three times the costs that may be associated with the price schedule of November 16, 1978.

I would like to devote the rest of this letter to the basic area of concern to the Task Force. The foregoing comments, especially on Automated Clearing and Settlement Services and on Federal Reserve float, illustrate this basic area of concern, as to what might be called the philosophy of Federal Reserve pricing policy.

What factors will influence Federal Reserve pricing decisions in the future? How will decisions be made about changing the levels of existing services? What considerations will affect decisions about the introduction of new services? Will the Federal Reserve react to changes in competitive prices and changes in volume as a private sector firm would do? Or, will the Federal Reserve react as a unique government bureacracy? Or, will reactions be based on the Federal Reserve playing some new role as a maximizer of Treasury revenues?

The Federal Reserve has said (in its November 16, 1978 statements and elsewhere) that charging for services is part of a "comprehensive plan to enhance competitive equity among depository institutions and encourage competition to improve both the effectiveness and cost of the payments mechanism." In further explanation, the Federal Reserve has said: "Service charges are expected to encourage more efficient use of payments facilities and to provide incentives for innovations that reduce costs. For example, pricing of check collection services will provide incentives for banks to do more check processing themselves and to set up additional local clearing arrangements. Therefore, the opportunities for the private sector to compete with and improve upon Federal Reserve services would be enhanced." All this sounds very encouraging to the private sector, but then the Federal Reserve adds: "Moreover, service charges will provide the System with additional revenues to <u>minimize</u> the impact of the membership plan on the Treasury." The underscoring of the word "minimize" is the Federal Reserve's and can be read as suggesting that there are limits, perhaps close limits, to the extent to which the Federal Reserve will tolerate competition from the private sector. Additionally, the Federal Reserve has stated that it "is still considering the issue of how prices are to be administered." Reference is made to "due regard for competitive conditions" and "need to maintain a basic level of payments services nationwide." Such allusions raise more questions than they answer. Will decisions on changes in prices be delegated to the Federal Reserve bank level or retained at the Board level? Does "due regard for competitive conditions" mean that prices may be permitted to diverge significantly from Federal Reserve costs? What is a "basic level of payments services nationwide?"

If the Federal Reserve operated as a private firm, with the need to meet the tests of the marketplace for debt and equity issues, its behavior would be fairly predictable. The fact is that the Federal Reserve is not a private firm but is a very special type of government agency. Its behavior cannot be predicted on the basis of economic or market forces, for it is subject to influence from the Congress, from its own internal bureaucracy, from the views of its leadership as to the role and mission of the Federal Reserve in the payments system, from its history as a powerful regulatory agency, and from its power to create money and thereby command resources on a larger scale. I am not criticizing these sources of influence. What I am trying to do is make clear that the future pricing policy of the Federal Reserve is affected by much greater uncertainty than would be the case if the Federal Reserve were a private firm. This means that any private venture to compete with the Federal Reserve is subject to a greater degree of risk than would exist if all competitors were private firms. Put quite simply, the Federal Reserve not only as a "deep pocket" to support any competitive posture it might wish to take take but also can change the rules of the game in ways that would disadvantage private competitors.

In view of the Federal Reserve's stated intent of facilitating more competition in and from the private sector and of encouraging cost-reducing innovations, a fuller statement of criteria or guidelines for future pricing policy would help make such an intent credible, It is important that an additional effort be made to reduce the degree of uncertainty now affecting future pricing policy.

I hope that my comments have been successful in distinguishing between our reaction to the proposed price schedule as such and our concern with the fundamental question of how future pricing policy will be determined. As I have said, the Task Force members believe that explicit pricing of Federal Reserve services is desirable. We wish to make clear that our position is based on the expectation that such pricing would take the form of charges to be paid in cash rather than analysis charges against balance credit. We hope that progress will be made toward implmentation of explicit pricing by the Federal Reserve. As our comments indicate, we think that there is need for further constructive consideration and dialogue with the Federal Reserve not only on the proposed price schedule as such, but also, and more importantly, on issues that reach beyond the proposed schedule and affect the future developments of a payments system.

Sincerely,

Donald D. Buchanan

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Chairman REUSS. Now, Mr. Raymond Campbell of the Independent Bankers.

Mr. KENNEDY. Mr. Chairman, Mr. Campbell is not at the table. My name is Kennedy.

Chairman REUSS. You are Mr. Kennedy. I thought Mr. Campbell—the only reason I mentioned Mr. Campbell was I thought he was testifying.

Would you come up, Mr. Campbell.

STATEMENT OF RAYMOND D. CAMPBELL, FIRST VICE PRESIDENT/PRESIDENT ELECT, INDEPENDENT BANKERS ASSOCIATION OF AMERICA; ACCOMPANIED BY RICHARD W. PETERSON, CHIEF LEGISLATIVE COUNSEL OF THE IBAA

Mr. RAYMOND CAMPBELL. Thank you, Mr. Chairman.

I am Raymond Campbell, president and chief executive officer of the Oberlin Savings Bank, a State Federal Reserve member commercial bank in Oberlin, Ohio.

Chairman REUSS. Are you also a member of the ABA?

Mr. RAYMOND CAMPBELL. No, sir, I am not.

I am also first vice president of the Independent Bankers Association of America—IBAA. Richard W. Peterson, chief legislative counsel of the IBAA, accompanies me.

I appreciate this opportunity, on behalf of our 7,300 member banks, to present views on the three major proposals before this body relating to extensive adjustments in the Federal Reserve System—FRS.

First, H.R. 7, the Monetary Control Act of 1979, often referred to subsequently as the Reuss bill;

Second, a package of alterations to H.R. 7, offered by the Federal Reserve System, commonly known as Mod 7; and

Third, H.R. 2133, the Reserve Requirement Simplification Act of 1979, often designated as the Stanton bill.

IBAA's constituency comprises slightly more than 50 percent of the commercial banks in the Nation. While most of our group are located in rural and suburban areas, a considerable segment is found in urban settings.

Approximately 22 percent of the association is comprised of current members of the FRS. Of these, 1,941 are nationally chartered.

Over 80 percent of IBAA banks, both State and national, have assets of $25 million or less.

With respect to these comments, we find ourselves faced with a classic difficulty which seems to occur annually about this time of year. February, March, and April are always intensive months for testimony before committees of the Congress, yet March is the month when we hold our annual convention.

Consequently, if luck has it that we testify on key issues after the convention it is possible to come to you with positions determined by the convention.

If, however, the reverse happens to be the case, it is impossible to state solid views on highly controversial subjects, since our bylaws specify that the final authority of IBAA is in the convention.

This year we are not fortunate since the association meets on March 11 to 15 in New Orleans. Consequently, no endorsements on any of the bills pending before this body can be forthcoming today, except as to augmented reporting requirements, nor are we in a position to advance alternatives.

We deeply regret if this might cause difficulties in making conclusions on the difficult questions arising from the instant legislation.

However, I do have some observations that I hope will be of assistance in your deliberations.

It is irrefutable that the Federal Reserve's membership is undergoing attrition. Since 1945, the System's shareholders have declined from 6,448 to 5,593.

The percentage of all commercial bank deposits held by shareholders, and thus subject to FRS reserve levels, has diminished from 86.3 percent to 70.8 percent in the same span.

The threshold question is: Why has this happened?

To us, there appear to be two chief reasons for this shift. The first is the cost burden.

This consists of earnings member banks forgo because of the extra amount of sterile reserves, that a combination of statutes and regulations requires them to hold, as compared to nonmembers.

While shareholders are provided with free services by the 12 district Reserve banks, the value of these services is insufficient to place member banks in as good an earnings position as if they were nonmember banks.

The staff of the Federal Reserve has estimated that:

> The aggregate cost burden to member banks of Federal Reserve membership exceeds $650 million annually, based on data for 1977, or about 9 percent of member bank profits before income tax. The burden of membership is not distributed equally across all sizes of member banks. According to staff estimates * * * the relative burden is greatest for small banks—exceeding 20 percent of profits for banks with less than $10 million in deposits.

For the sake of increasing profitability, member banks are exiting the System. They can accomplish this with a fair degree of ease. If they are a State member bank, they inform the Federal Reserve of their departure and cash in their shares.

If they are national banks, they obtain a State charter from the relevant State authority, cancel their national charter, inform the FRS they are leaving the System, and surrender their shares.

However, there is strong nonstatistical evidence for a second source of attrition which is infrequently discussed publicly.

Contrary to the situation which prevailed until about 15 years past, the FRS is now often seen in the role of an unreasonable adversary by its member/shareholders and by nonmember banks with which the FRS also deals on such matters as one bank holding company applications.

For many banks, the travail that is part of the experience in getting approval for a one-bank holding company conditions them against joining the System.

This deterioration undoubtedly is due to a perception that the FRS has evolved into a less attuned bureaucracy quite on its own volition and purely for its own reasons.

There is a common belief the Board's and district bank's policies are established largely for their own conveniences and on precepts that smack of the ivory tower outlook.

In fairness, IBAA's leadership cannot subscribe to such a sweeping indictment. For but one instance, the animosity and frustration felt by bankers over many consumer lending regulations is a problem generated by the underpinning statutes and not by the Board.

Nevertheless, I am constrained to point out that one of the least expensive and probably most efficacious methods for strengthening the System—if indeed that is desirable or necessary—would be for Congress to encourage FRS to put forth, after consultation with the district banks' stockholders and others the System regulates, an affirmative program to turn attitudes around.

While Project Augeas, a self-sponsored Board endeavor for regulatory simplification, is a praiseworthy step in the right direction, it is very far from actually creating a tolerable climate.

I hope this committee does not consider the attitude issue merely as an aside. The strident opposition which has emerged in many banking circles to the mandatory natures of both H.R. 7 and Mod 7 is, in the end, largely due to these unflattering convictions concerning the central bank.

I also hope this committee will realize it has a crucial role in altering what seems to be an adversary feeling banks have for the FRS back to the route of cooperation between banks and the Federal Reserve.

After the question, Why has shrinkage happened? the next priority inquiry would seem to be: Does shrinkage make such a difference as to require marked modifications in public policy?

Although the FRS and others have argued for an affirmative answer to this query on a number of grounds, it appears only three assertions really constitute the FRS case: monetary control is impaired; diminishing access by commercial banks to the discount window makes the financial system fundamentally less liquid as commercial banks drop out of the FRS; and the System's credibility and political power weakens to the stage where it finds it difficult to make unpopular decisions concerning the economy.

Chairman Miller has argued:

> The attrition in deposits subject to reserve requirements set by the Federal Reserve weakens the linkage between member bank reserves and the monetary aggregates. As a larger and larger fraction of deposits at banks becomes subject to the diverse reserve requirements set by the 50 States rather than by the Federal Reserve, and as more transaction balances reside at thrift insititutions, the relationship between the money supply and reserves controlled by the Federal Reserve will become less and less predictable. Open market operations, the basic tool of monetary policy, therefore are becoming less precise in their application.

We have been unable to determine whether the Board or any other proponents of alteration mean that the day of reckoning is here or lies somewhere down the road.

However, we have satisfied ourselves through a close review of the literature that the situation has not yet deteriorated to where the System cannot control the money supply.

However, we do subscribe to the view that circumstances could arise when lessened coverage of commercial bank deposits by the FRS would have adverse effects on the Board's abilities to discharge its money supply functions.

For example, if the U.S. Government securities market was to slack off in the future due to substantial decreases in the need to finance new deficits, open market operations would subside in prominence as far as their place in monetary control.

The need for reserve coverage might, in such a situation, become an important monetary tool. Given current drives for balancing the budget, this is not a wholly farfetched possibility.

Yet, the association doubts such contingencies can currently support arguments for key changes in the reserve structure at FRS.

IBAA remains unconvinced that the monetary control argument justifies any of the bills now before this committee.

The second justification for a significant change in public policy regarding the FRS is that diminishing access to the discount window adversely affects the liquidity of the banking structure.

For example, Chairman Miller stated:

> The discount window, as the "lender of last resort," provides the payments system with a basic liquidity backup by assuring member banks the funds to meet their obligations. But, if the proportion of institutions having access to this facility continues to decline, individual institutions could be forced to make abrupt adustments in their lending or portfolio policies, because they could not turn to the window to cushion temporarily the impacts of restrictive monetary policies. Risk that their liquidity squeeze would result in bank failures could also increase.

Again, we have been unable to ascertain whether this is a kinetic or potential reason justifying alterations in the FRS in the eyes of proponents of change.

However, in either event, access to the discount window does not warrant momentous transformations in the System. Compared to circumstances prior to the end of World War II, the administration of the discount window today carries limited benefit for member banks.

Indeed, while Chairman Miller likens the window to a lender of last resort, most member bankers would deem it a lender of positively, absolutely and irrefutably the last resort.

In brief, the Federal Reserve treats anyone seeking an advance or discount with something short of cordiality.

It is much easier to acquire needed funds from a correspondent or, relatedly, through purchases on the Fed funds wire—not to be confused with the discount window of the Federal Reserve.

Finally, Federal deposit insurance has long assured that any bank in a liquidity emergency situation will somehow have access to funds, assuming it is not so badly managed as to be irretrievably lost, in which case access to the window would not save it in any event.

I do not mean to imply that entry to the discount facilities does not have some marginal value to members upon occasion. I do mean to say that we have not noticed for years that they are such a significant aid to liquidity as to allow them to serve as debating points favoring changes in the FRS.

Although rarely stated openly by officials of the Federal Reserve and others who seek to transfigure the System, it is recognized in banking circles that the much vaunted independence of the Board is nearing collapse.

For instance, it is being compelled to make public more and more of its decisions on monetary policy. Interference by the Government Accounting Office is mounting.

Last year the White House, on several occasions, made it quite plain that it would make the announcements on what was going to happen at the Board when the administration wished to do so.

Some may greet these developments with kudos, but bankers cannot since, whether it is successful at it or not, the FRS is one of the few institutions, if not the only, capable of making unpopular decisions in the regulation of the overall economy.

It is difficult to relate membership decline to growing dependence of the Federal Reserve on the Congress and the White House for policy direction.

There are, indeed, many obvious other causal factors such as the constant pressure of Congress on the Board to follow the legislature's views of public policy rather than the Board's independent judgment.

However, it seems to us that as the longstanding interface between the Board and the member/shareholders deteriorates and membership shrinks, the Board becomes more and more isolated from the industry it regulates.

Less and less do the banks have an understanding of the problems of the FRS and vice versa. This disjunction will reduce, if it has not already done so, the Board and the district banks to just another bureaucracy, evermore at the mercy of politics.

If there is to be a strong central bank, at least in the pluralistic American political environment, it appears to us that it needs the credibility that comes from having a substantial, broad-based membership that will stand for the independence of the System.

If the examples of recent events above are indicative, it has become nearly mythical to consider the Federal Reserve independent.

We do not mean to argue that membership decline is wholly responsible for this. Rather, we believe that a rising or stabilized membership, coupled with an improved image of the FRS as discussed above, is a necessity if the Federal Reserve has a prayer of retaining or regaining some semblance of autonomy.

Having concluded that diminishment of membership does make such a difference as to call for some alteration in public policy, due to the phenomenon of Federal Reserve isolation, the next question is: What is to be done?

It appears that the range of possibilities is far wider than just the instant bills or Federal Reserve amendment thereto.

It varies from unilateral administrative action by the Board to pay interest on reserves or to drop reserve ratios from their 1972 levels to current statutory minimums through a host of suggestions necessitating legislation.

Initially, I would like to make some general observations which should simplify subsequent analysis. First, H.R. 7 and Mod 7 contemplate involving the thrift industry and credit unions directly in the operations of the Federal Reserve through imposing, at some stage, mandatory reserves on their transaction balances and by giving them access, at a price, to FRS services.

We believe any such incorporation of these institutions in the System is unwarranted and unwise on the following counts.

Such an action would assume that they will eventually enter the checking account or checking account/equivalent business in significant force.

It also, therefore, assumes they will become nearly homogenous with banks. There is no more burning issue today in the depository world than whether or to what extent such uniformness is sound public policy.

We fail to see how involving that very basic issue with declines in Federal Reserve shareholder levels, either as to numbers of stockholders or the volume of their deposits, does anything but confuse and complicate matters.

This is especially so since thrifts and credit unions only hold about 0.3 percent of transaction balances currently, and consequently, their relation to the problems under consideration today must be considered, at least presently, to be minimal.

Hereafter, our analysis presumes their inclusion is no longer a component of any legislation.

Our second general observation is that the so-called cost to the Treasury issue and the quotes which have been given to this committee on reductions in the annual rebate of the FRS to the Treasury are extremely slippery matters for the following reasons.

First, the volume of central bank earnings should not be associated with the volume of reserves as long as monetary policy does not encompass maximization of Treasury income as a central goal.

Attached to my prepared statement as appendix A is an article from the July 1978 bulletin of the Federal Reserve Bank of St. Louis which attempts to explain why the assumptions, which are being made by nearly everyone, the Board included, are faulty with respect to the rebate. I will not belabor this point since the article speaks to the misconception adequately.

Second, even if maximizing Treasury income should become a central theme of monetary policy, we doubt that this committee can receive anything but ballpark estimates of such income for several reasons. All appraisals are contingent on the Federal Reserve receiving a certain return on its services through explicit pricing.

No one has practical experience in this area. Consequently, problems abound. For example, while most experts feel the Board has come close to a fair, cost reflective schedule on pricing its clearing services, there is no way to tell how much they would be used.

Consequently, no method for ascertaining accurately what kind of income would be generated from them exists.

Third, the Reuss bill and Mod 7, assuming the cost to Treasury concern has some gravity, result in more predicatable costs since the reserve ranges are small and nearly pegged.

The Stanton approach on the other hand provides for broader discretion. If one postulates that the Board adopts reserves at the high end of H.R. 2133 ranges, the cost of Treasury would be considerably less than if the Board elects to release more reserves to commercial banks by adopting the low end of the ranges.

Fourth, most estimates include a factor that accounts for Treasury recapturing some of the lost rebate through increased income taxes imposed on banks.

We are at a loss to understand how these figues can be projected since many banks, because of individual business decisions, would place funds freed from reserve requirements in nontaxable modes.

Given all the above factors, we hope the committee will not put too much stress on judging the proposals by what are really very speculative figures. More productive results could be obtained if the goals of the legislation were more clearly defined.

H.R. 7, from a purely statistical point of view, provides the greatest earnings benefits to the greatest number of banks, especially small banks, whether they be members or nonmembers according to "The Impact of Federal Reserve Policy Alternatives," a study by Abt Associates that was commissioned by the American Bankers Association.

Large banks, except for large retail nonmember banks would also receive a net benefit although modest.

Large, retail nonmember banks, however, would suffer substantial earnings impairments. The effects of Mod 7 are generally the same on earnings as H.R. 7 due to a combination of earning income from the $20-million exclusion and the earnings participation account.

The Abt study did not include an analysis of the Stanton bill. It did, however, include an analysis of a somewhat similar bill introduced by Senator Tower in the other chamber.

There Abt Associates found all member banks benefited although larger member banks came off somewhat better than small firms—nonmember banks would not benefit, of course, since the Stanton/Tower approach is voluntary.

Thus, both H.R. 7 and Mod 7 can be viewed as offers of increased income to the greatest number of banks, both member and nonmember, by proponents of mandatory reserve in exchange for surrendering the current voluntary nature of all relations with the Federal Reserve System.

The Stanton proposal is merely an offer of increased income to stay in the Federal Reserve System. We doubt the latter would attract many banks into the Federal Reserve System, at least as long as the interest is pegged at the FRS's rate of return on its portfolio.

Further, many small bankers are distressed over the entire future of the dual banking system. The leadership of IBAA realizes that, given any of the plans under consideration, it is unlikely that there will be a mass exodus from the State banking system to the national banking system. Many favorable factors exist for retaining State charters that are not related to the levels of reserves at all, such as legal loan limits, which would put brakes on a massive change to national charters.

Nevertheless, numerous bankers are of the view that any augmentation of Federal power on a mandatory basis is folly, whatever the immediate financial benefits, since, when all is said and done, it will lead to only more incursions by Washington.

Thank you, Mr. Chairman, and members of the committee.

[Mr. Campbell's prepared statememt, on behalf of the Independent Bankers Association of America, with an attached appendix entitled "Does the Federal Reserve Invest Member Bank Reserves?" from the July 1978 edition of the Bulletin of the Federal Reserve Bank of St. Louis, follows:]

STATEMENT OF

THE INDEPENDENT BANKERS ASSOCIATION

OF AMERICA

ON

H.R. 7 -- THE MONETARY POLICY IMPROVEMENT ACT OF 1979, AND

H.R. 2133 -- THE RESERVE REQUIREMENT SIMPLIFICATION ACT of 1979

BEFORE THE

HOUSE COMMITTEE ON BANKING, HOUSING,

AND URBAN AFFAIRS

I am Raymond D. Campbell, president and chief executive officer of the Oberlin Savings Bank, a state Federal Reserve member commercial bank in Oberlin, Ohio. I am also First Vice President of the Independent Bankers Association of America ("IBAA"). Richard W. Peterson, chief legislative counsel of the IBAA, accompanies me.

I appreciate this opportunity, on behalf of our 7,300 member banks to present views on the three major proposals before this body relating to extensive adjustments in the Federal Reserve System ("FRS"):

1) H.R. 7, the Monetary Policy Improvement Act of 1979, often referred to subsequently as the "Reuss bill";

2) A package of alterations to H.R. 7, offered by the Federal Reserve System, commonly known as "Mod 7"; and

3) H.R. 2133, the Reserve Requirement Simplification Act of 1979, often designated as the "Stanton bill".

IBAA's constituency comprises slightly more than 50% of the commercial banks in the nation. While most of our group are located in rural and suburban areas, a considerable segment is found in urban settings. Approximately 22% of the Association is comprised of current members of the FRS. Of these, 1941 are nationally chartered. Over 80% of IBAA banks, both state and national, have assets of $25 million or less.

With respect to these comments, we find ourselves faced with a classic difficulty which seems to occur annually about this time of year. February, March, and April are always intensive months for testimony before committees of the Congress, yet March is the month when we hold our annual convention.

Consequently, if luck has it that we testify on key issues after the convention, it is possible to come to you with positions determined by the convention. If, however, the reverse happens to be the case, it is impossible to state solid views on highly controversial subjects, since our bylaws specify that the final authority of IBAA is in the convention.

This year we are not fortunate since the Association meets on March 11 to 15 in New Orleans. Consequently, no endorsements on any of the bills pending before this body can be forthcoming today, except as to augmented reporting requirements, nor are we in a position to advance alternatives. We deeply regret if this might cause difficulties in making conclusions on the difficult questions arising from the instant legislation. However, I do have some observations that I hope will be of assistance in your deliberations.

It is irrefutable that the Federal Reserve's membership is undergoing attrition. Since 1945, the System's shareholders have declined from 6884 to 5593. The percentage of all commercial bank deposits held by shareholders, and thus subject to FRS reserve levels, has diminished from 86.3% to 70.8% in the same span. The threshold question is: "Why has this happened?"

To us, there appear to be two chief reasons for this shift. The first is the "cost burden". This consists of earnings member banks forego because of the "extra" amount of sterile reserves, that a combination of statutes and regulations requires them to hold, as compared to non-members. While shareholders are provided with "free" services by the twelve District Reserve Banks, the value of these services is insufficient to place member banks in as good an earnings position as if they were non-member banks. The staff of the Federal Reserve has estimated that:

> "....the aggregate cost burden to member banks of Federal Reserve membership exceeds $650 million annually, based on data for 1977, or about 9% of member bank profits before income tax. The burden of membership is not distributed equally across all sizes of member banks. According to staff estimates, ... the relative burden is greatest for small banks--exceeding 20% of profits for banks with less than $10 million in deposits."

For the sake of increasing profitability, member banks are exiting the System. They can accomplish this with a fair degree of ease. If they are a state member bank, they inform the Federal Reserve of their departure and turn in their shares. If they are national banks, they obtain a state charter from the relevant state authority, cancel their national charter, inform the FRS they are leaving the System, and surrender their shares.

However, there is strong non-statistical evidence for a second source of attrition which is infrequently discussed publicly. Contrary to the situation which prevailed until about fifteen years past, the FRS is now often seen in the role of an unreasonable adversary by its member/shareholders and by nonmember banks with which the FRS also deals on such matters as one bank holding company applications. For many banks, the travail that is part of the experience in getting approval for a one bank holding company conditions them against joining the System.

This deterioration undoubtedly is due to a perception that the FRS has evolved into a less attuned bureaucracy quite on its own volition and for purely its own reasons. There is a common belief the Board's and District Banks' policies are established largely for their own conveniences and on precepts that smack of the "ivory tower" outlook.

In fairness, IBAA's leadership cannot subscribe to such a sweeping indictment. For but one instance, the animosity and frustration felt by bankers over many consumer lending regulations is a problem generated by the underpinning statutes and not by the Board. Nevertheless, I am constrained to point out that one of the least expensive and probably most efficacious methods for strengthening the System -- if indeed that is desirable or necessary -- would be for Congress to encourage FRS to put forth, after consultation with the District Banks' stockholders and others the System regulates, an affirmative program to turn attitudes around. While Project Augeas, a self-sponsored Board endeavor for regulatory simplification, is a praiseworthy step in the right direction, it is very far from actually creating a tolerable climate.

I hope this Committee does not consider the "attitude issue" merely as an aside. The strident opposition which has emerged in many banking circles to the mandatory natures of both H.R. 7 and Mod 7 is, in the end, largely due to these unflattering convictions concerning the Central Bank. I also hope this Committee will realize it has a crucial role in altering what seems to be an adversary feeling banks have for the FRS back to the route of cooperation between banks and the Federal Reserve.

After the question "Why has shrinkage happened?", the next priority inquiry would seem to be: "Does shrinkage make such a difference as to require marked modifications in public policy?" Although the FRS and others have argued for an affirmative answer to this query on a number of grounds, it appears only three assertions really constitute the FRS case:

1) Monetary control is impaired;

2) Diminishing access by commercial banks to the discount window makes the financial system fundamentally less liquid as commercial banks drop out of the FRS; and

3) The System's credibility and "political" power weakens to the stage where it finds it difficult to make "unpopular" decisions concerning the economy.

These claims come in both the "present" and "future" varieties. In other words, sometimes the proponents of major FRS public policy changes maintain matters have already reached a critical state while, on other occasions, the argument is that the trend will, at a future date, reach dangerous proportions. I would like to turn now to each of these three principal allegations in present and future form.

Monetary Control

Chairman Miller has argued:

> "The attrition in deposits subject to reserve requirements set by the Federal Reserve weakens the linkage between member bank reserves and the monetary aggregates. As a larger and larger fraction of deposits at banks becomes subject to the diverse reserve requirements set by the 50 states rather than by the Federal Reserve, and as more transaction balances reside at thrift institutions, the relationship between the money supply and reserves controlled by the Federal Reserve will become less and less predictable. Open market operations, the basic tool of monetary policy, therefore are becoming less precise in their application."

We have been unable to determine whether the Board and other proponents of alteration mean that the "day of reckoning" is here or lies somewhere down the road. However, we have satisifed ourselves through a close review of the literature that the situation has not yet deteriorated to where the System cannot control the money supply. George J. Benston's Federal Reserve Membership: Consequences, Costs, Benefits and Alternatives, a study prepared for the Trustees of the Banking Research Fund, Association of Reserve City Bankers, is illustrative of this point of view, i.e., that declines in Federal Reserve membership are not distorting the money supply. We would be doubly convinced this conclusion could remain valid for a very long time if the augmented reporting requirements common to all three bills before this body were passed, and IBAA endorses the adoption of such provisions.

However, we do subscribe to the view that circumstances could arise when lessened coverage of commercial bank deposits by the FRS would have adverse effects on the Board's abilities to discharge its money supply functions. For example, if the U.S.

Government securities market was to slack off in the future due to substantial decreases in the need to finance new deficits, open market operations would subside in prominence as far as their place in monetary control. The need for reserve coverage might, in such a situation, become an important monetary tool. Given current drives for "balancing the budget", this is not a wholly farfetched possibility. Yet, the Association doubts such contingencies can currently support arguments for key changes in the reserve structure at FRS.

Indeed, since November 9, 1972, few outstanding alterations have been made in the reserve schedules promulgated by the Board. Examples are, one effective on August 24, 1978, that reduced certain reserves relating to foreign operations. Another became operative on November 2, 1978, and related to reserve surcharging of a 2% reserve on time deposits of $100,000 or more. Additionally and intermittently since November 9, 1972, a number of rules changes were implemented on the timing of when reserve balances had to appear on the books of the District Reserve Banks, but these alterations did not relate so much to fluctuations in the money supply as to how administrative details respecting reserves were to be managed.

In conclusion, IBAA remains unconvinced that the monetary control argument justifies any of the bills now before this Committee.

Access to the Discount Window

The second justification for a significant change in public policy regarding the FRS is that diminishing access to the discount window adversely affects the liquidity of the banking structure. For example, Chairman Miller stated:

"The discount window, as the 'lender of last resort,' provides the payments system with a basic liquidity backup by assuring member banks the funds to meet their obligations. But, if the proportion of institutions having access to this facility continues to decline, individual institutions could be forced to make abrupt adjustments in their lending or portfolio policies, because they could not turn to the window to cushion temporarily the impacts of restrictive monetary policies. Risk that their liquidity squeezes would result in bank failures could also increase."

Again, we have been unable to ascertain whether this is a kinetic or potential reason justifying alterations in the FRS in the eyes of proponents of change. However, in either event, access to the discount window does not warrant momentous transformations in the System. Compared to circumstances prior to the end of World War II, the administration of the discount window today carries limited benefit for member banks. Indeed, while Chairman Miller likens the window to a "lender of last resort," most member bankers would deem it a "lender of positively, absolutely and irrefutably the last resort." In brief, the Federal Reserve treats anyone seeking an advance or discount with something short of cordiality. It is much easier to acquire needed funds from a correspondent or, relatedly, through purchases on the Fed funds wire (not to be confused with the discount window of the Federal Reserve). Finally, Federal Deposit Insurance has long assured that any bank in a liquidity emergency situation will somehow have access to funds, assuming it is not so badly managed as to be irretrievably lost, in which case access to the window would not save it in any event.

I do not mean to imply that entry to the discount facilities does not have some marginal value to members upon occasion. I do mean to say that we have not noticed for years that they are such a significant aid to liquidity as to allow them to serve as a debating points favoring changes in the FRS.

The System's Credibility and "Political Power"

Although rarely stated openly by officials of the Federal Reserve and others who seek to transfigure the System, it is recognized in banking circles that the much vaunted "independence" of the Board is nearing collapse. For instance, it is being compelled to make public more and more of its decisions on monetary policy. Interference by the Government Accounting Office is mounting. Last year the White House, on several occasions, made it quite plain that it would make the announcements on what was going to happen at the Board when the Administration wished to do so. Some may greet these developments with kudos, but bankers cannot since, whether it is successful at it or not, the FRS is one of the few institutions, if not the only, capable of making "unpopular" decisions in the regulation of the overall economy.

It is difficult to relate membership decline to growing dependence of the Federal Reserve on the Congress and the White House for policy direction. There are, indeed, many obvious other causal factors such as the constant pressure of Congress on the Board to follow the Legislature's views of public policy rather than the Board's independent judgement. However, it seems to us that as the longstanding interface between the Board and the member/shareholders deteriorates and membership shrinks, the Board becomes more and more isolated from the industry it regulates. Less and less do the banks have an understanding of the problems of the FRS and vice versa. This disjunction will reduce, if it has not already done so, the Board and the District Banks to just another bureaucracy, evermore at the mercy of politics. If there is to be a "strong" Central Bank, at least in the pluralistic American political environment, it appears to us that it needs the credibility that comes from having a substantial, broadbased membership that will stand for the independence of the System. If the examples of recent events above are indicative, it has become nearly mythical to consider the Federal Reserve independent.

We do not mean to argue that membership decline is wholly responsible for this. Rather, we believe that a rising or stabilized membership, coupled with an improved image of the FRS as discussed above, is a necessity if the Federal Reserve has a prayer of retaining or regaining some semblance of autonomy.

Having concluded that diminishment of membership does make such a difference as to call for some alteration in public policy, due to the phenomenon of Federal Reserve isolation, the next question is: "What is to be done?" For this, we have no answer because of the reasons already set forth concerning our convention. However, we do note that the range of possibilities is far wider than just the instant bills or Federal Reserve amendment thereto. It varies from unilateral administrative action by the Board to pay interest on reserves or to drop reserve ratios from their 1972 levels to current statutory minimums through a host of suggestions necessitating legislation. Yet, for brevity's sake, I will limit my comments to the three which seem uppermost in your minds today.

The Proposals Currently before this Committee

Initially, I would like to make some general observations which should simplify subsequent analysis. First, H.R. 7 and Mod 7 contemplate involving the thrift industry and credit unions directly in the operations of the Federal Reserve through imposing, at some stage, mandatory reserves on their transaction balances and by giving them access, at a price, to FRS services. We believe any such incorporation of these institutions in the System is unwarranted and unwise on the following counts.

Such an action would assume that they will eventually enter the checking account or checking account/equivalent business in significant force. It also, therefore, assumes they will become nearly homogenous with banks. There is no more burning issue today in the depository world than whether or to what extent such uniformness is sound public policy. We fail to see how involving that very basic issue with declines in Federal Reserve shareholder levels, either as to numbers of stockholders or the volume of their deposits, does anything but confuse and complicate matters. This is especially so since thrifts and credit unions only hold about .3% of transaction balances currently, and consequently, their relation to the problems under consideration today must be considered, at least presently, to be de minimus. Hereafter, our analysis presumes their inclusion is no longer a component of any legislation.

(At this point, it seems appropriate to note that we have not incorporated any detailed examination of the specifics of the three proposals since the Committee is already blessed with adequate material explaining them and a rehash on our part would be simply redundant.)

Our second general observation is that the so-called "cost to the Treasury" issue and the quotes which have been given to this Committee on reductions in the annual rebate of the FRS to the Treasury are extremely slippery matters for the following reasons.

First, the volume of central bank earnings should not be associated with the volume of reserves as long as monetary policy does not encompass maximization of Treasury income as a central goal. Attached as Appendix A is an article from the July 1978 Bulletin of the Federal Reserve Bank of St. Louis which attempts to explain why the assumptions, which are being made by nearly everyone, the Board included, are faulty with respect to the rebate. I will not belabor this point since the article speaks to the misconception adequately.

Second, even if maximizing Treasury income should become a central theme of monetary policy, we doubt that this Committee can receive anything but "ball park" estimates of such income for several reasons. All appraisals are contingent on the Federal Reserve receiving a certain return on its services through explicit pricing. No one has practical experience in this area. Consequently, problems abound. For example, while most experts feel the Board has come close to a fair, cost reflective schedule on pricing its clearing services, there is no way to tell how much they would be used. Consequently, no empirical method for ascertaining accurately what kind of income would be generated from them exists.

Third, the Reuss bill and Mod 7, assuming the "cost to Treasury" concern has some gravity, result in more predictable "costs" since the reserve ranges are small and nearly pegged. The Stanton approach on the other hand provides for broader discretion. If one postulates that the Board adopts reserves at the high end of H.R. 2133 ranges, the "cost to Treasury" would be considerably less than if the Board elects to release more reserves to commercial banks by adopting the low end of the ranges.

Fourth, most estimates include a factor that accounts for Treasury recapturing some of the lost "rebate" through increased income taxes imposed on banks. We are at a loss to understand how these figures can be projected since many banks, because of individual business decisions, would place funds freed from reserve requirements in domestically non-taxable modes.

Given all the above factors, we hope the Committee will not put too much stress on judging the proposals by what are really very speculative figures. More productive results could be obtained if the goals of the legislation were more clearly defined. By this we mean a decision has to be made as to whether the goal of the legislation is to concentrate on stablizing deposit coverage by enticing those presently in the System to remain or should it be to compel, albeit with significant benefits in the way of exclusions from required reserve and payment accounts, those inside and outside the current System to abide by Federal Reserve standards. If the former is the goal, then the Stanton measure, because it is voluntary in nature, is the correct path. If the latter is the decided course, then H.R. 7 and Mod 7 are the more appropriate. I will turn now to the question of impacts of these two general approaches.

H.R. 7, from a purely statistical point of view, provides the greatest earnings benefits to the greatest number of banks, especially small banks, whether they be members or non-members according to The Impact of Federal Reserve Policy Alternatives, a study by Abt Associates that was commissioned by the American Bankers Association. Large banks, except for large retail non-member banks, would also receive a net benefit although modest. Large, retail non-member banks, however, would suffer substantial earnings impairments. The effects of Mod 7 are generally the same on earnings as H.R. 7 due to a combination of earning income from the $20 million exclusion and the Earnings Participation Account.

The Abt study did not include an analysis of the Stanton bill. It did, however, include an analysis of a somewhat similar bill introduced by Senator Tower in the other chamber. There Abt Associates found all member banks benefited although large member banks came off somewhat better than small firms. (Non-member banks would not benefit, of course, since the Stanton/Tower approach is voluntary.)

Thus, both H.R. 7 and Mod 7 can be viewed as offers of increased income to the greatest number of banks, both member and non-member, by proponents of mandatory reserve in exchange for surrendering the current voluntary nature of all relations with the Federal Reserve System. The Stanton proposal is merely an offer of increased income to stay in the Federal Reserve System. We doubt the latter would attract many banks into the Federal Reserve System, at least as long as the interest is pegged at the FRS's rate of return on its portfolio.

Due to the fact smaller banks benefit substantially under the Reuss bill and Mod 7, some might wonder why an association such as IBAA would not endorse these proposals outright. We conclude this testimony with an explanation of our reticence.

As noted, our convention is imminent and has to be polled on the vital question of whether we would support mandatory reserve requirements, exemption or not. Small banks today are profoundly skeptical of losing or even the possibility of losing any of their options when dealing with the Federal government. Already, many have pointed out to me that while the Reuss bill indexes the $100 million exemption level to apply in constant dollars, the Federal Reserve and S. 85, the Proxmire version of the "compulsion" approach, would apply the exemption in current, which is to say inflated, dollars. In other words, under Mod 7 and S. 85 the real value of the exemptions would evaporate over the years. This has given rise to considerable uneasiness over the eventual outcome of the legislative process with regard to the real value of the exemption.

Further, many small bankers are distressed over the entire future of the dual banking system. The leadership of IBAA realizes that, given any of the plans under consideration, it is unlikely that there will be a mass exodus from the state banking system to the national banking system. Many favorable factors exist for retaining state charters that are not related to the levels of reserves at all, such as legal loan limits, which would put brakes on a massive change to national charters. Nevertheless, numerous bankers are of the view that <u>any</u> augmentation of Federal power on a mandatory basis is folly, whatever the immediate financial benefits since, when all is said and done, it will lead to only more incursions by Washington.

I thank the Committee for this opportunity to express our views on the instant legislation and wish we could speak more directly to the issues. However, as you can see from the preceeding several paragraphs, IBAA can only resolve the conflicts between the H.R. 7/Mod 7 approach and the H.R. 2133 route in convention after giving due consideration to the factors which I have discussed in this testimony. I thank you for the privilege of appearing.

[From July 1978 edition of Bulletin of the Federal Reserve Bank of St. Louis]

Appendix A

Does the Federal Reserve Invest Member Bank Reserves?

ALBERT E. BURGER

THE Federal Reserve Banks earned $6.9 billion in 1977. How are the Federal Reserve Banks able to "earn" this amount of income? One popular misconception is that the Federal Reserve Banks earn income by investing member bank reserves. In fact, earnings of the Federal Reserve Banks are not the result of the volume of member bank reserves, but that bank reserves and earnings of the Federal Reserve Banks are both by-products of the way a central bank operates.

Commercial banks that are members of the Federal Reserve System are required to hold a specified amount of reserves for each dollar of deposit liabilities.[1] They hold the bulk of these reserves in the form of deposits at their district Federal Reserve Bank. Looked at from the viewpoint of a commercial banker, it appears that this $28 billion of member bank deposits at the Federal Reserve Banks forms the basis for Federal Reserve acquisition of earning assets, primarily Government securities. After all, when a commercial bank experiences an inflow of deposits, that bank can expand its holdings of earning assets, so why shouldn't the analogy hold for Federal Reserve Banks?

Also, frequently when reserve requirement ratios are raised, thereby requiring member banks to hold more deposits at Federal Reserve Banks, Federal Reserve Bank holdings of Government securities (earning assets) rise. Likewise, when reserve requirement ratios are lowered, thereby reducing required reserves, there is usually a decrease in Federal Reserve holdings of Government securities.

These observations have prompted assertions that the Federal Reserve receives substantial earnings from the reserves that are required of member banks. A question that logically follows from such assertions, then, is why doesn't the Federal Reserve share these reserve-induced earnings with its member banks? After all, wouldn't the Federal Reserve's earnings be slashed if all member banks chose to leave the System?

These conclusions are the result of a faulty analysis of the operations of a central bank. Fundamentally, they result from confusing the way a commercial bank operates with the way a central bank operates. To sort out this confusion one should first answer some questions: how are reserves created, and what causes them to increase or decrease?

Open Market Operations

Any one commercial bank can increase its reserves by such actions as buying Federal funds or attracting deposits by some means such as raising interest rates on certificates of deposit. In such situations, what one bank gains another bank loses. Therefore, *total* bank reserves cannot be changed by commercial banks themselves; the Federal Reserve must become involved in the process. In the U.S. banking system total bank reserves originate primarily from purchases of Government securities by the Federal Reserve (open market operations). *The chain of causality runs from the purchase of Government securities (earning assets of the Federal Reserve) to member bank deposits at Federal Reserve Banks, not the other way around.*

To see how this process works, consider the case in which the Federal Reserve System purchases Government securities. Assume that the System's Trading Desk at the New York Federal Reserve Bank decides to purchase $100 million in Government securities. The Trading Desk would contact the dealers in Government securities, receive their offers, and then arrange the purchase with the dealers offering the lowest price for the securities. The transactions would

[1]Member bank reserve requirements are computed as a percent of (1) net demand deposits, (2) total time and savings deposits, and (3) selected other liabilities. Net demand deposits are gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

be completed by the Federal Reserve Bank of New York "paying" for the securities by crediting the reserve account of the dealers' banks which, in turn, would credit the dealers' checking accounts.

The results of these transactions are (1) the Federal Reserve System's holdings of Government securities have risen, (2) bank deposits at the Federal Reserve Bank of New York (bank reserves) have increased, and (3) demand deposits of the public have risen. The Federal Reserve has acquired the Government securities by "creating" a liability on itself, the demand deposits owed to the member banks (bank reserves). As a by-product of the process, Federal Reserve earnings will be increased as a result of the interest the Federal Reserve will collect from the increased holdings of Government securities.[2]

Reserve Requirements

To clarify further these points, consider the case in which the Board of Governors of the Federal Reserve System raises required reserve ratios for member banks. *This action does not change the total reserves of the banking system.* Just because *required* reserves are larger than before does not mean that *total* reserves are larger. In this case, the initial effect of the Federal Reserve action is to make required reserves *larger* than total reserves. Member banks can only continue to maintain their existing structure of deposit liabilities if they increase their reserves, that is, deposits at Federal Reserve Banks.

Two alternative results could follow. Following one course of action, the Federal Reserve might decide not to offset the effect of the higher reserve requirement ratios on deposits. In this case something must "give," since required reserves are larger than total reserves. What gives is total deposits; they contract through the process by which each bank attempts to build up its reserves by selling securities and reducing loans. This process continues until the existing amount of total reserves equals required reserves on the new *lower* volume of bank deposits. Total member bank deposits at the Federal Reserve Banks are unchanged and earning assets of the Federal Reserve are unchanged, but bank credit and the monetary aggregates M1 and M2 are lower. This is a case where an increase in reserve requirements does not increase the earnings of the Federal Reserve System.

Alternatively, the Federal Reserve might decide to offset the short-run impact on bank deposits of the increase in reserve requirement ratios. In such a case the Federal Reserve would buy Government securities and, as a result of this action, member bank deposits at Federal Reserve Banks would rise. Earning assets held by the Federal Reserve would be higher than before, not because of a rise in reserve requirements and member bank deposits, but simply because the central bank chose to offset the impact of the change in reserve requirement ratios on total member bank deposits. These examples indicate that increases in member bank reserves are in no way the causal factor in increases of the Fed's earning assets. Member bank reserves and the Fed's earning assets change simultaneously as a result of policy decisions.

As a final example, consider a case where there were no member banks. Assume even further that there were no legal restrictions that required banks to hold deposits at Federal Reserve Banks. Would the ability of the Federal Reserve Banks to generate their own earnings be affected? The answer is no. To implement its monetary policy objectives, the Federal Reserve would still buy and sell Government securities. Its holdings of Government securities would still represent the primary source of the "base" under bank deposits.[3] The Federal Reserve would pay for the securities just as it does now, with a check written on itself. Commercial banks would be "paid" when they presented the check for collection, either by receiving a deposit at a Federal Reserve Bank or currency (Federal Reserve notes). This is exactly the same way they are "paid" today. In this case, however, it would be crystal clear that the connection between bank reserves and the volume of Federal Reserve earning assets is not causal, but only a simultaneous balance sheet necessity. Thus, whatever the merits of arguments for payment of interest on member bank reserves, the contention that reserves are the source of Federal Reserve earnings is not one of them.

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[2]For a detailed discussion of open market operations and their effects on bank reserves, see Paul Meek, *Open Market Operations*, Federal Reserve Bank of New York (May 1973), and Dorothy M. Nichols, *Modern Money Mechanics: A Workbook on Deposits, Currency, and Bank Reserves*, Federal Reserve Bank of Chicago (June 1975).

[3]See Anatol B. Balbach and Albert E. Burger, "Derivation of the Monetary Base," this *Review* (November 1976), pp. 2-8.

Chairman REUSS. Thank you.

We will now operate under the 5-minute rule.

Mr. Perkins, the ABA's proposal, as I read it, would lower the permissible range of present reserve requirements for larger and small banks from the present level where they are fixed within those ranges of 16¼ percent for larger banks and 7 percent for smaller banks to a range of from 1–10 percent; is that correct?

Mr. PERKINS. Yes.

Chairman REUSS. If Congress enacts the ABA proposal, and the monetary authority then elects to go to the lower level on demand deposits, that would result in lowering the reserve requirements for big banks from 16¼ percent to 1 percent, and for small banks from 7 percent to 1 percent; is that not so?

Mr. PERKINS. Your facts are right, if in fact there was any thought of going to 1 percent under current conditions.

Chairman REUSS. Yes. That is what the ABA has given as its band. Yet the small bankers within the ABA agree to what seems to a neutral bystander as a grossly disproportionate bonanza for the larger banks.

Mr. KENNEDY. Mr. Chairman, may I respond to that?

Chairman REUSS. Surely, Mr. Kennedy.

Mr. KENNEDY. Thank you, sir.

In the first place, what we were interested in was uniform reserve requirements across the board for all concerned.

Then in the matter of the smaller banks, in order to give some consideration to the problem involved there, we suggest an earnings participation account on the first $10 million of reserves, which would compensate them based on the Federal Reserve portfolio amount of income; and we think we have answered the problem that you raised.

Chairman REUSS. Large and small banks would both get that, would they not?

Mr. KENNEDY. Yes, sir; that is correct.

Chairman REUSS. Thank you.

Mr. PERKINS. Mr. Chairman, could I just comment and emphasize again, there is this implicit assumption that if reserves were lowered, let us take a big bank from 16¼ percent to 10 percent, that the big banks, subject to those reserves, now would gain additional earnings because he would have fewer reserves sterile.

The facts of the matter are that that would result in lower costs to bank customers as the benefits of the lower reserve were passed on. I think bankers uniformly agree that the marketplace would see that that was done.

Second, I would like to emphasize the point I made in my statement, that in our analysis of these effects, you have to think beyond just the immediate theoretical computation of how many reserves you might invest that were free.

You have to look at the costs you would pay for implicit services. You have to look at the kinds of changes it would make in the liability mix of large banks and things of that type.

When you get all done, the models come out that the large member banks would tend to have been awash because the increased costs would offset whatever they could gain that way that was not passed on to the customer.

Indeed, it would be the smaller banks who, it is true, would not get as large a percentage reduction, but who would come out on the plus side because of the earnings participation, or the various proposals for doing something with the smaller bank.

Chairman REUSS. Mr. Campbell, how many banks in your organization?

Mr. RAYMOND CAMPBELL. Approximately 7,400.

Chairman REUSS. How many, Mr. Perkins, in the ABA, roughly 12,000?

Mr. PERKINS. No; about 14,000.

Chairman REUSS. It is also true, is it not, that there is a considerable duality of membership among the two, especially among smaller banks?

Mr. RENNER. Let me establish the group for which I speak, as chairman of the Community Bankers Division. As of December 31, 1977, there were 13,166 banks under $100 million, which is the group we consider belonging to our Community Bankers Division.

Of that group were approximately 700 which did not belong to the American Bankers Association. So we represent about 12,500 banks under $100 million.

Mr. PERKINS. Including almost all of the——

Chairman REUSS. The independents?

Mr. PERKINS. That is correct.

Chairman REUSS. Thank you very much. You have given me a more specific answer, really, than I needed. There is substantial interlocking.

Now Mr. Campbell, you, this morning, testified on behalf of smaller banks that your group did not like the feature of H.R. 7 which would impose reserve requirements not only on the banks, but subject, of course, to the exemption, also on the savings and loans, mutual savings banks, and credit unions.

Yet just a few weeks ago, and here I am reading from the American Bankers Association memorandum of February 6, 1979, it states:

> Truly universal and uniform reserve requirements for all depository institutions set by the Federal Reserve should be the basis of any attempted solution to the Fed's perceived membership problem, the Community Bankers Division of the American Bankers Association is recommending.

Well, I won't ask you to answer that. But it really is awfully hard to please you smaller bankers. Here you clobber us on February 6 and say apply it to the thrifts. When we do it, you clobber us saying, look, you have applied it to the thrifts.

Consistency is the hobgoblin of little minds, and——

Mr. RAYMOND CAMPBELL. May I make a comment? I agree many of the small banks are members of ABA, and many of them are designated as community bankers. But I should point out that the only members of the Community Bankers Division of ABA that I know of in Ohio are running banks that are owned by multibank-holding companies. There may be others.

Mr. RENNER. Mr. Chairman, may I also respond to that, please?

Chairman REUSS. Briefly.

Mr. RENNER. First, there was an omission made in the news releases. The Community Bankers Division prefaced their statement by saying that we do not believe there has been an established need for universal reserves.

Chairman REUSS. Thank you.

Mr. Campbell, you are the vice president of the Independent Bankers Association?

Mr. RAYMOND CAMPBELL. That is correct.

Chairman REUSS. Who is the president?

Mr. RAYMOND CAMPBELL. Mr. Ivan Fugate of Denver.

Chairman REUSS. I ask unanimous consent to put into the record a release by the Independent Bankers of September 1, 1978, stating as follows:

Independent Bankers Association of America endorses massive changes in the Federal Reserve System.

Washington, D.C.—citing the need to build capital in independent banks, thereby enhancing their ability to serve their communities, the IBA today endorsed H.R. 7 introduced by House Banking Committee Chairman Henry Reuss.

Believing these goals attainable with Chairman Reuss' bill, the leadership voted unanimously for taking action on the bill * * *.

Fugate asserted, "Unquestionably the House Banking Committee has put together an extremely effective package to help independent banks provide better services." IBA believes this proposal will benefit the public and IBAA member banks.

[A copy of the entire release referred to by Chairman Reuss follows:]

INDEPENDENT BANKERS ASSOCIATION
OF AMERICA
ENDORSES MASSIVE CHANGES
IN THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.--Citing the need to build capital in independent banks and thereby enhance their ability to serve their communities, the IBAA today endorsed in concept H.R. 13847, introduced by House Banking Committee Chairman Henry S. Reuss. Objectives of the bill are.

1. To improve the conduct of monetary policy;

2. To promote competitive equality; and

3. To stem the erosion of Federal Reserve membership.

Believing those goals attainable with Chairman Reuss' bill, the leadership of IBAA voted unanimously in taking action on the bill.

"The enhancements offered in the proposal to small banks are of monumental consequence and must be viewed from the perspective of providing important new earnings opportunities in the face of increasing expenses," said IBAA President Ivan D. Fugate.

Here are highlights of the bill's provisions:

1. All national banks and state member banks with less than $100 million in reservable liabilities would be totally relieved of any sterile reserve requirements.

2. National banks and state member banks with over $100 million in "reservable liabilities" would be relieved of any sterile reserve requirements on the first $100 million and would enjoy a flat uniform reserve requirement of 6% on the excess.

3. State non-member banks with over $100 million in reservable liabilities would maintain reserves on that amount in excess of $100 million at the rate of 6%, receiving most of the privileges of Fed membership.

Under a perfecting amendment the required reserve balances could be maintained in a member bank in the form of a correspondent balance or vault cash.

An important new option would be available to state non-member banks under $100 million. By becoming a member of the Federal Reserve System, such a bank would be relieved of any state set reserve requirement and have complete access to Fed services and the discount window. A state non-member bank choosing to remain in non-member status would still have access to the discount window, but on a modified basis.

Undoubtedly, this law will trigger changes in state banking laws, especially in the area of reserves, IBAA officials said. Some state statutes automatically eliminate reserve requirements. Some states may choose to alter existing laws during the phase in period which has been proposed as an amendment. In any event the competitive nature of the dual banking system will be given adequate time to operate, with the end result being beneficial to all.

Fugate asserted, "Unquestionably, the House Banking Committee has put together an extremely attractive package to cut attrition at the Fed and to help independent banks provide better service." IBAA believes that this proposal will benefit the public and IBAA member banks.

"It is time to return the business of running banks to the bankers. Exemptions from reserve requirements for most banks is a giant step forward toward deregulation. Bankers will be able to maintain liquidity funds in earning assets rather than sterile reserves. The experience of state non-member banks in Illinois, which hold no required reserves, has demonstrated the benefits of deregulation," Fugate stressed.

The IBAA did urge consideration of a series of perfecting amendments which would:

1. Clarify the duty of the Fed to minimize the paperwork impact of the universal reporting requirement;

2. Eliminate any certification requirement for access to the discount window for state non-member banks;

3. Prevent evasion of reserve requirements by multibank holding companies; and

4. Clarify the preemption of state law reserve requirements for state member banks.

Chairman REUSS. My question is: Who speaks for the IBAA, the president or the vice president?

Mr. RAYMOND CAMPBELL. Mr. Chairman, either of us is empowered to speak. Today I am speaking for IBAA.

I might point out that recently in a joint meeting of our administrative committee and Federal legislative committee, we still confirmed the basic concept of H.R. 14072 of last fall.

But we must defer any action at this point because our convention is so near at hand.

Chairman REUSS. Will you now point out where in the IBAA's press release of last September 1, which I just placed into the record, there is one word or syllable which suggests that the leadership of IBAA was not authorized to speak for the IBAA, but instead must wait for the next convention? Can you do so?

Mr. RAYMOND CAMPBELL. Mr. Chairman, there would not appear such an entry. But I might point out that it would not be prudent for us here at almost the 1st of March when we are going into convention 11 days hence to take a position on these bills at this time.

Chairman REUSS. Give my regards to my friends among the Independent Bankers and give them the following message from me. Where were you when we needed you?

One final observation. I am very disappointed that the last 7 months of close work by the administration, the Treasury, the Federal Reserve and leadership of the Senate and the House, and the American Bankers Association, after 7 months of valiant attempt to come up with something which would be agreeable to all parties, that now the ABA comes in apparently unanimously and says that its solution is to confirm in their ability to continue as Reserve dodgers, the 230 banks which have left the Fed, and leave it all to the good guys to maintain the fight against inflation in this country.

And that the ABA further suggests the solution, the lowering of reserve requirements, or the giving up by Congress of how it controls reserves so reserves can be set down to a 1-percent level of deposits, which, by simple arithmetic, would have the following effect on the deficit.

Current reserves held by the Fed on which it earns interest are on the order of $30 billion. That $30 billion, at the current 6.5-percent rate, earns about $2 billion a year. If Congress passed the bill suggested by the ABA and if the central banking authorities then took advantage of Congress abdication of its power and lowered the reserve requirement to the permissible 1 percent, as a result, cash alone would cover that, and no reserves would have to be posted, thus resulting, as I think anyone can figure, in a loss to the taxpayers and an increase to the deficit of some $2 billion.

So, my time is up, but I am sad that the best the ABA could come up with is something which clearly negates the Fed's ability to fight the anti-inflationary battle with a decent system of reserves, and also would add untold hundreds of millions every year to a Fed deficit which Congress is desperately trying to get under control.

My time has expired. However, if you would like to respond.

Mr. PERKINS. I suppose I would simply comment that we did work 7 months, we did work hard. We do think we developed a program that is doable, and that has many similarities to the other programs, including H.R. 7. But it emphasizes the voluntary side.

We do think, from the revenue standpoint, we discussed at length the idea of phasing in to avoid these revenue problems. Clearly, there would be no idea of the Federal Reserve dropping reserves anywhere near the low levels you are talking about in a period of inflation and a period such as we are in.

But our proposal does have the built-in flexibility needed to make reserve requirement changes an effective tool of monetary policy.

Clearly Congress, of course, would maintain its oversight and ultimate power. So, I don't see this as necessarily leading to the impacts that you have suggested, and I do think our statement covers most of the points.

Chairman REUSS. Just on that point you raise, that the ABA hopes that that which it has asked for would not happen now, you are nonetheless asking Congress to give up its role in the battle against inflation and to delegate it to an organization which, I submit, in independence, Congress can't control.

Speaking for one Congressman, I think the battle on inflation is too important to be left to the Federal Reserve alone. Thus my friendly difference, which is deep-seated, with the ABA.

Mr. PERKINS. I understand, Congressman.

I might point out, though, that we have always had a range of reserve requirements in the law and that the Congress does have the ultimate power.

Chairman REUSS. True. But 10 percent is the current floor for the larger banks, that is 10 times as much, the last time I counted, as 1 percent.

Mr. PERKINS. I think you and I studied mathematics at the same time. I agree.

Mr. PETERSON. Could I comment?

Chairman REUSS. Yes; do identify yourself.

Mr. PETERSON. Dick Peterson.

I would like to comment on this matter of revenue at the Fed and the rebate. I think it is anomalous that, should maximization of the rebate become a key goal of monetary policy, that the natural result of that is continued high interest rates.

If you are going to talk about how much money the Fed is going to make, it behooves the Fed to keep the interest rates high.

Chairman REUSS. Well, there I have always vigorously supported the accord of 1951, which says that not only—ABA joins me—which says that the political branch of the Government shall not tinker with monetary policy so as to make a buck on the Fed debt.

But that, if I may say so, has nothing to do with the question we are talking about here.

Mr. Stanton.

Mr. STANTON. Thank you, Mr. Chairman.

Mr. Chairman, before I ask our witnesses this morning a couple of questions, I wanted to ask unanimous consent to put into the record, at this point, a letter I received from the vice president of the Conference of State Bank Supervisors, who goes on to say here in a couple of pages that he strongly endorses the majority of H.R. 2133, which is one of the bills before the committee.

Chairman REUSS. Without objection, so ordered.

[The letter referred to by Mr. Stanton follows:]

February 26, 1979

Honorable J. William Stanton
Ranking Minority Member
Committee on Banking, Finance
and Urban Affairs
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Stanton:

Re: H.R. 2133--The Reserve Requirement Simplification Act of 1979

It is a pleasure for the Conference of State Bank Supervisors (CSBS) to comment on the above bill and to express its support for several basic concepts contained therein.

CSBS strongly supports the following provisions of H.R. 2133:

(1) Optional Affiliation With the Fed for Reserve-Setting Purposes

The Conference shares the views expressed by you on February 13 that compulsory affiliation with the Fed for reserve-setting purposes could disrupt the dual banking system and the structure of bank regulatory agencies. Furthermore, it has been the long-standing position of CSBS that the Fed has never publicly documented its need for universal reserve-setting authority over all state-chartered banks in connection with its monetary policy responsibilities. The Conference believes that optional affiliation with the Fed is consistent with effective monetary policy. In our testimony before your Committee on February 13, CSBS President E. D. "Jack" Dunn detailed our strong support for the continuation of optional affiliation with the Fed in the reserve-setting area. We are delighted to see your support for this important principle.

(2) Reduction of Reserves on Member Banks

CSBS supports such a move in order to help solve the Fed's membership problem. The Conference believes there should be an average reduction of about one-fourth in member bank reserve requirements, or more if accompanied by explicit pricing. Such action would bring reserves on member banks to levels more closely in line with the value of benefits which most banks receive from affiliation with the Fed.

(3) Phasing-down of Reserve Reductions

The Conference supports your proposal for implementing a reduction in reserves over a four-year period. This is similar to the recommendation contained in the CSBS testimony of February 13.

(4) Data Needs of the Fed

We support the concept contained in your bill for providing the Fed with data from all financial institutions which the Fed has demonstrated it needs for monetary estimations. The Conference expressed this view in its testimony before your Committee on February 13.

The Conference has not formally addressed the issue of paying interest on reserves held with the Fed. CSBS believes that a reduction in member bank reserves on average by about one-fourth or more if accompanied by explicit pricing, would adequately solve the Fed's membership problem and would be consistent with the public interest. However, we feel that the payment of interest on reserves could essentially have the same "bottom line" result and that it could be fundamentally consistent with our position on this issue.

CSBS also believes, that if the Fed prepares and publishes a fee schedule for Federal Reserve bank services, that such costs should include those that require recovery of all costs, including imputed taxes and return on capital.

In summary, while the Conference prefers the proposal which was outlined before your Committee on February 13, it considers your bill to be constructive and consistent with the public interest.

Sincerely,

Lawrence E. Kreider

Lawrence E. Kreider
Executive Vice President-
Economist

Mr. Stanton. For the last few months we have been discussing the problem of the decline of the membership of the Federal Reserve System and the consequences of this loss.

From the very beginning, the chairman of our committee and myself have been very concerned about the declining membership for a variety of reasons. We have directed this concern toward legislation last fall in which I went along with the chairman in supporting legislation before our committee. He has come back with a little different version.

I think the time had been very helpful to us. It has been on the side of prudence and on the side of an intelligent approach to a very important subject.

I want to know, from your consensus, do you consider this a major problem to our country's future economically, or to the strength of our country financially, that we do something about the decline in the Fed membership?

The chairman and I have stressed that, the Chairmen of the Federal Reserve now and in the past have said that. Is there consensus on that?

Mr. Perkins. Yes, we have examined the System and where it is absolutely necessary for monetary policy.

As you know, there is an area of disagreement, and a number of economists we had would take the view that they are not necessary to implement monetary policy.

On the other hand, our economic policy committee, in their consensus, concluded that there were a lot of facets to this problem, such as the independence of the System and other things that made it—not only made it desirable to get at this problem, but made it necessary to get at this problem and do something about the membership problem.

Mr. Stanton. Now, Mr. Campbell, and I might say it is obvious that your statement was not cleared by the administration or the Federal Reserve Board. Would you agree that we should address this problem of the loss of membership?

Mr. Raymond Campbell. Yes, I believe so.

Mr. Stanton. My question is as follows: Assume one of the bills before the committee became law. If this occurs, can we be sure that this will solve the membership problem?

Mr. Perkins. I would say nothing in this life is certain, including that. On the other hand, it was our consensus, a very broad representation of the industry, small, large, and medium and all the rest, that this would do the job. On the other hand, one never knows and one would have to find out. We certainly feel it is the right approach to take. We think it will work. Obviously, if it doesn't work, the Congress can look at the problem again.

Mr. Stanton. Mr. Campbell, do you think the voluntary approach to this problem will not only keep members in the Fed but maybe attract new members?

Mr. Raymond Campbell. I am sorry?

Mr. Stanton. Do you think either of the two bills, if implemented into law, would cause members of your organization to become members of the Fed? Do you think it would be enough of an incentive?

Mr. RAYMOND CAMPBELL. Mr. Stanton, that would have to be an individual decision.

Mr. STANTON. I mean just in generality.

Mr. RAYMOND CAMPBELL. In general, I would assume yes. I am a voluntary member.

Mr. STANTON. We have been talking on H.R. 7 perhaps on a false premise, but it has been based on the assumption that the administration witnesses, anyhow, said that we can come up with a bill to solve this problem as long as the fallout from the U.S. Treasury does not exceed in the neighborhood of a ballpark figure of about $200 million. Supposedly we still take the administration at face value on something like this. So all the legislation is based on the premise that it is going to cost the Treasury some money.

I was interested this morning in reading a bulletin of the Federal Reserve in St. Louis, and there is testimony in the statement attached to your statement, that the conclusion that whatever the merits of arguments—the contention that reserves are the source of Federal Reserve earnings is not one of them.

Mr. PERKINS. Do you wish a comment on that?

Mr. STANTON. Yes. The gentleman from St. Louis puts out a good argument on the following process of accounts. Comes to the conclusion: and thus whatever the merits of arguments for payment of interest on member bank reserves, the contention that reserves are the source of Federal Reserve earnings is not one of them.

Mr. PERKINS. You need to think of a balance sheet of a bank. On the one side you have deposits as liabilities. On the other side you have loans and investments as earning assets from which you get the source of the earnings. The Federal Reserve balance sheet is approximately 80 percent of the earning assets it has.

Well, put it this way. Approximately a fifth of the liability side comes from deposits of member banks. Therefore, four-fifths is not related to that. I suspect the important point this fellow is making, though, is that open market operations, when all is said and done, are what really determine the level of Federal Reserve assets. Through open market operations, along with changes in reserve requirements and along with other possibilities, they can be adjusted to various levels and the impact on earnings can also be adjusted to various levels.

Our statement went to and discussed at some length the possibility of using the phasein-type of operation where you would have flexibility to solve some of those so-called——

Mr. STANTON. My time has expired, but that is the basis of this premise.

Chairman REUSS. Mr. Ashley.

Mr. ASHLEY. Thank you, Mr. Chairman. Mr. Perkins, nice to see you here this morning.

I am just trying to get up to speed on this subject matter. Is it your position that the loss of membership that has beset the Fed is a separate problem from the effect on monetary policy? Are these separate questions or related questions?

Mr. PERKINS. As I said to the chairman, you could argue that in many ways and go around in a lot of circles. But the—there is a strong body of thinking that would feel that even without membership you could handle monetary policy. Indeed, in many countries that is the case under different systems. We feel—I think on balance we concluded that the membership question was an important question, and perhaps had at least a certain amount of importance vis-a-vis the implementation of monetary policy.

Mr. ASHLEY. I wish you would develop that for just a second further because I understand that the principal kind of tool for monetary policy, it is my understanding, is the open market operation of the Fed. Is that right?

Mr. PERKINS. Yes.

Mr. ASHLEY. Well, why is it necessary for there to be a high level of voluntary participation or mandatory reserves if we are talking about the open market operation?

Mr. KENNEDY. Mr. Ashley, our basic study develops that. The indication is that it is helpful, not necessary.

Mr. PERKINS. I think you get into theoretical arguments, Congressman, in this whole area of the reserve base being in the forefront of how monetary policy operates.

Mr. ASHLEY. If you are talking about a voluntary approach on the one hand, or a mandatory, universal approach on the other, we better find out what is necessary. I should think that the prestigious association that you head and the Federal Reserve, would be able to satisfy this question somehow. Is it that mysterious?

Mr. PERKINS. I would say that we conclude that there is not a need for mandatory reserves from a monetary policy standpoint. That the voluntary system can work.

Mr. ASHLEY. The voluntary system kind of suggests to me that it is going to work if there is enough sweetener in there, so that you will accomplish through voluntary, persuasive, carrot approaches, that which is agreed upon as necessary.

On the other hand, of course you have got the mandatory approach. What I am getting at and what the question comes down to, do we go the voluntary route or don't we? On that I am kind of persuaded toward the statement made by a previous witness in these hearings some days ago. He said depository institutions are given Government franchises to operate, to protect it from injurious competition. Regulatory authority controls the charter of new institutions and branches. Depository institutions are the guardians of other people's money which can best be safeguarded under a monetary supply that is regulated to meet the needs of the economy without becoming too expensive or too tight. The meeting of reserve requirements, therefore, is a necessary cost of the banking business and one with which the business lives and on which it has thrived over the past 64 years.

Mr. PERKINS. The implication there is that we have some kind of special franchise without competition which is just not true. As you know, the way things are going, more and more financial institutions are becoming more like each other, and nonbank or nondepository finance——

Mr. ASHLEY. I am well aware of what is going on out in your city of Chicago with Sears and so forth. There is no question about that. That would be a question for the second round. I am very interested in the ability of nonbanking institutions to skew the effectiveness of monetary policy through the increasing scope of their financial operations. Just as a starter, what I really want to get at is the essence, the extent to which the effective conduct of monetary policy does require the setting aside of reserves. And if this is necessary, then I think there is probably some validity to the fact that this should be a cost of doing business. And that if you say that you are not a protected industry, I think you are. We know you are a regulated industry. There is no question about that. But it works both ways. You are looking now at the off side of it where you say well, we are not being very well protected against competition from Sears and so forth, all of which is so.

Mr. PERKINS. I didn't say we should be protected.

Mr. ASHLEY. Well, you simply find fault with the premise of this quotation. I must say I am not persuaded by the argument against it.

Mr. PERKINS. I think that we might try to develop this further. You get into the fulcrum around which—the cash fulcrum around which policy works in terms of implementing policy. This is a very abstruse economic argument. We do not think it is necessarily the crucial argument in that sense.

There are a lot of other reasons, such as the independence of central banking and all that have a lot to do with the question of voluntary versus mandatory.

Chairman REUSS. Mr. Wylie?

Mr. WYLIE. Thank you very much, Mr. Chairman. I would just like to pursue and explore in a little further detail some of the questions which Mr. Ashley suggests.

Does every member of the panel now agree that a further decline in Fed membership is not in the best public interest?

Mr. PERKINS. I don't know if everyone agrees. You can always argue that, but I am not sure how meaningful it would be. From time to time we have had discussions about the problem of a reduction in the number of members. Each time we say, well, if it goes any further than it is now, it is going to be a serious problem. Then it goes a little further and we seem to adjust.

We do feel, however, that this is a serious problem at this time, and should be addressed, simply because the pace of this decline in membership has been picking up.

Mr. WYLIE. But do you——

Mr. RAYMOND CAMPBELL. We agree with your statement.

Mr. WYLIE. You would agree with that, as a general, basic, fundamental principle. Yet voluntary membership has not worked so far.

Mr. PERKINS. We believe the reason it has not worked is that the burden it puts on the members is too great a burden to handle.

At one time, 15 or 20 years ago, when interest rates were 3 or 4 percent, that burden was not very much. With interest rates and inflation rates up where they are now, that burden has become quite substantial.

Mr. PETERSON. Mr. Congressman.

Mr. WYLIE. Yes, sir.

Mr. PETERSON. I think it should be added in the discussion that one of the reasons that there is so much concern here is that it is a common belief inside the banking industry that there are quite a few banks, perhaps well into the hundreds, that are preparing to depart the System because of the cost burden and that this is a rather imminent event.

I don't know that there are any really well-developed statistics on it, but I would say that there are few bankers that do not know of other banks or their own bank where the boards of directors have not already authorized the administration of the banks to exit the system.

Mr. PERKINS. In either event, I don't think you can say that the voluntary system has not worked. If we feel there have been some inadequate monetary policy, it cannot be traced to the question of how many members left or did not leave. It is traceable to other policy decisions.

Mr. WYLIE. OK. It isn't working as well today as it worked maybe 10 years ago or 20 years ago. Is that a fair statement?

Mr. PERKINS. I think I would argue that if the question is whether the system is working, the voluntary system is working well. It is not the cause of the problem when you talk about the problems of inflation or the problems of inadequate monetary policy, or the problems of excessive money creation that some people think we have been having.

That could have happened, that would have happened with the same policy decisions whether there had been more members or less members.

Mr. WYLIE. I understand there is a difference of opinion on the necessity of voluntary membership, involuntary membership, or whether there should be any membership in the Federal Reserve at all, I suppose.

Mr. Jack Dunn, who is the president of the Conference of State Bank Supervisors, was before our committee last week, and he said we don't need reserve requirements, for one thing, to control monetary policy; or reserve requirements need not have any effect on monetary policy.

He said that there will always be a need for a Fed membership because the big banks will need a bank of last resort.

Can you comment on that?

Mr. PERKINS. The bank of last resort. If there is enough trouble in the System, there is a need for some kind of a bank of last resort, yes, sir.

The other thing, too, is you have to have a settlement mechanism in the System; and the Fed provides the ultimate settlement mechanism.

Mr. WYLIE. There is a lot of pressure, I take it, from the business community at the present time for the banks to get their act together on this issue.

Wouldn't you agree that is a fair statement?

Mr. PERKINS. We believe we have our act together.

Mr. WYLIE. All right. I would like to expand a little bit on a question which relates to benefits of lower reserve requirements to customers. I suppose that would be the ultimate test of whether it is a good idea or not.

When a commercial bank which belongs to the Federal Reserve System makes a loan to a customer it creates a demand deposit which requires reserves either in the Federal Reserve bank or the commercial bank's vault. It is my understanding that when a customer gets a loan for his business operation, it is a common practice for the commercial bank to require that a compensating balance, that is, a percentage of that loan be left on deposit with the bank to cover the reserve requirements which arise from the demand deposits created by the loan.

Is that roughly correct?

Mr. PERKINS. That is right. We have what we call the analysis to given earnings credit for deposits left with us to pay for the services or the loan.

Our formula looks at how many dollars of deposit a customer leaves with us. And at current levels of market we adjust that every month. That is worth so much in the way of earnings to us at the current interest rates.

We offset that level of current earnings against the costs of doing business with that customer, including the cost of providing required reserves on his deposit.

If in fact reserve requirements were lowered, that cost of providing the covering of required reserves would decline. That, in my judgment, would be passed on quite readily through the competitive system to the benefits to the ultimate user of banking services.

Mr. WYLIE. Would we in Congress be on the right track if we assumed there was one-to-one correspondence between reserve requirements and compensating balance requirements?

Mr. PERKINS. Oh, I suppose one-to-one, there are always frictions and leakages in the systems. Certainly with the larger corporate community that would be—happen, I think, rather quickly. Over time I think it would happen throughout the system.

Mr. WYLIE. What I am getting at, of course, is: Can we be sure that if we succeed in cutting reserve requirements with this legislation, that the commercial banks will lower their compensating balance requirements for loans to customers in such a way that this particular benefit of lowering reserve requirements will be passed on by the banks to the customers who are required to maintain those compensating balances?

Mr. PERKINS. I believe so. I would like to ask Mr. Renner. He is from a small bank. Maybe he could comment on it from that side.

Mr. RENNER. Mr. Wylie, we are an ex-member bank.

At the time we dropped from the Fed, one of the reasons we did it, of course, was to get out from under the burden. But we also were able to pass on the relief of that burden to our customers.

One of the things that we did was to become more competitive on our checking accounts. We introduced a new checking account at a lower cost. I think this is the ultimate benefit that would come from bank customers. It would be to get——

Mr. WYLIE. Thank you very much. I do want you to expand on that question for the record, if you wish.

Chairman REUSS. Before recognizing the next member, I would want to point out that there is in the back of the hearing room a gentleman who was, during his long tenure here, one of the most industrious and best esteemed members we have ever had, Garry Brown of Michigan. We are delighted this is alumni day.

[Applause.]

Chairman REUSS. Mr. Moorhead.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Thank you, gentlemen, for your testimony.

I am going to ask a question that has been asked before, but I am not completely satisfied with the answer. I think it is crucial to the decisions this committee makes. That is: How important is correcting this attrition of membership of the Federal Reserve?

At one point, Mr. Perkins, when you were asked that question, you were asked about membership, your answer was that mandatory reserves are not necessary for the conduct of monetary policy, which is not directly an answer to the membership question. Isn't there a distinction between reserves and membership?

Mr. PERKINS. Yes, rather clearly. The membership concept comes in rather clearly in the central bank having a constituency which we think is important in the long run in this whole question of independence of the central bank.

Mr. MOORHEAD. Your statement is that mandatory reserves are not necessary for the conduct of monetary policy.

Mr. KENNEDY. That is our understanding, Mr. Moorhead, from our economic committee advisors, that they are not essential.

I think it is clear, you should understand, there is some patriotism involved in the maintenance of the Fed, some strong feeling that we need a central banking system which transcends just monetary policy and to which we have tried to address in our statement.

Mr. MOORHEAD. Mr. Campbell, at the bottom of page 6 of your testimony, you seem to reach a different conclusion from Mr. Perkins, saying that you can foresee circumstances where coverage of commercial bank deposits, presumably reserves, would be necessary for monetary policy. Am I interpreting your statement correctly, sir?

Mr. RAYMOND CAMPBELL. We feel, Mr. Congressman, that reporting is vital. We are supporting reporting. Other than that, we really can't take a position at this point.

Mr. MOORHEAD. Mr. Perkins, on your position about reserves not being necessary, and your emphasis on voluntary membership, what about the situation when the thrift institutions become more and more like commercial banks? Are you concerned about their having mandatory reserve requirements?

Mr. PERKINS. We said we opted for the voluntary system. This is a very good point. If in fact they become more and more like banks, we believe they should have the same obligations as banks including reserve requirements. On the other hand, at this point, their transaction accounts are very, very limited, and there are no proposals to get at the question of time and savings deposits, which are the big amounts. I made the comment that, if in fact we ever got to the mandatory across the board, we would think that ought to be equalized and include time and savings, or rather we would say there is no need, and there is no theoretical economic need, for reserves on time and savings deposits and we would exclude them all, including commercial banks. These proposals say, yes, OK, reserves on the same type of dollar if it happens to be in a commercial bank, and no, if it is not in a commercial bank. That is what we objected to.

Mr. MOORHEAD. One way of stopping or at least slowing down attrition would be to reduce the amount of required reserves, would it not?

Mr. PERKINS. Oh, yes. That is our thesis.

Mr. MOORHEAD. It seems to me, Mr. Campbell, that you are addressing, as opposed to the reserve question, what I call the psychological question of membership. You talk about the importance of the independence of the Federal Reserve, that its ability to make unpopular decisions is reduced as its membership is reduced, and that expanded membership brings about a better interface between the Fed and the industry that it is in part regulating. That is something apart from reserves, is it not?

Mr. RAYMOND CAMPBELL. Yes; it certainly is. Mr. Congressman, I think what we were attempting to stress was a fact of which all of you are most certainly aware, that you need a wide range of support, and not necessarily a few powerful people in support. But you need the multitudes. We feel the same way about the Fed.

Mr. MOORHEAD. We know that every other year up here. Thank you very much.

Chairman REUSS. Mr. Hyde.

Mr. HYDE. Thank you, Mr. Chairman.

I would like to ask Mr. Kennedy a question. Mr. Kennedy, you are president of a national bank, and therefore your bank is required to be a member of the Federal Reserve System. It is kind of a general question, but why does your bank stay in the System? In other words, would your bank consider converting to a State charter and leaving the System?

Mr. KENNEDY. Yes, Mr. Hyde. We would, and probably would have to if the present high money-market situation continues, with some reasons which relate particularly to Arkansas where we have a very severe usury problem which we are working on but we are not getting very far with.

To further answer your question, it is a matter of our desire to continue to remain a national bank from the standpoint of prestige. I think we are used to the idea and have been happy with it over the years. Yet, on the other hand, I have to look today at the comparison of the costs, which incidentally is what we like about the dual banking system because we have an opportunity to go either way, which we wouldn't have under—possibly under other circumstances. In our bank, which is a country bank of about $140 million total assets, we do some correspondent banking business which we might lose if we left the Fed. We have to relate the cost of that. The other matters incidental to our operation under the present circumstances, include the benefits which would accrue to us if we gave up Fed membership and freed up those reserves and were able to invest them at a reasonable return to us.

To answer your question more specifically, in Arkansas last year, either six or eight banks—I am not sure which, at this point—made the conversion from national bank to State bank. The reason they did it is literally because it was more profitable to them. And they were able to pass this benefit on, as has been indicated here earlier, to the customer in reduced cost.

Mr. HYDE. Mr. Perkins, if I could ask you, your consensus as it has been interpreted to me is not far from H.R. 2133, Mr. Stanton's bill. Would it be fair to say that the ABA prefers H.R. 2133 to H.R. 7?

Mr. PERKINS. I would say that the basic point of voluntary membership versus mandatory reserves is the difference there that led us to the voluntary concept, which happens to be the same concept that is in that bill.

Mr. KENNEDY. Mr. Hyde, may I make one more comment?

Mr. HYDE. Yes, sir.

Mr. KENNEDY. Well, just simply to the point that our bank does not want to leave the Fed. Our conclusion would likely be that if the burden of membership were reduced to where it would be proportionate to the services rendered to us, give or take some dollars, not nearly so much out of line as it is at the present time, we would stay in the Fed because we believe in it. We think the banking system needs a Federal Reserve.

Mr. HYDE. Thank you. I have no further questions.

Chairman REUSS. Mr. Vento.

Mr. VENTO. Mr. Chairman, I appreciate the witnesses coming forth. But I am also cognizant of some changes in the tenor of the comments from various witnesses, aided by staff. Mr. Perkins, when you appeared before our committee on August 4, 1978, you said that the differing levels of reserve requirements between member and nonmembers caused instability in the money market as money flowed between member and nonmember banks. Also, in answer to another question you agreed with the general proposition that shifts of funds among member banks reduces the precision of monetary policy in precisely the same way that monetary policy is disturbed when deposits flow in and out of nonmember banks.

You replied that uniform reserves across the whole system would be quite desirable. I think for theoretical as well as for fairness reasons, today, you admit that monetary control is significantly impaired by the flow of money between different member banks of different size. But you have evidently made a 180-degree change when on page 17 of your statement you say that contrary to current assertions from the Federal Reserve, existence of nonmember banks has not been a source of instability or error in the country's monetary policy in any significant degree.

I hope you can clarify these apparent contradictions for myself and members of this committee.

Mr. PERKINS. Yes; I believe I can. I don't think any of these issues are all black and white. They are very difficult to analyze and measure. Let me say this. This concept of uniform reserves is rather clearly the significant concept. Now, we do talk about uniform reserves. That is why we talked about not having graduated brackets based on size, but one level across the board for all member banks. We think that would help monetary policy a great deal.

The other question I raised, though, is the question about the fact that some banks have reseve requirements and some don't. The money flows back from one to the other and vice versa. Our careful and detailed analysis suggests that this problem is a much more minimal problem and really not all that significant. So that I guess I would change in considerable degree the statement and say that the uniformity for all the banks in the System is very important.

But the flows between members and nonmembers are not that significant, and, therefore, a price that can be paid rather easily without serious monetary policy impacts.

Mr. VENTO. One of the bases you cite on page 17 of your statement to support your objection to uniform reserve requirements for member and nonmember banks is an article in the Journal of Finance of September 1975. I am sure it was an oversight on your part that you failed to cite the rejoinder which indicates the conclusions in that article were wrong. This was also published in the Journal of Finance of March 1978. I would like to submit that for the record, Mr. Chairman.

Chairman REUSS. Without objection.

[The article referred to above follows:]

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NONMEMBER BANKS AND EMPIRICAL MEASURES OF THE VARIABILITY OF RESERVES AND MONEY: A THEORETICAL APPRAISAL

KENNETH J. KOPECKY*

EMPIRICAL ANALYSIS OF THE RELATIONSHIP between nonmember banks and the variability in the money stock has been based on a comparison of the variability (measured in terms of mean absolute second differences) of two reserve/money ratios: r^*, the ratio of total banking system reserves to total demand deposits and r^*_{-N}, the ratio of total member bank reserves to total demand deposits at member banks. (See, for example, Starleaf [1975].) The results of these empirical investigations suggest that the Federal Reserve would not acquire more precise control over the money stock by imposing uniform reserve requirements on nonmember banks.

This paper does not dispute the empirical measures of r^* and r^*_{-N}; rather it questions one of the implicit assumptions which has been used in drawing inferences about the issue of monetary control from the empirical observations on r^* and r^*_{-N}. Two important assumptions underlie such inferences:

1. The issue of Federal Reserve monetary control is related to the variability of r^*.
2. If uniform reserve requirements (URR) were imposed on nonmember banks, r^* variability would approach r^*_{-N} variability. Since empirically r^*_{-N} exhibits greater variability than r^*, it follows immediately from assumption 2 that URR would not improve monetary control. (Needless to say, given assumption 2, a reverse observation on the r ratios would imply the opposite conclusion.)

With respect to the above two assumptions, assumption 1 is clearly appropriate in discussing Federal Reserve monetary control since r^* relates total banking system claims against the Federal Reserve to total public demand deposits. The purpose of this paper is to determine the validity of assumption 2 in the context of a simple model of the banking system. Assuming random variability in member bank holdings of excess reserves relative to demand deposit liabilities, it is first shown theoretically that r^*_{-N} exhibits more variability than r^*. The current observations on r^* and r^*_{-N} are therefore consistent with the present-day institutional structure of the banking system. Secondly, and most importantly, the model predicts that, when nonmember bank reserve assets take the form solely of claims against the Federal Reserve (URR), *r^* variability declines even further below r^*_{-N} variability*. This prediction clearly contradicts assumption 2. Simply stated, empirical researchers have failed to recognize that the *imposition of URR alters r^**

* Economist, Board of Governors, Federal Reserve System. The views expressed in this paper do not necessarily represent the views of the Board of Governors of the Federal Reserve System. I wish to thank W. Barnett, J. Enzler, L. Gramley, D. Hester, D. Laufenberg, D. Lindsey, J. Paulus, and two referees, for this *Journal*, Edward Kane and Anthony Santomero, for their comments and suggestions. All errors are, of course, my responsibility.

variability in a manner that does not necessarily bear any clear-cut relationship to the currently observed variability of r^*_{-N}. Empirical observations about current r^*_{-N} and r^* variability, therefore, have little bearing on discussions of Federal Reserve monetary control and nonmember banks in a radically different URR environment.

The paper is structured as follows: Section I presents a simple model of the banking system that highlights the important linkages connecting member banks, nonmember banks, the public, and the Federal Reserve. The model follows along the lines suggested by Kaufman and Marcis [1975] but gives more detail to behavioral specifications and to the reserve asset role played by nonmember correspondent balances held at member banks.[1] The model is then solved for the r-ratios. In Section II, a random coefficient approach is used to obtain a stochastic structure for the r-ratios, and the mean absolute second differences for the two ratios are calculated. A comparison of the calculations for r^* and r^*_{-N} is then undertaken to see whether theory predicts a priori that the two ratios should exhibit different patterns in their *observed* values. Finally, the issue of monetary control and the setting of uniform reserve requirements is explicitly analyzed within the context of the model's stochastic structure. Section III contains a brief summary.

I. A Model of the Banking System

The model describes the behavior of four transactors: the public (P), the Federal Reserve (F), member banks (M), and nonmember banks (NM). The transactors deal in four financial instruments: demand deposits (DD), currency (C), government securities (G), and reserves (RR and ER for member banks' required and excess reserves respectively). These instruments are simultaneously liabilities of one transactor and assets of another. To keep track of who owes what to whom, a superscript on a variable indicates a claim while a subscript denotes a debt. The model is an extension of the standard deposit multiplier model and in the same spirit as that model ignores interest rates. (Empirical investigations also assign no role to interest rates.) Finally, the Federal Reserve is assumed to have a monetary base instrument so that its assets equal an exogenously determined quantity of government securities.

Correctly accounting for the full range of interactions within the banking system requires a model of 13 equations. We first list and then briefly discuss those equations referring to the behavior of member and nonmember banks:

$DD^P = DD^P_M + DD^P_{NM}$:	Total Public Demand Deposits	(1)
$DD^P_M = kDD^P$:	Member-Nonmember Composition of Public Demand Deposits	(2)

1. It is also assumed that (1) member banks do not hold correspondent balances at nonmember banks and (2) nonmember correspondent balances perform no other function than the one of serving as reserve assets for member banks. These assumptions are made in order to focus sharply on the effects of a fundamental institutional change which would occur in converting from the present-day to a URR banking system, namely, the elimination of the reserve asset role of nonmember correspondent balances. Relaxing the above assumptions would enrich the model but would not alter its *qualitative* predictions concerning the effect of URR on r^* and r^*_{-N} variability.

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$DD_M = DD_M^P + DD_M^{NM}$:	Member Banks' Deposit Liabilities	(3)
$RR_F^M = \rho_M DD_M$:	Member Banks' Required Reserves[2]	(4)
$C_F^P = \mu DD^P$:	Public's Demand for Currency	(5)
$C_F = C_F^P + C_F^M + C_F^{NM}$:	Total Public plus Bank Holdings of Currency	(6)
$DD_F^M + C_F^M = RR_F^M + ER_F^M$:	Member Banks Reserve Assets and Reserve Uses	(7)
$ER_F^M = \beta DD_M$:	Member Banks Demand for Excess Reserves	(8)
$C_F^M = \delta DD_M$:	Member Banks Demand for Currency	(9)
$\overline{G}^F = DD_F^M + C_F$:	Federal Reserve's Balance Sheet	(10)
$R^{NM} = \lambda DD_{NM}^P$:	Nonmember Banks' Required Reserves	(11)
$R^{NM} = DD_M^{NM} + C_F^{NM}$:	Nonmember Banks' Reserve Assets	(12)
$C_F^{NM} = \alpha R^{NM}$:	Nonmember Banks' Demand for Currency	(13)

Equation (8) is a behavioral specification of member banks' desired holdings of excess reserves. Since interest rates are not explicit variables in the model, excess reserves are assumed to depend on the size of public and nonmember deposits at member banks. Presumably, the excess reserves decision would be nonlinear in bank deposits, implying that at higher deposit levels the marginal dollar increase in excess reserves corresponding to a dollar increase in deposits would be smaller than at lower deposit levels. For mathematical convenience, however, equation (8) assumes excess reserves is a linear function of bank deposits.

With respect to nonmember banks, the precise specification of equations (11) and (13) depends on a mixture of state banking laws and behavioral decisions of nonmember banks. For simplicity, it is assumed that there is a desired ratio (λ) of nonmember reserves to deposits[3] and a desired ratio (α) of currency to total nonmember reserves. Finally, given (12) and (13), the desired proportion of nonmember correspondent balances at member banks to total nonmember reserves equals $(1-\alpha)$ which is assumed to be positive.

A. *Solutions for the Reserve Ratios*

The model contains the same number of equations and unknowns and can be solved so that endogenous variables are expressed in terms of parameters and exogenous variables. The solution for total public demand deposits, DD^P, is

$$DD^P = \overline{G}^F / [(\rho_M + \beta)(k + (1-\alpha)\lambda(1-k)) + \mu + \alpha\lambda(1-k)]. \tag{14}$$

2. Notice (3) and (4) together imply that member banks must hold reserves against nonmember deposits.

3. What is of importance to the issue of monetary control is that λ lies beyond the Federal Reserve's direct regulatory authority and varies for reasons which cannot be easily predicted by the Fed. In this sense, unanticipated variation in λ, as well as in the other parameters such as β and k, is a source of potential weakening in the Fed's monetary control.

According to current empirical practice, r^*, the ratio of total banking system reserves to total public demand deposits equals

$$r^* = \frac{RR_F^M + ER_F^M + C_F^{NM}}{DD^P} \tag{15}$$

while r^*_{-N}, the ratio of member bank reserves to member bank deposits is defined as

$$r^*_{-N} = \frac{RR_F^M + ER_F^M}{DD_M^{NM} + DD_M^P}. \tag{16}$$

Substituting the model's solution for the different variables into (15) and (16) gives the following reduced-form expressions for the r-ratios:

$$r^* = (\rho_M + \beta)[k + \lambda(1-k)(1-\alpha)] + \alpha(1-k) \tag{17}$$

$$r^*_{-N} = (\rho_M + \beta) \tag{18}$$

II. The Model's Stochastic Specification

One method of analyzing the stochastic properties of r^* and r^*_{-N} is based on an explicit introduction of error terms into the behavioral equations of the model's structural form. This approach has the advantage of precisely identifying the different sources of disturbance in the solutions for the model's endogenous variables. In the case of our model, however, the resulting reduced-form solutions for r^* and r^*_{-N} are nonlinear in the behavioral equations' error terms, thereby making intractable the explicit mathematical calculations needed to acquire information about the stochastic properties of r^* and r^*_{-N}.

Alternatively, one could use a random coefficient approach in which the model's parameters are assumed to behave as random variables. The principal justification for this approach is based on the potential biases introduced into the model's parameters as one proceeds from micro behavioral functions to aggregate functions. For example, the composition of deposits between small and large member banks varies over time. If the two classes of banks exhibit different behavioral patterns with respect to excess reserves, β (the parameter relating member bank excess reserves to deposits at member banks) will inherently fluctuate as a result of aggregation bias. In addition, the model represents an approximation to reality; some relevant economic variables have been omitted in specifying the model's behavioral equations. Changes in these omitted variables over time could also lead to parameter variability. In the case of β, a random upward drift in, say, interest rates might induce member banks to economize on excess reserves, thereby producing a random decline in the value of β. Since β is the only parameter common to both r^* and r^*_{-N}, we shall assume that the sole source of variation lies in random fluctuations in β (this assumption is relaxed later). More specifically, β is assumed to be distributed as

$$\beta \sim (\beta, \sigma_\beta^2). \tag{19}$$

B. *The Second-Difference Series*

Given a set of time series observations on a variable, r, where the observations run from $t=1$ through $t=N$, the mean of the absolute values of the second differences ($MABS_r$) is defined as:

$$MABS_r = \frac{\sum_{t=3}^{N} |r^t - 2r^{t-1} + r^{t-2}|}{N-2}. \tag{20}$$

Based on the reduced-form model given by (17) and (18), it is easy to calculate $MABS_{r^*}$ and $MABS_{r^*_N}$. Assuming all parameters except β remain constant over time, we have for r^*

$$MABS_{r^*} = \frac{(k+\lambda(1-k)(1-\alpha)) \sum_{t=3}^{N} |\beta^t - 2\beta^{t-1} + \beta^{t-2}|}{N-2} \tag{21}$$

and for r^*_{-N}

$$MABS_{r^*_{-N}} = \frac{\sum_{t=3}^{N} |\beta^t - 2\beta^{t-1} + \beta^{t-2}|}{(N-2)}. \tag{22}$$

Combining (21) and (22) gives

$$MABS_{r^*_{-N}} = \frac{MABS_{r^*}}{[k+(1-\alpha)\lambda(1-k)]}. \tag{23}$$

Since the denominator of (23) is less than unity, $MABS_{r^*_{-N}}$ *always* exceeds $MABS_{r^*}$. In other words, given the model of the banking system and the stochastic specification for the r-ratio reduced-form solutions, it can be predicted *a priori* that the mean of the absolute values of the second differences of r^*_{-N} (the member bank reserve ratio) will exceed that of r^* (the total banking system reserve ratio). Empirical findings have tended to confirm this *a priori* prediction.

The interpretation of this result is straightforward. Suppose β increases randomly implying that member banks' desired excess reserves rise. This change in behavior requires a reduction in both loans and deposits at member banks in order that member banks can transfer reserves from the required to excess reserves category. Hence, r^*_{-N} rises by the full extent of the increase in β. With respect to r^*, DD^P_M equals only a fraction, k, of DD^P. Therefore, the proportionate increase in r^* will be less than in r^*_{-N}. r^* does of course rise by more than k since nonmember reserve assets in the form of deposits at member banks decline during the period of deposit contraction initiated by the increase in β. The additional contractionary pressure on DD^P stemming from the decrease in nonmember reserves is not however strong enough to make r^* variation exceed r^*_{-N} variation.

C. *Uniform Reserve Regulations* (URR)

The major institutional reform in a URR regime would be the requirement that all banks hold reserves with the Federal Reserve. In terms of the model, one parameter in r^* [equation 17] would have to be changed to reflect the new 'rules of the game'. In particular, the proportion of nonmember reserves held as deposits at member banks $(1-\alpha)$ would equal zero, implying that $\alpha=1$, i.e., nonmember reserve assets are solely claims against the Federal Reserve. Defining r^{*u} and r^{*u}_{-N} as the total and member bank reserve ratios respectively for a URR regime, we have

$$r^{*u}=(\rho_M+\beta)k+\lambda(1-k) \tag{24}$$

$$r^{*u}_{-N}=\rho_M+\beta. \tag{25}$$

Since $r^{*u}_{-N}=r^*_{-N}$, the variability in the r^*_{-N} ratio is not changed by URR reforms. The variability of r^{*u} is given by

$$MABS_{r^{*u}}=\frac{k\sum_{t=3}^{N}|\beta^t-2\beta^{t-1}+\beta^{t-2}|}{(N-2)}. \tag{26}$$

Since $\lambda(1-k)(1-\alpha)>0$, we have the following inequality relationship:

$$MABS_{r^*_{-N}}>MABS_{r^*}>MABS_{r^{*u}}. \tag{27}$$

(27) shows that assumption ii (similar variability of r^* and r^*_{-N} in a URR regime) is contradicted by the model. In fact, given our assumption on the β source of disturbance in the r-ratios, r^* variability is reduced through the introduction of URR reforms.

To see the economics of this result, suppose β declines randomly. In response to a reduction in their desired excess reserves, member banks begin to extend more loans to the public, thereby increasing DD^P_M. The public, however, will transfer some of their additional demand deposits (determined by k) to nonmember banks who in turn will redeposit the public's check in their correspondent accounts at member banks. Under present-day reserve asset arrangements, the above transaction leaves member bank reserves unchanged and increases the reserves of nonmember banks. Hence, both member and nonmember banks have a strong incentive to continue to expand their deposit liabilities. This scenario changes considerably in a URR environment. Now when the public transfers its check from member to nonmember banks, member banks lose reserves to nonmember banks as the check is cleared through the Federal Reserve. On the basis of their newly acquired reserves, nonmember banks may of course expand their loans and deposits but member banks are forced to limit the extent of their deposit expansion in the face of their reserve drain. Hence, in response to the random decline in β URR produces a smaller increase in demand deposits and a smaller reduction in r^* than would be the case under present-day reserve asset arrangements. In short, URR lowers the variability of r^*.

This example and equation (27) clearly demonstrate that inferences about monetary control and nonmember banks cannot be made on the basis of current observations on r^* and r^*_{-N} variability. In converting to a URR regime the variation in the two ratios can change in a manner that *cannot be unequivocally predicted from the current relationship in the variability of the two ratios.*

D. *Further Effects of* URR *on r^* Variability*

The intent of this paper is not to provide an exhaustive discussion of r^* variability and URR but only to point out a methodological danger inherent in current empirical investigations of the relationship between nonmember banks and monetary control. Nonetheless, we shall briefly indicate some positive and negative effects on r^* variability that would arise if all banks held reserves at the Federal Reserve. A general impression of the impact of URR on r^* variation can be acquired by calculating the conditional variance of r^* and $r^{*''}$ for different parameters in the model. Since the procedure ignores covariances, one should interpret the results subject to that caveat. Letting var(|) denote conditional variance, we have for $(1-\alpha)$,

$$\mathrm{var}(r^* \mid k, \lambda) = \left[(\rho_M + \beta)\lambda(1-k)\right]^2 \mathrm{var}(1-\alpha)$$

$$\mathrm{var}(r^{*''} \mid k, \lambda) = 0 \tag{28}$$

for k,

$$\mathrm{var}(r^* \mid \lambda, (1-\alpha)) = \left[(\rho_M + \beta)(1 - \lambda[1-\alpha]) - \alpha\lambda\right]^2 \mathrm{var}(k)$$

$$\mathrm{var}\left(r^{*''} \mid \lambda, (1-\alpha)\right) = \left[(\rho_M + \beta) - \lambda\right]^2 \mathrm{var}(k) \tag{29}$$

and for λ

$$\mathrm{var}(r^* \mid k, (1-\alpha)) = (1-k)^2\left[(\rho_M + \beta)(1-\alpha) + \alpha\right]^2 \mathrm{var}(\lambda)$$

$$\mathrm{var}\left(r^{*''} \mid k, (1-\alpha)\right) = (1-k)^2 \mathrm{var}(\lambda) \tag{30}$$

(28) shows that variation in (1–α) would no longer play any role in determining $r^{*''}$ variation if URR were imposed. With respect to k, var($r^{*''}$ | λ, (1–α)) is smaller than var(r^*| λ, (1–α)) as long as $\rho_M + \beta > \lambda$, i.e., member banks' required plus desired excess reserve ratios exceed the nonmember banks' reserve ratio. If URR also imposed equal required reserve ratios for all banks and if the nonmember β equalled the member β, then URR would insulate $r^{*''}$ from variations in k. Finally, URR worsens the variability of $r^{*''}$ arising from variations in λ. However, in determining the overall effect of URR on $r^{*''}$ due to reserve ratio variations, the λ source of increased variability must be weighed against the β source of reduced variability.

III. Conclusion

This paper has provided a framework in which the theoretical properties of the reserve/money ratios could be explicitly analyzed. Three principal conclusions emerge from the analysis. First, current empirical observations on r^* and r^*_{-N} variability turn out to be consistent with a simple model of the banking system in which random fluctuations in member bank excess reserve ratios are viewed as the principal source of variation. Second, the implicit assumption that in converting to a URR regime r^* variation *necessarily* approaches the *currently* observed value of r^*_{-N} variation is *false*. Finally, in all environments, including URR, money stock instability is directly related to r^* variability. A first-order approximation indicates that URR lessens the impact of variations in k, β, and $(1-\alpha)$ on $r^{*''}$. With respect to these parameters, therefore, theory suggests that nonmember banks are currently a source of slippage in the Federal Reserve's control of the money stock.

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Mr. PERKINS. May we comment for the record in writing?

Mr. VENTO. Sure. I am sure also, as an oversight, you failed to include the suggestions of an ABA-sponsored meeting last month at which Kenneth Kopecky and Richard Porter presented work strongly supporting uniform requirements for banks.

Mr. PERKINS. Yes, sir.

[The staff of the American Bankers Association subsequently submitted a memorandum entitled "The Fed's Error About Non-Member Banks and Monetary Policy" by Charles F. Haywood and a transcript dated January 18-19, 1979, on the Conference on Reserve Requirements and the Role of the Federal Reserve System. The transcript has been retained in the files of the committee and Mr. Haywood's memorandum and an ABA staff response follow:]

AMERICAN
BANKERS
ASSOCIATION

1120 Connecticut Avenue, N.W.
Washington, D.C.

MEMORANDUM

26 February 1979

MEMORANDUM: The Fed's Error about Non-Member Banks and Monetary Policy

FROM: Charles F. Haywood

Chairman Miller has made frequent use of a chart purporting to show that the potential error in predicting growth rates in the M-1 money supply increases as the proportion of total deposits in member banks decreases. The Chairman's chart is based on a speculative model attributed to K. Kopecky, D. Parke, and R. Porter in a Fed "Office Correspondence" memo of November 7, 1978. For short, we will call it the KPP memo or model. The model was discussed by Kopecky and Porter at the ABA conference of January 18, 1979, on the role of reserve requirements. Very few of the participants had studied the KPP memo. The general reaction was that little weight should be attached to the model because empirical studies have shown that non-member banks have not been a source of error in monetary policy.

The most thorough empirical study on this subject is by Dennis R. Starleaf, Professor of Economics, Iowa State University, in an article entitled "Nonmember Banks and Monetary Control," which appeared in the September 1975 Journal of Finance. Starleaf concludes his study in this way: "None of the tests reported in this paper supports the contention that FRS reserve requirements are needed on nonmember banks for precision in monetary control. Indeed, all of the tests indicate that the nonmember banks have been a moderate source of stability for Federal Reserve control of the money stock -- without nonmember banks Federal Reserve control would have been slightly more unstable than it was in fact. Of course, the nonmember bank data are of poor quality as compared to member bank data. Better data on nonmember bank activities might result in just the opposite conclusions, but, in the absence of this better data, there is no way of knowing."

Starleaf hardly seems to be grinding any axe. In fact, his article is a model of scholarly, dispassionate, tedious analysis. The facts show that non-member banks have not been a source of instability. If he had better data on non-member banks, i.e., more frequent reports on their volume of demand deposits and cash holdings, he might have different findings, but then again he might not.

In the March 1978 Journal of Finance, we find an article by K. Kopecky (one of the developers of the KPP model), entitled "Nonmember Banks and Empirical Measures of the Variability of Reserves and Money: A Theoretical Appraisal." Kopecky does not quarrel with Starleaf's empirical findings ("This paper does not dispute the empirical measures..."). What Kopecky challenges is Starleaf's suggestion that Federal Reserve policy might have been more unstable in the absence of nonmember banks. A brief explanation will be facilitated by the use of two symbols. Let Dm stand for the deposit multiplier for member banks, and Db the deposit multiplier for all commercial banks. Starleaf found that Dm was more unstable than Db, and he suggested that Db might become as unstable as Dm if there were no nonmember banks. Kopecky develops a theoretical argument to the effect that Db would become more stable under a system of universal reserve requirements. Kopecky, however, falls victim to too much manipulation of symbols without recognizing that the parameter values behind these symbols change from one system of reserves to the other.

Kopecky thinks that he has shown that Db would become more stable under a system of universal reserve requirements, but, in fact, his own mathematical expressions, when assigned proper parameter values, indicate that Db would become as unstable as Dm. Kopecky does demonstrate, in a rare non-mathematical exposition in one paragraph, that Dm might become more stable under a system of universal reserve requirements, but it cannot be shown that Dm under universal reserve requirements would be as stable as Db under the present system. In the end, it is to his credit that he says: "In converting to a URR regime the variation in the two ratios can change in a manner that cannot be unequivocally predicted from the current relationship in the variability of the two ratios." (His underscoring) I think that Starleaf would concede this. It doesn't alter in any way Starleaf's impressive empirical findings that the member bank multiplier has been more unstable than the all bank multiplier and that "non-member banks have been a moderate source of stability for Federal Reserve control of the money stock."

Before moving on to the KPP memo, we would note that Kopecky's Journal of Finance article suggests that exemption of some banks from reserve requirements under a system of universal reserve requirement (as in H. R. 7) could make the all bank multiplier more unstable than under the present system of reserves. He does not address this question directly, but one of his derivations indicates that instability in the all bank multiplier is increased if there is variation in the reserve ratio for one segment of the banking system. With some banks exempted from legal reserve requirements, variation in their actual reserve ratios over time would be likely.

The KPP memo is concerned with the possible effect of inter-bank deposit flows on the predictability of M-1 growth rates. Are shifts of deposit from member banks to nonmember banks, or vice versa, a source of unpredictable errors? They argue that such shifts are a source of unpredictable errors and that the magnitude of the unpredictable errors will get larger as the proportion of deposits in member banks declines. Although the description of their analysis in the November 7, 1978, memo is rather sketchy, it appears to be affected by at least three erroneous assumptions.

First of all, however, let's get clearly in mind what the unpredictable part of all this is. The inter-bank deposit flows are taken to be the unpredictable variable. That is, inter-bank deposit flows are treated as a random variable. What happens after an inter-bank flow occurs is predictable. The problem posed by deposit flows between member and nonmember banks can be reduced through reporting requirements. With actual data on such deposit movements, the range of erratic variation could be better defined and its significance assessed.

In other words, the KPP model may or may not be a reasonable representation of random variation in actual deposit flows between member and nonmember banks. We think that the model overstates such random variation in two ways.

(1) The KPP memo assumes that the probability that a given check is written on a member bank is equal to the ratio of "member bank private demand deposits to total private demand deposits," which they designate as k. The probability that it is written on a nonmember bank is then (1-k). These ratios become key parameters in their model. Correct specification is therefore important. Unfortunately, the specification is faulty.

Leaving aside for the moment the question of "on-us" items, the movement of a check has four possible outcomes: (a) Written on a member bank, it can be deposited in a member bank. (b) Written on a member bank, it can be deposited in a non-member bank. (c) Written on a nonmember bank, it can be deposited in a member bank. (d) Written on a nonmember bank, it can be deposited in a nonmember bank. The relevant probabilities are not just k and (1-k) as assumed in the KPP memo. The probabilities are kk, k(1-k), (1-k)k, and (1-k)(1-k). Two of these probabilities -- k(1-k) and (1-k)k -- pertain to deposit flows between member and nonmember banks. These two parameters, rather than k and (1-k), should have been used in the KPP memo.

The significance of the difference in specification of these two parameters can easily be demonstrated. Assume that k, the ratio of member bank deposits to total bank deposits, is 0.7 and that 1-k is 0.3. We have then the following matrix:

Probability of Checks being Deposited in	Probability of Check being Written on: Member Bank 0.7	Non-Member Bank 0.3	TOTALS
Member Bank 0.7	0.49	0.21	0.7
Nonmember Bank 0.3	0.21	0.09	0.3
TOTALS	0.7	0.3	1.0

The variance of a binomial distribution is found by multiplying the number of events (such as tosses of a coin) by the probability of a favorable event (say, heads) multiplied by the probability of an unfavorable event (tails) -- commonly written as npq.

The square root of npq is called the standard deviation, which is a measure of dispersion or random variation in a distribution.

Assume that 100 coins are being tossed simultaneously and that this exercise is repeated many times. The average number of heads (assuming the coins are "fair") would be 50 per 100 tosses. The variance would be 100 times 0.5, the probability of a head, times 0.5, the probability of a fail, i.e., npq would equal 25. The square root of 25 is 5. Assuming that the 100 coins were tossed many times, it would be found that two-thirds of the time the number of heads coming up in each exercise would be between 45 and 55 -- the mean (50) plus or minus one standard deviation (5). Now back to KPP.

They use 0.7 and 0.3 in their formula for the standard deviation. In our coin-tossing explanation this would give a variance of 21 and a standard deviation of 4.58. However, if 70 coins are member-bank coins and 30 coins are nonmember coins, 21 of the member coins will fall in nonmember territory and 21 of the nonmember coins will fall in member territory. To get the variance under these conditions, we must use (70 times 0.21 times 0.79) plus (30 times 0.21 times 0.79). The variance thus is 16.59, and the standard deviation is 4.07. The approach of the KPP memo results, therefore, in a larger standard deviation, which means that they overstate the magnitude of unpredictable deposit flowsbetween member and nonmember banks.

The formula for the standard deviation in the KPP memo is somewhat more complicated than in our coin tossing example, because they factor in a measure of dispersion in the average size of checks, using an unusual but not unacceptable distribution for the size of checks. This does not mitigate the error we believe is inherent in their probability specification.

The KPP memo estimates that the standard deviation of member v. nonmember deposit flow reaches a maximum of $641.4 million when the ratio of member-bank deposits to total deposits is 50 percent. (Interestingly enough, it declines as the member-bank ratio rise above or falls below 50 percent). I have recalculated this KPP estimate, using my probability specification, and find it to be $555.5 million. The KPP thus overstates the standard deviation by about 15 percent. The percentage of overstatement declines as the member-bank ratio rises above or falls below 50 percent. At the current ratio of about 70 percent for member-bank deposits, the relative degree of overstatement is just under 14 percent.

2. The KPP memo ignores "on-us" checks. I mentioned this at the ABA's January 18, 1979 conference. The response was -- "we do not think that makes any difference". But "on-us" checks do make a difference if we are trying to approach reality in a speculative model.

The service areas of banks have a spatial dimension. We are hearing that examiners are insisting that it is a circle for Community Reinvestment Act purpose. But whether it is a circle, a square, a rectangle, a trapezoid, or some other form of polygon, it takes up space. The service area of each bank is more or less unique and may or may not overlap, in significant degree, the service area of another bank. If a bank's service area does not significantly overlap the service area of another bank, the volume of "on-us" checks received by that bank will tend to be a large proportion of total checks received. In order to ignore "on-us" we would need to assume, I think, that there is complete overlapping of service areas in each and every banking market. That would be an heroic assumption, indeed.

To illustrate the effect of "on-us" checks on the KPP calculation, we restate the probability matrix used above:

Probability of Checks being Deposited in		Probability of a Check being Written on: Member Bank 0.7	"On-Us"	Non-Member Bank 0.3	TOTALS
Member Banks					
"On-Us"	0.07	-	0.07	-	0.070
Others	0.63	0.441	-	0.189	0.630
NonMember Bank					
"On-Us"	0.03	-	0.03	-	0.030
Others	0.27	0.189	-	0.081	0.270
TOTALS		0.630	0.10	0.027	1.000

Assuming that 10 percent of the checks written nationally are "on-us" checks, the member to nonmember check-flow ratio is reduced from 0.21 in the first matrix to 0.189 above. The nonmember to member ratio is similarly reduced. Reductions in these ratios decrease the standard deviation in the KPP memo. We have here then another source of overstatement of the magnitude of unpredictable interbank deposit flows.

I have recalculated the KPP standard deviations, assuming various proportions of "on-us" checks. If "on-us" checks make up only 10 percent of total check volume nationally, the KPP standard deviation at its zenith of $641.4 million is overstated by about 20 percent; at 25 percent 'on-us" checks, the overstatement is close to 30 percent; at 50 percent "on-us" checks, the overstatement is slightly more than 50 percent.

Thus far I have commented on two assumptions of the KPP model. I believe that their choice of probability model (which is an assumption) results in an incomplete specification of the relevant probabilities. Their implicit assumption that "on-us" checks do not make any difference is simply not consistent with the real world they are trying to simulate. Both of these assumptions result in overstatement of the magnitude of unpredictable variations in deposit flows between member and nonmember banks. The degree of overstatement may be rather substantial, depending on the proportion of "on-us" checks nationally. I think that the KPP memo overstates the percentage errors in predicting the M-1 growth rate by a wide margin. For example, at a member-bank deposit coverage ratio of 70 percent, they estimate an M-1 growth-rate prediction error of 2.34 percent. My recalculations place it in a range of 1.69 percent to 1.86 percent if the proportion of "on-us" checks is less than 40 percent but more than 25 percent nationally.

My basic objection to the KPP memo is more fundamental. I believe that they misstate the deposit multiplier for nonmember banks. To point up this error, it is worth quoting at some length from the KPP memo:

> "Under a total reserves operating target, the relevant reserve ratio for monetary control purposes is that which ultimately connects a bank's deposit liabilities to the level of total bank reserves which the Federal Reserve predetermines the short run. Member banks' required reserve ratios, of course, define the connection between their deposit liabilities and total reserves. For nonmember banks, however, two steps are involved in linking their deposit liabilities to total reserves. The first step is the nonmember required reserve ratio. The second step depends on the relative amounts of nonmember reserves held in the form of correspondent balances and government securities. With respect to correspondent balances and government securities. With respect to correspondent balances, the connection between nonmembers' deposit liabilities and total reserves is determined essentially by multiplying the nonmember required reserve ratio (which gives total nonmember required reserves that are redeposited as correspondent balances at member banks) times the member required reserve ratio (which yields total member required reserves held against nonmember correspondent balances). For example, if member and nonmember required reserves ratios are identical and equal, say, .2, and if all nonmember reserves were held as correspondent balances, then $1 of demand deposits in a nonmember bank would be supported by 4¢ (.2 x .2) of total reserves, an amount significantly smaller than the 20¢ of support given to $1 deposited in a member bank."

> "Nonmember holdings of government securities as reserve assets create an even more disparate set of interbank reserve requirements since such nonmember reserve assets are not tied at all to either member banks or the Federal Reserve. Hence, to the extent that nonmember banks hold government securities as reserve assets, nonmember deposit liabilities bear a zero connection to total reserves. Thus, what at first appears to be identical interbank reserve requirements (.2 required reserve ratios) turns out to be a widely divergent set of reserve requirements for monetary control purposes (.2 for members, .04 for nonmember correspondent balances, and 0 for nonmember government securities). Given these differential interbank reserve requirements, an unexpected public reallocation of deposits between member and nonmember banks can lead to a significant surge or contraction of the money stock in relation to its targeted path."

It should be noted that his presentation at the ABA's conference in January, Kopecky drew heavily from these two paragraphs. The reasoning is basic to the KPP model and is wrong.

The "two steps" linking nonmember deposits to memberbank reserves have no functional significance. They are merely a way of explaining an irrelevant and uninteresting statistical artifact. The example described in the above passage from the KPP memo implies that the deposit multiplier for member banks is 5 -- 1/.2 -- while the deposit multiplier for nonmember banks is 25 -- 1/.04. Let's work through an example and see what we get.

Assume two member banks, MA and MC, and one member bank N. N receives a check for 100 dollars drawn on MA and sends it to MC, N's correspondent, for collection. MC collects the check; its balances at the Fed go up 100 dollars and MA's balances go down 100 dollars. N's deposit at MC goes up 100 dollars. MC, if the required ratio is 20 percent (as assumed by KPP in the above passage), has 80 dollars of excess reserves; MA has a reserve deficit of 80 dollars. The multiple expansion of member bank deposits implied by MC's excess reserves is offset by the multiple contraction implied by MA's deficit. That is, no change in the volume of deposits at member banks is implied.

N, if it also has a state reserve ratio of 20 percent, has 80 dollars of excess reserves in its correspondent balance at MC. Assuming that all of this 80 dollars will remain in the nonmember segment of the banking system, deposits at nonmember banks could be expanded by 400 dollars. That is, deposits at nonmember banks would rise by the amount of the original interbank flow, 100 dollars, plus 400 dollars of derivative deposits. The deposit multiplier for nonmember banks is 5, that is, (100 plus 400)/100. It is not 25 as argued in the KPP memo.

To get a multiplier of 25, two major assumptions, as well as some minor ones, are required. First, it must be assumed that the increase in Fed reserve balances at MC is used entirely, through the multiple deposit expansion processs, to increase the correspondent reserve balances of nonmember banks. That is, the increase of 100 dollars in MC's reserves becomes the basis for creation of 500 dollars in nonmember bank reserve balances. Second, it must be assumed that deposit expansion at nonmember banks proceeds to 2,500 dollars without any leakages back to the member bank segment of the system. Both of these assumptions are far-fetched.

The leakagesaffecting the deposit multiplier for nonmember banks are substantial. Using the parameter values of the KPP memo, I would estimate the multiplier by summing the following constraints on nonmember deposit expansion: cash reserves for demand deposits, 0.073; cash reserves on derivative time deposits, 0.061; loss of cash reserves to member banks through purchase of securities for reserve purposes, 0.044; flow-back of customer deposits to member banks, 0.7 which is the current member bank deposit coverage ratio; and currency drain, 0.35. I include the currency drain as a leakage, because nonmember banks would have to give up correspondent balances to obtain currency for their customers. While the Fed might offset a loss of member-bank reserves, the correspondent would not replenish the reserves of the nonmember banks. Adding these factors, we get 1.24, implying a deposit multiplier of about 0.8-- 1/(1.24). If member bank coverage fell as far as 10 percent, instead of the current 70 percent, the nonmember multiplier would rise to about 1.6.

The several adjustments that I would make in the KPP model substantially reduce the estimated percentage errors in the M-1 growth rate. For example, with "on-us" checks assumed to be 33 percent of the national total, and using my approach in calculating the nonm mber deposit multiplier, the percentage error estimate is reduced from 2.34 to 1.30 percent. The relative reductions in the percentage errors get larger as the member bank deposit coverage ratio decreases. I would reduce the 6.3 percentage error shown for member bank coverage of 10 percent of total deposits to only 1.8 percent. In other words, as member bank coverage drops from 70 percent to 10 percent, the error associated with unpredictable shifts in deposits rises from 1.3 percent to 1.8 percent of the M-1 growth rate.

Whether or not my adjustments to the KPP model are correct, the fact remains that the model is based on the erroneous argument that expansion of deposits at nonmember banks is directly linked, in a "two step" proces, to member bank reserves. Nonmember banks are linked only to reserve balances at correspondent banks. The ability of nonmember banks to expand their deposits is governed mainly by the preference of the public to hold depoists at nonmember banks. A decline in the member bank deposit coverage would increase the deposit expansion multiple for nonmember banks, but such a decline would have only a modest effect increasing the error in monetary policy associated with unpredictable shifts of deposits between member and nonmember banks. With better reporting requirements, the behavior of deposits at nonmember banks would be highly predictable.

What the KPP memo actually demonstrates is the potential error associated with random shifts of deposits among classes of member banks with differential reserve ratios. Nonmember banks are treated in the model as if they were a class of member banks with somewhat lower reserve ratios than other member banks. The percentage errors estimated in the KPP memo pertain, therefore, only to an hypothetical system of member banks with graduated reserve requirements as defined in the parameter values of the KPP model. The KPP model is irrelevant to the nonmember bank issue.

The following letter was received from the Federal Reserve Board responding to the American Bankers Association memorandum "The Fed's Error about Non-Member Banks and Monetary Policy" from Charles F. Haywood of February 26, 1979:

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 19, 1979

Mr. Robert D. Auerbach, Economist
Committee on Banking, Finance and
Urban Affairs
House of Representatives
Washington, D.C. 20515

Dear Bob:

We wish to respond to a recent American Bankers Association memorandum which presents a critical analysis of our staff study.1/2/ We find that the ABA analysis is flawed at a basic level and emphatically disagree with most of the claims made in the ABA memorandum. Of course, the views expressed here are our own and do not necessarily reflect those of the Board of Governors of the Federal Reserve System.

This letter examines the following three points raised in the ABA study: (1) the relevance of Stafleaf's empirical results to the question of uniform reserve requirements;3/ (2) the issues raised about our probability model; and (3) the claim that we "misstate the deposit multiplier model."

1/ Charles F. Haywood, "The Fed's Error about Non-Member Banks and Monetary Policy," memorandum of the American Bankers Association, February 26, 1979.

2/ K. Kopecky, D. Parke, and R. Porter, "The Effect of Interbank Deposit Flows on Monetary Control," Federal Reserve Board memorandum addressed to Mr. Axilrod, November 7, 1977. Hereafter cited as KPP memo.

3/ Dennis R. Starleaf, "Nonmember Banks and Monetary Control," Journal of Finance, Volume 30, Number 4 (September 1975), pp. 955-975.

(1) The Relevance of Starleaf's Empirical Findings

The basic issue is whether the imposition of uniform reserve requirements improves monetary control.[1] Starleaf found empirically that the variability in the deposit multiplier for all banks is less than the variability in the deposit multiplier for member banks. From this observation, he inferred that the imposition of uniform reserve requirements might worsen monetary control. Kopecky[2] refuted this inference. He showed that Starleaf's findings were consistent with a model of the banking system in which random fluctuations in member bank excess reserves are viewed as the principle source of variation. Kopecky then proved that within this model the imposition of uniform reserve requirements would unequivocably improve monetary control. That is, taking Starleaf's results at face value, one can still show that uniform reserve requirements would improve monetary control. Kopecky goes on to show that other sources of random variation tend to be damped (monetary control improved) at least for certain types of random shocks.

The ABA author disputes Kopecky's results and writes

> "Kopecky develops a theoretical argument to the effect that D_b [the deposit multiplier for all banks] would become more stable under a system of universal reserve requirements [uniform reserve requirements]. Kopecky, however, falls victim to too much manipulation of symbols without recognizing that the parameter values behind these symbols would change from one system of reserves to the other.
>
> "Kopecky thinks that he has shown that D_b [the deposit multiplier for all commercial banks] would be become more stable under a system of universal reserve requirements, but, in fact, his own mathematical expressions, when assigned proper parameter values indicate that D_b [the deposit multiplier for all commercial banks] would become as unstable as D_m [the deposit multiplier for member banks]."[3]

1/ Uniform reserve requirements are defined to be a system in which nonmember bank reserve assets take the form solely of claims against the Federal Reserve. Note clearly that the uniformity refers to the treatment of reserve claims, and not reserve ratios.

2/ Kenneth J. Kopecky, Journal of Finance, March, 1978.

3/ Haywood, op. cit., p. 2, items within brackets added.

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The ABA assertions appear to us to be unfounded. There are five distinct parameters in the relevant equations [(17) and (18)] in Kopecky's paper. Two parameters refer to reserve requirements, ρ_m and λ, which do not change with the imposition of uniform reserve requirements. The parameter, k, refers to the behavior of the nonbank public and the parameter, β, to member bank excess reserves behavior. Again, these parameters do not change with the imposition of uniform reserve requirements. The only parameter that is affected by the imposition of uniform reserve requirements is α, and Kopecky changes this parameter appropriately.

The second part of the ABA contention, "but, in fact, his [Kopecky] own mathematical expressions, when assigned proper parameter values indicate the D_b would become as unstable as D_m," also is false. The relevant expression in Kopecky's paper is equation (27). This equation remains true for all parameter values satisfying the obvious inequality restrictions. Thus, the conjecture in the ABA memorandum is incorrect.

(2) <u>The Probability Assumptions of Our Model</u>

The ABA memo proposes two extensions to the KPP analysis of deposit flows. First, the author suggests that the number of checks written on member banks be a random variable. The KPP model held this number fixed. Intuitively, the introduction of additional variation in the origin of checks would lead to increased variability in the member-nonmember deposit flows and thereby strengthen the arguments in the KPP memo. When the analysis is performed properly, this is indeed the case, contrary to the assertions in the ABA memorandum.

The second extension is to acknowledge that a (possibly substantial) portion of checks are deposited at the same bank as they were written on. These checks are called "on us" checks. As the ABA author points out, incorporation of this effect into the model does reduce the variance of member-nonmember deposit flows, but when the mathematical analysis is carried out properly, the reduction is very much smaller than he asserts.

We should point out that while Haywood questions the adequacy of our assumptions, we are questioning his mathematics. We can prove that when the mathematics is handled correctly, the variance of deposits flows is only slightly different from that of the KPP memo <u>even after incorporating all of the proposed suggestions</u>.1/

1/ See the appendix.

(3) The Deposit Multiplier Model

The author claims that KPP "misstate the deposit multiplier for nonmember banks" (p. 6). Using our example, he then states that "the KPP memo implies that the deposit multiplier for member banks is 5--1/.2--while the deposit multiplier for nonmember banks is 25--1/.04" (p. 7). In fact, KPP neither claimed nor implied that the deposit multiplier for nonmember banks is 25 within the context of the example presented. In that example, the deposit multiplier for nonmember banks is 5. The author's assertion that the multiplier is 25 is inconsistent with the model underlying the KPP memo. (See equation (11) on p. 14 of the KPP memo which describes the nonmember deposit multiplier.

In fact, the KPP model calculates the exact same quantity for nonmember deposits as does the ABA author ($500, p. 7) which indicates a nonmember deposit multiplier of 5 within the assumed example. In the ABA analysis, it is assumed that (1) all nonmember bank reserve assets are in the form of correspondent balances; (2) the expansion of nonmember deposits takes place solely within the nonmember sector; and (3) there is no induced change in the demand for currency, i.e., it is assumed that leakages don't occur. In the KPP model, this is equivalent to setting α equal to zero and assuming the marginal values of k and μ both equal zero. The net change in aggregate M-1 is given by equation (13) in the KPP memo. Using the above assumptions, this becomes

$$(1) \quad \frac{-\epsilon_{DM}(1-\lambda_D)}{\lambda_D} ,$$

where ϵ_{DM} represents the numerical value of the deposit flow from members to nonmembers, which the ABA author assumes is equal to $100, i.e., ϵ_{DM} = -$100. Substituting $\lambda_D = .2$ (the assumed required reserve ratio for nonmember banks) gives the following numerical estimate for the induced change in total M-1

$$(2) \quad \frac{(-)(-)\$100(1-.2)}{.2} = \$100 \cdot 4 = \$400 .$$

The $400 represents the net change in M-1, i.e., -$100 in members and +$500 in nonmembers. Thus, the KPP model determines the same estimate for the net change in M-1 as does the ABA author. Notice at no point in this analysis have KPP assumed that the nonmember deposit multiplier is 25.

Let us now step back for a moment and examine the monetary control implications of the example set out in the ABA memorandum. It starts out with the public transferring $100 of deposits from member to nonmember banks (so that initially M-1 remains unchanged) and ends up with an induced \$400 change in M-1. This is precisely the problem from the viewpoint of the Federal Reserve. The Federal Reserve has not altered the level of member bank reserves. Yet, M-1 rises. Clearly, something is amiss when \$400 of new deposits are created by a simple transference of deposit accounts between member and nonmember banks on the part of the public. KPP viewed the source of this problem as arising from a widely divergent set of effective differential reserve requirements.[1/] More specifically, assuming (identical) .2 required reserve ratios for member and nonmember banks, KPP noticed that a dollar of deposits at member banks was backed up by 20¢ of a Federal Reserve liability, while a dollar of deposits at nonmember banks was backed up by only 4¢ (.2 x .2) of a Federal Reserve liability. According to the KPP analysis, eliminating the differential in the effective reserve ratios should prevent interbank deposit flows from influencing M-1. Would this, in fact, happen in the ABA author's example? Given a required reserve ratio of .2 for members, suppose the required ratio is set at unity for nonmembers. Then, there are no differential effective reserve ratios since .2 (the effective reserve ratio at members) equals .2 x 1 (the effective reserve ratio at nonmembers). Substituting a value of unity for λ_D into equation (1) and assuming a \$100 deposit flow from members to nonmembers shows that the induced M-1 change is zero (-\$100 at members +\$100 at nonmembers). The influence of interbank deposit flows on M-1 is removed entirely by equating the effective reserve ratios across all banks. In short, monetary control is improved.

In conclusion, the memorandum prepared by the ABA author contains fundamental errors of economic and mathematical analysis. The essential points about membership attrition and money stock control discussed in our memorandum still remain valid.

Sincerely yours,

Kenneth J. Kopecky

Kenneth J. Kopecky

Richard D. Porter

Richard D. Porter

Darrel W. Parke

Darrel W. Parke

1/ Effective reserve requirements connect deposit liabilities at commercial banks to reserves held with Federal Reserve Banks.

APPENDIX

Probability Model of Deposit Flows

We discuss below only those aspects of the KPP model necessary to highlight our differences with the ABA study. Let z be the net deposit flow from member to nonmember banks in one month. It can be written

$$z = \sum_{i=1}^{n} x_i y_i$$

where

n = number of checks written in one month
y_i = size of the i^{th} check

$$x_i = \begin{cases} -1 & \text{if check i was written on a nonmember and is deposited at a member bank} \\ 1 & \text{if check i was written on a member bank and is deposited at a nonmember bank} \\ 0 & \text{otherwise} \end{cases}$$

The probability distribution of y_i is not a matter of dispute. The probability distribution of x_i depends upon the assumptions made. Let k be the proportion of demand deposits held at member banks.

The KPP model assumes the kn of the checks are written on member banks, and the probability that one of these checks is deposited at a nonmember bank is (1-k). Similarly, (1-k)n of the checks are written on nonmember banks, and the probability that one of these checks is deposited at a member bank is k. More formally, the KPP model assumes that for kn of the checks

$$x_i = \begin{cases} 1 \text{ with probability } (1-k) \\ 0 \text{ with probability } k \end{cases}$$

and for the remaining (1-k)n checks

$$x_i = \begin{cases} -1 \text{ with probability } k \\ 0 \text{ with probability } (1-k). \end{cases}$$

The first ABA extension allows the bank on which the check is written to be a random variable. That is, he assumes that the probability that a check is written on a member bank is k. Thus, for the first ABA extension

$$x_i = \begin{cases} -1 \text{ with probability } k(1-k) \\ 1 \text{ with probability } k(1-k) \\ 0 \text{ with probability } k^2 + (1-k)^2. \end{cases}$$

In the second ABA extension, the probabilities are modified to account for a possibly large number of "on us" checks. Let u be the probability that a check is "on us." Then, for the second ABA extension 1/

$$x_i = \begin{cases} -1 \text{ with probability } (1-u)k(1-k) \\ 1 \text{ with probability } (1-u)k(1-k) \\ 0 \text{ with probability } u + (1-u)[k^2 + (1-k)^2]. \end{cases}$$

The variance of the member-nonmember deposit flows in the KPP model is derived in the KPP memo. It is

$$(1) \qquad \sigma_z^2 = nk(1-k)[\mu_y^2 + 2\sigma_y^2]$$

The variance of z in the ABA extensions is

$$\sigma_z^2 = n\,\sigma_x^2\,(\mu_y^2 + \sigma_y^2)$$

For the first ABA extension

$$\sigma_x^2 = (-1)^2\,Pr(x=-1)+0^2\,Pr(x=0)+1^2\,Pr(x=1)=2k(1-k) \text{ 2/}$$

so that for the first ABA extension

$$(2) \qquad \sigma_z^2 = 2nk(1-k)(\mu_y^2 + \sigma_y^2)$$

1/ Given that a check written, say, on a member bank is not "on us", the probability that it is deposited in a nonmember bank is not (1-k) as we (and the ABA author) specify here, but rather a somewhat larger number since the member bank on which the check was written should be excluded from consideration. From this point of view, our calculations will tend to understate the standard deviation of deposit flows.

2/ This is where ABA author's analysis goes away. The formula he "derives" is k(1-k)[1-k(1-k)]. But his derivation is faulty because he lets the number of checks written on member banks be fixed, contrary to the assumption of his extension. Furthermore he adds the variance of the number of checks flowing from nonmembers to members to the variance of the number of checks flowing from members to nonmembers to get the variance of the difference. Such addition is permissable only if the two variables are uncorrelated. They are not uncorrelated in his extension of the KPP model. He achieves all this in a single paragraph, the third of his page 4.

Note that the result of the ABA's first extension, with the mathematics handled properly is to increase the variance of member-nonmember deposit flows, as (2) is greater than (1).

For the second ABA extension

$$\sigma_x^2 = (-1)^2 \Pr(x=-1)+0^2 \Pr(x=0)+1^2 \Pr(x=1) \quad = 2(1-u)k(1-k)$$

so that

$$\sigma_z^2 = 2n(1-u)k(1-k)(\mu_y^2 + \sigma_y^2) \text{ 1/}$$

and the standard deviation of member nonmember deposit flows is

$$\text{(3)} \qquad \sigma_z = [2n(1-u)k(1-k)(\mu_y^2 + \sigma_y^2)]^{1/2}$$

To implement formula (3), we need to know the value of u, the probability that a check is "on us". We use the ABA author's quesses of 10 to 50 percent. When k=.50 (The ABA memo calls this the "zenith") the estimates of the standard deviation of deposit flows are

u	σ_2	Reduction from KPP estimate
.10	$609 million	5 percent
.50	$454 million	29 percent

These reductions are somewhat smaller than the 20 to 50 percent reduction claimed by the ABA author. As we mentioned in the footnotes we think the assumptions in the ABA's extensions are a bit on the conservative side. Nevertheless, making all the changes the ABA memo would like us to make affects the results by only a nominal amount.

1/ The assumption made here, as in the KPP model and in the ABA extensions, it that the size of the check is independent of its origin and destination. To the extent that "on us" checks tend to be smaller than other checks.(as we believe to be the case), this formula will understate the variance of member-nonmember bank deposit flows.

AMERICAN BANKERS ASSOCIATION
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20036

March 30, 1979

Mr. Robert D. Auerbach
Committee on Banking, Finance,
and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Bob:

On March 28, 1979, Dick Porter sent me a copy of the letter of March 19 which and his associates had written you commenting on my memorandum of February 26 on "The Fed's Error about Non-Member Banks and Monetary Policy." I would like to add to the record several brief observations about the current state of our controversy on this subject.

My memorandum raised four objections to the model used by the Federal Reserve to support its argument that non-member banks are a potential source of significant error in monetary policy. Briefly stated, my objections were:

(1) The Federal Reserve model is based on a probability specification that overstates the probability of random movement of checks between member banks and non-member banks.

(2) The Federal Reserve model ignores "on us" checks and thereby overstates the magnitude of random movements of checks between member banks and non-member banks.

(3) The Federal Reserve model is based on the concept that non-member bank deposits are linked to required reserve balances at Federal Reserve Banks. The use of this concept results in an overstatement of the deposit (or M-1) multiplier affecting shifts of funds between member banks and non-member banks.

(4) The Federal Reserve model is of a general type of model that may be useful for speculating about the effects of random movements of funds among member banks with different required reserve ratios, but it is not relevant to the question of the effects of shifts between member banks and non-member banks.

The letter of March 19 from Porter, Kopecky, and Porter acknowledges that my alternative probability specification may be appropriate and that they did, in fact, overlook "on us" checks in the construction of their model. On this latter point, they indicate in the last paragraph of the appendix to their letter that the degree of overstatement may range between 5 per cent and 29 per cent.

As to my third point, they spend their efforts in attacking my comments on the example used in their original memorandum. In my memorandum of February 26, I quoted at length from their original memorandum. Their example implied a deposit multiplier of 25 when, in fact, the deposit multiplier relevant to the example is 5. They acknowledge this in their letter of March 19 to you.

My discussion of their example was intended to bring out the flaw in the concept being used. I did not mean to imply that the deposit multiplier actually derived in the model was 25. I should have also stated what the model's deposit multiplier was. However, they had not stated the model's multiplier in their original memorandum in numerical terms. As my memorandum of February 26 was directed to associates within the American Bankers Association who had read the non-mathematical parts of the Federal Reserve's memo and had heard Ken Kopecky's presentation at the ABA's Conference on the Role of Reserve Requirements, I explained my objections in terms of the example rather than the mathematical model. The implication that the multiplier is 25 comes from the example alone and not from the model. The example used by Kopecky and which is found in their original memorandum is in error.

With respect to the multiplier derived by solving the twelve equations and definitions in the model, I believe that it is also overstated, though not in the degree implied by their example. The last paragraph on page 7 and first paragraph on page 8 of my memorandum provide some estimates of the degree of overstatement. The reason for the overstatement is that the multiplier derived from the model does not include certain "leakages" from the deposit expansion process affecting non-member banks.

I take especial exception to the last paragraph on page 5 of the letter March 19. Our criticism of the model does not contain "fundamental errors of economic and mathematical analysis." The letter of March 19 concedes, in fact, that that adjustments need to be made in the Federal Reserve model as a result of our criticism, We continue to disagree on several points affecting the size of the deposit multiplier, but such disagreement does not come from dispute over error but dispute about what assumptions and mathematical formulations are relevant.

Also, the March 19 letters states that "the essential points about membership attrition and money stock control discussed in our memorandum still remain valid." Our dispute, however, is not so much about "essential points" as it is about the magnitude of random variation. The question at issue is whether the magnitude of random variation in the M-1 money supply that can be attributed to non-member banks is consequential. We think that it is not consequential, and the existing empirical literature supports our view.

We plan to provide the Federal Reserve staff with further technical comment on the model. We regard it as an interesting but experimental device. It certainly is not well enough developed yet to figure prominently in any major policy decision affecting the structure of reserve requirements.

If the letter of March 19, 1979 from Porter, Kopecky, and Parke is placed in the record of the hearings on H.R. 7, I ask that this letter also be included.

Sincerely,

Charles F. Haywood

Charles F. Haywood
Consultant

(A letter from Messrs Kopecky, Parke and Porter responding to Mr. Haywood's letter may be found on page 651.)

ABA Staff Response to Congressman Vento's Inquiries

These two items are submitted in response to comments and questions by Mr. Vento. In questioning Mr. Perkins, Mr. Vento had entered into the record an article from the March 1978 *Journal of Finance.* Mr. Vento commented to the effect that the article showed that the conclusions of a September 1975 *Journal of Finance,* cited in our written statement, were wrong. The fact is that the article introduced by Mr. Vento does not even contest the specific conclusions emphasized in our written statement.

Dr. Haywood's memorandum discusses both the March 1978 and September 1975 articles. The memorandum was drafted about 10 days prior to the hearing of February 28 and put into memorandum form for our files on February 26, as indicated.

As noted in Dr. Haywood's memorandum, the March 1978 article, introduced by Mr. Vento, states: "This paper does not dispute the empirical measures" of the September 1975 article. The empirical measures in the September 1975 article indicated that Federal Reserve requirements are not needed on non-member bank deposits for precision in monetary control. The article further observed that non-member banks had been "a moderate source of stability for Federal Reserve control of the money stock." The author suggested that "without non-member banks Federal Reserve control would have been slightly more unstable than it was in fact." It is this last suggestion that is contested in the March 1978 paper, introduced by Mr. Vento. The issue at hand, however, is whether non-member banks have been a source of instability in monetary policy. On that point, the conclusions of the September 1975 article are not even challenged, much less refuted, by the March 1978 paper.

Dr. Haywood's memorandum of February 26, 1979 also includes a critique of the theoretical model used by the Federal Reserve in arguing that non-member banks are a *potential* source of error in monetary policy. Dr. Haywood finds significant errors in the assumptions of the model and concludes that the model "is irrelevant to the non-member bank issue."

Dr Haywood's discussion of this rather technical subject should indicate that in citing the September 1975 article the Association was not guilty of "oversight" of the materials mentioned by Mr. Vento. Indeed, the exact same materials mentioned by Mr. Vento were the subject of Dr. Haywood's memorandum, which was only one small part of the intensive study that the American Bankers Association has given the Fed issue during the past six months.

Mr. Vento also suggested that the Association was involved in "oversight" in failing to include in its statement the record of the meeting of economists held on January 18–19 to discuss the role of reserve requirements. He specifically mentioned the paper by Mr. Porter and Mr. Kopecky of the Federal Reserve staff which seemed to lend credence to the case for universal reserves. We did make reference to the meeting in our written statement and oral testimony, indicating that the preponderance of opinion expressed at the meeting was that extension of Federal Reserve reserve requirements to non-member banks is not needed for monetary policy purposes.

Mr. Vento. Beyond that, I would just like to turn back to one of the first pages in your testimony, in which you cite a recommendation for voluntarism for membership in the Federal Reserve and also cite the change in flexibility that would accompany a lowering of reserve requirements, and the provision of a wider band than currently exists.

Of course, in looking at this, I am wondering in all the work that you have done, that you have researched, if, indeed, you have found that reserve requirement changes have been used in a minor way for monetary purposes. Today, if the deposit requirements are at a low percentage, let us say 1 percent, which is the lowest, and the Fed were to raise them very quickly in a short period of time to a higher percentage, would, given a voluntary basis, many members under those circumstances withdraw from the Fed?

I don't think there is any question that they would. That would be, of course, almost the opposite effect of what you are trying to do in terms of the precision of monetary policy, if they withdrew. I don't think your statement nor the research work that is represented here adequately addressed that question.

In fact, it is very difficult to use reserve requirement changes even in a small way under the circumstances when membership is voluntary, because, of course, the banks I expect, will jump in and out, in response to the use of it for that particular purpose.

Mr. PERKINS. My judgment is that if the burden of membership were reduced to the levels we would contemplate, changes could be made within those brackets and banks would not opt to go in and out, as you suggest. I might also say that on the other comments you have from the economists' standpoint, I would like to include that too. When you get 94 economists together in one room, as we did for a full day, you do tend to get certain differences.

Mr. VENTO. I understand that that may be the case.

Thank you, Mr. Chairman.

Chairman REUSS. Thank you.

Mr. Kelly?

Mr. KELLY. Thank you, Mr. Chairman. I don't want to be gross in any way, but since I have been in Congress, it has occurred to me that sometimes politics have an impact on the decisions made in our Congress. I am not sure that this is justified. But it seems to me that, for political reasons, political forces are looking for objects of blame with regard to the question of inflation. I am not too sure that the banking industry might not be the beneficiary of this quest, in that you then will wind up being blamed for the inflationary condition of the economy.

So I have a couple questions in that area that I would like to have you take this opportunity to speak to.

My first question is: Do you agree that the monetary policy contributes more to the level of inflation than any other factor, or perhaps is really the only cause of inflation, as a practical matter? Is there any general agreement on that?

Mr. RENNER. I will try to respond as a country banker, not an economist. I think our feeling is that the Fed has been more concerned with interest rate levels than perhaps carrying out monetary policy and the monetary aggregates. So in that respect, perhaps it has contributed to the inflation.

Mr. KELLY. That is not my question.

As a basic principle, isn't the supply of money the factor that has more to do with the inflationary level than anything else?

Mr. PERKINS. Economists debate this.

Mr. KELLY. Is there agreement on this?

Mr. PERKINS. I think we would agree that is first among equals, though there are a number of other things being built into our society, such as regulatory costs that are adding fuel to the fire.

Mr. KELLY. Now my next——

Mr. PERKINS. Particularly, as we have these huge deficits back to back, then the Fed has to print the money to validate the deficit.

Mr. KELLY. My next question is: Independent of the Federal Reserve policy, do the banks of this Nation control the supply of money? Any impact you have on supply is dictated entirely by the monetary policy established by the Federal Reserve Board; is that true?

Mr. PERKINS. Yes, sir.

Mr. KELLY. Do you have anything to do with changing the supply of money outside the policies established by the Federal Reserve Board?

Mr. PERKINS. Not in the market as it is structured now, no, sir.

Mr. KELLY. So then you plead not guilty publicly to that charge; is that true?

Mr. PERKINS. We would like to caucus on that.

Mr. KELLY. All right.

Then it would seem to me as though what we are getting ready to do is to have this happen. That the Federal Reserve Board is saying:

> Well, we really would have done a much better job about controlling the supply of money, but everybody keeps leaving our membership. If you guys would just stay with us, we could really do a good job. But you are leaving.

So at least the public can relax if Congress will stem the loss of membership.

So somehow or other we are going to stop inflation, if we can cause the membership loss to be terminated.

Mr. KENNEDY. One of the basic considerations, of course, here, sir, is that if we opt for mandatory reserves, we no longer have the flexibility to put that type pressure on the Fed.

Mr. PERKINS. I would say this: I generally read either the details or summaries of the meetings of the open market committee over the years. I have never seen the membership question related to the question of monetary—open market policy which is the key factor at those discussions.

Mr. KELLY. But that is a factor in the discussion right now. The Fed is floating the idea that they are unable to control the supply of money, if they lose the memberships; is that not so?

Mr. PERKINS. They would have to speak for themselves. I disagree with the conclusion.

Mr. KELLY. I disagree with the conclusion, but isn't that the sentiment being floated in the discussion, that the Fed must maintain the membership, or else it can't control the supply of money?

Mr. PERKINS. I suppose it is explicit in some people's minds.

Mr. PETERSON. I think a word that has not been used in the discussions today, as we have focused on the mechanics of monetary control, and so forth, is confidence. There is a definite feeling that as the membership undergoes attrition, confidence in the Federal Reserve, whether deserved or not, the psychological aspect of it is deteriorating, yes.

Mr. KELLY. But the loss of membership has not been the cause for the Fed's failure to control the supply of money; is that a fair statement?

Mr. PETERSON. I think that is a fair statement.

Mr. KELLY. Thank you.

Chairman REUSS. Mr. Barnard?

Mr. BARNARD. Thank you, Mr. Chairman.

Mr. Perkins, when in the realm of time did the bankers of the country recognize that there was a problem with Fed membership? Did it come last fall, did it come 3 years ago or 10 years ago?

Mr. PERKINS. I think this is a subject, Mr. Barnard, which has been under discussion for many years. It came particularly as the secular rise in interest rates took place, and there were some people leaving the membership. It perhaps picked up a good deal of momentum when Chairman Burns was head of the Federal Reserve and made a major issue out of this.

Of course, Chairman Miller has carried on with that and heightened the awareness.

Mr. BARNARD. The next question I would like to pursue is, how much reserve coverage is sufficient? As I understand it, today, about 82 percent of the Nation's deposits are represented by reserves. The bills we have undertaken for consideration reduce it down to something like 72 percent or less than that.

I am having difficulty seeing how we can help control monetary policy by reducing the coverage of reserves.

Mr. PERKINS. I suppose this is a matter of degree. Each time the level of reserves outside of the member banks has grown, proportionately, there has been this feeling, Well, it is OK now, but if it goes any further, it will be a real problem.

Each time it has gone further. I don't think it has been a real problem. You can argue, looking perspectively from this level, is it going to become a problem in effecting monetary policy or not? I don't believe it has yet.

Mr. BARNARD. I think there has been a larger number of small banks leaving the Fed than big banks. But when you see a $100-million bank or $500-million bank leave the Fed, everybody starts tearing their hair.

In your evaluation, are there other reasons banks are leaving the Fed, other than costs?

Mr. RENNER. We believe so, Mr. Barnard. When we had our advisory board meeting for the Community Bankers Division, we took up this subject. We have apprised Chairman Miller of their response. He was very responsive to what they had to say.

Basically, it was in three areas. No. 1, that when economic conditions were such that the Fed could have adjusted the reserve requirements, they did not do so.

Second, that they continued to have outdated operating requirements which put additional cost burdens on banks, such as sorting of checks, and so forth.

Third, that the discount window was operated in such a fashion that it was almost meaningless under the structure of which it was applied.

This is particularly true of small agricultural banks in this past year, when some of them have been under some real credit pressures, that to turn to the discount window is practically useless. It did not mean anything to them.

So I think one small national banker of about $5 million summed it up very well when he told Governor Partee that he felt that the Fed was insensitive to the needs of their stockholders.

Mr. BARNARD. In other words, you say, then, that these problems have been brought to the attention of the Fed?

Mr. RENNER. Yes, they have, just last month to Mr. Miller; we related them to him.

Mr. BARNARD. What about before that? Have they been brought to the attention of the Fed in previous years?

Mr. RENNER. I think there has been some discussion of them. I think they even have a group of directors who were working on this problem.

But what progress they have made, I cannot attest to.

Mr. BARNARD. Mr. Perkins?

Mr. PERKINS. I think that is true. This gets discussed at all levels, member banks with a regional Federal Reserve bank. Constant discussions about operating procedures and proposals that are made and the problems and things of that type.

Mr. RENNER. If I may, one other point, too, Mr. Barnard, I would like to add, that they—many of the small banks talked quite a bit at some length, and this is a problem they are having in Treasury—I am not sure whether the responsibility lies with the Fed or Treasury—along the way it was constructed.

Many small banks opted for the remittance option. They have to remit these funds and have them available to the Fed within a certain time period. They have to depend upon the Post Office Department for delivery.

Many small banks are continually having penalties laid upon them because of late delivery of those remittances. This has become a very great aggravation to these small banks. They seem to not be able to get anyone's attention to doing something about it.

Mr. BARNARD. A lot of study has gone into the bills that are proposed and before us today. I think every effort is being made to provide some incentives for banks to want to join the Fed.

One of these incentives, of course, is payment of reserves; the payment of interest on reserves.

Mr. Perkins, I notice that a member of the Banking Committee in the other House yesterday stated that the payment of interest on reserves was a bank ripoff, and that it was nothing more than a bank welfare program.

Well, in all fairness to the banking industry, I would like to give you an opportunity to respond to that suggestion.

Mr. PERKINS. I would simply, I think, repeat the statement that we made in our statement itself, that the way that the so-called benefits to the banks have been measured is not a realistic manner. It just simply assumes that for each dollar reserves are reduced, the bank itself will keep that reserve and invest it and get the earnings on that and keep those earnings.

If you look at the whole picture, what goes through to the customers, what the charges are back to the banks would be for explicit pricing of services, what kind of taxes are paid by the banking and other systems to the Federal Treasury and all, the thing balances out into a relatively modest amount of change in terms of the burden—in terms of the Treasury revenues, change that we suggest can be accommodated through a phase-in operation.

Change at a level which all of the bills, including the bills in the Senate and the House, are generally in the same area of rather modest reductions.

So that I would disagree with that and simply emphasize that when you look at the total picture, it is the smaller banks who are getting the benefits to the extent there are those; for the larger banks, it is a fairly balanced affair.

So that I do not see that as that tight. Simply, you might phrase it to some extent it is a reduction in the burden the banks have been paying, giving back a little to the banks of that burden.

Mr. BARNARD. In other words, you don't want to pay too highly for that prestige Mr. Kennedy has talked about.

Mr. PETERSON. Mr. Congressman, might I interject again on that point? Before the banking industry gets goldenly fleeced, I think it has to be understood by this committee—and we hope to make the point on the Senate side—that if Treasury maximization of profit out of the Federal Reserve System is to become a criteria in this debate, the people who are going to get goldenly fleeced are the American people, because it involves keeping interest rates high.

Chairman REUSS. Mr. Green.

Mr. GREEN. Mr. Campbell, I would like to follow up on a point Mr. Ashley made. On pages 6 and 7 of your statement, there is an indication that you feel that, with a balanced budget, that there could be problems in the open market operations.

I am wondering, isn't there a big enough float of the Treasury securities now so that, even if we could balance the budget, open market operations would continue unimpeded?

Mr. RAYMOND CAMPBELL. I would rather ask Mr. Peterson to respond to that.

Mr. PETERSON. I think that that observation really relates to the fact that, in any kind of a securities market, new issues, and in this case it would be a matter of funding new deficits, new issues always lead to a more active market.

If you are dealing in a market where the issues are not forthcoming, where it is purely secondary, you are going to find less activity in that market.

When that would occur, there would be less activity by the open market committee.

Mr. GREEN. You wouldn't feel that just rolling over the existing indebtedness would provide an active market?

Mr. PETERSON. Let us put it this way: The open market committee—and this opinion I share with the Federal Reserve Board—that the open market committee operations would diminish.

Mr. GREEN. Let me turn to another issue.

I quite agree with the suggestion that has been made that, obviously, the ability of the Fed to track the money supply could be improved without increasing or stopping the decrease in Federal Reserve membership.

My understanding is that at present there is a weekly sampling of nonmember bank deposits, and that then there is a reporting from all the nonmembers on a quarterly basis.

How much do you think that will have to be improved to give the Fed a better handle on the nonmember bank contributions to the money supply, and how far could it go without doing harm to the smaller banks?

Mr. RAYMOND CAMPBELL. Mr. Congressman, certainly, banks will continue to resist increased reporting. We are so inundated with reporting now. But IBA feels that reporting is necessary. We would certainly attempt to convince our members to cooperate with reporting.

Mr. GREEN. Could you be more specific as to how much additional reporting you think would be necessary to achieve the goal without being onerous?

Mr. RAYMOND CAMPBELL. Mr. Green, I am not prepared to evaluate the depth of reporting.

Mr. GREEN. Would you care to comment on that?

Mr. RENNER. I am not sure I can say specifically about the reporting. But I do believe that as far as the small banks are concerned, that open market operations, when you look back over the history of it, open market operations have caused them, even the nonmember banks, to pretty much conform to what the member banks have had to do because of reserves.

Mr. GREEN. What I am referring to is this: There has been a history during the present inflationary cycle that the Fed's estimates of the nonmember bank part of the money supply having to be revised upward when one gets the actual quarterly data, so that the statistical system the Fed is using seems to be generating estimates between the quarterly reports which underestimate the nonmember banks' participation in terms of total money supply.

I am just wondering if you have any feeling as to how much additional sampling the Fed should do or what additional reportings, say having monthly instead of quarterly reports, would enable the Fed to have a better handle on the nonmember money supply without causing undue hardship to nonmember banks?

Mr. RENNER. I can't view a monthly report versus a quarterly as being that much more burdensome if it would accomplish the job. I can't testify as to whether that would accomplish the job.

Mr. KENNEDY. Mr. Green, our policy statement suggests that we—that this reporting be done so far as asset and liability information is concerned.

I might add, I don't know of any of us who object where we think there is a real need for the information. If it is necessary, we would provide that.

Mr. GREEN. That is all I have, Mr. Chairman.

Chairman REUSS. Thank you. Mr. Kennedy, we are particularly grateful to have you with us this morning. You have testified that your bank has $140 million of assets.

Mr. KENNEDY. Yes, sir.

Chairman REUSS. And that you and your stockholders feel that being a good, patriotic citizen in continuing to be a member of the Fed is a real burden on you.

Wasn't that your testimony?

Mr. KENNEDY. Yes; I did.

Chairman REUSS. As of today, what is the amount of the mandatory reserves which you are keeping with the Fed?

Mr. KENNEDY. Between $4 million and $5 million.

Chairman REUSS. Thus, you are foregoing earnings, assuming you can make the prime rate—and you should do a little better—you are losing how much a year, half a million dollars?

Mr. KENNEDY. Based on the Fed portfolio amount, about $300,000 I would say.

Chairman REUSS. You would try to do better than the Fed. You are in the business of making loans, aren't you?

Mr. KENNEDY. I would certainly try, yes, sir.

Chairman REUSS. Would it be half a million or more?

Mr. KENNEDY. On the basis of those figures, insofar as the utilization of those reserves are concerned for investment purposes, yes, sir. Part of that would have to go into State bank reserves on which I could earn.

Chairman REUSS. So that you are now losing, as your stockholders point out, I am sure they must, about half a million a year for being a good soldier.

Mr. KENNEDY. Well, I am, except for the fact, of course, I would be paying taxes on those earnings.

Chairman REUSS. Yes.

Mr. KENNEDY. You talked about a gross figure.

Chairman REUSS. Before tax, yes.

Now, under H.R. 7, a loan of the propositions offered here by the ABA or anybody else, under H.R. 7, as I clearly set forth on page 20 of the committee print description of H.R. 7, your bank, the National Bank of Commerce of Pine Bluff, Ark., would not have to put up any reserves at all.

So you would be, before taxes, a half a million ahead; is that not so?

Mr. KENNEDY. Yes.

Chairman REUSS. How are you going to explain it to your stockholders when they find out that you have been up here testifying against H.R. 7?

Mr. KENNEDY. I do not think I would have any trouble with that, Mr. Chairman. I think we have to look at this thing not along the best interests of my stockholders, but what I consider the best interests of this country.

I happen to think that the matter of exemptions is the wrong way to go about it, because, as you well know, next week or next year, we may be faced with a different set of circumstances. Instead of having a $40 million or $50 million exemption, we might not have any.

I think the uniform method of reserve approach, the earnings participation which I would benefit from, insofar as that is concerned, up to the $10 million in reserves under the system which we suggest and which would have appeal to me for that reason, but I just happen to believe that the idea of exemptions is bad.

Chairman REUSS. What about the independent bankers? Do they share the view that there is something evil about trying to give independent bankers, smaller bankers, a better break, as indeed, under our tax laws, we give small businessmen a break? We give them a lower tax bracket on the first so many thousand dollars of income. That is the view of the IBA?

Mr. RAYMOND CAMPBELL. Mr. Chairman, you realize I am very severely restricted——

Chairman REUSS. Right, but at the risk of being repudiated next month——

Mr. RAYMOND CAMPBELL. I would have to say on the concept, certainly small banks would like to boost their own capital base by making more money. Yes; we certainly would.

We have a duty to our stockholders, certainly. But we must individually evaluate these bills. And that is what we are going to ask our membership to do. I would individually evaluate it and be able to justify our membership in the Fed.

Mr RENNER. Mr Chairman, we are concerned about the equity as we approach the whole issue. We don't like the idea that, because we are small, we are left out.

Also, when it comes to the capital and earnings of the small bank, even those who are Fed members, you look at the industry and we are much better capitalized, our return on assets and return on capital even exceeded the larger banks. So we do not, as a group, support the exemption.

Chairman REUSS. Yours is the Citizens State Bank of Hartford, Ind.?

Mr RENNER. Yes, sir.

Chairman REUSS. You are a member?

Mr RENNER. We were a member.

Chairman REUSS.You could satisfy this pyschic need of yours not to be left out very easily, by joining the Fed. I will send you the application.

Mr RENNER. I appreciate that.

Chairman REUSS. Thank you.

Mr Stanton.

Mr. STANTON. Mr. Kennedy, would you go back to your stockholders——

Mr. KENNEDY. Maybe I better stay up here, Mr. Stanton.

Mr. STANTON. You can tell them that one of the committee considerations, though, is an alternative voluntary bill, which in our printout would save you only about half, from where you are now to where you would have been under H.R. 7. This alternative bill, according to the printout, helps you halfway.

Chairman REUSS. Would the gentleman yield?

Mr. STANTON. Yes.

Chairman REUSS. The President's address, in which he tells the stockholders that he only lost them half of their advantage, will be, I am sure, well received

Mr. KENNEDY. Mr. Chairman, I am not going to raise that subject unless they do.

Mr. STANTON. You know, it is interesting. It certainly will have an impact on the legislation that eventually is passed, your testimony here today.

One has to compliment you, though, on a particular principle. I was first and truthfully quite surprised by it because I think, Mr. Renner, you got more publicity than you have ever got before or will again.

I saw in my hometown paper a picture of you and Community Bankers Division making a decision for universal coverage. You wanted to feel a part of this banking system which was contrary to the fact that we thought the Independent Bankers, and certainly the Community Bankers Division, would be happy, because on the surface, they are better off financially under H.R. 7 and our first committee bill than any other consideration that has come along.

Now, when we vote a markup next week, is it your intention to carry this subject to your convention and come out of it with a statement?

Mr. RAYMOND CAMPBELL. Yes, Mr. Stanton.

Mr. STANTON. Once again, gentlemen, I thank you very much for your testimony today. Mr. Renner.

Mr. RENNER. Thank you, Mr. Stanton, for your kind words. We appreciate those.

I think the community bankers demonstrated that they certainly support a strong central bank, and that they were, if it was deemed necessary, willing to pay the price to support that system.

Chairman REUSS. Mr. Kelly.

Mr. KELLY. I would like to try and see if I understand this correctly, and possibly get some emphasis on one proposition, that is, that the small bank exemption does not seem to accomplish much solace for the small bank, because they look upon H.R. 7 as simply being the establishment of a principle; then the question of who that principle is going to apply to can be taken up in the next Congress; and so the small banks have enough foresight to understand that if they are not going to be run over by this tank now, they will be positioned to be run over by it later.

The strategy of H.R. 7 being: Exempt the smaller banks because there are more of them. Numbers mean people, more votes, more resistance. We will avoid that resistance to establish the principles. Then once we get the principles established, we will get them all later.

Is there some such sentiment as this entwined in the fabric that is being woven here?

Mr. RENNER. I think you stated it very well, Mr. Kelly.

Mr. KELLY. I am glad you understood that. Is there any emphasis that you would like to give to that? I mean this gentleman here seemed to indicate that he was doing something that was not in the best interests of his stockholders.

I think his answer is that he is not doing something in their apparent best interest today; but for the future security and stability of his bank and the banking industry, what he is doing makes a lot of sense, unless you want to get run over by a tank.

Mr. RENNER. Well, the small community banker did not feel, first of all, that we should approve of any type of legislation which would be divisive within the industry; second, that the large banks only should carry the burden; and third, as you stated very well, that there were real fears of the exemptions. Once the principle was established of exemptions, then the exemptions would change and they would eventually be trapped.

The community banks would then become a part of the Federal System without the other depository institutions in the country coming under that same system; so they would be put in more of a competitive disadvantage.

Mr. KELLY. This is probably an extension of the proposition that all of the regulations in the United States imposed politically combine to fight the big multinational corporations. But it is those regulations that are killing small business. That same extension might very well impact on the small banks down the road; something like that?

Mr. RENNER. That is true.

Mr. PETERSON. If I might say, Mr. Kelly, as far as the Independent Bankers Association is concerned, it is very much a live issue as far as we said in the statement, whether we are going to surrender or compromise the principles that we have had for a long while, opposed to any kind of mandated Federal System, or are going to compromise it for what in the end are very substantial earning increases for the banks.

It is very, very much alive. A good deal of it swings on whether or not we think we can have faith in Chairman Miller and whether we think we can have faith in this committee and the Senate committee.

If the exemption goes in, if there is a firm understanding, it would be a completely different kind of thing. It is a risk. We all know it.

Mr. KELLY. I think Taiwan depended on that same firm understanding.

Mr. PETERSON. I believe that subject has been raised in our councils on those very terms.

Mr. KENNEDY. Mr. Kelly, to talk in a little bit of a different area, I think nearly all of us believe we should have a strong Federal Reserve System. That is implicit in what we are talking about.

There is also a danger if you go into the exemptions in H.R. 7 and some of the other bills that you would create a political situation where nobody who was exempted would be interested in maintaining a Federal Reserve System. Then you would have difficulty in maintaining a strong independent system.

Mr. KELLY. Or would have any input on what direction that system would take.

Mr. KENNEDY. That is correct, sir.

Mr. KELLY. Thank you, Mr. Chairman.

Chairman REUSS. Thank you.

Mr. Renner, you are here as chairman of the ABA's Community Bankers Division, whose membership includes virtually all the banks with less than $100 million in deposits.

I would want to associate myself with Mr. Stanton's accolade to you as leader of the 12,000 community banks, smaller banks in our country, for your action as reported on February 6, 1979, by the ABA in saying that there ought to be a uniform, universal reserve requirement on all banks and other depository institutions, members or not. That is what you did.

And I think that was a notable position, well worthy of the Stanton order of merit with which I associate myself.

My question is: Who talked you out of that? Here you are today saying you are opposed to universal reserve requirements, and you want the 230 easy-rider, taxpayer-mooching, deposit-slacking large banks to be home free, and any others that may find it in their interest.

What changed you around?

Mr. RENNER. Mr. Chairman, nothing changed our mind. I will go back to earlier in the hearing when I stated that there was an omission in the releases, that first of all, the community bankers stated that they did not believe there was any demonstrated need for universal reserves.

Then in this meeting we put three questions to them, then, in trying to look down the road in solving this issue.

No. 1, what are your feelings about exemptions? No. 2, if there was a demonstrated need for universal reserves, how would you be willing to accept them? No. 3, what can the Fed do to try to resolve this membership problem now? What haven't they been doing or what can they do? That was the basis on which that response came.

Now, it doesn't—any way, you know, you try to turn that around, you can't leave out the fact that they prefaced all this by saying they did not believe there was a need for universal reserves.

But if it was demonstrated there was, then under this framework, we would be willing to accept them on this basis.

Chairman REUSS. All we have before us, Mr. Renner, is the statement which is now being made part of this record, consisting of two mimeographed pages and bearing the logo of the American Bankers Association, which says in the clearest possible language, the central concern is that they be given assurance that there will be no further slippage in its coverage of the Nation's deposit base, and in the future its coverage will increase.

It goes on to say that truly universal and uniform reserve requirements for all depository institutions should be the basis of any attempted solution; and further that:

> If uniform Federal Reserve requirements are applied universally to all depository institutions, actual required reserve levels should be significantly lower than they are now.

The fact that the Fed would be setting reserve levels for all depository institutions would be sufficient to insure its control of monetary policy, and the reserve balances could be held elsewhere by non-Fed members.

Now, would you tell me—and I see you have this document in your hand—wherein the true and accurate position of the Community Bankers Division, as you now orally describe it, is set forth? By what piece of paper? You are saying that some gremlin got to your mimeograph machine and produced——

Mr. RENNER. No; I did not, Mr. Chairman.

Chairman REUSS. Let us see what the ABA actually said.

Mr. RENNER. All right. First of all, when they produced this, you know, I think even the ABA was surprised at the position, the statesmanlike position, I will call it, that the community bankers took, that if there were to be universal reserves, they were willing to accept them on this kind of basis.

Understand, we are talking about truly uniform, universal reserves.

Second, as far as if it looks like there is a copout, again we get back to the consensus process in the ABA. We were only a part of that consensus process.

And in the leadership conference, over 50 percent of that leadership conference is made up of community bankers.

Now there were some of the community bankers in the leadership conference who were also at the community bankers meeting.

As we make input to this consensus process, we eventually come out with the position we came out with.

Now, I think if you would go to any community banker today and say, you know, do you buy the concept of universal reserves, and he would say, no, I don't.

But again, if it is demonstrated that they are needed, if we need them for a strong central bank, and we need them to carry out monetary policy, then we are willing to pay the price to do that.

[The document referred to by Chairman Reuss follows:]

February 6, 1979 A Supplement to Capital

AMERICAN BANKERS ASSOCIATION

Perspective

Truly universal and uniform reserve requirements for all depository institutions set by the Federal Reserve should be the basis of any attempted solution to the Fed's perceived membership problem, the Community Bankers Division of the American Bankers Association (ABA) has recommended.

Some 140 community bankers from 46 states, representing banks under $100 million, met in Washington Jan. 30 to discuss the Federal Reserve issue and the several legislative proposals which have been introduced in Congress to alter the Fed's reserve-setting authority and the composition of Fed membership. The Community Bankers Division of ABA includes the 12,500 ABA member banks under $100 million, including some 8,000 with under $25 million.

Mutual savings banks, S&Ls and credit unions should be covered by the same Fed-set reserve requirements that would apply to banks under any such legislation, the community bankers said. Reserve levels should apply equally to deposits in all types of financial institutions.

Exemptions from Fed reserve requirements for certain types of financial institutions or for banks of certain sizes were rejected as being inequitable. In effect, if any single exemption can be justified, then virtually any other exemption could be justified; at that point, the question of which institutions would be exempted, and which not, in all likelihood would be resolved on an arbitrary political basis. Further, the bankers said, an exemption level set at $100 million one day could easily and arbitrarily be lowered to $50 million or $10 million or even zero the next day.

The community bankers said they had no interest in patchwork proposals which fall short of real equity, such as proposals which would levy large new reserve requirements on large non-Fed members alone. Legislative proposals on the Fed question should not discount any group of financial institutions, including small banks, as part of the solution to the problem.

If uniform Fed reserve requirements were applied universally to all depository institutions, actual required reserve levels should be significantly lower than they are now -- 4% across the board, for example. The fact that the Fed would be setting reserve levels for all depository institutions would be sufficient to ensure its control of monetary policy, and the reserve balances could be held elsewhere than the Fed by non-Fed members.

Many of the community bankers urged that no Fed reserve requirements be imposed on time and savings deposits. Instead, the Fed's reserve-setting authority should be limited to deposits in transaction accounts, they said.

However, if there are to continue to be reserve requirements for time and savings deposits at banks, the same reserve requirements should be imposed on all other types of financial institutions. The central concern is that the Fed be given assurance that there will be no further slippage in its coverage of the nation's deposit base and that in future its coverage will increase. If the Fed is given that certainty, a lengthy phase-in period for the new reserve requirements for thrift institutions could and should be allowed, the community bankers said. However, rapid elimination of the heavy burdens borne by present Fed members was recognized as an absolute necessity.

• In light of anticipated pricing of Fed services, some form of compensation for the value of reserve balances should be paid by the Fed to financial institutions which hold their reserves with the Fed. Either a form of explicit payment of interest on idle reserves or the earnings participation accounts proposed by the Fed and Senator John Tower (R-Tex.) would satisfy this requirement.

• Repeatedly in the course of the meeting, the community bankers pointed to the rapid expansion of thrifts' bank-like powers through the introduction of a variety of transaction-type accounts and through the liberalization of their lending and investment powers as factors justifying truly universal and uniform reserve requirements for all types of financial institutions.

They urged ABA to continue its efforts in all areas to end the quarter-point interest rate gap between what banks and thrifts are allowed to pay their savings depositors. Equity for bank savers and banks demands that the interest rate gap be closed.

• A distinction was drawn by the community bankers between universal reserve requirements at levels substantially lower than the current statutory reserve ranges and mandatory Fed membership. They cautioned that no change which mandates Fed membership should be undertaken, since it could cause a disproportionate shift of banks from the state banking system to the national banking system. However, it was their belief that allowing the Fed universal reserve-setting authority would solve its problems in controlling the nation's money supply without harming the dual banking system.

In addition, such a change would help to equalize the relative competitive strength of banks and their non-bank competitors.

• Improvement of the Fed's membership outlook could be achieved in large part, many of the community bankers said, if the Fed were to improve the quality and efficiency of services to its members. Complaints were voiced over certain delays in check-processing and in receiving credit for cash letters, for example. The Fed's current practices relative to the handling of Treasury tax and loan accounts were heavily criticized. Also, the Fed should adopt a stance of advocacy on behalf of its members, the bankers said. The Fed "has not done everything it could to make membership attractive," said one community banker. "We feel it can do a lot more in this regard."

• The meeting of the community bankers was one of a series called by ABA to formulate an industry-wide policy on the questions which make up the Federal Reserve issue. Previous meetings involved ABA's Government Relations Council and Governing Council; its Economic Advisory Committee; a group of bankers representing large non-Fed member banks; large correspondent banks; and economists from banks, academe, Capitol Hill and the regulatory agencies.

A consultant study being conducted for ABA on the probable impact of the pricing of Fed services is expected to be completed soon. Pricing of Fed services will be put in place in conjunction with legislative changes of the Fed's reserve-setting authority, if any. The community bankers were not asked to gauge the politics of the Federal Reserve issue. Rather, they were briefed on the issue and its complexities by banking and Fed spokesmen, and they were asked to decide what they feel is right and equitable.

• During a Feb. 13-16 Banking Leadership Conference in Washington, the political, competitive and all other facets of the Fed issue will be considered as a consensus is developed on the Federal Reserve question. Joining ABA's Government Relations Council for that meeting will be the Association's Governing Council and the leadership of the state bankers associations and other national banking trade groups -- close to 400 bankers in all.

Chairman REUSS. What steps did you, Mr. Renner, as chairman of the ABA's Community Bankers Division, take, following the publication by the ABA of this February 6, 1979, document, to inform the world that inadvertently a grossly misleading statement had been issued?

Mr. RENNER. Well, I still don't deem it as a grossly misleading statement.

Chairman REUSS. Did you take any——

Mr. RENNER. We had sent a letter out to all the people, all the community bankers advisory group after our meeting stating what had happened. It included the statement that there was not a demonstrated need for universal reserves.

Chairman REUSS. Have you got a copy of that letter?

Mr. RENNER. No, I don't have it.

Chairman REUSS. Would you supply it for the record?

Mr. RENNER. Yes, I will. I will be happy to.

Chairman REUSS. What was its date?

Mr. RENNER. It would have been about, we met the 29th and 30th of January; about the 1st of February, 1st or 2d of February. I will be very happy to.

Chairman REUSS. If you will.

[The letter referred to by Mr. Renner follows:]

AMERICAN
BANKERS
ASSOCIATION

COMMUNITY
BANKERS
DIVISION

CHAIRMAN

DIRECTOR

ASSOCIATE DIRECTOR

February 2, 1979

TO: Participants in the Community Bank Meeting
on The Federal Reserve Issue

I wish to thank you for your participation in this important meeting. The table reports were excellent, reflecting a tremendous amount of thought. Your input will be most helpful as we move forward toward an industry consensus on this issue.

The Division Executive Committee met briefly following your meeting Tuesday to summarize what was said. We have attempted to accurately reflect the consensus in the enclosed statement. Please review this carefully and share with me (317-348-2350) of L. J. Hebert (504-446-8461) any further views you have. It is important that we hear from you soon, since we will be using a final draft of this statement for our presentation on behalf of community bankers at the ABA Leadership Conference on February 13-16, 1979. Feel free to contact us at our banks. However, we will be in Washington for the Leadership meeting starting on the 13th so your response to the ABA office would be fine.

A more detailed report of your meeting will be given in the February 6 issue of Perspective--a supplement to Capital. I urge you to review it as well. Also, we plan to prepare a complete summary of the excellent table reports. This will be helpful in the full range of government relations issues being addressed by your Division.

Bill Kennedy, L. J. Hebert, and I met with members of the press following your meeting. Copies are enclosed of The Washington Post and American Banker coverage of this visit.

Again, I want to emphasize our thanks for your participation and assure you that L. J. Hebert and I, because of the meeting, feel much more comfortable about representing you and other community bankers in the forthcoming ABA Leadership Conference. We will be providing you with information about that meeting as well.

Sincerely,

Robert Renner

DRAFT

Consensus Statement of The Federal Reserve Issue
Meeting of Community Bankers Division Committee
And Advisory Board Members

Mayflower Hotel, Washington, D. C.

January 29-30, 1979

Note: The following is a summary of the views of 134 Community Bank Presidents from 46 states with the following profile:

Bank Size	%	Bank Charter	%	ABA Regions	%
Under $25 M	...36	National	42	Region I (Northeast)	14
$25 - 50 M	...42	State	58	" II (East Central)	.......16½
Over 50 M	...22			" III (Southeast)	22
				" IV (South Central)	14
				" V (North Central)	......16½
				" VI (est)	17

The Community Bankers participating in this meeting believe the following regarding the Federal Reserve Issue which will be used as a basis for the Community Bankers Division input to the ABA Leadership Conference on February 13-16, 1979.

- There is a need for a strong central bank with the capability of carrying out effective monetary policy; and community banks are willing to share the responsibility of supporting such a central bank on an equitable basis with all financial depository institutions.

- The level of reserves needed to maintain a strong central bank is uncertain. If there is a demonstrated need for universal reserves then the burden of such reserves should be applied on an equitable basis to like deposits of all financial depository institutions including commercial banks, mutual savings banks, savings and loan associations, and credit unions. Such reserves should be interest bearing with yields established from time to time based on current interest retes. However, these required reserves should be held to a minimum necessary to carry out effective monetary policy.

- Community banks oppose the concept of exempting one or more classes of financial institutions from such a reserve requirement. Such a procedure is contrary to the principle of being equitable and fair to all financial institutions; is designed to "divide and conquer" for political expediency; and are to be mistrusted. Once the concept is adopted, the exemption level could easily be changed.

- Structuring of universal reserves must be in a format and implemented over a time period that would encourage continuation of voluntary membership in the Fed; a strong dual banking system; and correspondent system as we know it today.

- Community bankers believe the Federal Reserve System can and should make membership more appealing and attractive without asking for special legislation. It is felt the system has been insensitive to its stockholders and their needs . It has kept reserve requirements at a punative level, operated the discount window too restrictively so as to make it meaningless and has continued outmoded and useless operating requirements which have resulted in driving away its shareholders.

Mr. KENNEDY. Mr. Chairman, on that particular point, I would like to point out, we are also talking about truly universal reserves to include the thrift institutions and everybody else as far as that is concerned, which creates some political problems, as you well know.

Chairman REUSS. Yes; not the least of which, by our mutual friends, the Independent Bankers, who now tell us that they get the bends at the very suggestion that the thrifts be treated like banks. Earlier we tried to do it.

As I say, you can't please everybody, though I wish I could please at least some of the bankers.

Anyway, I suggest both the Independent Bankers and the American Bankers, that they be a little more meticulous about their press releases, that the Independent Bankers when they get out a statement, as of September 1, 1978, put in red ink at the top, this is a nonstatement until our convention has ratified it; and that if the community bankers meet and decide that you don't need amenability to the Fed's reserve requiring power, that releases so state.

Anyway, a couple of questions which I think you would want to answer for the record rather than here.

One for Mr. Perkins and the ABA. On page 29 of your testimony you state that your earnings participation plan, paying interest on the first $10 million of reserves, would cost the Treasury $10 million per year more than the H.R. 7 exemptions.

Our staff tells me that your estimate for this difference is low by some $150 to $200 million.

Could you tell us for the record how you computed your $10 million, because that is a rather complicated question.

Mr. PERKINS. Yes, I have that here; but I would be glad to submit it for the record.

[The following material was subsequently received for inclusion in the record: letter from Charles F. Haywood setting forth the ABA's calculations comparing the costs to the Treasury of ABA's proposed EPA scheme and the H.R. 7 exemptions; comments by the staff of the House Banking Committee on the letter; and an analysis of total Treasury revenue effects of Federal membership proposals submitted by the American Bankers Association:]

DR. HAYWOOD'S LETTER AND STAFF COMMENT

Below is a letter setting forth the ABA's calculations comparing the costs to the Treasury of ABA's proposed EPA scheme and the H.R. 7 exemptions. Staff comment then follows.

THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., March 1, 1979.

Dr. ROBERT E. WEINTRAUB,
Staff Director, Subcommittee on Domestic Monetary Policy, Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, Washington, D.C.

DEAR BOB: As promised, I have reviewed our calculations comparing the ABA's proposed earnings participation account (EPA) and the H.R. 7 exemptions with respect to Treasury revenue loss.

The basic data we are using in making our estimates comes from a Fed computer print-out showing reserves as of December 31, 1977. It is also captioned "H.R. 7—Reuss; 9.5/3/8/1." It is the print-out from which the cost estimate of $173 million was derived for H.R. 7.

According to the print-out (line 14) reserve balances at the Fed under H.R. 7 would be $13,456.2 million for member banks. This figure can be reconciled with line 15 (current reserves at FRB) in the following way:

	Amount
Current reserve balances (line 15)	$27,338.0
Add vault cash (line 7)	9,530.5
Member-bank required reserves	36,868.5
Less: Reductions in requirements from lower H.R. ratios, ignoring the exemptions (calculated from data in line 4 and subtract that figure from $36,868.5)	5,785.5
Applied vault cash (line 8)	6,545.4
Required reserve balances, without the exemptions, at FRB	24,100.0
Exempted reserve balances	10,644.0
New reserves balances at FRB (line 9 or line 14)	13,456.2

Applying the same reserve ratios as H.R. 7, but using ABA's proposed EPA instead of exemptions, we get the following reconciliation:

	Amount
Current member-bank required reserves (from previous page)	$36,868.5
Less: Reductions in requirements from lower H.R. 7 ratios (previous page)	5,785.5
Vault cash (line 7)	9,530.5
Required reserves balances at FRB	21,552.5
Estimated EPA (under H.R. 7 ratios)	9,124.5
Nonearning balances at FRB	12,458.0
Difference between ABA nonearning balances and H.R. 7 reserve balances	977.7
New reserves at FRB, per H.R. 7	13,456.2

Using ABA's proposal on EPA and H.R. 7 ratios, the Fed's non-EPA reserves would be $997.7 million less than the non-earning reserves under H.R. 7 with exemptions.

The following cost comparisons can then be made:

	H.R. 7 with exemptions	H.R. 7 with ABA–EPA
Revenue loss from lower nonearning balances at FRB	$902.3	$967.2
Income from services	410.0	410.0
Net Fed income loss	492.3	557.2
Less tax flow-back	270.8	306.5
Net Treasury loss, member banks only	221.5	250.7
Excess of ABA–EPA over exemptions		29.2

However, under the maximum reserve ratios in the ranges proposed by ABA, the EPA accounts would have a maximum value of about $8,500 million, which is $625 million less than the EPA would be under H.R. 7 ratios. Multiplying this difference by 6.5 percent and then 45 percent, we would get an adjustment of $18.3 million from the previous difference in net cost to Treasury. Subtracting the $18.3 million from the $29.2 million, we get $10.9 million, compared to the $10 million figure in our written statement of February 28th.

The reason we would make this adjustment is that the EPA is lowered as reserve ratios are decreased. We chose to attribute more of the net cost to lower ratios than to the difference between EPA and H.R. 7 exemptions. In either case, however, our totals for net Treasury loss are not changed. That is, if we attribute more of the cost to EPA, say $29.2 million instead of $10 million, the portion attributed to lower reserve ratios is reduced from $93 million to $73.8 million.

I'll be at ABA (467-4018) through March 6th in case you would like to give me a call.

Sincerely,

CHARLES F. HAYWOOD.

Comment by Staff of the House Banking Committee

ABA's calculations err in two ways. One is an error of commission. ABA estimates EPA reserves of $9,124.5 million and H.R. 7 exempted posted reserve balances of $10,644 million, or $1,519.5 million more than total EPA reserves. This is puzzling. The same set of banks are involved for purposes of this calculation under the EPA scheme as under the H.R. 7 exemption program; i.e., those currently Federal Reserve members. (Exemptions for non-member banks cannot result in a Treasury loss from present revenues since such banks are currently exempt.)

For most member banks, EPA reserves would exactly equal H.R. 7 exempted posted reserves. For large member banks, roughly those holding more than $6.5 million in posted reserves at the end of 1977, EPA reserves would be larger than H.R. 7 exempted posted reserves. Hence, it would appear that total EPA reserves would exceed total H.R. 7 exempted posted reserves.

The following hypothetical example illustrates that EPA reserves must be larger than exempt reserves under H.R. 7.

Bank	Starting posted reserves	EPA reserves [1]	Reduction in posted reserves from exemptions [2]
A	$750	$750	$750
B	1,540	1,540	1,540
C	3,100	3,100	3,100
D	4,250	4,250	4,250
E	5,500	5,500	5,500
F	6,300	6,300	6,300
G	6,500	6,500	6,500
H	7,900	7,900	6,500
I	10,000	10,000	6,500
J	12,000	10,000	6,500
Total	57,840	55,840	47,440

[1] Maximum is $10,000.

[2] Estimated at $6,500 if fully used.

Adjusting for this error, raises the differential per annum cost of the EPA scheme, as compared to the H.R. 7 exemption program, to the neighborhood of $100 million gross—before taxes.

ABA's second error is one of omission. The return to a bank on $1 of released or exempted reserves will be higher, even after adjusting for risk, than the scheduled return on EPA reserves. Thus Treasury will recapture a higher percentage of the lost Federal Reserve rebate which results from the H.R. 7 exemption program than presently calculated by the Federal Reserve. Allowing a minimum of 1 percent higher return raises the gross annual differential cost of ABA's EPA scheme as compared to the H.R. 7 exemption program, other things the same, to the $200 million neighborhood.

Analysis of Total Treasury Revenue Effects of Federal Membership Proposals Submitted by the American Bankers Association

A. Initial Conditions

1. Total reserve balances at Federal Reserve Banks: $27,338.0 million—per print-out from Fed
2. Average portfolio yield: 6.5 percent—per print-out from Fed
3. Tax flow-back effect: 55 percent of net private-income change is assumed to return to the Treasury—per print-out from Fed.
4. Prospective income from pricing of Fed services: $410 million—per print-out from Fed

B. Proposals Analyzed

1.1. R-1—H.R. 7 as introduced by Chairman Reuss

2. R-2—H.R. 7, excluding non-member institutions; i.e., Fed with voluntary membership
3. ABA-1—ABA proposal for voluntary membership, no exemptions for member banks, earnings participation on the first $10 million of reserve balances at the Fed, and initial ratios of 9.5 percent on demand deposits, 3 percent on savings deposits, 6 percent on short-term time deposits, and 0 percent on long-term time deposits.
4. ABA-2—Same as ABA-1, except that ratio on demand deposits is 7 percent instead of 9.5 percent. (DD, 7/SAV, 3/STT, 6)
5. ABA-3—Same as ABA-2, except that ratio on savings deposits is 1 percent instead of 3 percent. (DD, 7/SAV, 1/STT, 6)
6. ABA-4—Same as ABA-3, but with 6 percent ratio on demand deposits. (DD, 6/SAV, 1/STT, 6)

C. Summary of revenue loss calculations

[Dollars in millions]

	R-1	R-2	ABA-1	ABA-2	ABA-3	ABA-4
Decreases in Fed balances	12,222.26	13,881.8	9,125.8	13,804.5	16,826.9	18,698.4
Balances in EPA	0	0	8,286.3	6,581.8	5,143.1	4,395.0
Revenue loss from:						
Reserve decreases	794.4	902.3	593.2	897.3	1,093.7	1,215.4
EPA	0	0	538.6	427.8	334.3	285.7
Gross loss	794.4	902.3	1,131.8	1,325.1	1,428.0	1,501.1
Less: Service fees	410.0	410.0	410.0	410.0	410.0	410.0
Adjusted gross loss	384.4	492.3	721.8	915.1	1,018.0	1,091.1
Less: Tax flow-back	211.4	270.8	397.0	503.3	559.9	600.1
Net Loss	173.0	221.5	324.8	411.8	458.1	491.0

D. NOTES

1. Decreases in Fed balances for R-1 and R-2 are taken directly from Federal Reserve print-out. Decreases for ABA-1 to ABA-4 were calculated from the same print-out, using same procedure as was used by Fed for R-1 and R-2.
2. EPA equals (a) total reserve requirements under the respective proposal, less, (b) applicable vault cash, less (c) reserve balances exceeding $10 million for any member bank. Under all four ABA cases, total reserve balances at the Fed for member banks up to $100 million in deposits would be in EPA. Under ABA-1, it is estimated that 50 to 60 member banks out of 571 in the $100 million-to-$500 million category would hold some reserve balances not included in EPA—we estimate this excess to be $28.2 million. Under the other three ABA cases, all reserves for this size category were included in EPA. Maximum EPA was assumed for 184 banks above $500 million; i.e., $1,840 million, except for small downward adjustments for ABA-3 and ABA-4 where reserve balances for a few of these banks would be less than $10 million each.
3. Same constants (see A above) used in calculating net loss for all cases.

Chairman REUSS. Thank you very much.

Second, a question which my colleague Mr. Ashley asked that I put on his behalf to both of you.

I think this one, too, you will probably want to answer for the record rather than here now.

What monetary implications, if any, do you anticipate as a consequence of the initiative of Sears to offer their credit card holders the opportunity to buy high-yield commercial paper, if this initiative becomes a trend setter?

Mr. PERKINS. I think we should. I can talk at some length on that. I happen to be quite familiar with it. But it is a somewhat complicated subject, and perhaps it is thinking prospectively of what could happen. It is not exactly what they had in mind when they did this. This could be handled very easily.

Chairman REUSS. If both organizations could with the aid of their excellent staff prepare an answer to that, we would be grateful.

Mr. RAYMOND CAMPBELL. Yes, Mr. Chairman, we will.

[The following responses were subsequently received from the staffs of the American Bankers Association and the Independent Bankers Association of America for inclusion in the record:]

RESPONSE FROM THE AMERICAN BANKERS ASSOCIATION

Recently, Sears, Roebuck and Company made public a plan to begin issuing notes next year to its retail customers. Details of the plan have not yet been made public, but indications are that the notes would be issued in minimum amounts of $1,000 at fluctuating interest rates with a maturity of between two and ten years. It is not certain whether the notes would be negotiable. The notes would apparently be offered through mailings to credit card customers and possibly through store sales.

The proposed Sears plan is only one example of a number of new instruments that have been offered to small and medium-sized investors by institutions other than the traditional depository institutions. Other examples include the cash management account offered by some brokerage firms and money market mutual funds. The institutions which offer these liabilities are not subject to many of the regulatory constraints imposed on depository institutions. These constraints include inflexible interest rate ceilings, reserve requirements, and a long list of other restrictions, all of which increase the costs to consumers of obtaining financial services at regulated depository institutions and make it more difficult for depository institutions to compete for funds. This raises important questions about competitive equity. However, it does not appear that the Sears plan will have any significant effect on the ability of the Federal Reserve to control the money supply. The Sears notes are likely to be close substitutes for small certificates of deposit issued by depository institutions, but not for transactions deposits. Thus, they will have no more effect on the Federal Reserve's ability to control the money supply than small certificates issued by non-member banks and thrift institutions. Many students of monetary policy feel that the Federal Reserve does not need to control the volume of time deposits, particularly longer-term time deposits, and thus conclude that there is no case for reserve requirements on this type of instrument at any type of institution.

RESPONSE FROM THE INDEPENDENT BANKERS ASSOCIATION OF AMERICA

This is a very difficult question to answer since the implications are that a firm which is not chartered or insured as a bank could, in effect, enter the consumer or, indeed, the commercial banking business. While Sears and other large retailers might look healthy today, it is not to be forgotten that Grant's which was a large retailer, went into bankruptcy a few years ago. In short, it seems wise to be skeptical about allowing firms which are not as closely supervised as banks to enter the depository business without strong conditions.

Chairman REUSS. Thank you for your usual good humor.

We will meet again at 9:30, Friday morning to hear from the thrift institutions.

[Whereupon, at 11:55 a.m., the hearing was adjourned.]

[The following letter was received from Messers Kopecky, Parke and Porter responding to Mr. Haywood's letter on page 626.]

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Washington, D.C., April 4, 1979.

Mr. ROBERT D. AUERBACH, *Economist,*
Committee on Banking, Finance and Urban Affairs,
U.S. House of Representatives, Washington, D.C.

DEAR BOB: We thank you for the opportunity of replying to Mr. Charles Haywood's letter, dated March 30, 1979. Of course, the views expressed in this letter do not necessarily represent the views of the Board of Governors of the Federal Reserve System.

In his March 30 letter, Mr. Haywood lists the following points made in his original memorandum: [1]

(1) The Federal Reserve model overstates the probability of random movement of checks between member and nonmember banks.

(2) The Federal Reserve model ignores "on us" checks.

(3) The Federal Reserve model overstates the deposit (or M-1) multiplier affecting shifts of funds between member and nonmember banks.

(4) The Federal Reserve model is not relevant to the question of deposit shifts between member and nonmember banks.

In our March 19 letter, we stated that Haywood's original memorandum contains "fundamental errors of economic and mathematical analysis." On page 2 of his March 30 letter, Mr. Haywood denies this assessment. We now briefly list Haywood's errors concerning the above four points. With respect to points (1) and (2), Haywood assumed that the writing of a check is a random variable and that "on us" checks should be explicitly considered. Taking these changes into account, Haywood stated in his original memorandum that the reduction in the variance of deposit flows would equal a certain magnitude. Now, the calculation of a variance for a specific probability model is a straightforward *mathematical* exercise. When we derived the variance of deposit flows, taking into account Haywood's proposed changes, it turned out mathematically that the reduction in variance was *considerably* less than Haywood claimed. Thus, Haywood's analysis of his proposed changes to our probability model was mathematically in error.

With respect to points (3) and (4), Haywood states on page 2 of his March 30 letter that "the implication that the multiplier is 25 comes from the example alone [in our November 7, 1977 memorandum] and not from the model. The example used by Kopecky and which is found in their original memorandum is in error." As we demonstrated mathematically in our March 19 letter, our example is based directly on our model. Neither the example nor the model implies a deposit multiplier of 25. Thus, Haywood's claim that the example is wrong while the model is not represents a logical inconsistency stemming from a mathematical and/or economic error on his part.

Next, Haywood states on page 2 of his March 30 letter that "my discussion of their example was intended to bring out the flaw in the concept being used." The flaw referred to is the underlying model of the banking system which describes the relationships among the public, the Federal Reserve, member banks, and nonmember banks. This model is a simple extension of the model found in Kopecky's *Journal of Finance* article. It is based on the concept that nonmember bank deposits are linked to member bank reserve balances at the Federal Reserve via correspondent balances held by nonmembers at member banks. In the spirit of scientific inquiry, no model is ever final. Nonetheless, we are not aware of any published criticism which finds a "flaw" in Kopecky's description of the institutional and economic arrangements within the present-day banking system. Indeed, Haywood has not identified the flaw (i.e., which equation or set of equations is misspecified in the model) in his written comments or in working sessions with us. Thus, until further developments are forthcoming, Kopecky's model is a useful vehicle for analyzing deposit flows between member and nonmember banks.

Finally, we agree with Haywood that the "dispute, however, is not so much about "essential points" as it is about the magnitude of random variation." [Haywood's March 30 letter, page 2] The largest impact of the ABA proposed modifications on our estimates of random flows occurs when the ratio of member bank deposits to total deposits is 1/2. At this ratio we estimated that the standard deviation (annualized) of monthly M-1 growth rates would be 3.44 per cent due to random interbank deposit flows between member and nonmember banks. Taking into account "on-us" checks in the manner suggested by Haywood would reduce the M-1 error to between 2.44 and 3.27 per cent. That is, the ninety-five percent confidence interval estimate for monthly growth rates of M-1 would be either plus or minus 4.88 percentage points or plus or minus 6.54 percentage points, depending on the assumed proportion of on-us checks. The magnitudes of these estimates, we believe, are "consequential".

Yours sincerely,

KENNETH J. KOPECKY
DARREL W. PARKE
RICHARD D. PORTER

[1] We initially wrote a Federal Reserve Board memorandum entitled, "The Effect of Interbank Deposit Flows on Monetary Control," on November 7, 1977. Mr. Haywood provided a critical analysis of our memorandum in an ABA memorandum, "The Fed's Error About Non-Member Banks and Monetary Policy," February 26, 1979. We responded to Haywood's criticisms in a letter to Mr. Robert D. Auerbach on March 19, 1979.

MONETARY CONTROL

FRIDAY, MARCH 2, 1979

House of Representatives,
Committee on Banking, Finance and Urban Affairs,
Washington, D.C.

The committee met at 9:30 a.m., in room 2128 of the Rayburn House Office Building; Hon. Henry S. Reuss (chairman of the committee) presiding.

Present: Representatives Reuss, Stanton, and Kelly.

Chairman Reuss. Good morning. The House Committee on Banking, Finance and Urban Affairs will be in order for its continuation of hearings on H.R. 7, the Monetary Control Act of 1979, and allied measures.

Today, our witnesses represent two thrift institutions. Statements have already been submitted for inclusion in the record, and without objection will be included, from U.S. League of Savings Associations, National Savings & Loan League, the Resident Commissioner of the Commonwealth of Puerto Rico, as well as the National Association of State Savings & Loan Supervisors, and the National Association of Mutual Savings Banks.

[Statements referred to above may be found following the proceedings of this day.]

We have with us today Roy Hollihan, president, National Association of Federal Credit Unions and David S. Wright, chairman of the board, Credit Union National Association.

We are delighted to have you with us. Please proceed, Mr. Hollihan.

STATEMENT OF ROY HOLLIHAN, PRESIDENT, NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS (NAFCU), ACCOMPANIED BY RICHARD M. M. McCONNELL, EXECUTIVE VICE PRESIDENT OF NAFCU

Mr. Hollihan. Thank you.

Mr. Chairman, members of the committee, my name is Roy Hollihan. I am manager of Redstone Federal Credit Union in Huntsville, Ala., a member-owned financial institution with more than $154 million in assets that serves approximately 71,800 members.

In addition, I am president of the National Association of Federal Credit Unions, the only nationwide trade association exclusively representing federally chartered credit unions. There are almost 13,000 such credit unions throughout the Nation, and their 21 million members have more than $30 billion in savings.

With me is Dick McConnell, executive vice president of our association.

We appreciate the opportunity to testify today, and to give the support of the National Association of Federal Credit Unions to legislative proposals aimed at reinforcing the ability of the Federal Reserve to monitor and control the Nation's money supply.

Traditionally, discussion over the Fed's ability to control the money supply has focused on the declining membership in the Federal Reserve System. This has necessarily highlighted the Fed's close relationship with the commercial banking industry. Now, the focus has rightly shifted to the overall question of how the Federal Reserve System and financial institutions can most equitably interact to secure the greatest public good.

In the past few years, there has been growing concern in the credit union community about the near monopoly the commercial banking industry has enjoyed over Federal Reserve services. We understand there are historical reasons for this; but times, and needs, do change. For example, credit union third-party payment instruments have been barred from direct clearance and settlement through the Federal Reserve System. Credit unions and other thrifts have been barred, in some parts of the country, from participation in automated clearinghouses operated by the Federal Reserve.

Today, much of this is changing. Thanks to the Congress, and especially to this committee, credit unions enjoy new powers that give them improved ability to serve their consumer-members. Development of nationwide NOW-type accounts may sidestep the share draft issue now being contested in the courts by the banking industry. And credit unions are winning a place in the activities of ACH's, so much so that I and several other credit union officials serve on ACH boards.

Yet these changes, progressive as they are, have brought some new problems. The provision of new powers to credit unions has brought the need for still greater access to Federal Reserve services. At the same time, the introduction of share drafts and credit/debit cards in credit unions has contributed to a decline in the Fed's ability to control the Nation's money supply and a consequent weakening of the Fed's ability to implement monetary policy.

These developments, of course, have made urgent the need for more information about the money supply. H.R. 7 would authorize the Federal Reserve to collect such data from all types of financial institutions, and we wholeheartedly endorse this element of the legislation. In addition, we endorse the bill's requirements for publication of a pricing schedule for Fed services, for making those services available to all depository institutions on a nondiscriminatory basis, and for allowing financial institutions with transaction accounts access to the Federal Reserve's discount window.

Regarding the widening of Fed-mandated reserves to include nonbank financial institution, NAFCU believes that such reserve requirements should meet several standards. These are:

Establishment of exemptions for financial institutions below a certain asset category. At the present time, few credit unions have transaction account balances exceeding $10 million—the exemption level suggested in the Federal Reserve proposal—and none have balances exceeding the $50 million specified in H.R. 7. Consequently, NAFCU supports the higher exemption, if, as provided in H.R. 7, no interest is paid on such reserves.

The association also contends, however, that it is essential that interest be paid on Fed-mandated reserves. It has been argued that payment of interest on reserves would deprive the Treasury and ultimately the people of the United States of some of the income now provided from the profits of the Federal Reserve System.

Overlooked is the fact that these profits are generated in part from a financial system that artificially holds down the yield on consumer savings and bars financial institutions from paying any yield on demand deposit accounts. Nonpayment of interest on required reserves is a form of indirect taxation of financial institutions.

Interest paid to financial institutions—especially credit unions, which are member-owned—on reserves could be returned to consumers, who are also indirectly taxed through laws and regulations that artificially depress the yield on savings. Consequently, NAFCU would support a $10 million exemption if interest were paid on reserves.

Finally, if reserves are to be imposed, credit unions should be able to keep these reserves in the Central Liquidity Facility, perhaps as part of the capitalization of that facility. We understand that if the CLF can sterilize these funds to the satisfaction of the Federal Reserve, the Fed would have no objection to letting the CLF hold credit union reserves.

In summary, the National Association of Federal Credit Unions applauds the efforts of the committee to come to grips with several major problems facing financial institutions and the Nation at large. It specifically endorses the reporting requirements of H.R. 7, as well as those elements mandating a pricing of Fed services and extension of those services to all depository institutions. NAFCU also supports the provision of discount window facilities to financial institutions offering transaction accounts.

In addition, the association supports extension of reserve requirements to all depository institutions offering transaction accounts—with appropriate exemptions—if interest is paid on such reserves and if such reserves for credit unions can be held at the CLF.

Mr. Chairman, members of the committee, thank you for allowing the National Association of Federal Credit Unions to appear today. Mr. McConnell and I will be happy to answer any questions you may have.

Chairman Reuss. Thank you very much.

Mr. Wright.

STATEMENT OF DAVID S. WRIGHT, CHAIRMAN OF THE BOARD, CREDIT UNION NATIONAL ASSOCIATION, ACCOMPANIED BY JIM R. WILLIAMS

Mr. Wright. Mr. Chairman, my name is David S. Wright. I am a credit union volunteer from Michigan and I am also chairman of the Credit Union National Association, Inc.—CUNA. With me today is Jim R. Williams, immediate past chairman of CUNA and chief executive officer of the Government Employees Credit Union, San Antonio, Tex.

CUNA appreciates this opportunity to comment on the Monetary Control Act of 1979, H.R. 7. The battle against inflation; the ability of the Nation's central bank to help conduct that fight through effective monetary policy controls; the safety and soundness of the Nation's financial system; and the promotion of competitive equality among all financial institutions, with its benefits to the consumers of all financial services, are subjects of importance to all of us, whether we call ourselves bankers, savings and loan association officers, or credit union officials.

During the last Congress, credit unions achieved a number of legislative objectives aimed at enabling our financial cooperatives to better serve their members' savings and borrowing needs in today's modern financial environment. The updating of credit union services and the modernization of NCUA were accomplished as a direct result of your efforts, Mr. Chairman, as well as those of other members of this committee. We sincerely appreciate your efforts and support.

We realize that the new powers we obtained also brought new responsibilities. At the conclusion of CUNA's quarterly meetings this week, we adopted the following policy statement in support of monetary control legislation.

Reserves on transaction accounts should be uniform for all financial institutions. Reserves should be held in the private credit union corporate central system and/or the Central Liquidity Facility. Reserves should earn a reasonable rate of return commensurate with sound monetary policy. And last, access to the Federal Reserve System and its services should be available to all financial institutions on an equitable basis, including voluntary membership.

Clearly, the time has come for the Federal Reserve to update its control over reserves as a tool of monetary policy. CUNA believes it is appropriate for the Board to be permitted to establish a uniform level of reserves for all transaction accounts, and we support the Congress attempts to determine the most appropriate level of reserves commensurate with public policy considerations.

However, CUNA is concerned that the broad definition of category A deposits found in H.R. 7 might be interpreted so as to empower the Federal Reserve to impose reserve controls on nontransaction share accounts and other types of savings accounts at thrift institutions. Both you, Mr. Chairman, and Chairman Miller of the Federal Reserve have assured us that such a goal is not an objective of this bill. We ask, before reporting out this legislation, that both the legislation and the committee report language state clearly that credit union share accounts and the savings deposits of thrift institutions are outside the reserving powers given the Federal Reserve by H.R. 7.

With regard to reserve levels, it would be our hope that reserve requirements set by the Fed would not exceed those required by NCUA. In particular, Federal Reserve and NCUA reserves should not duplicate each other. Such duplication would have an adverse effect on credit unions and their ability to serve their members.

CUNA strongly supports the concept of payment of interest on required reserve balances. We are aware that Treasury is concerned over the possible loss of revenue from this innovation. We share this concern and support the Carter administration's efforts to avoid inflationary spending and achieve a balanced budget.

These two concepts are not contradictory. The increased reserves that H.R. 7 would provide the Fed, coupled with additional reserves brought in under the Federal Reserve Board's proposed amendments, would increase system earnings thus helping to minimize losses to the Fed.

In our opinion, the imposition of Federal Reserve charges for its services under the legislation should become effective simultaneously with the reserve requirements of the bill. These changes, we believe, would further reduce, and perhaps eliminate altogether, any revenue losses by offsetting the new costs with income earned from the sale of Fed services.

What is essential to achieving the monetary goals sought by this legislation is the ability of the Federal Reserve to adjust required reserve levels—not the place in which reserves are held. The private credit union corporate central system and the Central Liquidity Facility are the appropriate depositories for the credit union reserves envisioned by this legislation.

Depositories holding transaction account reserves for the Fed should also be able to pay the same rate of interest on these reserves as authorized for Federal Reserve Earnings Participation Accounts.

CUNA supports the principle that all financial institutions covered by this legislation should be given access to all Federal Reserve services, as well as the discount window. Broadening access to those services will have the beneficial effect of strengthening the payment mechanism which underpins all of the Nation's economic transactions. It is CUNA's position that charges levied for these services should not discriminate against any financial institution.

Credit unions are examined and regulated by the National Credit Union Administration and State regulatory agencies. It is our hope that the committee will clearly state in report language accompanying this bill that it is not the intent of Congress to introduce additional examination burdens on any financial institution as a result of this proposal.

Passage of this legislation hopefully will transform the Nation's central bank into a system more responsive to the needs of all the Nation's financial institutions. It will provide the Fed with a broader viewpoint if positions of authority, at all levels of the Fed, are open to persons from credit unions and from other financial institutions.

Alternative bills which continue the voluntary system of Federal Reserve membership apply only to banks. Should the Congress determine that one of these proposals would better serve the monetary policy needs of the Nation, we ask that the bills be amended to allow credit unions and other nonbank depository institutions to join the system.

Mr. Chairman, CUNA applauds the early efforts of this committee and others in the 96th Congress to address the very real problem of Federal Reserve membership and its impact on the Nation's economy. Thank you again for this opportunity to express our views on the Monetary Control Act of 1979.

[Mr. Wright's prepared statement, on behalf of the Credit Union National Association, Inc., follows:]

STATEMENT OF DAVID S. WRIGHT

CHAIRMAN OF THE BOARD

OF THE

CREDIT UNION NATIONAL ASSOCIATION, INC.

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

IN HEARINGS ON H.R. 7

"THE MONETARY CONTROL ACT OF 1979"

MARCH 2, 1979

The Credit Union National Association, Inc. (CUNA) is an association of Credit Union Leagues, representing each state and the District of Columbia. Through the Leagues, CUNA represents nearly 22,000 Federally and State chartered credit unions which serve more than 40 million members. Credit unions are cooperative, non-profit associations that offer various financial services to their members.

Mr. Chairman and members of the Committee, my name is David Wright. I am a credit union volunteer from Michigan and I am also chairman of the Credit Union National Association, Inc. (CUNA). With me today is Jim R. Williams, immediate past chairman of CUNA and chief executive officer of the Government Employees Credit Union, San Antonio, Texas.

CUNA appreciates this opportunity to comment on the Monetary Control Act of 1979, H.R. 7. The battle against inflation; the ability of the nation's central bank to help conduct that fight through effective monetary policy controls; the safety and soundness of the nation's financial system; and the promotion of competitive equality among all financial institutions, with its benefits to the consumers of all financial services, are subjects of importance to all of us whether we call ourselves bankers, savings and loan association officers or credit union managers.

During the last Congress, credit unions achieved a number of legislative objectives aimed at enabling our financial cooperatives to better serve their members' savings and borrowing needs in today's modern financial environment. These achievements include the ability to offer long-term home loans, credit cards and share certificates, the establishment of a central liquidity facility to aid credit unions during tight money periods as well as the restructuring of the National Credit Union Administration to enable that agency to better perform its regulatory mission. The updating of credit union services and the modernization of NCUA were accomplished as a direct result of your efforts Mr. Chairman, as well as those of other members of this Committee. We sincerely appreciate your efforts and support.

We realize that the new powers we obtained also brought new responsibilities. During meetings with the Federal Reserve Board we were asked to support this legislation in the public interest. We agree that the legislation is in the public interest and are pleased to give it our support.

At the conclusion of CUNA's quarterly meetings this week, the Association adopted the following in support of monetary control legislation:

1. Reserves on transaction accounts should be uniform for all financial institutions.

2. Reserves should be held in the private credit union corporate central system and/or the NCUA's Central Liquidity Facility.

3. Reserves should earn a reasonable rate of return commensurate with sound monetary policy.

4. Access to the Federal Reserve System and its services should be available to all financial institutions on an equitable basis, including voluntary membership.

At this time, I would like to comment on some of the issues contained in the various monetary control proposals being considered by the Congress.

The twin issues of Federal Reserve membership structure and reserve setting authority are really one -- the question of the Fed's diminishing control over monetary policy due to member banks withdrawing from the Federal Reserve System because of the high cost of maintaining sterile reserves and high reserve levels.

Membership in the Federal Reserve System is mandatory for the nation's 4,700 national banks but voluntary for the 8,300 state-chartered banks. Approximately 1,100 state banks have elected to join the System but that number has constantly declined. There are about 230 significantly large banks which are not members.

We also recognize the fact that this monetary problem of the Fed has been exacerbated by the growth of negotiable orders of withdrawal accounts, share draft accounts and other types of transaction accounts at thrift institutions, banks and credit unions.

This problem grows each day as innovative regulators add new types of transaction accounts, such as the Federal Home Loan Bank Board's payment order accounts and the Federal Deposit Insurance Corporation's/Federal Reserve's automatic transfers from savings to checking accounts. The result of these innovations is beneficial to consumers but creates problems for the Fed in its ability to carry out its monetary function.

Basically two different legislative solutions have been proposed. One approach, as it applies to credit unions, would impose universal reserve requirements as determined by the Federal Reserve, with certain exemption levels, on all institutions offering transaction accounts. The other is to continue the present system as is -- bank-only and voluntary membership for state-chartered banks -- but with lower reserve levels, uniform rather than graduated reserve requirements, and the payment of interest on reserves up to a certain level.

The first approach is exemplified by your bill, Chairman Reuss, H.R. 7, and S. 85 by Senator William Proxmire. Both would impose universal reserve requirements on transaction accounts, although H.R. 7 would exempt the first $50 million in transaction deposits and S. 85 the first $40 million.

Basically, the Fed supports the principle of both bills but wants the exemption level dropped to $10 million. It also wants authority to pay interest at its portfolio rate on reserves held on deposits between $10 million and $40/$50 million.

We note, Mr. Chairman, that the Treasury backs the objectives of your bill but has conditioned its support on the assumption that the Federal Reserve will minimize any revenue loss to the Treasury during the years of transition to the new system. While strongly supporting the payment of interest on reserve balances, CUNA also wants the cost to the Treasury held to a minimum, thus avoiding any inflationary impact.

The second approach is exemplified by bills introduced by Representative William Stanton of this Committee and Senator John Tower. Basically, these bills -- H.R. 2133 and S. 353 -- would preserve the voluntary aspect of the Federal Reserve System while at the same time reducing reserve requirements for member banks, authorizing the payment of interest on certain levels of reserve balances, establishing uniform requirements for each deposit category, and requiring the Fed to charge for services it performs for member banks.

UNIVERSAL RESERVES

The monetary purpose of reserves is to place a cap on the extent to which a financial institution may "create money." Bank demand deposits (checking accounts) are spendable like currency and therefore are money. When a bank makes a loan and deposits the proceeds to the borrower's checking account, the bank's demand deposits, and thus the money supply, are increased by the amount of the deposit.

Traditional share accounts -- those without the third party payment feature -- have not in the past been considered money like bank checking accounts because they could not be readily spent. The share account had to be converted into a bank check or cash and this transaction reduced the credit union's bank account or cash on hand. Consequently, it has never been considered demand money.

Negotiable share drafts, however, give credit unions the ability to create money and in a theoretical sense their ability is without limit. Placing credit unions on a fractional reserve basis like commercial banks would limit this money-creating ability. We recognize our new role in the nation's money supply and are prepared to accept our responsibilities created by this new role.

The call for universal reserving on transaction balances, however, moves credit unions from the safety reserves imposed by the NCUA and state agencies to monetary reserves imposed by the Federal Reserve. These latter reserves are a tool of monetary policy but the deposit base against which they are imposed has eroded over time. Universal reserving represents an attempt to increase the deposit base against which the Fed has control.

Clearly, the time has come for the Federal Reserve to update its control over reserves as a tool of monetary policy. This control must be modernized not only with regard to reserve balances held at commercial banks but with regard to transaction balances held at financial institutions outside the Federal Reserve's control.

CUNA believes it is appropriate for the Board to be permitted to establish a uniform level of reserves for all transaction accounts, and we support the Congress' attempts to determine the most appropriate level of reserves commensurate with public policy considerations.

However, the Association is concerned that the broad definition of "Category A" deposits found in H.R. 7 might empower the Federal Reserve to impose reserve controls on share accounts and other types of savings accounts at other financial institutions. Both you, Mr. Chairman, and G. William Miller, Chairman of the Federal Reserve, have assured us that such a goal is not an objective of this bill. We ask, before reporting out this legislation, that both the legislation and its accompanying committee report language state clearly that credit union share accounts and the savings deposits of thrift institutions are outside the reserving powers given the Federal Reserve by H.R. 7.

With regard to reserve levels, it would be our hope that reserve requirements set by the Fed would not exceed those required by NCUA. In particular, Federal Reserve and NCUA reserves should not be duplicative of each other. Such duplication would have an adverse effect on credit unions and their ability to serve their members. We strongly urge that the legislation be amended to provide that reserves required by NCUA count against reserves imposed by the Fed.

PAYMENT OF INTEREST ON RESERVES

As we discussed earlier, a number of the monetary control bills before Congress call for the payment of interest on reserve balances. It is generally conceded that such payment would aid the Fed in retaining members and thus help it achieve its monetary policy goals through control over a greater percentage of deposits.

CUNA strongly supports the concept of payment of interest on required reserve balances. We are aware that Treasury is concerned over the possible loss of revenue from this innovation. We share this concern, and support the Carter Administration's efforts to achieve a balanced budget and avoid inflationary spending.

These two concepts are not contradictory. The increased reserves that H.R. 7 would provide the Fed, coupled with the additional reserves brought in under the FRB earnings participation account proposal, would increase System earnings thus helping to minimize losses to the Fed.

In our opinion, the imposition of Federal Reserve charges for its services under the legislation should become effective simultaneously with the reserve requirements of the bill. This would further reduce, and perhaps eliminate altogether, any revenue losses by offsetting the new costs with income earned from the sale of Fed services.

WHERE SHOULD RESERVES BE HELD?

CUNA does not believe it is necessary to hold reserves with the Fed to conduct effective monetary policy. What is essential to achieving the monetary goals sought by this legislation is the ability of the Federal Reserve to adjust required reserve levels -- not the place in which reserves are held. The private credit union corporate central system and the NCUA's Central Liquidity Facility are the appropriate depositories for the credit union reserves envisioned by this legislation. We also believe that the Federal Home Loan Bank's system is the site at which savings and loan association reserves should be held.

The depositories holding transaction account reserves for the Fed should also be able to pay the same rate of interest on these reserves as that authorized for Federal Reserve Earnings Participation Accounts.

ACCESS TO FEDERAL RESERVE SERVICES

CUNA supports the principle that all financial institutions covered by this legislation should be given access to all Federal Reserve services such as currency and coin services, check clearing and collection services, wire transfer services, automated clearing house services, settlement services and security safekeeping services.

Broadening access to these services will have the beneficial effect of strengthening the payment mechanism which underpins all of the nation's economic transactions. It is our position that charges levied for these services should not discriminate against any financial institutions. Discriminatory pricing would be

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counter productive to the positive effects which would be achieved under this legislaltion.

Finally, CUNA supports access by all financial institutions affected by this legislation to the Fed as a lender of last resort. Coupled with the Central Liquidity Facility, access to the discount window will provide credit unions with additional flexibility to respond to economic disruptions and further enchance the overall safety and soundness of the nation's financial system.

REGULATORY BURDENS

Credit unions are examined and regulated by the National Credit Union Administration and the state regulatory agencies. While it clearly is not the intent of this legislation to impose any new examination burden upon financial institutions holding transaction account reserve balances, it is our hope that none would inadvertently occur. The unnecessary cost and inflationary impact of duplicative examination and regulation of all financial institutions is an evil that the Congress is attempting to correct once again this year. It is our hope that the Committee would state unequivocally in the report language accompanying this bill that it is not the intent of Congress to introduce additional regulatory burden on any financial institutions as a result of this proposal.

FEDERAL RESERVE MEMBERSHIP

Passage of this legislation hopefully will transform the nation's central bank into a system more responsive to the needs of all the nation's financial institutions. Currently the Federal Reserve works its policy decisions exclusively through the nation's banks. These policy decisions are important to all elements of our society.

By opening up the system to other institutions, this legislation will provide the Fed with a broader viewpoint. It can do so, however, only if positions of authority at all levels of the Fed are open to persons from credit unions and other financial institutions. CUNA supports the efforts of Congress to open Fed decision-making to the influence of a broader segment of society.

Alternative bills which would continue the voluntary system of Federal Reserve membership apply only to banks. Should the Congress determine that one of these proposals would better serve the monetary policy needs of the nation, we ask that the bills be amended to allow credit unions and other non-bank depository institutions to join the System.

CONCLUSION

CUNA applauds the early efforts of this Committee and others in the 96th Congress to address the very real problem of Federal Reserve membership and its impact on the nation's economy.

We believe it is appropriate for the Federal Reserve Board to establish uniform levels of reserves on all transaction accounts. We strongly support payment of interest on required reserve balances consistent with sound monetary policy. Further, we believe that there are appropriate facilities within the credit union movement and NCUA where these reserves should be held.

Finally, we believe that access to the Federal Reserve System and its services should be available to all financial institutions holding transaction account reserves under this legislation and voluntary membership should be available regardless of whether reserves are required on transaction accounts.

Thank you again for this opportunity to express our views on the Monetary Control Act of 1979. This concludes our statement. We will be happy to answer any questions you or other members of the Committee might have.

Chairman REUSS. Thank you very much, Mr. Wright.

Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman.

In light of the fact that the recent budget of the President increased the Federal spending by $40 billion and increased the deficit by $41 billion, what particular aspect of the administration's efforts did you have reference to when you applauded them for their anti-inflationary efforts?

Mr. WRIGHT. My understanding of the President's objective was to reduce the rate of deficit, as opposed to the previous budgets. It is in this direction that we would hope that they would continue.

Mr. KELLY. Did you agree with the President's base for arriving at the deficit that he had?

In other words, you think that we are not going to have any downturn in the economy and inflation is going to be reduced?

Mr. WRIGHT. We would hope that the impact of this bill would have some effect upon the inflationary rate. This is why we advocate passage of the legislation.

Mr. KELLY. Then you feel as though the Fed has been hampered in controlling the monetary supply, the money supply?

Mr. WRIGHT. We think that its impact is restricted by the deterioration in membership in the Fed; yes, sir.

Mr. KELLY. Could you give me some details on that?

Mr. WRIGHT. My understanding is that there are some 280 State banks which do not participate and that this has some impact upon their ability to control the monetary policy.

Mr. KELLY. In other words, the activity of the State banks—the State banks are printing money?

Mr. WILLIAMS. I think, basically, it is the fact that the Federal Reserve currently does not have the authority and power to establish reserve requirements on all financial institutions. There are some very large, major banks that are members of the Fed and, therefore, are not subject to the reserve policies, which has an effect upon the power of the Federal Reserve System to control the economic and monetary system of the United States.

Mr. KELLY. And you think that that impact is sufficient to the extent that if we can rectify that, then we will be able to reduce inflation?

In other words, you think it is the State banks that are causing inflation?

The administration thinks it is the private sector; you think it's the State banks. And neither of you think that the monetary and fiscal policy as conducted by the Government is causing inflation. Is that your position?

Mr. WILLIAMS. I don't really think that that is our position at all. I think our position is that we feel that, in today's marketplace, in today's economy, that it would be better economic policy to be able to control the reserves of all financial institutions dealing with transaction accounts. But I don't think that we are qualified to comment on the Federal budget itself.

Mr. KELLY. Do you think the banks that don't want to come in should be brought in kicking and screaming? And you think there is some danger to the dual banking system, that that is not a proper consideration, that what we should do is, help the Fed in being able to manage the monetary policy of the United States?

Mr. WILLIAMS. We feel that the monetary policy of the United States could probably be better controlled if all financial institutions had some type of reserve requirement on transaction accounts, which are, as we understand it, one of the primary problems with controlling the money supply, if you will.

Mr. KELLY. That is just a little bit less stringent than either of the bills that have been suggested, isn't it?

Mr. WILLIAMS. Yes, sir, it probably is.

Mr. KELLY. So you're not really saying that you are really gung-ho for either one of these bills.

Mr. WILLIAMS. I think we would accept this particular bill with the conditions outlined in our testimony.

Mr. KELLY. And you would accept the damage if a tank ran over you.

Mr. WILLIAMS. We would have to in that situation, yes, sir.

Mr. KELLY. Thank you, Mr. Chairman.

Chairman REUSS. Thank you, Mr. Kelly.

Mr. Stanton.

Mr. STANTON. No questions, Mr. Chairman.

Chairman REUSS. Gentlemen, we are most grateful. You have both made excellent statements which will be valuable in the quest of this committee for legislation which provides the Fed with the inflation-fighting tools it needs, but which takes into account the position of the taxpayers of this country and avoids imposing a further deficit on them.

Thank you very much.

We now stand in adjournment. The committee will meet at this place at 9:30 on Monday morning for continued hearings.

[Whereupon, at 9:57 a.m., the committee was recessed, to reconvene at 9:30 a.m., Monday, March 5, 1979.]

[The statements for inclusion in the record referred to by Chairman Reuss in the opening of the hearing follow:]

BALTASAR CORRADA
RESIDENT COMMISSIONER, PUERTO RICO

JOSÉ E. DEL VALLE
ADMINISTRATIVE ASSISTANT

COMMITTEES:
EDUCATION AND LABOR
INTERIOR AND INSULAR AFFAIRS

Congress of the United States
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WRITTEN STATEMENT OF THE HONORABLE BALTASAR CORRADA
RESIDENT COMMISSIONER OF PUERTO RICO
on H.R. 7

before

the Committee on Banking, Currency and Housing

I appreciate the opportunity to present my views and those of the Government of Puerto Rico concerning H.R. 7. It is my understanding that, as presently drafted, H.R. 7 would, for the first time since the passage of the Federal Reserve Act in 1913, extend reserve requirements to the locally chartered commercial banks in Puerto Rico.

I would like to state at the outset that I as well as the Government of Puerto Rico am strenously opposed to the revocation of the exemption from federal reserve requirements which has been historically accorded to locally chartered commercial banks on the island. This exemption has been consistently maintained, surviving numerous amendments to the Federal Reserve Act.

The exemption is part of a program by the Congress which encourages capital formation in Puerto Rico.

The question as to the appropriate relationship between the Puerto Rican banking system and the mainland United States banking system was considered by the Congress as recently as last year. In the International Banking Act of 1978 (IBA), the Congress classified locally chartered Puerto Rican commercial banks as "foreign banks" and did not impose reserve requirements on them in recognition of the traditional applicability of local reserve requirements. The IBA was written and passed under the wholly appropriate assumption that federal reserve requirements should not be imposed on "foreign banks," especially when these are located in their own charter granting area. The IBA also defined mainland branches of Puerto Rican banks as "foreign branches," thus permitting them to operate on the mainland. The legislation made these branches subject to certain reserve requirements as they are spelled out in the Act. Congress has always recognized that it is the economy of Puerto Rico which warrants different reserve requirements treatment for banking institutions in the island, rather than any arbitrary distinction between locally chartered banks and branches of mainland banks. Reserve requirements for branches of mainland national banks located in Puerto Rico are considerably different than those established for national banks on the mainland. To now mandate the reserve requirements proposed in H.R. 7 would not only create an anomalous situation which would contradict the underpinnings of the IBA, but would run contrary to the long standing congressional policy of assisting the development of the Puerto Rican economy.

1. Banks and the Economy of Puerto Rico. In the last thirty years, the Government of Puerto Rico has made a forceful effort to strengthen and diversify our economy. Most important, economic integration with the mainland has increased. Mainland investment has been attracted to Puerto Rico by tax incentives in both the federal and the Puerto Rican tax laws.

In recent years Puerto Rico has been largely affected by the same economic problems as the mainland United States -- rising prices and the 1973-75 recession. However, there are clear differences in the degree of severity of the problems. Puerto Rico's geographical distance from the mainland and its more fragile economy compounded some of the economic problems which became more acute between 1973 and 1977.

While the unemployment rate in Puerto Rico in recent months has declined, present unemployment continues at approximately 18 percent which is substantially higher than the rate on the mainland United States. Construction employment -- which is highly dependent upon bank credit -- is still well below historic high levels, although in the path of recovery from the critical 1975-1977 Puerto Rico continues to have a fixed capital formation problem. Annual gross fixed capital investment for Puerto Rico actually declined from a high of just over $2 billion for the fiscal year ended June 30, 1975 to just under $1.5 billion for the fiscal year ended June 30, 1977. The trend of decrease in the private gross fixed capital investment started in 1973, when we had a high of $1.036 billion to a low of $908 million for the year ended June 30, 1977. Fortunatelly, the policies of the new administration in Puerto Rico and the economic recovery experienced in the mainland have reversed the downward trend and we are slightly recovering.

In the fiscal year ended June 30, 1978 gross fixed private capital investment amounted to $1.106 billion, an increase of $198 million over the previous year and total fixed capital investment was $1.716 billion, an increase of $202 million, over the year ended June 30, 1977.*/ See Table 1.

An expanding supply of capital is necessary to continue Puerto Rico's economic development. Compared to the mainland United States, a shortage of capital exists in Puerto Rico. As shown in Table 2, commercial bank loans per capita in Puerto Rico were approximately $1400 in 1977, which was less than half of the $3144 per capita loans for mainland United States banks. Application of the proposed legislation to Puerto Rican banks would exacerbate our capital shortage problems.

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*/ Source: Puerto Rico Planning Board

Like other economies which have sought to modernize over a relatively short period, the construction industry is particularly important to Puerto Rico. The ratio of construction expenditures to personal income in Puerto Rico for the five-years ended June 30, 1978 was approximately 17.1 percent. See Table 4. For 1973 through 1977, the average percentage of construction expenditures to personal income throughout the United States was only 11.1 percent -- approximately one third lower than in Puerto Rico.

As part of its continuing effort to resolve these problems, in 1978 Puerto Rico adopted the Industrial Incentive Act of 1978 (which modified an already existing incentive program). Among other things, the Act provides tax incentives for "industrial development income." Industrial development income consists of interest, rent, and dividends from certain types of eligible investments. Predominantly among these are capital obligations issued by banks in Puerto Rico as authorized by the banking laws, non-redeemable preferred stock of banking institutions organized under the laws of Puerto Rico, and fixed term deposits in qualifying banking institutions. The high priority given to this type of investment illustrates both the difficulty and importance of obtaining capital investments in Puerto Rico banks as well as long-term bank deposits. This policy of encouraging capital investment in banking institutions would be seriously undermined by the proposed legislation, which would force the transfer of large amounts of capital to the Federal Reserve Bank in New York and would provide a correspondingly lower yield in investment in Puerto Rican bank stock.

Based on the reserve formulas in the proposed legislation, our computations show that, before giving effect to reverse multipliers, approximately $200,000,000 would be shifted from productive investments in the Puerto Rican economy to the Federal Reserve Bank in New York. */ See Table 3. This transfer will deprive the public and the private sectors of our economy of badly needed bank loan resources. For example, banks in Puerto Rico have supported public projects by purchasing and holding a total of $1.2 billion of obligations of the Government of Puerto Rico and its agencies and instrumentalities. Such investments have contributed to the building of an infrastructure of public services which are essential to economic development. The diversion of $200,000,000 or more (which represents 17 percent of public obligations held by Puerto Rican banks) clearly will have serious adverse short-term and long-term effects.

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*/ Table 3 attached hereto sets forth an estimate of the reserves which would be required to be placed with the Federal Reserve Board, after giving effect to vault cash holdings.

In the short-term, Puerto Rican banks would be forced to meet their reserve requirement either by liquidating their existing holdings of Puerto Rican government obligations (and by severely restricting new investments in such obligations) or by sharply and immediately curtailing private loans. An election by the banks to meet their reserve requirements by reducing their investments in government obligations will have a severe effect on the marketability of Puerto Rican securities and may force the government of Puerto Rico either to pay higher interest rates or to face the prospect of not being able to market its obligations at all. From the banks' perspective, to the extent that they are forced to liquidate a portion of their bond portfolios at "distress sale" prices -- even over the proposed "phase in" period -- substantial losses could be incurred. Disposal of the government securities at distress sale prices would also undercut the value of these securities on public markets, which would create still further problems for the government of Puerto Rico in marketing future issues of its obligations.

If the banks decide to meet their reserve requirement by curtailing private loans, a short-term contraction of loan funds on this scale would probably create a severe credit crunch in Puerto Rico with the result that the private sector of the economy would experience extremely serious capital formation problems. In addition, the banks would experience severe losses as $200,000,000 worth of relatively high yield private sector loans were converted into non-interest bearing deposits in the Federal Reserve Bank.

The long-term effects would be equally serious. $200,000,000 of capital would be permanently withdrawn from the Puerto Rican economy. Further, whether the affected banks draw down their investment portfolios or their loan accounts, the removal of $200,000,000 of bank resources would have a reverse multiplier effect, and the total impact would be much greater than $200,000,000. Using a conservative multiplier of five, the adverse impact on lendable funds could be $1,000,000,000. Because alternative sources of funds are not as readily available in Puerto Rico, the immobilization of such a large block of bank resources would have a particularly harsh effect.

As lendable funds dry up, the local banks would be forced to reduce their deposits with mainland correspondent banks. While this would supply needed funds to conduct the banking business, it would reduce the scope of correspondent services and possibly terminate correspondent relationships which have enabled the local banks to obtain mainland bank participations in loans which exceed local loan limits.

If $200,000,000 is placed with the New York Federal Reserve Bank on an interest free basis, substantial revenues will be diverted from the Treasury of Puerto Rico. Earnings on banks' funds are now subject to the Puerto Rican income tax laws. Under the proposed legislation, however, the depository banks would lose the income on their mandatory reserves, while the Fed would invest the funds and transfer the income directly to the United States Treasury.

The transfer of revenue away from Puerto Rico and to the U.S. Treasury detracts from the capital development by Puerto Rican banks in two ways. First, the level of retained earnings by banks will be lower due to lower income and hence the rate of internal capital development will decline. Second, because of the lower return on invested capital, the banks will find it more difficult to raise capital from external sources.

2. Exclusion of Puerto Rican Banks will not Detract from the Statutory Goals. The pending legislation addresses two issues of national economic and financial policy:

(1) The need to improve the Federal Reserve's ability to conduct monetary policy.

(2) The Federal Reserve's concern over the possible adverse consequences of a continued decline in Federal Reserve System membership, while at the same time preserving the dual banking system and insuring the liquidity of all commercial banks.

I fully sympathize with the need to improve the Federal Reserve's ability to conduct monetary policy, but it is my belief that the exclusion of Puerto Rican banks from the reserve requirements will not detract from the Federal Reserve's ability to so conduct monetary policy.

In any event, while important to the economy of Puerto Rico, the total deposits in Puerto Rican banks and the aggregate reserves which would be required under the proposed legislation would not have a material effect on the power of the Federal Reserve to conduct monetary policy. Deposits in all Puerto Rican commercial banks as of October 31, 1978 were approximately 1 percent of deposits in all commercial banks in the United States. */ The ratio of reserves required of Puerto Rican banks by the proposed legislation to total reserves is approximately the same. Based on estimated member bank post-legislation reserves of $18,100,000,000, the Puerto Rican estimated required reserves of $200,000,000 would be only 1.25 percent of the total. It is also worth noting that reserves in Puerto Rican banks presently total $3.5 billion or only 0.5 percent of the $682.5 billion total of reserves held by banks in the United States as a whole.

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*/ Source: Federal Reserve Bulletin, Nov., 1978, p.A-16 and Puerto Rico Department of the Treasury, monthly statistical series on commercial banks, November, 1978.

Thus, notwithstanding the substantial burden to the Puerto Rican economy of immobilizing the funds, the benefit to Federal Reserve policies would be negligible.

Under the proposed legislation, the Fed will be required, for the first time, to charge for a number of important services rendered to banks in Puerto Rico like keeping a currency inventory ($30 MM) at the cash depot (which is now kept free of charge) and for the transportation of currency to and from the mainland. The pricing specifications by the Federal Reserve of a wide range of services have not yet been announced but the potential for undue burdens in this area is quite obvious and unpredictable.

3. Impact of the Proposed Legislation on Puerto Rico. To summarize, I have the following principal concerns regarding the proposed legislation:

(a) Mandatory reserves, even with interest, could significantly strain the banking resources of Puerto Rico and hinder the continued development of the Puerto Rican economy and its recovery from the 1973-75 recession.

(b) The resulting contraction of banking activity in Puerto Rico could trigger an economic decline on the Island.

(c) The reduced income resulting from mandatory reserves would hinder internal capital development by our banks and, because of reduced earnings, would jeopardize efforts by the banks to raise new capital.

(d) Mandatory reserves would conflict with efforts of the Government of Puerto Rico to develop a balanced economy. If Puerto Rican banks are forced to deposit reserves with the Federal Reserve Bank, the Secretary of the Treasury and the legislature of Puerto Rico would as a practical matter have no authority over the reserve levels of such banks, and thus would lose a significant and important regulatory tool.

CONCLUSION

In light of the foregoing, I respectfully request that commercial banks doing business in Puerto Rico be excluded from the universal reserve requirement provisions of H.R. 7.

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TABLE I

- Puerto Rico -

Total Gross Domestic Investment
(in millions)

	Years Ended June 30					
	1973	1974	1975	1976	1977	1978
Gross fixed domestic investment:						
Private	$1,036	$1,014	$1,008	$ 995	$ 908	$1,106
Public	567	663	1,038	721	606	610
Total Gross fixed domestic investment	1,603	1,677	2,046	1,716	1,514	1,716
Increase in inventories	188	148	203	365	153	29
Total gross domestic investment	$1,791	$1,825	$2,249	$2,081	$1,668	$1,746

Source: Puerto Rico Planning Board

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Table 2

Personal Income and Bank Loans - Puerto Rico

Year	Puerto Rico Bank Loans ($ million)	Puerto Rico Total Pers. Income ($ million)	Puerto Rico Population (000)	Per Capita Bank Loans: Puerto Rico	Per Capita Bank Loans: Mainland U.S.	Per Capita Bank Loans: Puerto Rico as % of U.S.
1973	$3,087	$5,336	2,952,000	$1,045	$2,358	44%
1974	3,627	5,894	3,031,000	1,200	2,598	46%
1975	4,038	6,843	3,121,000	1,290	2,573	50%
1976	4,346	7,644	3,214,000	1,350	2,771	49%
1977	4,661	8,182	3,319,000	1,400	3,144	45%
1978	5,138	8,950	3,398,000 (est)	1,539	N/A	-

Table 3

COMPUTATION OF RESERVES REQUIRED WITH FEDERAL RESERVE
UNDER PROPOSED LEGISLATION
(AFTER DEDUCTING CASH IN HAND)
(millions)

Five largest banks in Puerto Rico	Required Reserves House Bill		Required Reserves Senate Bill	
	w/o exemption	$50 mm exemption	w/o exemption	$40 mm exemption
(Ponce) Bank A	$25.3	$19.1	$29.9	$23.7
(Popular) Bank B	64.0	58.0	79.0	73.0
(Chase) Bank C	52.8	45.0	51.5	46.4
(Citibank) Bank D	59.9	64.0	69.4	59.8
(Economias) Bank E	9.6	3.3	9.7	3.2
Top 5 TOTAL	$211.6	$189.4	$239.5	$206.1

Average: With exemption: $197,100,000
Without exemption: $225,500,000

Note: In each instance the calculations were made in accordance with the provisions of the appropriate bill.

February 22, 1979

Table 4

Relationship of Aggregate Construction Expenditures to Aggregate Personal Income - Puerto Rico

Year	Aggregate Personal Income (000,000)	New Construction In Place (000,000)	Construction Related to Personal Income(%)
1974	$5,894	$1,282	21.7
1975	6,843	1,487	21.7
1976	7,644	1,207	15.8
1977	8,182	904	11.1

Average: 1974-77	17.1%
U.S. Average: 1973-77	11.1%

Source: Puerto Rico Planning Board and Department of the Treasury

Table 5

- Economic Growth in Puerto Rico -

Year Ended June 30	Gross Product ($ million)	Personal Income ($ million)	Personal Income Per Capita	Commercial Bank Deposits ($ million)
1960	$1,676	$1,374	$ 587	$ 531
1965	2,764	2,223	866	1,182
1970	4,687	3,753	1,384	2,529
1973	6,770	5,336	1,834	3,634
1974	6,798	5,894	1,971	4,136
1975	7,136	6,843	2,225	4,683
1976	7,438	7,644	2,414	4,872
1977	7,914	8,182	2,472	5,517
1978	NA	8,925	NA	6,669

Source: Puerto Rico Planning Board and Department of the Treasury

STATEMENT OF THE U. S. LEAGUE OF SAVINGS ASSOCIATIONS

ON H.R. 7, THE MONETARY CONTROL ACT

TO

THE HOUSE COMMITTEE ON BANKING, FINANCE & URBAN AFFAIRS

March 2, 1979

The United States League of Savings Associations* appreciates this opportunity to offer our comments on H.R. 7, the proposed Monetary Control Act of 1979.

We commend you, Chairman Reuss, Congressman Stanton, and others on the Committee for your efforts to find ways to improve the implementation of monetary policy, especially in light of the last decade of monetary instability, rising inflation and international economic turmoil. The United States is again confronted with the problems of double-digit inflation, a weak U. S. dollar in the international markets and near-record high interest rates. It is, therefore, timely to review the whole issue of how best to improve the

*The United States League of Savings Associations (formerly the United States Savings and Loan League) has a membership of 4,400 savings and loan associations representing 99-2/3% of the assets of the $510 billion savings and loan business. League membership includes all types of associations -- Federal and state-chartered, insured and uninsured, stock and mutual. The principal officers are: Joseph Benedict, President, Worcester, Mass.; Ed Brooks, Vice President, Richmond, Va.; Lloyd Bowles, Legislative Chairman, Dallas, Tex.; Norman Strunk, Executive Vice Pres., Chicago, Ill.; Arthur Edgeworth, Director-Washington Operations; and Glen Troop, Legislative Director. League headquarters are at 111 E. Wacker Drive, Chicago, Ill. 60601; and the Washington Office is located at 1709 New York Ave., N.W., Washington, D.C.; Telephone (202) 785-9150.

mechanisms used by the Federal Reserve System to implement a stable and non-inflationary monetary policy for the future.

In reviewing H.R. 7, we realize the significant and comprehensive nature of this legislation. Although the savings and loan business is the second largest of our nation's financial institutions, we recognize that many of the recommendations incorporated into H.R. 7 currently do not impact the day-to-day operations of savings and loan associations around the country. Consequently, we will direct our comments to those specific proposals incorporated into H.R. 7 that do directly or indirectly impact on the operations of savings and loan associations. These include: (1) the impact on the conduct of monetary policy; (2) the impact with respect to the requirement for any depository institution to provide reports on liabilities and assets to the Federal Reserve Board; (3) the impact on the operations of savings and loans resulting from the imposition of reserve requirements on transaction accounts; (4) the impact with respect to the opening of the Federal Reserve discount window to all institutions offering transaction accounts; (5) the impact with respect to the provision of funds transfer services from the Federal Reserve Board to all institutions maintaining reserves and the pricing of these services; and (6) the revenue impact on the U. S. Treasury.

Conduct of Monetary Policy

The primary "economic" claim incorporated in H.R. 7 and strongly urged by the Federal Reserve Board in defense of this proposal generally is that it would improve the implementation of monetary policy. Over the last decade the Federal Reserve has been concerned about its declining membership and the fact that many national banks which are required to hold reserves with the System are changing their charter from national to state.

It has been stated that as a result of these shifts from member to non-member banks, the Federal Reserve has experienced difficulty in controlling the rate of growth of the money supply and other monetary aggregates. As a result, the concept of universal reserve requirements and more uniform reserve requirements has been promoted as the means to insure more predictable control over the rate of growth of the monetary aggregates over the short run. This proposition is based on the premise that the linkage between reserves and the money supply, the so-called "money multiplier," will be more predictable if more financial institutions are required to hold reserves.

Obviously, it is very difficult for those of us in the savings and loan business to criticize, or even question for that matter, the rationale behind these assertions. After all, there is no business that suffers more from rampant inflation created by excessive monetary growth than the savings and loan business.

Unfortunately, the case in defense of this basic proposition has not been persuasive. The Federal Reserve itself, for example, has claimed on the one hand, that universal reserve requirements will enhance their ability to control the money supply while, on the other hand, has frequently conceded that their primary monetary control tool is to "peg" interest rates by controlling the Federal funds rate from day to day and week to week. As most monetary economists will concede, putting the primary stress of monetary policy on the controlling of interest rates will inevitably lead to random and sharp short-run fluctuations in the money supply.

Of greatest concern, however, is the fact that in the ongoing dialogue concerning the necessity of universal and uniform reserve requirements, no research has been offered or promises made that the implementation of these proposals will in any way meaningfully reduce the frequency or length of period of long-term excessive monetary growth. Rather, what research we have seen merely indicates that the Board of Governors of the Federal Reserve might be able to marginally increase its ability to predict short-term, week-to-week or month-to-month changes in the money supply.

Even conceding the Federal Reserve's claim that short-term money supply predictions could be improved, it is really a moot point as long as Federal Reserve spokesmen themselves adhere to the premise that controlling or targeting interest rates is the appropriate mechanism for the implementation of monetary policy. Moreover, and clearly of greatest importance, is the fact that our real problem in the monetary area is not the volatility in week-to-week or month-to-month growth rates in the monetary aggregates but long-term periods of excessive increases in money growth. H.R. 7 and the Federal Reserve's "Mod 7/85" does not address this problem -- though we are quick to recognize that, through the efforts of Chairman Reuss and others on the Committee, the periodic testimony before your Committee on monetary policy does focus

We have reviewed a number of studies which suggest that the absence of universal and uniform reserve requirements is just one of a large number of factors that could potentially impede the Federal Reserve's ability to accurately project short-term changes in money supply growth. Other factors include: the impact of the volatility of Treasury deposits and the existence of reserve requirements on those deposits; the impact of our system of "lagged" reserve requirements; the volatility created by the setting of discount rates such that they do not always conform to money market interest rates; and complexities dealing with seasonal factors. Some of these elements could be corrected without legislation.

Adding to confusion are some observers who question the necessity of reserves at all in the conduct of monetary policy. Dean Carson, in an article in the Journal of Finance entitled "Is the Federal Reserve System Really Necessary?" questioned the necessity of reserve requirements. George J. Bengston, in a more recent study entitled "Federal Reserve Membership: Consequences, Costs, Benefits and Alternatives," writes: "Zero reserve requirements are not ridiculous as the Federal Reserve implies. The money supply can be controlled by the Fed through open market operations that affect the public's and the bank's currency holdings as well as with government securities."

The importance of open market operations, and its dominance in the implementation of monetary policy, is also evidenced by the fact that since the beginning of 1975, reserve requirements have only been adjusted by the Federal Reserve on five occasions.

Even these adjustments have normally required off-setting open market operations near the effective date of these changes.

In summary, the basic economic arguments offered by those who support uniform and universal reserve requirements have not been persuasive to this point.

Data Reporting Requirements

Another important section of H.R. 7 calls for any depository institution to report on its assets and liabilities on a basis prescribed by the Federal Reserve Board. We recognize that the changes in the powers of our country's various financial institutions and rapid changes in the funds transfer technology have increasingly blurred the lines between the various classifications of deposits making up the monetary aggregates. We can understand, therefore, the desirability for more comprehensive and timely data collection for the Federal Reserve Board. Savings and loan associations, for example, provide monthly reports to the Federal Home Loan Bank Board which could probably be easily modified to handle these reporting requirements.

We would suggest, therefore, that because of the importance of this recommendation, it might be worthwhile to first implement this recommendation and then take time to review and evaluate the improvements in monetary policy conduct that may occur as a result of more comprehensive reporting. We may find that many of the Federal Reserve's concerns in the conduct of monetary policy could be solved merely by extending reporting to thrift institutions.

Reserves on Thrift Institution Transaction Accounts

H.R. 7 establishes the framework for required reserve balances in the Federal Reserve System for transaction accounts of thrift institutions. In this respect, we want to commend the sponsors for recognizing the potential costs that this would have on savings and loan associations and ultimately on their customers if reserve requirements were imposed on thrift institutions on the same basis as commercial banks.

We, therefore, concur in the wisdom of providing a $50 million or higher exemption before reserve requirements are applied to thrift institution transaction accounts and also the concept of indexing these exemption bases. I am sure that these exemptions and the indexing proposal were reflections of the concern that higher reserve requirements could add to the cost of thrift institution operations and, ultimately, the cost of mortgage credit. It is generally well acknowledged that zero-earning reserve requirements are nothing more than a "tax" on the institutions holding them and, therefore, represent a cost of doing business that must ultimately be borne by the borrowers and savers of the financial institution.

With respect to this general issue, we have a number of more specific concerns. The first of these deals with savings and loan liquidity. At the present time, savings and loan associations are required (by statute) to hold liquid assets at specified levels and with specified maturities to meet requirements of the Federal Home Loan Bank Board. We wonder, for example, whether reserves held in the Federal Reserve System (or passed through dollar-for-dollar from the Federal Home Loan Bank System) against transaction accounts would satisfy these liquidity requirements of the Federal Home Loan Bank Board. We suspect they would. If so, of greater concern is whether or not such "sterile" reserves would in fact weaken the liquidity position of the savings and loan business. Liquidity of associations today is held in highly marketable short-term money market instruments, usually government and agency securities. If some of this liquidity had to be put in non-earning reserves held with the Federal Reserve Board, it is possible that the overall liquidity position of the business would be marginally jeopardized.

Another concern relates to the definitional language incorporated in H.R. 7 relative to what constitutes a "category A" deposit. H.R. 7 refers to "...any similar instrument used to make payments or transfers, in that institution." Such broad language makes it unclear as to whether such programs as tranfers, bill-paying, and other arrangements involving telephoned instructions to savings and loan associations would fall under the Federal Reserve's definition of transaction accounts. Many of these programs do not really qualify, it seems to us, under the definition of transaction accounts specified in "category A." The present definition provides great latitude to the Federal Reserve in determining which accounts could be brought under the "category A" designation. We would certainly like to see this ambiguity clarified.

Although we question the necessity for reserve requirements for thrift institution transaction accounts, we do not want to applaud the sponsors of H.R. 7 for not advocating the imposition of reserve requirements on savings deposits of thrift institutions.

We are sure that this Committee is aware of the serious impact that such a proposal could have on the mortgage and savings markets and the continued specialized identity of the savings and loan business, its regulator, the Federal Home Loan Bank Board, and its borrowing facility, the FHLBank System. We were greatly disturbed when the "Community Bankers Division" of the American Bankers Association -- in a position since abandoned by the parent organization -- advocated universal reserve requirements extending even to the savings and certificate deposits of thrift institutions. Frankly, this is a door the savings and loan business would like to leave closed. We read in the press that you, Chairman Reuss rejected the Community Bankers' position applying reserves to transaction accounts of thrift institutions, and we would hope that the Committee would similarly discard that idea.

The U. S. League is also cognizant that the reserve ratio ranges attached to different categories of demand, savings and time deposits at commercial banks could significantly affect the competition for deposits with savings and loan associations. For one thing, a high reserve ratio for transaction accounts (as found in companion bills now pending in the Senate, for example) could erect a new barrier to the willingness of savings associations to offer new depositor services to their customers. Conversely, the elimination on our lowering of required reserve levels for commercial banks will obviously reduce the costs of offering savings and time deposits to the public -- and could accentuate the already impressive competitive advantages possessed by commercial banking, with its full range of banking services and its three-to-one edge in convenience locations.

We would also like to remind the Committee that the Congress has not examined the statutory reserves requirements of Federally-insured savings and loan associations in many years. Our institutions have had a 5%-of-total savings Federal Insurance Reserve requirement in the National Housing Act since 1933; there is nothing comparable for FDIC-insured institutions. This requirement, which we know as our "net worth" requirement, differs from "reserves" in the parlance of commercial bankers -- since it appears on the liabilities side of our balance sheet, rather than as an asset item. However, the 5% FIR accumulation does "tie up" substantial funds which otherwise might be available as undivided profits. The percentage-of-savings figure was adopted in the midst of the Great Depression when Congress could reasonably anticwipate high loan losses and foreclosures at our emerging home finance institutions and wished to protect S&L savers (and the FSLIC) from such losses. The "risks" in our business have changed in intervening decades. Now our risks are those of rapid change in market interest rates induced by inflation in the general economy.

We would therefore ask that the Committee consider a thorough reexamination of the required reserves foundation of the savings and loan business in the year ahead.

Access to the Discount Window

H.R. 7 also permits use of discount and borrowing provisions by all depository institutions holding "category A" deposits.

As this Committee is well aware, the savings and loan business, as well as mutual savings banks, already has access to the Federal Home Loan Banks for their liquidity and credit needs. It is, therefore, somewhat confusing to many in the savings and loan business as to why we should duplicate the Federal Home Loan Bank's "advances" program with access to the Federal Reserve's "discount window".

This proposal, we feel, deserves serious further consideration. One concern we have relates to the potential instability that could be created by developing a system of competing borrowing windows from which thrift institutions could draw. It is possible, for example, that thrift institutions would "play" one source against the other, creating potential arbitrage problems and generating even greater monetary instability.

This Committee is aware that the primary borrowing needs of thrift institutions -- specialized as they are in long-term mortgage loans -- tend to be much longer than the overnight or day-to-day borrowing that occurs at the Federal Reserve's discount window. We wonder, therefore, whether the Federal Reserve is contemplating opening up the discount window to longer-term borrowing by both thrifts and commercial banks?

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We would suggest that before such a proposal is implemented, the Federal Reserve should be asked to conduct a study relating to the overall implications that such a duplication of borrowing facilities might have. It is also possible that such duplication could complicate the conduct of monetary policy.

Access and Pricing of Federal Reserve Services

Savings and loan associations are currently not direct users of Federal Reserve services, with some very minor exceptions. We do recognize the potential importance of ensuring that Federal Reserve services be available to the broad cross-section of financial institutions. If the Fed is to charge explicitly for its services, it will introduce fees for items presented to it for collection; thus, the increased costs to savings and loan associations, if any, would derive from checks deposited with the S&L's commercial bank. (Third party payment services of S&Ls, such as NOW accounts, are affected only to the extent that they increase the number of items deposited with the bank.)

We would also note that in the past a number of Members of this Committee have indicated their support for full, non-discriminatory access to automated clearing houses (ACHs) for thrift institutions. The U. S. League has always indicated that our institutions are more than willing to pay their fair share when utilizing these electronic funds transfer facilities under development in conjunction with the Federal Reserve System. Under explicit pricing proposals for ACHs it is still not certain who will bear the fees when implemented.

-- the ACH itself or the financial institution seems likely that the fees charged by a local ACH would be increased by the amount of any fee assessed by the Fed System.

One important aspect of this proposal relates to the pricing of Federal Reserve services as a possible offset for the revenue-loss created by the general lowering of the reserve requirements suggested by H.R. 7. In this respect, we think it is important that uncertain pricing schedules not be used as a visible offset to the revenue loss created by lower reserve requirements.

Impact on the Budget

During this period of essential budgetary austerity, the revenue impact of H.R. 7 must be carefully evaluated. Quoting the Treasury's estimate, the first-year tax loss to the Treasury would amount to $172 million. While this is certainly a modest amount given the size of the Federal Budget, we feel it may be worthwhile to carefully consider whether this minimum Treasury loss can be sustained without inflationary consequences.

# # # # #

Mr. Chairman, the U. S. League has appreciated this opportunity to address the important questions raised by your Monetary Control Act of 1979. At our annual Legislative Conference, just completed, our 500-member Legislative Committee adopted the following resolution, which was then ratified by our Board of Directors, with savings and loan executives from every State participating, as policy for the U. S. League on this vital subject:

> "BE IT RESOLVED that the U. S. League is sympathetic to those interested in improving the mechanisms for the conduct of monetary policy since the control of inflation should be the number one economic goal of our Government; however, in connection with legislative proposals, the League would ask that savings associations not be subject to dual reserves and regulatory structures which would be costly to (savings and loan) institutions and ultimately to our customers."

This resolution asserts, we believe, our encouragement to the sponsors of H.R. 7, H.R. 2133 and other proposals to continue your legislative efforts to improve the tools our Government can use to combat inflation -- the scourge of a business, such as ours, so often victimized by skyrocketing interest rates and cyclical instability. But the resolution also attempts to incorporate our belief in the continued separate identity for our specialized system of home finance institutions, with its own regulatory agency, and its own FHLBank System. This Congressionally-developed pattern has served the home ownership and thrift needs of the American people well -- and must continue to do so.

STATEMENT OF JONATHAN LINDLEY

on behalf of the

National Savings and Loan League

before the

Committee on Banking, Finance and Urban Affairs

on

HR 7 "Monetary Control Act of 1979"

March 2, 1979

Mr. Chairman, Members of the Committee, my name is Jonathan Lindley. I am the Executive Vice President of the National Savings and Loan League.

We want to thank the Committee for setting aside one day of its hearings on HR 7 to hear the views of the thrift institutions. We hope to make clear to the Committee that the thrift institutions of this country are not disinterested by-standers on the subject of monetary policy. Our ability to attract funds and make mortgage loans is directly affected by the monetary control actions of the Federal Reserve Board. Since the Board's policies and actions with respect to interest rates dictate the kind of economic climate in which we operate we have a stake in the outcome of this legislation far beyond any new reserve requirements that might be imposed on some thrift institutions. We are not here today to take a formal position with regard to HR 7 or the alternative plan proposed by the Board of Governors of the Federal Reserve System. We view these proposals as the first of many alternatives which will be offered to improve the capability of the Federal Reserve Board of Governors to effectuate monetary policy.

The basic issue raised by HR 7 is whether the inclusions of thrifts under the reserve requirements of the Federal Reserve System will to any meaningful extent improve monetary policy. We believe that the case for inclusion of thrifts has not yet been made. Indeed the more fundamental question of whether reserves are or should be an important ingredient in monetary policy is still open. For this reason our objective today is to call to the Committee's attention the issues that we feel should be addressed by the Committee if legislation is indeed needed to ensure effective monetary policy in the years ahead.

Integration of Reserve Requirements

It is not clear to us that existing reserve requirements for thrifts have been considered. For example under the Federal Home Loan Bank Act, the Federal Home Loan Bank Board sets a liquidity reserve requirement for federally chartered and federally insured savings and loans. In addition, the Federal Savings and Loan Insurance Corporation requires a Federal Insurance Reserve for the sole purpose of absorbing losses. These reserves are held in the form of vault cash and liquid assets which do earn interest.

Our concern here is that the legislation not impose any undue or unnecessary additional reserve burden on our institutions. In principle, it should be possible to work out means by which reserve funds or assets could perform more than one purpose. To accomplish this objective we suggest that HR 7 be amended to provide that reserves held pursuant to FHLBB and FSLIC regulations count against the reserve obligation imposed by the bill.

If the monetary policy function of reserve requirements is restricting or expanding the lending activity of depository institutions, we see no monetary policy reason why reserves cannot do "double duty".

Regulatory Authority of the Federal Home Loan Bank Board

There is considerable concern among savings and loan executives that bringing our associations under the umbrella of the Federal Reserve will result in a duplication of examination and regulation. I assume, Mr. Chairman, that this is not the intent of HR 7, but the potential is there for costly duplication of regulatory authority.

We note that over the past several months state chartered banks and state banking regulators have expressed similar misgivings about the mandatory inclusion of state banks in the Federal Reserve System. They too are concerned about possible duplication of authority or even a reduction in exisitng bank regulatory authority at the state level. HR 7 addresses this problem in Section 4, providing assurances that the authority of state banking regulators will not be diminished by the bill. We suggest that the same statement of intent be included in HR 7 with respect to the Federal Home Loan Bank Board and the National Credit Union Administration.

Definition of Accounts

The Chairman of this committee and the Chairman of the Board of Governors have said repeatedly that their objective is to permit the Federal Reserve to impose reserve requirements on thrifts only to the extent that thrifts have transaction or "check-like" accounts. The announced purpose of the legislation is to equalize the reserve burden for checking accounts, NOW accounts, share draft accounts at credit unions, automatic transfer accounts, and (prospectively) payment order accounts at savings and loans. Chairman Reuss has said that no thrifts currently hold any such accounts in excess of the $50 million exemption level. Chairman Miller has informed us that no savings and loans would have to maintain reserves in either sterile form or in an Earnings Participation Account under the Fed plan because of the vault cash held by these institutions which have transaction balances over $10 million. These assurances, however, are predicated on the limited definition of transaction accounts I have mentioned.

We are very apprehensive about the broadly worded definition of "Category A Deposits" in HR 7. It is not inconceivable that the definition could be interpreted to include telephone-bill-paying services which are currently offered by thrifts all over the country. Were this to be the case, Mr. Chairman, it is very possible that the immediate and short range impact of the legislation would be much greater than we understand you intend or anticipate. We believe that we are entitled to know the likely impact of this bill on savings and loan associations.

Treating telephone-bill-payer services as transaction accounts, thus requiring a new form of reserves to be held against them could actually discourage thrifts from offering such services and may very well cause existing services to be discontinued. These are consumer oriented services and in many cases the people who are using these services are elderly people on fixed incomes who have a small number of payment transactions per month. It is our understanding that these accounts have not been included in the analysis which led to the conclusion that savings and loans would have to post reserves at this time under either HR 7 or the proposal of the Board of Governors. For these reasons, Mr. Chairman, we firmly believe that inclusion of telephone-bill-paying services is unwarranted and that the definition of Category A Deposits should be tightened to insure that this will not be the case.

Our concern over this matter is increased by the authority HR 7 gives to the Board of Governors to define Category A deposits any way it may care to in the future. Even given the mandatory consultation with other regulatory agencies, we still feel uneasy about such an unrestricted grant of authority. A more specific definition of the accounts involved would insure future Congressional oversight of the use of this authority, and would clarify the impact of the bill on thrift institutions.

Situs of Reserves/Interest on Reserves

We understand that the purpose of HR 7 goes beyond the issue of declining membership of the Federal Reserve System. The intent is to ensure that we have an effective monetary policy in the years ahead. This said, there is an implicit assumption in HR 7 that reserve requirements are to be an important tool of monetary policy. In order for reserve requirements to be an effective tool of monetary policy it is necessary that the Federal Reserve Board be able to control and adjust the level of required reserves within the permissible range and know that the reserves of the financial institutions will be adjusted accordingly. From the standpoint of reserve adjustments as a tool of monetary policy it makes no difference at all where the reserves are held. We, therefore, see no monetary policy justification for the requirement in HR 7 that reserves posted at a Federal Home Loan Bank be passed on to a Federal Reserve Bank.

Similarly, in our view, the issue of whether reserves will be sterile or yield a market level of return to the institution is not an issue of monetary policy implementation. It is primarily an issue of budget impact on the affected institutions as well as on the United States Treasury, and of competitive balance between financial institutions. These are, of course, important considerations in their own rights.

Range of Reserve Rates

HR 7 provides for a very narrow range of reserve rates of 8 to 10 percent for transaction balances. Again, from the viewpoint of using the reserve rate as a monetary policy tool, we question whether the rates need to be that high and whether they should be restricted to a range of three percentage points. We hope the committee will consider a lower range of perhaps 4 to 8 percent. Regardless of what types of institutions are covered, the reserve burden should be as low as possible, consistent with monetary policy objectives. Obviously the lower the reserve rate, the less important the issue of sterile reserves becomes for all affected institutions.

Collection of Data for Monetary Purposes

The Board of Governors has said repeatedly that its monetary policy objectives are thwarted by their lack of access to deposit data from non-member institutions. We agree that the Board and its staff need these kinds of data on a regular basis. We believe that the reporting requirements of HR 7 will meet this need and yet not create an undue burden on non-member institutions.

Structure of the Federal Reserve System

The final issue I want to address today is the structure of the Federal Reserve System. HR 7, (or the Fed alternative) would be the first step toward the creation of a new central monetary authority for the United States. The existing organization and operation of the Federal Reserve System is geared to the world of commercial banking. Historically the system originated as a commercial banker's "bank." Over the last several decades its function has gradually changed so that today it is thought of as more than a banker's bank. It is expected to be the central monetary authority of the Federal Government. If, as the legislation contemplates, the Fed is to become a central monetary authority covering all depository institutions, we think it only logical and fair that the structure of the whole Federal Reserve System should reflect this new and broadened scope and responsibility.

HR 7 takes a positive step in this direction by providing access to the discount window for all institutions that have transaction accounts and opening other Federal Reserve Bank services to all depository institutions at the same prices. The Committee should go at least one step further, however, and direct the Fed to redesign (to the extent feasible) its services to meet the needs of non-commercial bank institutions. The services of the Federal Reserve Banks listed in HR 7 are, understandably, tailored to the needs of commercial banks. The discount window is designed to serve commercial banks. Some of these services may, in their present form be applicable to thrifts, but some may be useful only with some modifications. The essential point is that regardless of transaction accounts and reserve requirements, savings banks, savings and loans, and credit unions remain specialized lenders and, as a result, have service needs that are different from those of commercial banks.

It is our understanding that the Fed staff is exploring this point in anticipation of the passage of this legislation, at least insofar as new discount window services for thrifts are concerned. Our informal communications with the Fed on the subject have been very positive. I am raising the issue of modification of Fed services only because I think the access to services is a very important element of the legislation and therefore I think it would be constructive for the Committee to explicitly encourage the Fed in this direction.

A broader issue, and one which must be faced, is the membership of the Boards of Directors of the Federal Reserve Banks. If the Reserve Banks are to hold reserves and sell services to savings associations and credit unions, it would be imperative that these institutions be represented on the Boards of Directors of the Reserve Banks to insure that the Reserve Banks reflect the specialized nature of all the institutions which they are serving. This most important subject is not addressed by HR 7. Clearly, as the function of the Federal Reserve System changes, so must the composition of the Boards of Directors and the Board of Governors change.

Conclusion

In conclusion, Mr. Chairman and Members of the Committee, I want to say that while we obviously have some fundamental differences of opinion on these issues, the National League has had a constructive dialogue with the Committee staff and with Chairman Miller and his staff, and we appreciate the openness with which everyone has discussed these issues. We look forward to continuing to work with the Committee and the Federal Reserve Board to find constructive ways to improve the monetary policy mechanism without imposing upon the savings and loan industry undue burdens and costs that would detract from the industry's mission to finance home ownership.

National Association of
State Savings & Loan Supervisors

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STATEMENT OF KENNETH E. PICKERING

Good morning, my name is Ken Pickering. I appreciate this opportunity to present testimony today on behalf of the National Association of State Savings and Loan Supervisors ("NASSLS") with regard to H.R. 7, the Monetary Control Act of 1979.

NASSLS is an organization composed of state officials who supervise state chartered savings and loan associations. These associations are almost 3000 in number and control assets in excess of $300 billion.

Our comments will be limited to those provisions of the above mentioned legislation which have a direct and material bearing upon the operations of state chartered savings and loan associations. This limitation is, we believe, consistent with NASSLS' espousal of the dual system of regulation for financial institutions. Although the problems addressed by the legislation are entirely within the banking area, the solution proposed will, in NASSLS' view, potentially involve thrift institutions in a new morass of regulation.

Recently, commercial bank membership in the Federal Reserve System has been falling. The result, according to the Federal Reserve Board ("Fed") is a decline in its ability to administer monetary policy. H.R. 7 proposes that mandatory membership in the Federal Reserve System for reserve requirement purposes by not only banks, but savings and loan associations and other thrift institutions, would solve the problem. NASSLS asserts that whether or not the problem of the Fed has been adequately defined, the inclusion of savings and loan associations in the solution is not warranted since such action would not be responsive to the problem and would only entangle thrift institutions with yet another federal regulator.

Federal involvement in the regulation of thrift institutions would stem from aspects of the proposal. First, S&LAs with third party payment accounts of greater than $50 million would be required to meet a Fed reserve requirement of 8 to 10%. Second, all institutions which actually post reserves would be given privileges of Federal Reserve membership, and all institutions having third party payment account deposits would be given discount and borrowing privilege of member banks. Finally, the bill would place S&LAs under the authority of the Fed for reporting purposes.

NASSLS recognizes the vital role played by the Fed in the management of monetary policy. However, NASSLS cannot support proposals which have a negligible effect on the Fed's ability to conduct monetary policy but have a negative impact upon the operation of the thrift industry. H.R. 7 is such a proposal.

Certainly, the Fed should obtain all information necessary for it to conduct monetary policy. However, some question must be raised as to what significance changes in the assets and liabilities of thrifts may have. The Fed currently receives significant amounts of information concerning financial institutions from a variety of sources. How additional or more refined information from S&LAs would assist the Fed is questionable.

Although, H.R. 7 is drafted in such a manner as to instruct the Fed that the reporting requirement is not to be a burden to the S&LAs affected, we find some sophistry in the attempt by the Congress to impose a requirement which is not a burden. This Congress has before it several proposals to eliminate unnecessary regulation, duplication and paperwork caused by, among other things, the prolification of reports required by the regulatory agencies. NASSLS asks that, in this context, the Committee carefully consider the need for any reporting requirement, as well as the extent of such reports.

The remaining provisions of the legislation appear to present a _quid pro quo_ - in exchange for forced membership in the Federal Reserve System, certain S&LAs would receive the benefit of the Fed membership. However, the only real beneficiaries of this exchange will be the banking industry and the Federal Reserve. Access to the Federal Reserve would be of scant advantage to thrift institutions. The Federal Home Loan Bank advance mechanism now seemingly serves such needs in most, if not all cases. We know of no case which has been made for the advantage of Fed membership for thrifts.

State chartered, federally insured savings and loan associations are under the regulatory aegis of the FHLBB as operating head of the FSLIC. The extent of this regulation has broadened as Congress and the FHLBB preempt state law which has governed the operation of such associations in favor of national, uniform standards. Each year seemingly finds new attemps to further expand federal authority to the detriment of the dual system. The additional of the Federal Reserve Board as a second and more powerful federal regulation would compound the trend and, thus, be undesireable.

Apart from the theoretical considerations, NASSLS finds practical problems with H.R. 7. The definition of "category A deposits" should be clarified to make absolutely certain that they include only third party negotiable instruments and not pay by phone or automatic transfer accounts. This clarification would assure against a sweeping expansion Fed influence over thrift institutions.

NASSLS does not believe that the immediate effect on thrift associations will extend beyond the reporting requirements. However, H.R. 7 raises the specture of another powerful regulator of state chartered thrift institutions. Since the problems of the Fed are not caused by state chartered institutions, we question why they should be burdened with further and unquestionable costly by Federal regulation.

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Statement
of
National Association of Mutual Savings Banks
on
H.R. 7, The Monetary Control Act of 1979
before the
Committee on Banking, Finance and Urban Affairs
United States House of Representatives
March 2, 1979

Mr. Chairman, my name is Albert B. Hooke. I am Chairman of the Committee on Liaison with Federal Agencies of the National Association of Mutual Savings Banks and President of The Community Savings Bank, Rochester, New York. I appreciate this opportunity to present the views of the mutual savings bank industry on H.R. 7 and other legislative proposals which address the Federal Reserve "membership problem".

Declining Federal Reserve membership, and its potential consequences for effective monetary policy, are among the most important issues faced by this Committee. They are also highly complex and have been the subject of serious debate for many years.

Our statement will emphasize those aspects of the problem which are particularly relevant to savings banks. In this regard, the immediate impact of H.R. 7 on savings banks would be modest, since few institutions would be required to hold noninterest-bearing reserves against transactions accounts beyond what they would hold in vault cash for operating purposes. We are concerned, however, about the possible longer-run implications of this legislation. By extending the reserve-setting authority of the Federal Reserve to nonmember institutions, H.R. 7 would establish a potentially far-reaching precedent.

We are especially concerned that, at some future time, reserve requirements might be applied, not only to transactions accounts of thrift institutions, but to their regular savings and perhaps even time deposits as well. Whether resulting from changes in the definition of transactions accounts or from new legislation, this would have serious consequences for the ability of thrift institutions to compete for savings and to generate housing credit.

In the area of transactions accounts, moreover, there is the danger that an unnecessarily broad definition of such accounts for reserve requirement purposes might inhibit innovation in the provision of financial services to consumers. With respect to Federal Reserve advances, there is the possibility that the objective of broadened access might be nullified in practice by narrow administration of the discount window.

For the reasons detailed below, we do not believe that extension of reserve requirements to thrift institution transactions accounts is justified. Should this Committee approve such action, however, it is essential that certain modifications be made in the legislation, as outlined later in our statement.

The Monetary Policy Issue

Changes in the present system of reserve requirements have been supported, in part, as a means of improving Federal Reserve monetary control. It is argued that, as System membership declines, the job of the Federal Reserve becomes more difficult because: (1) the link between reserves and the monetary aggregates becomes less predictable; (2) the use of changes in reserve requirements as a monetary policy tool is undermined; and (3) fewer institutions have access to the "safety valve" provided by the discount window.

To remedy this situation, H.R. 7 would apply reserve requirements to transactions account balances above $50 million at all institutions, as well as to savings and time deposits above $50 million at all commercial banks. As a result of this exemption level and the indexing feature in the bill, some 70 per cent of total transactions deposits in the banking system would be covered by reserves and this proportion would be maintained in future years. H.R. 7 would also make the discount window available to all depository institutions with transactions accounts.

The modifications proposed by Federal Reserve Board Chairman Miller, on the other hand, would raise the proportion of transactions deposits covered by reserves to over 90 per cent through "earnings participation accounts" for deposits between $10 million and $50 million at each institution. The rate of return on such interest-bearing reserves would be equal to the rate earned on the Federal Reserve's portfolio.

We are not convinced that the conduct of monetary policy would be significantly improved if the proportion of deposits subject to reserves were raised to, or maintained at, any specific level. There are substantial differences of opinion on this point among responsible observers.

We can speak from direct experience about the specific impact of Federal Reserve monetary policy on savings banks. In our judgment, the evidence is clear that savings banks are strongly influenced by Federal Reserve policies, as exercised through the impact of open-market operations on interest rate levels and through changes in Regulation Q deposit rate ceilings. In general, savings bank deposit growth has accelerated in periods of monetary ease and has slackened during periods of monetary restraint, reflecting the shifting attractiveness to savers of savings bank deposits relative to open-market investments. This pattern is fully consistent with the aims of monetary policy. Extension of reserve requirements to savings banks, therefore, is unnecessary from the standpoint of monetary control.

The impact of Federal Reserve policies on savings banks was apparent, for example, in the 1974 period of severe monetary restraint. At that time, open-market yields rose sharply, partly reflecting the restrictive policies of the Fed. As a result, savings banks sustained record net deposit outflows, totaling $2.8 billion, excluding interest credited to depositors' accounts. This contrasted sharply with the record inflow of $5.7 billion experienced in the 1971 period of monetary ease.

As compared with the principal monetary aggregates, moreover, savings bank deposits outstanding increased more slowly during the 1973-74 period. From January 1973 to July 1974, when the federal funds rate reached a monthly peak of nearly 13 per cent, total savings bank deposits outstanding rose by 5.6 per cent (including interest). In comparison, substantially larger increases occured in the main monetary aggregates -- 9.2 per cent for M_1, 13.2 per cent for M_2 and 15.6 per cent for M_3.

The impact of Federal Reserve actions has been no less evident in the current interest rate upswing. In 1978, savings banks experienced a net outflow of savings and time deposits amounting to $577 million, excluding interest, contrasting with the $2.9 billion inflow in 1977. The deposit loss in 1978 was considerably smaller than in 1974, but this was a direct reflection of the policies of regulatory agencies, including the Federal Reserve. In an attempt to shield the housing sector from the disproportionate burden borne in previous periods of monetary restraint, the 6-month CDs were introduced on June 1, thereby permitting depository institutions to compete with the open-market at open-market rates. As a result, disintermediation in 1978 was smaller than in 1974 on an industrywide basis, although outflows have remained as large in some individual areas.

The ultimate "success" of the 6-month CDs remains a question-mark, particularly in view of their adverse impact on deposit interest costs. Clearly, our industry's experience since they were introduced last June amply demonstrates that savings banks remain strongly impacted by Federal Reserve actions, even though they are not subject to reserve requirements.

Extension of reserve requirements to transactions accounts would add little, if anything, to the influence that the Federal Reserve already exercises over savings banks. Transactions deposits (checking and NOW accounts) total approximately $2 billion and represent about 1.5 per cent of total savings bank deposits. Transactions deposits at savings banks, moreover, are dwarfed by the approximately $360 billion represented by M_1.

It may be expected that transactions deposits at thrift institutions will grow in future years in response to liberalized legal authority. It is doubtful, however, that they will ever approach the volume held in commercial banks, given the aggregate size of our industry and its fundamental orientation toward serving consumer, rather than business, financial needs. This is suggested by the experience of savings banks in states where they have had transactions account authority for many years. In New Jersey, for example, balances in checking accounts represent less than 3 per cent of total savings bank deposits. In Massachusetts, where NOW accounts were first introduced in 1972, balances in such accounts represent less than 4 per cent of total deposits in savings banks.

In short, we believe that the extension of reserve-setting authority to savings banks is unnecessary to bring them under the influence of monetary policy, since they are already powerfully impacted by Federal Reserve actions. However, we fully support the requirements in H.R. 7 for reporting asset and liability data to enable the Federal Reserve Board to discharge its responsibility to monitor and control monetary and credit aggregates. Timely information on financial institution activity would contribute significantly to the effective conduct of monetary policy and further obviate the need for reserve requirements on thrift institutions.

The Equity Issue

Aside from monetary policy, the chief argument advanced in favor of restructuring the present system of reserve requirements is to promote equity among financial institutions. Noninterest-bearing reserves have frequently been described as equivalent to a "tax" on those institutions which are required to hold them. Some observers regard this tax as appropriate in view of the "money-creating" powers of commercial banks. In this regard, we doubt that any persuasive arguments can be made to show that savings banks "create credit" in the same sense and in the same degree as commercial banks.

In any event, a number of remedies are available for any problems of equity that may exist. Extension of reserve requirements to institutions not currently covered is only one. An alternative solution would be to reduce the reserve burden of Federal Reserve member banks, by lowering reserve requirements for these institutions and/or paying interest on their reserves. If the reserve requirements "tax" is burdensome, then it could be reduced where it now applies, rather than extending it to other institutions. If the reserve burden weakens monetary control by stimulating attrition in Federal Reserve membership, then its reduction would tend to strengthen monetary control by retarding further membership attrition. While revenues to the Treasury would be reduced, the loss could be cushioned by phase-in provisions and partially offset by explicit pricing of Federal Reserve services.

Specific Recommendations

In short, we are not convinced that extension of reserve requirements to thrift institution transactions accounts is necessary on monetary policy or equity grounds. Should the approach in H.R. 7 be adopted, however, we strongly believe that certain provisions should be incorporated, as indicated below:

1. Reserves against regular savings and time deposits of thrift institutions should be explicitly rejected. H.R. 7 would, of course, extend reserve requirements to thrift institutions only to the extent of their transactions account balances in excess of $50 million. As indicated earlier, however, we are concerned that reserve requirements might also be extended to regular savings and time deposits in the future.

Our industry would strongly oppose any attempt to impose reserve requirements on savings and time deposits of thrift institutions. We urge that the language of H.R. 7 and accompanying Committee Report reject such action in the strongest possible terms. It should also be made clear that the emergency power of the Federal Reserve Board to vary required reserve percentages beyond the limits otherwise prescribed by H.R. 7 does not include the power to impose reserve requirements on thrift institution savings and time deposits.

Reserve requirements on savings and time deposits would clearly weaken the earnings position of thrift institutions and their ability to compete for savings and to generate housing credit. For example, if the reserve requirements for such deposits in H.R. 7 were applicable to savings banks, their bottom-line net income would have been reduced by some 15 per cent in 1978. Ultimately, the burden would be borne by savers and home mortgage borrowers without any benefit for monetary policy. Indeed, many observers have questioned whether such reserve requirements should be imposed on any type of institution. For example, the Commission on Financial Structure and Regulation (Hunt Commission) specifically recommended that legally required reserves on savings and time deposits be abolished for all types of institutions.

2. The $50 million exemption and the indexing provision should be retained. These provisions would free the relatively modest transactions account activity of most thrift institutions from the burden of reserve requirements and permit further moderate growth. Based on the information available now, we prefer the $50 million exemption and indexing provision in H.R. 7 as introduced by Chairman Reuss to the modifications proposed by the Federal Reserve. The Federal Reserve

proposal would substantially increase reserve coverage by imposing interest-bearing reserve requirements on deposit balances between $10 million and $50 million at each institution. In most years, the rate of return earned on the System's portfolio has been less than the rate earned on total savings bank assets. The Federal Reserve modifications, therefore, would tend to reduce savings bank earnings. Absent persuasive evidence that effective monetary policy requires the substantially broadened reserve coverage contemplated by the Federal Reserve proposal, the $50 million exclusion and indexing provision provided in H.R. 7 appear to be the preferable approach.

3. <u>The definition of transactions accounts should be clarified and restricted so that future innovations in consumer financial services are not needlessly inhibited</u>. H.R. 7 would define transactions accounts to include: "...demand deposits, savings deposits subject to automatic transfers, and deposits subject to negotiable or other payment order of withdrawal, or to any similar instrument used to make payments or transfers..." We are concerned that this definition could be construed to include deposit instruments in which a payment or transfer feature is merely incidental to the normal use of the account. We do not believe, furthermore, that the means of access should be the governing factor in the definition of transactions accounts.

The recent years have witnessed major innovations in deposit instruments for the benefit of consumers. Savings banking has been in the forefront of this movement as demonstrated by the introduction of NOW accounts in our industry. Future innovations should not be retarded by uncertainty as to the application of reserve requirements.

In our view, transactions accounts should include checking accounts and close functional substitutes for checking accounts -- NOW accounts and savings accounts from which automatic, preauthorized transfers may be made to transactions accounts. They should not include accounts which have only incidental transactions-type features.

H.R. 7 should also be clarified with respect to the authority of the Federal Reserve Board to define the term "deposit" for nonmember depository institutions. Such authority should be restricted to the purpose of reserve requirements and should not include deposit interest rate ceilings of nonmember institutions.

4. The Federal Reserve discount window should be available to meet the longer-term liquidity needs of thrift institutions. H.R. 7 would make the discount window available to all depository institutions with transactions accounts. In his testimony on January 24, Chairman Miller stated that:

> "...The discount window, as the 'lender of last resort,' provides the payments system with a basic liquidity back-up by assuring member banks the funds to meet their obligations..."
>
> "...Under this legislation all commercial banks and thrift institutions with transactions accounts would have access to the Federal Reserve discount window. The Federal Reserve could then act as a 'lender of last resort' to a broader class of depository institutions and thereby enhance the overall safety and soundness of the depository system, as well as providing more flexibility to financial institutions to respond to changing monetary policy..."

To achieve the objective of broadened access to the discount window, more than nominal availability to thrift institutions is needed.

Currently, Federal Reserve advances are available on an extremely short-term or seasonal basis, in keeping with the short-term nature of commercial bank balance sheet structures. To be useful to thrift institutions, the discount window should be available on a longer-term basis to meet the longer-term nature of their liquidity needs. During the 1973-74 period of monetary restraint, for example, net deposit losses, excluding interest, were sustained in 15 of 21 consecutive months by the savings bank industry as a whole, and for significantly longer and more continuous periods by individual institutions.

If H.R. 7 is adopted, it should include a directive to the Federal Reserve to frame discount policies with a view to the inherently longer-term liquidity needs of thrift institutions. This broadened access to the discount window is not proposed as a substitute for longer-term asset expansion credit available to members of the Federal Home Loan Bank System. It is proposed, rather, on its own merits as a means of extending the unique liquidity backup represented by the Federal Reserve discount window, to achieve the monetary policy and other objectives outlined above by Chairman Miller.

5. Access to other Federal Reserve services should be clarified. H.R. 7 provides that, during any period in which the required reserves of any depository institution are greater than zero and it is maintaining reserves in the form of balances and/or vault cash, the institution will be eligible to utilize various Federal Reserve services. H.R. 7 also provides for pricing of Federal Reserve services, on a nondiscriminatory basis between member and nonmember institutions.

We believe that all depository institutions with transactions accounts should have access to Federal Reserve services, whether they are required to hold reserves or not. This presupposes, of course, that services are explicitly and competitively priced.

In any event, savings banks should not be barred from Federal Reserve services which are presently available to them. For example, savings banks may currently participate in automated clearing house facilities administered by the Federal Reserve. We believe that the purposes of H.R. 7 would not be served by denying access to currently available services to any individual savings bank.

MONETARY CONTROL

MONDAY, MARCH 5, 1979

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9:30 a.m., in room 2128 of the Rayburn House Office Building; Hon. Henry S. Reuss (chairman of the committee) presiding.

Present: Representatives Reuss, AuCoin, Vento, Watkins, Stanton, Hansen, Hyde, Evans of Delaware, Shumway, and Ritter.

Chairman REUSS. Good morning. The House Committee on Banking, Finance and Urban Affairs will be in session for a continuation of its hearings on H.R. 7 and similar legislation designed to combat the defects in monetary control by the Federal Reserve System without increasing the governmental deficit.

We are privileged this morning to hear from a panel of academic witnesses: Dr. Stuart I. Greenbaum, Harold L. Stuart professor of banking and finance and director of the Banking Research Center at Northwestern University's Graduate School of Management; and Dr. William E. Whitesell, professor of economics at Franklin & Marshall College; Jeremiah P. Shea, president of the Bank of Delaware; and John E. Malarkey, the State bank commissioner from Delaware.

We have a most beloved and distinguished member of our committee who represents the State just mentioned.

Congressman Evans, would you like to do the honors?

Mr. EVANS. Thank you, Mr. Chairman.

As you can see, Mr. Shea and Mr. Malarkey, we have a friend for the chairman of the Banking, Finance and Urban Affairs Committee, although he might be on the other side, and I do think that both sides working together for the common good is the best for this country.

And I appreciate both of you being here this morning.

Mr. Shea testified before our committee last year.

We are glad to have you back, Mr. Shea, to testify on this very important matter, especially as it is related to the Federal Reserve nationwide and to a very unique problem that we have in Delaware and a few other States.

Mr. HANSEN. Will the gentleman yield?

Mr. EVANS. I would certainly yield.

Mr. HANSEN. I would just like to say that, being a colleague of the gentleman from Delaware, that we are very pleased to have this gentleman on the committee and you gentlemen from Delaware here to participate this morning.

Thank you, Mr. Chairman.

Chairman REUSS.Thank you.

Dr. Greenbaum, would you start out under the rule.

Without objection, the statements of all of you gentlemen are received in full into the record. Would you now proceed, Dr. Greenbaum?

STATEMENT OF DR. STUART I. GREENBAUM, HAROLD L. STUART PROFESSOR OF BANKING AND FINANCE, AND DIRECTOR, BANKING RESEARCH CENTER, GRADUATE SCHOOL OF MANAGEMENT, NORTHWESTERN UNIVERSITY, EVANSTON, ILL.

Dr. GREENBAUM. Chairman Reuss, I distributed my statement earlier, which I am prepared to either summarize or read, as you wish. If you feel it would be useful for me to read through this 9-page statement, I would be more than glad to do that. If you would like me to rather briefly summarize, I am prepared to do that.

Chairman REUSS. Well, let us make sure we are talking about the same pieces of paper. We have your mimeographed 9-page statement.

Dr. GREENBAUM. Indeed, you do.

Chairman REUSS. And that is in the record. Now, you are entirely welcome to read that or go beyond it or to skip around or to proceed in any way you like.

Dr. GREENBAUM. I am here at the service of the committee. If you think it would be useful to read it, I would be pleased to do that.

Chairman REUSS. I suggest, since it is not unduly long, that you read it. If you are comfortable in doing that, feel free to digress from it.

Dr. GREENBAUM. Thank you for inviting me to comment on this important pending legislation. My discussion will focus on the more general Fed membership question. Since both bills under consideration are addressed to this problem, I will speak indirectly to the proposed legislation.

The symptomatic roots of the Fed membership question are found in the persistent egress of commercial banks from the ranks of Fed membership. The departure rate has exceeded 50 banks per year over the past decade and departures seem to be accelerating, particularly among banks in the $100 to $500 million deposit size.

Over the last decade, the proportion of total commercial bank deposits held by member banks declined from about 85 percent to less than 75 percent. These trends have understandably disquieted the Federal Reserve and others and have prompted legislative proposals that would apply uniform legal reserve requirements to all deposit-type financial institutions, typically with an exemption for smaller institutions.

The proposals have been defended on two grounds: First, reserve requirements are said to facilitate the conduct of monetary policy by enhancing the predictability of monetary aggregates; and second, equitable treatment of financial institutions competing in the same markets demands equal regulatory restrictions—that is, uniform reserve requirements.

These are the two standard arguments offered by the Federal Reserve, and at least one of them is nicely summarized in the

Board's January 29 response to a question from this committee. I believe the arguments are both specious and self-serving.

In any case, these are the two arguments that are traditionally offered by the Federal Reserve: equity and the importance of reserve requirements for the conduct of monetary policy.

In addition, there are at least three other issues involved here. First, the design of reserve requirements may affect the distribution of power among the regulatory agencies. Second, reserve requirements may affect the efficiency of our financial system, particularly the pricing and output of financial services and the distribution of production between the public and private sectors. Finally, the level of reserve requirements affects the distribution of seigniorage derived from the production of deposit money between the Government and the private banking system.

I propose to briefly discuss each of these five issues and then conclude by offering a modest if somewhat unorthodox proposal for solving the problem at hand.

First, let me address the issue of monetary management. The official and widely-held view that reserve requirements facilitate the conduct of monetary policy by enhancing the predictability of monetary aggregates emanates from the standard textbook theory of the money supply process. The volume, variance, and interest-elasticity of any reserve-constrained financial claim varies inversely with the reserve requirement, for any given level of total reserves.

In the limit, as the reserve requirement approaches unity, both the interest-elasticity and the variance of the financial claim approach zero. Hence, as banks and deposits depart Fed membership, the average effective reserve requirement declines and the variance of the money stock increases. This is the standard Fed argument, which I would be pleased to develop in greater detail if there is any desire for such explanation.

In any case, the logic of this argument, as far as it goes, is unassailable. However, it neglects an important implication of raising reserve requirements.

Reserve requirements induce financial institutions to introduce new claims that are close substitutes for deposits whenever such substitutes have lower reserve requirements. Examples abound. They include money market mutual funds, credit union share drafts, NOW accounts, Eurodollars and repurchase agreements.

Moreover, these financial innovations are exceptionally difficult to control, for they need not originate in domestic deposit-type financial institutions. In addition, whereas some of these innovations are simply devices to avoid reserve requirements, others have more positive welfare implications and it is virtually impossible to distinguish between the two types of financial innovations.

When we consider the variance of the augmented monetary aggregate, including both the reserve-constrained claim and the reserve-subverting money substitute, it is no longer clear that increasing reserve requirements leads to improved predictability. Symptomatic of this difficulty is the Federal Reserve's recent frustration in defining an appropriate monetary aggregate.

My colleague, Prof. George Kanatas, and I show in a forthcoming paper that an increase in reserve requirements leads to an increase in the variability of an appropriately defined monetary aggregate, given fairly plausible assumptions regarding demand and supply elasticities. Even if one questions our assumptions, it is clear that one cannot plausibly predict reduced variability of the monetary aggregate as reserve requirements increase.

We are inevitably led to reject the conventional view that reserve requirements facilitate the conduct of monetary policy. Indeed, the contrary seems more plausible.

In the aforementioned paper, Professor Kanatas and I also show that in a setting without reserve requirements the Federal Reserve can achieve any desired degree of predictability of the monetary aggregate with an appropriate choice of an interest rate offered for deposits voluntarily held at the Federal Reserve.

Now I would like to turn to the question of equity, which is the second of the five issues. Horizontal equity requires that equally situated institutions—that is, institutions competing in the same market—receive equal regulatory treatment. Any uniformly applied reserve requirement, positive or zero, would satisfy this criterion of equitable treatment.

For more than 100 years, reserve requirements have been applied selectively in recognition of certain behavioral differences among financial institutions. These differences in reserve requirements have, by and large, provided favorable treatment to smaller financial institutions and can be interpreted as fostering a more sophisticated vertical equity. If reserve requirements are to be used toward this end, uniformity of reserve requirements must be compromised, and at least some institutions necessarily will be subjected to positive requirements.

The appropriateness of protecting smaller financial institutions will have to await examination at another time. However, given a commitment to smaller insitutions, it seems fitting to ask whether the reserve requirement is a desirable vehicle for bestowing favor. The transcendent importance of monetary policy and the abundance of alternative means of subsidization would seem to speak against the current progressive reserve requirements and the proposed differential reserve requirements—that is, exemptions.

Next, I would like to turn to the question of regulatory hegemony. It would be remarkable indeed if legislative proposals put forth by regulatory agencies did not reflect concern about the regulator's constituency. Uniform positive reserve requirements effectively mandate Fed membership and thereby extend the Fed's constituency, in extremis. Uniform zero reserve requirements practically moot the question of membership and could eventually narrow the scope of the Fed's activities to the most basic elements of monetary management.

Some, including myself, see this as a distinct advantage of zero reserve requirements. With the issue of membership out of the way for the most part, the Federal Reserve could more single-mindedly devote itself to serving as lender of last resort and managing open-market operations. The unavoidable proclivity of the Fed to view the membership problem in terms of a vanishing constituency perniciously diverts attention from their primary responsibility: stabilizing the economy. So much the worse, since the very notion of Fed membership is little more than a quaint historical artifact.

I would like to turn now to the production of financial services, the fourth of the five issues I wanted to touch on briefly.

We take it for granted that certain financial services are produced in the public sector, whereas others are produced in the private sector. Further, some prices are market-determined, whereas others are regulated. Efficiency, it is thought, generally requires that prices equal marginal costs, and there is a presumption favoring private production in most cases.

However, the existence of reserve requirements insidiously shifts production of financial services to the public sector and leads to underpricing. Overconsumption of these services results. Because the Federal Reserve is concerned with loss of members, it seeks to compensate members indirectly by providing financial services at prices below their cost of production. The higher the inflation rate and nominal interest rates, the higher is the cost to members implied by any reserve requirement and the greater the inducement to depart membership.

This concatenation induces the Fed to ever greater encroachment on private markets. The extension of ACH's, RCPC's, and other improvements in services to member banks are understandable as efforts to deter the loss of members. An important advantage of zero reserve requirements is that the Fed's incentive to produce and sell below-cost financial services that are producible in the private sector would be materially weakened.

I venture to guess that most of the clearing services now being produced by the Fed could and would be produced privately. One is again driven to ask: To what extent are we presently overproducing financial services and to what extent is this Fed activity diverting attention from its primary responsibility?

From time immemorial, sovereigns have reserved to themselves profits associated with the creation of money. Federal Reserve liabilities—deposits and currency—are inexpensively produced and maintained, and finance the Fed's holdings of interest-bearing assets—U.S. Government securities, bankers acceptances, and loans to banks. Similarly, commercial bank deposits are virtually costless to create, inexpensive to maintain, and finance banks' holdings of earning assets.

The reserve requirement affects the distribution of seigniorage associated with the creation of commercial bank deposits. With a 100 percent reserve requirement, the Government effectively appropriates to itself all deposit seigniorage. A zero reserve requirement shifts most deposit seigniorage to the private banking system—the seigniorage is diminished to the extent that banks voluntarily hold cash assets.

The common view of reserve requirements as a tax reflects the bankers' vantage point from which such seigniorage is properly appropriable by the private creators of deposits rather than the public whose guarantees enhance the moneyness of deposits.

The concrete manifestation of this somewhat abstruse issue is found in Congress concern about the Treasury's revenue loss associated with any reduction in reserve requirements. But this concern is probably shortsighted. The revenues involved are on the order of hundreds of millions as compared with tens of billions involved in ill chosen stabilization policies.

Moreover—and I consider this important—the revenue losses could be readily offset by small adjustments to deposit insurance fees. Total deposits in commercial banks and thrift institutions currently run about $1.5 trillion. Thus, one basis point would generate about $150 million annually. The FDIC and FSLIC have statutory insurance fees of one-twelfth of 1 percent, or 8⅓ basis points, against an adjusted total deposit base. But approximately half to two-thirds of the fee is commonly rebated, which means that the effective rate is three or four basis points.

Elimination of rebates would probably generate enough revenue to offset losses associated with a 25 percent decline in deposits held at the Federal Reserve. It is difficult to imagine that the elimination of reserve requirements, barring other changes, would produce a much larger decline.

Further, it is hard to imagine many banks or thrifts giving up deposit insurance as a result of the elimination of these rebates.

On the basis of the foregoing considerations, I am led to recommend the gradual elimination of all legal reserve requirements. This change could be expected to reduce the variability of augmented monetary aggregates, such as M_2, M_3, and the still broader M's, thereby facilitating monetary control. However, the variability of M_1 would probably increase somewhat.

In this simpler, less constrained setting, the Federal Reserve along with Congress could reassess the variability of the monetary aggregates. If the augmented money measure is still insufficiently predictable, or excessively volatile, the Federal Reserve should progressively raise the interest rate offered on deposits held at the Fed until the desired predictability is attained.

Of course, the payment of interest will reduce the money multiplier along with its variance. Therefore, interest rate increases will necessitate expansionary open-market operations if the money stock is not to decline.

The proposed reform promises to moot the membership question, satisfy the horizontal equity criterion, and contribute to the efficient production of financial services. It should also improve the conduct of monetary policy. However, the seigniorage question is unavoidable and may necessitate some changes in deposit insurance fees or bank taxation.

The proposal has the added advantage—or perhaps disadvantage—of providing the Federal Reserve with an additional instrument for influencing the Eurodollar market which conceivably could be used to strengthen the dollar's exchange rate. If the Federal Reserve is willing to accept dollar deposits from foreign branches of U.S. institutions and foreign banks, the interest rate offered can be expected to influence the Eurodollar multiplier as surely as it affects the domestic money multiplier. Higher interest rates should reduce dollar availability abroad and support the dollar in exchange markets.

Thank you again for the opportunity to express my views.

If you would like, I would be pleased to elaborate on any facet of my discussion.

[Dr. Greenbaum's prepared statement follows:]

TO: Committee on Banking, Currency and Housing, House of Representatives U. S. Congress

FROM: Stuart I. Greenbaum, Harold L. Stuart Professor of Banking and Finance and Director, Banking Research Center, Graduate School of Management, Northwestern University

RE: H. R. 7 and H. R. 2133, 96th Congress, 1st Session

Thank you for inviting me to comment on this important pending legislation. My discussion will focus on the more general "Fed membership question." Since both bills under consideration are addressed to this problem, I will speak indirectly to the proposed legislation.

The symptomatic roots of the Fed membership question are found in the persistent egress of commercial banks from the ranks of Fed membership. The departure rate has exceeded 50 banks per year over the past decade and departures seem to be accelerating, particularly among larger banks (in the 100 to 500 million dollar deposit size). Over the last decade, the proportion of total commercial bank deposits held by member banks declined from about 85 percent to less than 75 percent. These trends have understandably disquieted the Federal Reserve and others and have prompted legislative proposals that would apply uniform legal reserve requirements to all deposit-type financial institutions, typically with an exemption for smaller institutions. The proposals have been defended on two grounds: (1) reserve requirements are said to facilitate the conduct of monetary policy by enhancing the predictability of monetary aggregates, and (2) equitable treatment of financial institutions competing in the same markets demands equal regulatory restrictions, i.e., uniform reserve requirements. However, at least three other issues are involved. First, the design of reserve requirements may affect the distribution of power among the regulatory agencies. Second, reserve requirements may affect the efficiency of our financial system, particularly the pricing and output of financial services and the distribution of production between the public and private sectors. Finally, the level of reserve requirements affects the distribution of seigniorage derived from the production of deposit money between the government and the private banking system. I propose to briefly discuss each of these five issues and then conclude by offering a modest if somewhat unorthodox proposal for solving the problem.

Monetary Management

The official and widely-held view that reserve requirements facilitate the conduct of monetary policy by enhancing the predictability of monetary aggregates emanates from the standard textbook theory of the money supply process. The volume, variance, and interest-elasticity of any reserve constrained financial claim varies inversely with the reserve requirement, for any given level of total reserves. In the limit, as the reserve requirement approaches unity, both the interest-elasticity and the variance of the financial claim approach zero. Hence, as banks and deposits depart Fed membership the average effective reserve requirement declines and the variance of the money stock increases. The logic of this argument is unassailable. However, it neglects an important implication of raising reserve requirements.

Rising reserve requirements induce financial institutions to introduce new claims that are close substitutes for deposits whenever such substitutes have lower (often zero) reserve requirements. Examples abound! They include money market mutual funds, credit union share drafts, NOW accounts, Eurodollars, and repurchase agreements. Moreover, these financial innovations are exceptionally difficult to control for they need not originate in domestic deposit-type financial institutions. In addition, whereas some of these innovations are simply devices to avoid reserve requirements, others have more positive welfare implications and it is virtually impossible to distinguish between the two types of financial innovations.

When we consider the variance of the augmented monetary aggregate, including both the reserve constrained claim and the reserve subverting money substitute, it is no longer clear that increasing reserve requirements leads to improved predictability. Symptomatic of this difficulty is the Federal Reserve's recent frustration in defining an appropriate monetary aggregate. My colleague, Professor George Kanatas, and I show in a forthcoming paper that an increase in reserve requirements leads to an increase in the variability of an appropriately defined monetary aggregate, given fairly plausibe assumptions regarding demand and supply elasticities. Even if one questions our assumptions, it is clear that one cannot plausibly predict reduced variability of the monetary aggregate as reserve requirements increase. We are inevitably led to reject the conventional view that reserve requirements facilitate the conduct of monetary policy. Indeed the contrary seems more plausible.

In the aforementioned paper, Kanatas and I also show that in a setting without reserve requirements the Federal Reserve can achieve any desired degree of predictability of the monetary aggregate with an appropriate choice of an interest rate offered for deposits voluntarily held at the Federal Reserve.

Equity

Horizontal equity requires that equally situated institutions, i.e., institutions competing in the same markets, receive equal regulatory treatment. Any uniformly applied reserve requirement, positive or zero, would satisfy this criterion of equitable treatment.

For more than 100 years, reserve requirements have been applied selectively in recognition of certain behavioral differences among financial institutions. These differences in reserve requirements have by and large provided favorable treatment to smaller financial institutions and can be interpreted as fostering a more sophisticated vertical equity. If reserve requirements are to be used toward this end, uniformity of reserve requirements must be compromised and at least some institutions necessarily will be subjected to positive requirements. The appropriateness of protecting smaller financial institutions will have to await examination at another time. However, given a commitment to smaller institutions, it seems fitting to ask whether the reserve requirement is a desirable vehicle for bestowing favor. The transcendent importance of monetary policy and the abundance of alternative means of subsidization would seem to speak against the current progressive reserve requirements and the proposed differential reserve requirements (with exemptions).

Regulatory Hegemony

It would be remarkable indeed if legislative proposals put forth by regulatory agencies did not reflect concern about the regulator's constituency. Uniform positive reserve requirements effectively mandates Fed membership and thereby extends the Fed's constituency, in extremis. Uniform zero reserve requirements practically moots the question of membership and could eventually narrow the scope of the Fed's activities to the most basic elements of monetary management. Some, including myself, see this as a distinct advantage of zero reserve requirements. With the issue of membership out of the way for the most part, the Federal Reserve could more single-mindedly devote itself to serving as lender of last resort and managing open market operations. The unavoidable proclivity of the Fed to view the membership problem in terms of a vanishing constituency perniciously diverts attention from their primary responsibility, stabilizing the economy. So much the worse, since the very notion of Fed membership is little more than a quaint historical artifact.

Production of Financial Services

We take it for granted that certain financial services are produced in the public sector, e.g., deposit insurance, whereas others are produced in the private sector. Further, some prices are market determined whereas others are regulated. Efficiency requires that prices equal marginal costs and there is a presumption favoring private production in most cases. However, the existence of reserve requirements insidiously shifts production of financial services to the public sector and leads to underpricing. Over-consumption of these services results. Because the Federal Reserve is concerned with loss of members, it seeks to compensate members indirectly by providing financial services at prices below their cost of production. The higher the inflation rate and nominal interest rates, the higher is the cost to members implied by any reserve requirement and the greater the inducement to depart membership. This concatenation induces the Fed to ever greater encroachment on private markets. The extension of ACHs, RCPCs and other improvements in services to member banks are understandable as efforts to deter the loss of members. An important advantage of zero reserve requirements is that the Fed's incentive to produce and sell below-cost financial services that are producible in the private sector would be materially weakened. I venture to guess that most of the clearing services now being produced by the Fed could and would be produced privately. One is again driven to ask to what extent we are presently over-producing financial services and to what extent this Fed activity diverts attention from their primary responsibility?

Seigniorage

From time immemorial, sovereigns have reserved to themselves profits associated with the creation of money. Federal Reserve liabilities -- deposits and currency -- are inexpensively produced and maintained, and finance the Fed's holdings of interest-bearing assets -- U.S. Government securities, bankers acceptances and loans to banks. Similarly, commercial bank deposits are virtually costless to create, inexpensive to maintain, and finance banks' holdings of earning assets.

The reserve requirement affects the distribution of seigniorage associated with the creation of commercial bank deposits. With a 100 percent reserve requirement, the government effectively appropriates to itself all deposit seigniorage. A zero reserve requirement shifts most deposit seigniorage to the private banking system -- the seigniorage is diminished to the extent that banks voluntarily hold cash assets. The common view of reserve requirements as a tax reflects the bankers' vantage point from which such seigniorage is properly appropriable by the private creators of deposits rather than the public whose guarantees enhance the "moneyness" of deposits. The concrete manifestation of this somewhat abstruse issue is found in Congress' concern about the Treasury's revenue loss associated with any reduction in reserve requirements. But this concern is probably short-sighted. The revenues involved are on the order of hundreds of millions as compared with tens of billions involved in ill-chosen stabilization policies. Moreover, the revenue losses could be readily offset by small adjustments to deposit insurance fees. Total deposits in commercial banks and thrift institutions currently run about 1.5 trillion dollars. Thus, one basis point would generate about 150 million dollars annually. The FDIC and FSLIC have statutory insurance fees of 1/12 of one percent, or 8-1/3 basis points, against an adjusted total deposit base. But approximately half of the fee is commonly rebated which means that the effective rate is 4 or 5 basis points. Elimination of rebates would probably generate enough revenue to offset losses associated with a 25 percent decline in deposits held at the Federal Reserve. It is difficult to imagine that the elimination of reserve requirements would produce a much larger decline. Further, it is hard to imagine many banks or thrifts giving up deposit insurance as a result of the elimination of rebates.

Proposal

On the basis of the foregoing considerations, I am led to recommend the gradual elimination of all legal reserve requirements. This change could be expected to reduce the variability of augmented monetary aggregates, such as M_2, M_3..., thereby facilitating monetary control. However, the variability of M_1 would probably increase somewhat. In this simpler less constrained setting, the Federal Reserve along with Congress, could reassess the variability of the monetary aggregates. If the augmented money measure is still insufficiently predictable, or excessively volatile, the Federal Reserve should progressively raise the interest rate offered on deposits held at the Fed until the desired predictability is attained. Of course, the payment of interest reduces the money multiplier along with its variance. Therefore interest rate increases will necessitate expansionary open market operations if the money stock is not to decline.

The proposed reform promises to moot the membership question, satisfy the horizontal equity criterion, and contribute to the efficient production of financial services. It should also improve the conduct of monetary policy. However, the seigniorage question is unavoidable and may necessitate some changes in deposit insurance fees or bank taxation.

The proposal has the added advantage (disadvantage?) of providing the Federal Reserve with an additional instrument for influencing the Eurodollar market which conceivably could be used to strengthen the dollar's exchange rate. If the Federal Reserve is willing to accept dollar deposits from foreign branches of U.S. institutions and foreign banks, the interest rate offered can be expected to influence the Eurodollar multiplier as surely as it affects the domestic money multiplier. Higher interest rates should reduce dollar availability abroad and support the dollar in exchange markets.

Thank you, again, for the opportunity to express my views.

Chairman REUSS. Thank you very much, Dr. Greenbaum.
We will be asking you some questions presently.
Mr. Shea, would you proceed.

STATEMENT OF JEREMIAH P. SHEA, PRESIDENT, BANK OF DELAWARE, WILMINGTON, DEL.

Mr. SHEA. First of all, I would like to thank you for this invitation to appear before the committee today; and I include in that Congressmen Stanton and Evans, who have been kind enough to extend an invitation for us to come and talk about this particular problem, the unusual problem that H.R. 7, or legislation like it, would produce within the State of Delaware.

I am here today as a spokesman for the member banks of the Delaware Bankers Association, and particularly those institutions within that group that represent more than 90 percent of the banking resources of our small State; and Delaware is a small State, a population of only 600,000 people, served by 17 commercial banks. And of those 17 banks, the 4 largest represent 92 percent of all bank assets, 91 percent of all bank deposits, and approximately 80 percent of all bank capital.

In asset size, the four banks range from $430 million to $1.3 billion, and in total they aggregate—bank assets are about $3 billion.

We are located outside the money centers. We are local banks. We emphasize retail services in a very competitive environment, vying for the business of those 600,000 citizens. None of these banks are members of the Federal Reserve System, because there is no present advantage to membership.

Two of the four were members but found the cost more than justified by the services rendered by the prestige or business potential, or any other measure. They are, in brief, 4 of the approximately 200 banks that H.R. 7 is designed to capture

The collective capital-to-assets ratio of the four banks is 6.1 percent, somewhat below the ratio of banks in their size range.

One of their continuing concerns is the improvement of this ratio through, first of all earnings, and second, the retention of earnings. Compulsory sterile reserves would severely hamper this objective.

These banks have a number of concerns in common. First, we agree on the need for a strong central bank. Second, we believe that the Federal Reserve System can obtain the supportive needs and the reserves it seeks to control through policies that respect the earnings requirements and capital requirements of member and nonmember banks. Third, we believe that voluntary support is most desirable and that it is available in direct relationship to the cost of that support.

Finally, we have found, and would suggest to the Federal Reserve, that effective administration is enhanced by simplicity and clarity of regulation—four specific points here, the first of which is that the establishment of uniform reserve requirements on all demand deposits, except for the smallest banks, which are already protected by the Fed's recognition of vault cash as a part of their reserves; second, establishing uniform reserve requirements for all savings deposits, including NOW accounts and other nondemand transaction accounts, included as savings deposits; third, to extend the uniform requirements to all banking institutions, savings banks, savings associations, and credit unions; and, finally, to set no reserve requirement on longer term savings deposits at this time, because this category is in flux, and measurement is difficult and should await a future point where a plateau is reached, but to set a time frame for review of this subject.

Our main thesis, in appearing before you today, is to stress the severe, if unintended impact, that H.R. 7 will have on Delaware banking and the Delaware economy. In appraising H.R. 7's impact on banking, we asked the four largest banks, alluded to earlier, to supply us with estimates of the reserves that would be immobilized by the proposed legislation, based on their yearend 1978 operating results.

Using that figure, it would be possible to calculate the estimated impact on earnings and indirectly on capital formation. The following analysis is based on certain reasonable assumptions, conservative assumptions:

First: We asked all four banks to assume that they would use Federal Reserve for the bulk of their check processing.

Second: We asked them all to assume that they would reduce their correspondent balances by 25 percent. And we asked them, in calculating costs or earnings on balances, to use a 7½ percent assumed rate, even though in today's market that is quite low.

In my prepared statement, of which you have copies, I have listed the four banks, their 1978 earnings, the reserves that they calculate they would have to maintain, not including vault cash, referring specifically to that portion of the reserve that is immobilized.

Third: The impact, after taxes, on their earnings, based on that sterile reserve figure, both in terms of percentage of earnings and dollars—there are three numbers in there that I would like to call to your attention.

Two of the banks would be impacted on an after-tax earnings basis, to the extent of almost 20 percent—19.3 percent in one instance, 19.8 percent in the other.

The total reserves for the State of Delaware that would be mobilized would be $97,159,000; and that assumes no leeway, no excess dollars in a reserve account, so that I think it is reasonable to say that $97 million is the theoretical low point of that figure.

It also equals 5 percent of all bank deposits and 3.4 percent of all bank assets in the State of Delaware. The total after-tax impact of the loss of earnings on the $97 million was calculated to $3.3 million roundly. It equals 14 percent of all after-tax earnings; and in the case of individual banks, would range from 8½ to 19.8 percent.

Curiously, the greatest impact would be incurred by the bank in the groups that has the greatest need. That institution also reports that compliance with the substantial reserves, required by H.R. 7, would force the sale of part of its loan portfolio.

That statement on their part, I think, says volumes. Needless to say, the lending activities of all the banks would be impaired.

From the Treasury's point of view, fiscal point of view, their bottom line, from what I have read, is the annual transfer of Federal Reserve earnings to the Treasury. Regardless of the merits of this tranfer, it would make sense to adopt a system that: A, included all commercial banks and savings institutions on the same basis; B, established uniform reserve requirements for each class of deposit, with no gradations within class; C, that directed the calculation of required reserves so as to achieve approximately the same bottom line—that is, Fed transfer to the Treasury, as now exists; and, finally, viewed earnings on reserve balances and charges for services as offsetting.

Since it is the intent of Congress to see that interest on reserves is to be offset by charges for service, then it is probably not worth the effort to design elaborate calculations intended to maintain the status quo. This thought is borne out and supported by remarks made before this committee by John Perkins, president of the American Bankers Association, on the 28th of February, in which, according to the elaborate computer studies that they had made, and which were the subject of his remarks at that time, the net result between the payment of interest, and the charges for services were expected to be offsetting with only minor impacts on various classes of banking institutions.

All banks, as witness the statement here by the Community Bankers Association of the ABA, are willing to support the Federal Reserve. And if they did under the terms of the thoughts that I expressed above, in A, B, and C; namely, that all banks would share in the cost of that support, that there would be uniform reserve requirements with no gradations, and that the calculation would start, if necessary, with the bottom line, the dollars that the Treasury is interested in receiving through transfer from the Federal Reserve, in that way, the burden would be evenly spread across the industry. This would assure the continuity of Treasury income at present levels. It would give the Fed control of essentially all banking and savings deposits; and it would relieve the disproportionate cost contemplated under H.R. 7 that would severely impact 200 community and regional retail banks.

In other words, with more participants, the individual burden would be lighter, allowing for more acceptable ranges and levels of reserve requirements. Delaware, with no substantial Federal Reserve representation, and with no major population base, will suffer disproportionately, unless a broad-based approach, such as this, is adopted.

The present intention to exclude 12,900 of the Nation's banks in the entire savings industry from the reserve requirement is simply not reasonable. We are willing to shoulder our share of the contribution needed to maintain the influence of the Federal Reserve System, but must object to H.R. 7, as now written.

To move almost $100 million, 5 percent of our State's banking deposits, to the vaults of the Federal Reserve Bank of Philadelphia, would be an unreasonable price to pay in terms of industrial growth, job development, and bank capital formation.

We are most appreciative of your willingness to hear our remarks today.

Thank you.

[Mr. Shea's prepared statement on behalf of the Delaware Bankers Association follows:]

STATEMENT OF JEREMIAH P. SHEA, PRESIDENT AND CHIEF EXECUTIVE OFFICER

BANK OF DELAWARE, WILMINGTON, DELAWARE

TO: HOUSE BANKING, FINANCE & URBAN AFFAIRS COMMITTEE

THE HONORABLE HENRY S. REUSS, CHAIRMAN

MARCH 5, 1979

REMARKS BEFORE HOUSE BANKING COMMITTEE

MARCH 5, 1979

My name is Jeremiah P. Shea. I am President and Chief Executive Officer of Bank of Delaware, Wilmington, Delaware. I enjoyed having the opportunity to speak to your Committee in the last session of Congress in that capacity.

Today, I am here as a spokesman for the member banks of the Delaware Bankers Association, and particularly for those institutions that represent more than 90% of the banking resources of our small State.

Delaware is a small State--a population of only 600,000 people, served by 17 commercial banks. Of those 17 banks, the four largest represent

92% of all bank assets
91% of all bank deposits
80% of all bank capital

In asset size, the four banks range from $430 million to $1.3 billion and total assets of the four are about $3 billion.

Located outside the money centers, we are local banks emphasizing retail services in a competitive environment, vying for the business of those 600 thousand citizens. None of these banks are members of the Federal Reserve System because there is no present advantage to membership. Two of the four were members but found the cost more than could be justified by services rendered, prestige, or business potential. They are, in brief, four of the approximately 200 banks that H.R.7 is designed to capture.

The collective capital-to-assets ratio of the four banks is 6.1%--somewhat below the ratio of banks in their size range. One of their continuing concerns is the improvement of this ratio through a) earnings, and b) earnings retention. Compulsory sterile reserves will severely hamper this objective.

These banks have a number of concerns in common:

1. We need a strong central bank.
2. We believe that the Federal Reserve System can obtain the support it needs and the reserves it seeks to control, through policies that respect the earnings requirements and capital requirements of member and non-member banks.
3. We believe that voluntary support is most desirable and that it is available in direct relationship to the cost of that support.
4. We have found, and suggest to the Federal Reserve, that effective administration is enhanced by simplicity and clarity of regulation.
    a) Establish uniform reserve requirements on all demand deposits, except for the smallest banks (which are already protected by Fed's recognition of vault cash as a part of their reserve).
    b) Establish uniform reserve requirements for all savings deposits, including NOW accounts and other non-demand transaction accounts as savings deposits.
    c) Extend these uniform reserve requirements to all banking institutions, savings banks, savings associations and credit unions.
    d) Set no reserve requirement on longer-term savings (time) deposits at this time. This category is in flux and measurement should await a future "plateau." Set a time frame for review of this subject.

* * * * * * * * * *

Our main thesis, in appearing before you today, is to stress the severe, if unintended, impact that H.R.7 will have on Delaware banking and on the Delaware economy.

In appraising H.R.7's impact on banking, we asked the four largest banks, alluded to earlier, to supply us with estimates of the reserves that would be immobilized by the proposed legislation based on their year-end 1978 operating results. Based on that figure, it would be possible to calculate the estimated impact on earnings and indirectly on capital formation.

The following analysis is based on certain reasonable/conservative assumptions:

1. All banks would use Federal Reserve for the bulk of their check-processing.
2. All banks would reduce correspondent balances by 25%.
3. Earnings on balances are calculated at 7.5% (current rates - 9.5-10%).

	Wilm.Tr.	B.O.D.	Del.Tr.	F.B.	Total
			(In thousands)		
1978 Earnings	$ 10,788	$ 5,695	$ 1,860	$5,600	$29,943
Sterile Reserves*	40,353	17,649	10,511	28,646	97,159
Impact (after taxes) On Earnings	13%	8.5%	19.3%	19.8%	14%
	1,404	487	359	1,110	3,360

*Reflects deduction of cash balances

Ninety-seven million dollars of sterile reserves equals 5% of all bank deposits and 3.4% of all bank assets in the State of Delaware.

$3,360,000 equals 14% of all after-tax earnings--with a range of 8.5% to 19.8% in individual banks. The greatest impact will be incurred by the bank with the greatest need! That institution also reports that compliance with the substantial reserves required by H.R.7 would force the sale of part of its loan portfolio. The lending activities of all of the banks would be impaired.

* * * * * * * * * *

From the Treasury/fiscal point of view, the "bottom line" is the annual transfer of Federal Reserve earnings to the Treasury. Regardless of the merits of this transfer, it would make sense to adopt a system that

a) included all commercial banks and savings institutions on the same basis,
b) established uniform reserve requirements for each class of deposits,
c) directed the calculation of required reserves so as to achieve approximately the same "bottom line," i.e., FRB transfer to the Treasury, as now exists,
d) viewed earnings on reserve balances and charges for services as offsetting.

If it is the intent of Congress to see that interest on reserves are to be offset by charges for service, then it is probably not worth the effort to design elaborate calculations intended to maintain the status quo.

All banks, as witness the Community Bankers statement, are willing to support the Federal Reserve. If they did, under the terms of (a), (b) and (c) above, the burden would be evenly spread across the industry. This would

a) assure the continuity of Treasury income at present levels,
b) give the Fed control of essentially all banking and savings deposits,
c) relieve the disproportionate cost contemplated under H.R.7, that would severely impact 200 community and regional retail banks. In other words, with more participants, the individual burden would be lighter, allowing for more acceptable ranges and levels of reserve requirements.

Delaware, with no substantial Federal Reserve representation, and with no major population base, will suffer disproportionately unless a broad-based approach such as this is adopted. The present intention to exclude 12,900 of the nation's banks and the entire savings industry from the reserve requirement is simply not reasonable.

We are willing to shoulder our share of the contribution needed to maintain the influence of the Federal Reserve System, but must object to H.R.7 as now written. To move almost $100 million--five percent of our State's bank deposits--to the vaults of the Federal Reserve Bank of Philadelphia would be an unreasonable price to pay in terms of industrial growth, job development, and bank capital formation.

We are most appreciative of your willingness to hear our special point of view.

Chairman REUSS. Thank you, Mr. Shea.

Mr. Malarkey.

STATEMENT OF JOHN E. MALARKEY, STATE BANK COMMISSIONER, DOVER, DEL.

Mr. MALARKEY. Mr. Chairman, I am John E. Malarkey, State bank commissioner from the State of Delaware.

I appreciate this opportunity to present certain views on H.R. 7, the "Monetary Control Act of 1979," as well as the effect on the State of Delaware should this bill be enacted.

As stated previously, the State of Delaware is a small State; however, we are fortunate in having a very active competent banking industry.

Our statewide branching laws have naturally contributed to the type of industry we have in Delaware. We have 12 State-chartered commercial banks, 5 small national banks, and 2 mutual savings banks.

Four of our State commercial banks and one of the mutual savings banks are considered to be statewide institutions. Total banking assets in Delaware as reflected on the call report on December 31, 1978, were $4,328,914,000 broken down as follows: State-chartered commercial banks, 76.96 percent; mutual savings banks, 21.22 percent; and national banks, 1.82 percent.

Deposits on the same date were $3,459,378,000, with approximately the same ratios applying as those listed for the assets. None of our State-chartered institutions is a member of the Fed.

Delaware's reserve statute sets a floor for reserves for demand deposits at 7 percent and a floor of 3 percent for savings and time deposits. The commissioner has the authority to raise these rates by regulations when in his opinion it is advisable, except that the rates may not exceed those requirements of the Federal Reserve bank in our district applicable to member banks in Delaware.

Our current reserve rates are 7 percent on the first $100 million of demand deposits, 9 percent of the remaining demand deposits, and 3 percent on savings and time deposits.

These rates have remained unchanged since January 1975. In June 1977, our reserve statute was amended to allow 50 percent of the required reserves to be maintained in unencumbered obligations of or guaranteed by the United States or any agency or instrumentality thereof or obligation of the State or its municipalities, subdivisions, agencies, or instrumentalities and having a like market value.

H.R. 7, as now drafted, affects our four largest State-chartered commercial banks, which brings us to our first problem. The Delaware code now exempts member banks from maintaining reserves higher than those required by the Fed.

H.R. 7 mandates that these four institutions maintain reserves with the Fed and our code, as it now stands, allows no exemption from maintenance of State reserves for these institutions.

Under H.R. 7, these institutions have three choices: maintain both reserves, become members of the Fed, or attempt to amend the Delaware code. It is rather obvious that the first choice is ridiculous, so we are left with either amending the Delaware code, or having our four largest State-chartered banks forced into becoming members of the Fed.

I find it ironic that H.R. 7 which purportedly assures that member banks would not leave the Fed to obtain lower reserve requirements, forces our largest institutions to join the Fed to obtain lower reserve requirements.

Second, one of our State-chartered financial institutions affected by this bill encountered extreme difficulties in 1975 and 1976 and survived only because of an assistance agreement between that bank, the Federal Deposit Insurance Corporation, and the State of Delaware.

The State was the largest stockholder in that institution and is required by the Delaware code to utilize that institution as its sole depository. Our reserve statute states that deposits of the United States or any agency or instrumentality thereof or the State or any political subdivision or municipality thereof which are collateralized are exempt from reserve requirements.

State deposits alone in this institution range from $100 million to $150 million constantly. The institution has done a phenomenal job of returning to profitability and can ill afford the effects of H.R. 7.

The exact effect of this bill, on these four institutions, has been or will be set forth by another witness today. Suffice it to say, there will be a detrimental effect on the Delaware economy.

I have detailed two specific problems that H.R. 7 forces on the State of Delaware and would now, for a brief time, turn my remarks to the bill in general.

I am, as you are most certainly aware, a member of the Conference of State Bank Supervisors and support the position as outlined by E. D. Dunn, president of CSBS, on February 13, 1979.

The overall problem of erosion in Fed membership, in my opinion, is one of cost and benefit. At such time as cost exceeds benefit, it is only natural for any sound-thinking businessman to act to maximize the bottom line.

This is apparently what we have seen in the erosion of membership. There must be, however, some floor at which this erosion would cease. There are member banks that, regardless of the reserve requirements, find it profitable to remain members. These institutions are probably those, of course, which are active in private interbank correspondent banking.

I believe it would be germane to the discussion if we could forecast at what point the erosion of membership would cease. It is my opinion that uniformity of reserves is preferable to universality and many experts have contended that reserves in any case are a very imprecise way of conducting monetary policy operations.

As far as Delaware is concerned, the equity question does simply not apply. Delaware, as I stated before, allows State-chartered institutions to maintain 50 percent of required reserves in interest-bearing obligations.

The required reserves for our 12 State-chartered commercial banks for the semimonthly period ending January 31, 1979, was $104,860,000. Actual reserves for that period were $131,715,000, of which only $1,730,000 was represented by interest-bearing securities.

You can ascertain from these figures that approximately 98.7 percent of the actual reserves of these institutions were so-called sterile reserves and would not give our nonmember banks a competitive advantage.

I am not raising the spector of destruction of the dual banking system by enactment of this bill. If our four largest institutions, which as of December 31, 1978, represented 92.4 percent of total assets of our State-chartered commercial banks, are forced into Fed membership, the door would certainly be opened for the possibility of option for a Federal charter.

I must also say that, contrary to the wording of section 4 of the bill, I do consider this a derogation of my authority as the State regulator of State-chartered banks.

I have reviewed the proposal put forward by CSBS and H.R. 2133, introduced by Representative J. William Stanton. Both seem to accomplish much the same in slightly different fashions. The key factor is that both would leave membership in the Fed on a voluntary basis.

Second, both would reduce reserves required to be held by member banks and do so over a period of time which would not constitute an immediate unacceptable reduction in Treasury revenues.

Additionally, both proposals would furnish to the Federal Reserve any data for which a need is demonstrated. These are key points which make either proposal acceptable and strengthen the checks and balances inherent in the dual banking system.

Thank you, Mr. Chairman, for the opportunity to present my views on these critical proposals.

[Mr. Malarkey's prepared statement follows:]

STATEMENT OF MR. JOHN E. MALARKEY

BEFORE THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

U. S. HOUSE OF REPRESENTATIVES

RE: H.R. 7 - MONETARY CONTROL ACT OF 1979

MARCH 5, 1979

Mr. Chairman, I am John E. Malarkey, State Bank Commissioner for the State of Delaware. I appreciate the opportunity to present certain views on H.R. 7, the "Monetary Control Act of 1979", as well as the effect on the State of Delaware should this bill be enacted.

The State of Delaware, as you are aware, is a small state; however, we are fortunate in having a very active competent banking industry. Our statewide branching laws have naturally contributed to the type of industry we have in Delaware. We have twelve state-chartered commercial banks, five small national banks and two mutual savings banks. Four of our state commercial banks and one of the mutual savings banks are considered to be statewide institutions. Total banking assets in Delaware as reflected on the call report on December 31, 1978, were $4,328,914,000 broken down as follows: state-chartered commercial banks - 76.96%; mutual savings banks - 21.22%; and national banks - 1.82%. Deposits on the same date were $3,459,378,000 with approximately the same ratios applying as those listed for the assets. None of our state-chartered institutions are members of the Fed.

Delaware's reserve statute sets a floor for reserves for demand deposits at seven percent and a floor of three percent for savings and time deposits. The Commissioner has the authority to raise these rates by regulation when in his opinion it is advisable, except that the rates may not exceed those requirements of the Federal Reserve Bank in our district applicable to member banks in Delaware. Our current reserve rates are seven percent on the first one hundred million of demand deposits, nine percent of the remaining demand deposits, and three percent on savings and time deposits. These rates have remained unchanged since January, 1975. In June of 1977, our reserve statute was amended to allow fifty percent of the required reserves to be maintained in unencumbered obligations of or guaranteed by the United States or any agency or instrumentality thereof or obligation of the State or its municipalities, subdivisions, agencies or instrumentalities and having a like market value.

H.R. 7 as now drafted affects our four largest state-chartered commercial banks which brings us to our first problem. The Delaware Code now exempts member banks from maintaining reserves higher than those required by the Fed. H.R. 7 mandates that these four institutions maintain reserves with the Fed and our Code, as it now stands, allows no exemption from maintenance of state reserves for these institutions. Under H.R. 7, these institutions have three choices: maintain both reserves, become members of the Fed, or attempt to amend the Delaware Code. It is rather obvious that the first choice is ridiculous so we are left with either amending the Delaware Code or having our four largest state-chartered banks forced into becoming members of the Fed. I find it ironic that H.R. 7 which purportedly assures that member banks would not leave the Fed to obtain lower reserve requirements, forces our largest institutions to join the Fed to obtain lower reserve requirements.

Secondly, one of our state-chartered financial institutions affected by this bill encountered extreme difficulties in 1975 and 1976 and survived only because of an assistance agreement between that bank, the Federal Deposit Insurance Corporation and the State of Delaware. The State was the largest stockholder in that institution and is required by the Delaware Code to utilize that institution as its sole depository. Our reserve statute states that deposits of the United States or any agency or instrumentality thereof or the State or any political subdivision or municipality thereof which are collateralized are exempt from reserve requirements. State deposits alone in this institution range from $100 million to $150 million constantly. The institution has done a phenomenal job of returning to profitability and can ill afford the effects of H.R. 7. The exact effect of this bill on these four institutions has been or will be set forth by another witness today. Suffice to say, there will be a detrimental effect on the Delaware economy.

I have detailed two specific problems that H.R. 7 forces on the State of Delaware and would now for a brief time turn my remarks to the bill in general. I am, as you are most certainly aware, a member of the Conference of State Bank Supervisors and support the position as outlined by E. D. Dunn, President of CSBS, on February 13, 1979. The overall problem of erosion in Fed membership in my opinion is one of cost and benefit. At such time as cost exceeds benefit, it is only natural for any sound-thinking businessman to act to maximize the bottom line. This is apparently what we have seen in the erosion of membership. There must be, however, some floor at which this erosion would cease. There are member banks that, regardless of the reserve requirements, find it profitable to remain members. These institutions are probably those, of course, which are active in private interbank correspondent banking.

I believe it would be germane to the discussion if we could forecast at what point the erosion of membership would cease
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As far as Delaware is concerned, the equity question does simply not apply. Delaware, as I stated before, allows state-chartered institutions to maintain fifty percent of required reserves in interest bearing obligations. The required reserves for our twelve state-chartered commercial banks for the semi-monthly period ending January 31, 1979, was $104,860,000. Actual reserves for that period were $131,715,000 of which only $1,730,000 was represented by interest bearing securities. You can ascertain from these figures that approximately 98.7% of the actual reserves of these institutions were so-called "sterile" reserves and would not give our nonmember banks a competitive advantage.

I am not raising the spector of destruction of the dual banking system by enactment of this bill. If our four largest institutions, which as of December 31, 1978, represented 92.4% of total assets of our state-chartered commercial banks, are forced into Fed membership, the door would certainly be opened for the possibility of option for a federal charter. I must also say that, contrary to the wording of Section 4 of the bill, I do consider this a derogation of my authority as the State regulator of state-chartered banks.

I have reviewed the proposal put forward by CSBS and H.R. 2133 introduced by Rep. J. William Stanton. Both seem to accomplish much the same in slightly different fashions. The key factor is that both would leave membership in the Fed on a voluntary basis. Secondly, both would reduce reserves required to be held by member banks and do so over a period of time which would not constitute an immediate unacceptable reduction in Treasury revenues. Additionally, both proposals would furnish to the Federal Reserve any data for which a need is demonstrated. These are key points which make either proposal acceptable and strengthen the checks and balances inherent in the dual banking system.

Thank you, Mr. Chairman, for the opportunity to present my views on these critical proposals.

Chairman REUSS. Thank you, Mr. Malarkey.
And, finally, Dr. Whitesell.

STATEMENT OF DR. WILLIAM E. WHITESELL, PROFESSOR OF ECONOMICS, FRANKLIN & MARSHALL COLLEGE, LANCASTER, PA.

Dr. WHITESELL. I would like to briefly summarize my comments, since the full statement will appear in the record.

I apologize for being tardy, but that is in response to the will of the Congress, at 55 miles an hour; and, in addition, unfortunately having traffic around the Beltway.

Good morning. I am Dr. William E. Whitesell, currently teaching economics at Franklin & Marshall College in Lancaster.

In the past, I have served at various times as Pennsylvania secretary of banking, as an economist for the Federal Reserve Bank of Philadelphia, and as a regional economist for the Comptroller of the Currency. I say this to avoid being accused of serving one particular party at interest in this legislation, and because I believe these experiences have given me a rather unique perspective on the issues currently before your committee.

I am grateful to you for the opportunity to present my views. I would like to concentrate, in my oral testimony, on two key questions which I would like to pose rhetorically and to answer briefly.

First, will monetary policy be improved by the proposals of H.R. 7? H.R. 7 is supposed "to facilitate the implementation of monetary policy," among other things. One should recognize, at the beginning that there is nobody of academic research or any other kind of research, for that matter, who supports the proposition that the Federal Reserve System needs an expansion of its reserve-setting authority in order to have more effective control of monetary policy as now conducted.

It can be and has been argued many times that the precision and certainty of Federal Reserve monetary control would not appreciably be enhanced even if all banks were required to become members of the System.

I would expand this to say that monetary control would not appreciably be enhanced even if all depository institutions holding transactions accounts were required to become members of the Federal Reserve System.

My full statement examines the question of uniform reserve requirements in greater detail, so I will not repeat it here. I would like to emphasize the essential point—reserves are generally regarded as the basis for control of the money supply. However, one should avoid the tempting, but illogical, assumption that since reserves form the basis for monetary control, they should be uniform to insure adequate control of the money supply.

Some evidence that uniform reserve requirements are unnecessary can be found in current Federal Reserve regulations where different levels of reserves are to be found against many different deposit and liability categories. If uniformity of reserves were desirable, the Federal Reserve should have moved long ago to impose uniform requirements rather than moving in the opposite direction, establishment of many different levels of reserves for certain bank deposits and liabilities.

The variables that affect the size and rate of change of the money supply are quite numerous and complex. While the quantity of money fundamentally depends on the amount of reserves available to the banking system, the actual size of the money stock at any point in time is a function of the interaction of many factors.

It is probably inappropriate to go into a technical discussion of these factors at this point. I would like to emphasize that the element in these calculations which is affected by changes in System membership is the most stable of a number or ratios significant for determining how particular Federal Reserve actions will affect the money supply.

This is a shorthand way of saying that I agree with two prominant scholars who have studied the matter and concluded "that the number of variables affecting the money supply process is so large that the question whether nonmember banks do or do not hold reserves with the Federal Reserve System is really insignificant."

There is simply no case for saying that the Federal Reserve needs an expansion of its reserve-setting powers for the proper execution of monetary policy.

I would like now to turn to the second major question which should be addressed: Would extension of reserve requirements promote competitive quality among financial institutions?

Even though uniform reserves are not required for monetary control purposes, one might still favor them on equity grounds. The equity argument involves at least two elements, probably more.

The first relates to the difference in reserve requirments when one compares national banks and State-chartered banks in some States.

The second part of the argument relates to different types of financial institutions which offer transactions accounts. Congress has had frequent opportunities to place all financial institutions under the same rules and has rejected the option, presumably because when it weighed the costs and benefits, it preferred to encourage certain types of activities. For example, savings and loan associations have particular rules to encourage money flows into home mortgages.

I have no objection to this approach as long as people know what they are supporting. Thus, I see no pressing necessity for equalizing reserve requirements among all types of financial institutions offering transactions accounts.

The question of how commercial banks should be treated is somewhat more complicated. Here, I would favor some move to equalize the relative positions of Federal Reserve member banks and nonmember banks.

However, I do not favor the approach taken in H.R. 7 because I think it entails some potential costs, which are entirely avoidable.

Alternatively, H.R. 2133 would equalize the relative burden each class of bank would bear. The cost would be acceptable, and there would appear to be no serious unintended consequences. Compare this to H.R. 7, which would encourage banks to abandon their State charters and thereby weaken the dual banking system.

Let me say that if there were demonstrable and significant benefits, I would support H.R. 7, even though there were some appreciable costs in terms of weakening State banking departments.

However, in this instance, we have the opportunity to gain a desired end, equity, in a way which entails relatively few risks of creating new problems of regulation.

Furthermore, the prospective costs to the Treasury will be only nominal. Without legislation requiring banks to hold reserves with the System and without legislation with the relief features of H.R 2133, there will likely be further withdrawals from the Federal Reserve.

This would mean the Fed will have less in the way of earnings to turn back to the Treasury.

In summary; there is no argument which has been or which can be noted that monetary policy, as presently conducted by the Federal Reserve would be aided by a uniform reserve proposal such as that found in H.R. 7. The issue, if there is one, is purely one of equity. The equity question can best be met by H.R. 2133, which is unlikely to entail the potential harmful and probably entirely unintended incidental effects which would be created were H.R. 7 to be enacted.

Thank you, Mr. Chairman.

[Dr. Whitesell's prepared statement follows:]

FEDERAL RESERVE MEMBERSHIP

H.R. 7, THE MONETARY CONTROL ACT OF 1979

AND

H.R. 2133, THE RESERVE REQUIREMENT SIMPLIFCATION ACT OF 1979

BY

PROFESSOR WILLIAM E. WHITESELL
Franklin and Marshall College
Lancaster, Pennsylvania

BEFORE

COMMITTEE ON BANKING, FINANCE, AND URBAN AFFAIRS
THE UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 5, 1979

Good morning. I am William E. Whitesell, currently employed as an associate professor of Economics at Franklin and Marshall College in Lancaster, Pennsylvania. My most immediate past employment was as Secretary of Banking for the Commonwealth of Pennsylvania. However, to avoid the suggestion that the testimony which follows somehow represents the special pleading of a former banking commissioner, let me state for the record that I have in the past served as an economist for the Federal Reserve System (at the Federal Reserve Bank of Philadelphia). I also was employed previously by the Comptroller of the Currency as a Regional Economist (Economic Adviser) attached to the Third National Bank Region with headquarters in Philadelphia. I believe my several years of academic experience combined with these periods of employment with regulatory responsibilities provide me with a unique perspective on the questions addressed by H.R. 7 and H.R. 2133.

Will Monetary Policy Be Improved?

It is alleged that the purpose of H.R. 7 is "to facilitate the implementation of monetary policy and to promote competitive equality among depository institutions." One should recognize at the beginning that there is almost no body of academic research--or any other kind for that matter--which supports the proposition that the Federal Reserve System needs an expansion of its reserve setting authority in order to have more effective control of monetary

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policy. This is not to minimize the request for equity among institutions, nor does it suggest that member institutions do not need or somehow deserve relief from the present levels of reserves required to be held against deposits. However, the issue clearly is not control of monetary policy per se. It can be and has been argued many times that the precision and certainty of Federal Reserve monetary control would not appreciably be enhanced even if all banks were required to become members of the System. I would argue that this could be extended to a statement that the precision and certainty of Federal Reserve monetary control would not appreciably be enhanced even if all depository institutions holding transactions accounts were required to become members of the Federal Reserve System.

I suspect that other witnesses will develop this argument in more specific detail; but just in the event that this does not happen, I would like to draw heavily on the essence of one of the best of these studies as I relate some ideas on reserves and relevant ratio analysis. The study was completed several years ago by Professors Almarin Phillips and Ross Robertson, and I would be glad to supply a copy to the Committee if you would like.

The present idea of required reserves represents a substantial departure from the original function they were supposed to serve. In the early days of the Federal Reserve, reserves were thought to serve a liquidity function. Their role as an instrument of monetary policy (as we know it today) evolved slowly, but now reserves are generally regarded as the basis for control of the money supply.

One should, however, avoid the tempting but illogical assumption that since reserves form the basis for monetary control, they should be uniform to ensure adequate control of the money supply. The strongest evidence that uniform reserve requirements are unnecessary can be found in current Federal Reserve regulations where different levels of reserves are to be found against almost a dozen different deposit and liability categories. If uniformity of reserves were desirable, the Federal Reserve should have moved long ago to impose uniform requirements rather than moving in the opposite direction--establishment of many different levels of reserves for certain bank deposits and liabilities.

Monetary Policy Framework

The variables that affect the size and rate of change of the money supply are quite numerous and complex. While the quantity of money fundamentally depends on the amount of reserves available to the banking system, the actual size of the money stock at any point in time is a function of the interaction of many factors.

The reserve aggregate most useful for monetary control purposes is base money, sometimes called the monetary base and defined as net monetary liabilities of the federal government. Base money consists of commercial bank reserves plus currency held by the nonbank public. The major component, and therefore the major determinant of growth of the base, is Federal Reserve System holdings of U.S. government securities. There is some disagreement among monetary economists about the exactness with which the base can be controlled, but most agree that the size of the base can be controlled within very close tolerances on a monthly basis.

Base money is related to the money supply within a relatively narrow range. The ratio changes over a period of several years; but, in general, it is relatively stable for rather long periods of time. This consistency of the money multiplier enables the Federal Reserve to determine within reasonable limits how much money will be created by any given addition to base money.

The money multiplier depends on four key relationships or ratios. The ratios and their relationship to increases in the money supply usually involve mathematical notation. A rather more simplified but conceptually accurate explanation will suffice here in this summary of the Phillips-Robertson arguments.

1) The r-ratio is a weighted average reserve ratio against the deposits of all commercial banks. Total reserves are simply divided by total deposits. The ratio is the most stable of all the four which determine the money multiplier. It is this ratio that would be affected if all banks were forced to become members of the Federal Reserve

or were forced to hold reserves with the Fed, and it is the one that is affected by any decline in System membership. It should be emphasized that even with declining membership, this ratio has continued to be the least volatile of all the ratios that determine the money multiplier.

2) The k-ratio is simply the ratio of currency outside banks to total demand deposits. The ratio varies because the nonbank public does not always hold a fixed proportion of currency to demand deposits. The Federal Reserve must estimate what the public will wish to do--hold the ratio constant, increase it, or decrease it--and act accordingly to achieve any desired changes in the money stock.

3) The t-ratio is the ratio of time deposits to demand deposits held in commercial banks. The variables which affect this ratio are more complex than those which affect either the r-ratio or the k-ratio. The relative mix of time deposits to total deposits will cause different changes in the money stock, with a given monetary base, depending on which way the shifts occur. This results from the different reserve requirements on various classes of deposits. Further, the growth of time deposits will depend on competition between banks and nonbank financial intermediaries and will also be strongly influenced by legal interest rate ceilings imposed by various regulatory bodies including the Federal Reserve, FDIC, and Federal Home Loan Bank Board.

4) The g-ratio is the proportion of U.S. government deposits in commercial banks to total private demand deposits. U.S. government deposits are excluded in definitions of the money supply, but commercial banks must hold the same proportion of reserves against T & L accounts as against private demand deposits. Thus, changes in the amount of U.S. government deposits in commercial banks will affect the size of the money multiplier. The Treasury can provide information to the Federal Reserve which makes these changes predictable, but the ratio is the most volatile of the four just discussed.

It is quite important for this discussion to emphasize again that of the four ratios the most stable and least subject to sudden, unpredictable variation is the r-ratio. Phillips and Robertson correctly note "that the number of variables affecting the money supply process is so large that the question whether nonmember banks do or do not hold reserves . . . (with the Federal Reserve System) is really insignificant." Most reputable economists agree with this assertion.

It is surely worth mentioning that I know of only one scholarly study published by a Federal Reserve economist which attempts to support the view that effective monetary control requires that the Federal Reserve set reserve levels for most depository institutions. The Federal Reserve is probably the largest single employer of monetary economists in the entire world, and one might expect more studies to establish the claim that reserve setting authority is necessary for monetary control--if it were really needed. There have been many studies done both within the Federal Reserve System and outside it on how to improve Federal Reserve control of the money supply. There have also been many studies on the more general question of how to control economic activity generally. The vast majority of these do <u>not</u> suggest even by implication that monetary policy could be made more effective if all commercial banks and other depository institutions which handle demand-deposit-like accounts were required to be members of the Federal Reserve or to be subject to the direct reserve setting authority of the Federal Reserve.

There is, though, general agreement that imperfections in the art of forecasting and the uncertainty of time lags between monetary policy actions and their primary influences on various sectors of the economy are serious problems. There is no suggestion that I am aware of in all the research on monetary economics that either of these would be affected in any way by required System membership or even the type of control that H.R. 7 proposes to extend.

<u>Reserve Requirements and the Question and Equity</u>

Effective monetary control does not require giving the Federal Reserve System the power to set reserve requirements for all depository institutions holding transactions accounts above certain specified dollar amounts. Even though uniform reserves are not required for monetary control purposes, one might still favor them on equity grounds. The argument here is essentially that all institutions engaged in a particular type of financial transaction should be required to hold the same reserves in order to avoid giving certain financial institutions some particular advantage over some other types of financial institutions. Congress has frequently stated and restated its intent to treat various financial institutions differently in order to promote particular objectives. For example, savings and loan associations have been afforded differential treatment in an explicit effort to promote home ownership.

H.R. 7 proposes to extend reserve requirements to all depository institutions with transactions accounts. Curiously, this will have uneven impacts on different types of financial institutions and even different impacts on financial institutions of the same type. For example, credit unions with share drafts will in most cases find their required reserves enormously changed under H.R. 7. Savings and loan associations that offer NOW accounts will also find their present ability to compete for these accounts to be altered by the imposition of different levels of reserves from present levels. There will surely be shifts in the relative ability of different types of financial institutions to compete for funds under a proposal which might at first glance be thought to be neutral in its effects.

Similarly, even institutions of the same class--such as commercial banks--will be differentially affected by the proposed change because state-chartered and federally-chartered commercial banks may currently have different reserve requirements. It may well be that Congress has reached the point where some significant changes in the structure of financial institutions is desired. However, such changes should be the consequence of deliberate decision making rather than the accidental and perhaps wholly unintended consequence of passage of particular legislation.

In the case of savings and loan associations, perhaps Congress would consider an expansion of asset powers in order that such institutions could more readily accommodate the higher costs of serving NOW account customers based on proposed reserve changes. Perhaps credit unions should have more flexible ceilings on interest rates that can be charged on loans. Commercial banks may pose an even more complex and difficult set of problems, and the implications of H.R. 7 are certainly worth careful study and additional comment.

For example, it is sometimes alleged that the reason for defections from the Federal Reserve System is the differential between state reserve requirements and System reserve requirements for member banks. The argument is made that uniform reserve requirements would establish equity between member and nonmember banks with respect to reserve requirements. A question that must also be addressed is whether or not the equity considerations should outweigh the possible harmful effects to the dual banking system of uniform reserve requirements.

Most observers agree that state banking departments have made significant advancement in recent years in terms of the level of competence that they display, and most are highly regarded for their professionalism. It should also at least be noted that the really spectacular bank failures in recent years have been in federally-chartered rather than state-chartered institutions. Strong state banking departments have encouraged a variety of approaches to regulation and examination and have truly served to provide laboratory experiments for new ideas. This is a development which should be strengthened, and moves that are likely to weaken the dual system without offsetting benefits should be viewed with skepticism.

The proposals of H.R. 7 would encourage significant defections from state-chartered systems to national charters. This would occur because banks would seek to simplify the web of regulatory controls that govern their operations, namely a state-chartered commercial bank might under H.R. 7 be regulated in at least part of its activities by the

Federal Reserve System, a state banking department, and the F.D.I.C. Contrast this with a simplified structure where national banks, for all practical purposes, deal with a single Administrator of National Banks.

Additionally, irresistible pressure would be put on state banking departments to bring their reserve requirements into conformity with the levels established by the Federal Reserve--even if the state authorities firmly believed that another level of required reserves might be more nearly appropriate for banks in that particular state. Even if this were to be the case, Congress might still favor such a proposal if there were no other alternative available. Happily, there are alternatives that will meet the equity problem and which will not result in probable damage to the dual banking system. An excellent alternative to H.R. 7 is found in H.R. 2133.

Equity and H.R. 2133

H.R. 2133 directly addresses the question of equity and declining Federal Reserve membership. It provides a reduction in required reserves for member banks. It also provides for payment of interest on reserves kept with the Federal Reserve. The combination of explicit interest payments and reserve reductions should be sufficient to stem the flow of banks from the System and to establish equity among commercial banks.

I do not view the amounts in transactions accounts outside commercial banks as being in any sense a problem for monetary control; and in any case, the amounts involved are still relatively quite small. Should there be any accumulation of evidence that these deposit accounts complicate the conduct of monetary policy, the matter could be addressed at that time. In the meantime, the cliché of "a solution in search of a problem" may aptly be applied to the proposal to extend Federal Reserve reserve setting authority over all transactions accounts. The reporting requirements called for in H.R. 2133 should be ample to allow the Federal Reserve to monitor and to deal with any situations that may develop.

H.R. 2133 also has the very great advantage of promising little drastic changes in the present system of checks and balances inherent in the dual banking system. It permits further development and strengthening of significant gains already realized in state banking departments.

Pricing of Services and Reporting Requirements

There can be no serious quarrel with the proposition that the Federal Reserve needs certain information for monitoring and for controlling monetary and credit aggregates. These data should be available to the System, and a procedure for the appropriate collection and sharing of this information should be established. H.R. 7 and H.R. 2133 appear to be virtually identical in this regard, and all economists would probably agree with the reasonableness of this requirement.

The requirements for the pricing of services in H.R. 7 and H.R. 2133 also appear to be identical. Again most economists would agree that explicit pricing schedules will lead to more efficient resource allocation and would hence be favored over some implicit scheme.

Conclusion

H.R. 2133 would appear to be preferable to H.R. 7 as a means of dealing with the so-called "Fed membership problem." H.R. 2133 promises a number of benefits with few, if any, of the costs that seem to be inherent in the adoption of H.R. 7. Since H.R. 2133 provides a solution to the problem at hand and entails so few attendant uncertainties, it would clearly appear to be preferable to a "solution" that may create more serious problems than those it seeks to solve.

Chairman REUSS. Thank you, Dr. Whitesell.

I am told Dr. Greenbaum, that you have an 11:15 plane to catch; is that correct?

Dr. GREENBAUM. Yes, but I am perfectly willing to reschedule my flight if it meets your convenience.

Chairman REUSS. Well, we would like to see if we can't be cooperative. Therefore, I am going to ask myself and members to restrict their questions to you in the first go-around, and see if we can't let you go.

I just have one brief question for you, Dr. Greenbaum, and that is this: You have an ingenious proposal in your paper for preserving the seigniorage now in existence, by suggesting that about one-twenty-fourth of 1 percent of current deposits in commercial banks and thrift institutions, now running at $1.5 trillion, be allocated by the governmental deposit insurance agencies to the Treasury, so that reserve requirements could be eliminated without loss to the Treasury; is that correct?

Dr. GREENBAUM. Well, my suggestion is that would be an obvious way to recoup the revenue lost if that revenue loss were a matter of major concern. It is merely a suggestion. It certainly strikes me as a preferable way to tax banks, and moreover that change would not require any legislation, to the best of my knowledge, since the statutory rate is one-twelfth and we routinely rebate half to two-thirds back to the banks and savings and loan associations each year.

All that we would have to do is to terminate the rebates to capture half to two-thirds of that revenue that would be generated on the deposit insurance under present legislation.

Chairman REUSS. And that currently would come to around $600 million a year?

Dr. GREENBAUM. Yes, very roughly; yes.

Chairman REUSS. Well, I would just say—and I don't want to keep you—that you have been doing some constructive thinking, and it surely can be said of your proposition that you don't put to one side the necessity that faces the Congress of seeing that we decrease, not increase, the deficit which the Federal Government has.

Dr. GREENBAUM. I should add, sir, that presently the FDIC does not contribute directly to the Treasury's general funds. They accumulate receipts in a trust fund, so there is no direct impact on the budget. The tax on the banks would be there, of course. But in order to obtain a direct budgetary effect, legislation capping the size of the FDIC and FSLIC insurance funds would be needed.

If we simply stop the rebating, it would simply mean that the FDIC and the FSLIC's trust funds would grow more rapidly.

I would like to emphasize that my point is not that reserve requirements are unnecessary for monetary policy—it is the much stronger, and not widely recognized, view, that they may well be counterproductive for monetary policy.

Chairman REUSS. Unnecessary and undesirable.

Dr. GREENBAUM. Stronger than unnecessary, downright pernicious—that is, not only don't they help, but they may hurt. It can be argued, on plausible assumptions, that the Fed's arguments are 180 degrees off target. Their argument is that they are needed to enhance the predictability of the monetary aggregate.

Kanatas and I have what I think is a fairly persuasive argument that the introduction of reserve requirements increases the variance of the monetary aggregate. It damages the predictability.

Chairman REUSS. Your proposition certainly deserves serious study, and it will get it.

Dr. GREENBAUM. Fine.

Chairman REUSS. Mr. Stanton?

Mr. STANTON. Thank you, Mr. Chairman.

And, Doctor, I certainly want to add my thanks for your appearance here this morning. We are all most appreciative of the efforts that you have put forth.

Dr. GREENBAUM. It is my honor to be here, sir.

Mr. STANTON. I have a couple of questions, one to followup on the chairman: It seemed to me, in reading your statement, that you stated in principle about an issue of which you said a paper is forthcoming with Prof. George Kanatas?

Dr. GREENBAUM. Yes; he is a colleague at Northwestern University.

Mr. STANTON. This is a forthcoming paper on the connection between reserve requirements and the conduct of monetary policy. Would you send me that paper when it is finished?

Dr. GREENBAUM. I would be pleased to.

Mr. STANTON. I would appreciate that very much.

One last question, Doctor, which I shall also ask the other panelists: Do you think that this is a worthwhile effort, a necessary effort, that the committee has put forth to attempt to find a solution to the dwindling Federal Reserve membership?

Dr. GREENBAUM. I think this is a matter of transcendent importance. The time of Congress is being well spent. I am not sure that the full ramifications of this issue have been appreciated; and the reason is that the issue has been somewhat obfuscated by arguments that have been self-serving on the part of the various banking groups and the Federal Reserve.

Our banking industry is under severe attack at the present time. It is an important industry, not only in terms of allocating resources, but in providing jobs and helping us to maintain a position of importance in the world.

If you look at the growth of foreign banking institutions in New York and Chicago and out on the coast, you will see some very striking things happening. Foreign banks are operating under important advantages provided by our regulatory system. And I deem it extremely important that we unshackle our banking industry so that they can compete effectively with these foreign institutions.

We are in the process of choking the banking industry; and the Federal Reserve, I think, is a party to this. Their interests are in protecting a constituency; in my view, the Federal Reserve's narrower interests are undermining the viability of our banking industry and reducing the efficacy of our monetary policy. So I commend you for directing your attention to this problem. I think it may be considerably more important than many recognize.

Mr. STANTON. Thank you very much, Doctor; I certainly want to add that I know a number of bankers around this country that would certainly applaud your last statement.

Thank you.

Chairman REUSS. Mr. Evans?

Mr. EVANS. Professor Greenbaum, thank you very much for being with us here this morning. I am particularly pleased to look at your testimony, on page 5, relating to regulatory hegemony; and I want you to know that banking institutions and financial institutions generally should not feel like the Lone Ranger when it comes to Federal regulations. And I do congratulate you on focusing attention on that part.

I understand, from your testimony, that you feel that the open market operations and the discount window are substantially more important than the Fed's conduct of monetary policy?

Dr. GREENBAUM. Yes.

Mr. EVANS. Delaware is substantially more important to the conduct of monetary policy than reserve requirements, because, as I understand it, you feel that reserve requirements do not impact very substantially in that primary responsibility of the Fed?

Dr. GREENBAUM. No. That is why I emphasized this point just a minute or two ago. I think reserve requirements are downright counterproductive. It is not simply that they don't contribute. Our monetary policy would be best served by eliminating reserve requirements. We would enhance the predicability of augmented monetary aggregates if we simply put reserve requirements to zero.

All of the trouble that the Federal Reserve has had in predicting monetary aggregates this past year—all of this fumbling for redefining M_1, M_1^*, M_1^+, M_2, and all the other permutations tend to support the arguments Kanatas and I develop.

Mr. EVANS. Well, it is very difficult to define M_1, M_2, and the like, because of the transferability of accounts these days.

Dr. GREENBAUM. Precisely because of reserve requirements, Congressman, it is these reserve requirements that induce the creation of so many of these money substitutes. These money substitutes are created in many instances, but not in all, to circumvent reserve requirements. And it is precisely these induced financial instruments that subvert the conduct of monetary policy in our opinion.

The argument that the Federal Reserve has put forth many times here and in other places could not be sustained if it took into account the induced creation of financial claims resulting from reserve requirements.

What Prof. Milton Friedman, in his testimony a year or so ago before Senator Proxmire's committee called the "HOW, NOW, POW, and COW account effects," are all the products of either the reserve requirement or the regulation Q ceilings. And if these new financial claims are such close substitutes for money, then they should be included in the money aggregate that you are looking at when you want to stabilize the economy.

And then it is not at all clear that raising reserve requirements stabilizes that monetary aggregate. Reserve requirements can just as readily destabilize the monetary aggregate.

Mr. EVANS. Thank you, Professor Greenbaum; and I look forward to your paper, prepared with Professor Kanatas, that you are sending to Mr. Stanton.

One last question if I may—if you were faced with three options, and those were the only three you had—H.R. 7, H.R. 2133, or nothing—what would you do if you were sitting here considering H.R. 7 and H.R. 2133?

Dr. GREENBAUM. Can I answer your question in a general way by saying that any movement toward uniformity and universality in reserve requirements probably would be applauded because it would at least contribute to resolving the equity question, and I think it might improve the predictability of monetary aggregates. I would consider any of these options inferior to the proposal I sketched; and any movement toward that proposal would be preferable to any of the three options you have mentioned.

Mr. EVANS. Well, they are substantially different in terms of the voluntary approach as opposed to the mandatory approach; and if you were to select an option there, would you select a mandatory approach or a voluntary approach?

Dr. GREENBAUM. I would select a voluntary approach. The mandatory approach offends my sense of equity and is not consonant with trends in Government and the regulatory area. The movement toward deregulation that has been articulated at the highest levels in our Government, it seems to me, would suggest that the mandatory approach is inferior.

Mr. EVANS. I want you to know that—Professor Greenbaum, that the other day the Banking Committee set the proper tone for the 96th Congress when it passed S. 37, which eliminated the section in the Privacy Act that would have mandated about a billion dollars in unnecessary Federal redtape, with no benefit or no perceptible benefit to anyone. And I would hope that other committees would act in a responsible manner—that this committee acted at that point.

I have no further questions.

Thank you.

Chairman REUSS. Mr. Shumway?

Mr. SHUMWAY. Thank you, Mr. Chairman.

Professor Greenbaum, as I understand it, in your testimony you have indicated to us that there are other methods besides reserve differentials that can be used to, in effect, favor small institutions. Could you give us some examples of those methods, and tell us why you consider them to be superior?

Dr. GREENBAUM. Well, the reason I don't like this particular method is because it interferes with what I consider a terribly important issue, and that is the conduct of monetary policy. That much is plain.

Now, I think that reporting burdens can be made to fall less heavily on smaller banks. The deposit insurance fee is now designed to favor small banks and could be further altered if one would wish. I am not recommending that. I am simply responding to your request for illustrations of what one might do. But at the present you know the deposit insurance fee is levied against all deposits rather than insured deposits.

For the larger banks—relatively small percentages of their total deposits are insured—that is, if you take the de jure $40,000 limit to be binding; whereas, for the small banks, virtually all of their deposits are insured.

We might design tax advantages for smaller banks if that were desired. It is not obvious to me that one would necessarily desire to do such things. But I think the limits of our imagination are such that we could readily find many alternatives. Some might require legislation, to be sure. I think others could be achieved within the limits of present regulatory discretion.

Mr. SHUMWAY. Are there any of those methods that you are suggesting?

Dr. GREENBAUM. No, as a matter of fact, I went to some pains to avoid taking a position on whether we should favor smaller institutions. We have historically, of course, provided very substantial favorable treatment to smaller financial institutions. It is not clear to me that that is desirable, but this is a very complex issue that merits additional careful consideration.

Mr. SHUMWAY. But I am sure that you have seen the Fed's proposed pricing schedule, or even if you have not, I would appreciate some comment on it. Particularly, I would appreciate hearing from you on what principles you feel the Fed ought to use in pricing its services.

Dr. GREENBAUM. Well, I think that the principles that have been articulated are reasonably sound, and that is that they should reflect full marginal costs of production of these services, including cost of capital, which are somewhat obscured when production is done through the public sector.

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I think that the Federal Reserve ought to attend to the question of the artificial incentive we have created for the Federal Reserve to produce these services. And the artificial incentive is the reserve requirement, as you know.

I think that I would favor marginal cost pricing by the public sector. But more important than that, I would favor elimination of this artificial incentive that the Federal Reserve has to produce these services. My fondest hope is that with proper changes in law and regulation, the Federal Reserve can get out of the business of providing this vast array of ancillary services to banks.

I think that these services could be and would be produced by the private banking system. The only reason they are not are these indirect incentives, these side effects that we did not see when we created these laws.

Mr. Shumway. Thank you very much.

Chairman Reuss. Thank you very much, Dr. Greenbaum. I hope you make your plane.

Dr. Greenbaum. Thank you for your attention.

Chairman Reuss. We will now have another go-round in which we inquire of the other members of the panel.

Mr. Shea, I noted with interest two of your proposals, particularly that—and I am quoting from you on page 4 of your statement—from the Treasury's fiscal point of view, you say, "Bottom line is the annual transfer of Federal Reserve earnings to the Treasury."

And you then go on to say that it would make sense to adopt a system that directed the calculation of required reserves so as to achieve approximately the same bottom line of Federal Reserve Board transfer to the Treasury as now exists.

And later on on the same page you say, "All banks are willing to support the Federal Reserve," and if they did under the terms of A, B, and C above, the burden would be evenly across the industry. "This would, (a) assure the continuity of Treasury income at present levels."

But let me just say that while I have not had an opportunity to study your statement in full, your philosophy of not adding to the deficits in this country seems to me a worthy one and entitles your proposal to serious consideration.

Mr. Shea. Well, I am starting with, I guess, the practical observation that Congress is not disposed to cut off that source of income and that regardless of the merits of it, as Dr. Greenbaum referred to it, as "a tax"—and that comment has been used here before—but without getting into that argument, to accept it as a fact of life. And if it must be there and it must be in approximatley the same range of contribution as it is now, that it would answer a congressional objection to start at that number and work backward.

Chairman Reuss. And you believe that a proposition is capable of being worked out which would achieve the goal we have just talked about, plus the goal of seeing that the central bank and Federal Reserve have adequate anti-inflationary monetary tools at its disposal?

Mr. Shea. That is true. I would echo what Dr. Greenbaum said in this respect, that reserve requirements—and it has been said by any number of people—are not the major or significant method of monetary control. I could be persuaded to the view that the ability to use reserves as a controlling device is important to the Federal Reserve, but the day-in, day-out exercise of that right through normal times as well as extraordinary times is not necessary.

Chairman REUSS. Thank you.

Mr. Stanton.

Mr. STANTON. Thank you, Mr. Chairman.

Mr. Chairman, all of the witnesses who were scheduled to appear this morning did so, with one exception, and that was Franklin R. Edwards, of the graduate school of business at Columbia University, who was unavoidably detained due to the fog in New York.

I would like to ask unanimous consent that Mr. Edwards' exceptionally fine statement—and I would recommend it to everyone to read—be put into the record at this time.

Chairman REUSS. Without objection, so ordered.

[The statement of Mr. Edwards follows:]

March 5, 1978

Statement on H.R. 7
"The Monetary Control Act"

by

Franklin R. Edwards
Graduate School of Business
Columbia University

Mr. Chairman, members of the Committee, the chief purpose of this legislation is to improve the Federal Reserve's ability to conduct effective monetary policy. H.R. 7 does this primarily by subjecting the deposits of non-member banks and nonbank financial institutions to mandatory reserve requirements. Implicit in this legislation is the fundamental position that controlling some monetary aggregate is important for achieving economic stability, and that to control this aggregate effectively it is necessary or at least desireable to impose reserve requirements on the deposits which make up this aggregate, regardless of which institution supplies the deposits. In my comments I adopt this position as well.

In my view there are three distinct issues which underlie this legislation. The first is whether the Federal Reserve needs additional reserve powers to improve its control of monetary aggregates. The second concerns the impact that a new reserve requirement structure might have on bank profitability or viability. Maintaining the solvency of depository institutions is an important goal of financial regulation. A subsidiary issue here is the relative treatment of small versus large banks. The third issue, which is an implicit if not explicit concern, is the impact that the reserve changes will have on the earnings of the U.S. Treasury, which presently derives about a billion dollars of revenue each year from excess Federal Reserve earnings.

The first of these is clearly the critical one to be resolved by this legislation, and should be resolved independent of the second and third issues. My opinion is that the latter can be solved in a number of acceptable ways, so that we should not allow these concerns to constrain our choice of the appropriate monetary control framework.

The monetary control question alone raises four sub-issues:

(1) Which kinds of deposits and which institutions should be subject to mandatory reserve requirements?

(2) What should the general (or average) level of reserve requirements be across these deposits?

(3) What should the <u>relative</u> reserve requirement structure be across the different categories of deposits and institutions?

(4) Should the Federal Reserve pay interest on reserves and at what rate?

Implicit in the first of these - which deposits and institutions should the Federal Reserve control - is the question of which monetary aggregate(s) should we control: M_1, M_2, M_3, M_4, or some other aggregate. If we wish to control only M_1, or only "transaction balances," there is no need to impose reserve requirements on <u>traditional</u> savings and time deposits. If M_2 or M_3 or some other broader monetary aggregate is our target, commensurately broader (or more universal) reserve requirements are necessary.

Although there is considerable debate among economists about which monetary aggregate it is essential to control, my view is that we will ultimately have to control all of the liabilities of all depository institutions. Specifically, the Federal Reserve will need to be able to control the deposits of non-member banks, savings and loan associations, mutual savings banks, credit unions, and U.S. branches of foreign banks, as well as the deposits of member banks. While such sweeping controls may not at present be absolutely necessary for the achievement of economic stability, I believe that in the future the degree of substitutability among all kinds of deposits will increase to such an extent that broader controls will be necessary. In addition, I do not believe the social costs that are associated with such controls are high relative to their potential benefit of providing for more effective monetary control. The major costs of these controls will be private ones, and these can largely be offset by adopting an appropriate reserve system.

Given the objective of controlling all deposit liabilities of all depository institutions, it follows that universal mandatory reserve requirements should be imposed on all depository institutions. In this sense I am in agreement with the spirit of H.R. 7, although not with its specifics.

What should the structure of reserve requirements be? As to the general level of reserve requirements, all that is needed to assure effective monetary control is that the reserve requirement be greater than zero. It is important, of course, that this requirement be known with certainty and be under the control of the Federal Reserve. Further, given our additional objective of reducing the burden of Federal Reserve membership, a lower reserve requirement is preferable to a higher one.

I would recommend ultimately imposing a reserve requirement of about 5 percent against all deposit liabilities. Although there may be some transitional problems in reaching this goal, these seem surmountable.

I also do not favor imposing different reserve requirements against different kinds of deposit liabilities. Rather, I recommend that identical reserve requirements be imposed on all deposit liabilities, regardless of type. One thing history has taught us is that by imposing differential tax rates (or reserve requirements) on different financial assets we immediately establish an economic incentive for institutions to substitute the least costly asset for the most costly asset. The Eurodollar market is a clear example of the power of this incentive.

Thus, I favor universal and identical reserve requirements against all deposit liabilities of all depository institutions.

In addition, the Federal Reserve should be required to pay interest on reserve balances, although it should have some discretion over the interest rate that it pays. The power to alter the rate it pays in order to make the holding of reserves more or less attractive to banks will permit greater monetary control in the future. I suggest that the Federal Reserve be permitted to pay on reserve balances as much as two percentage points more or less than the 3-month U.S. Treasury Bill rate.

Payment of interest on reserve balances will have several other beneficial effects. It will mitigate the adverse profit effects of imposing reserve requirements on institutions that are not presently members of the Federal Reserve (these adverse profit effects are a large part of the private costs associated with universal reserve requirements), and it will make membership in the Federal Reserve more attractive.

I recognize that lowering reserve requirements and paying interest on reserves will result in windfall gains for some institutions. Banks which are presently members of the Federal Reserve will be the biggest beneficiaries. Distributional considerations such as these, however, should not be permitted to determine the kind of reserve structure that we think is necessary or desirable to enhance monetary control. If one of our objectives is to prevent member banks from benefiting from whatever changes are made, a better alternative would be to impose higher universal reserve requirements, such as an 8 or 10 percent requirement, and/or to pay a lower interest rate on the reserve balances of these banks. Such a policy would at least have the advantage of being a direct and open solution to the distributional problem. It would also leave us free to choose the best reserve structure for purposes of monetary control. In the long-run, of course, our goal should be to permit open and intense competition among all depository institutions so that, given equal regulatory treatment, all institutions will be on an equal footing and will earn only "normal" profit rates. If we manage to achieve this kind of competitive environment, any reduction in reserve requirements will accrue largely to bank customers, not bank stockholders.

To summarize my position up to this point, I favor the imposition of universal and identical reserve requirements against all deposit liabilities of all depository institutions, and the payment of interest on reserve balances by the Federal Reserve. I would also give the Federal Reserve flexibility to alter the interest rate that it pays on reserve balances so that it can use this power as an additional monetary policy instrument. Needless to say, therefore, while I am sympathetic to the general intent of H.R. 7, I do not believe it goes far enough in any direction. Further, its continued reliance on differential reserve requirements perpetuates an unnecessarily complex and cumbersome reserve structure. Similarly, while Representative Stanton's bill is preferable to H.R. 7, it too falls short of what is needed.

This brings me to the question of the impact of the proposed reserve changes on institutional profitability and viability, and to the issue of how small as opposed to large institutions should be treated under the system. Any change in the reserve structure is likely to result in differential income effects among institutions, but, as I have already argued, these effects need not distract us from the primary goal of adopting the reserve structure which is best for purposes of monetary control. As to the question of small versus large institutions, I am not a supporter of a reserve structure which would favor small banks, such as a system that would exempt the first $50 million of deposits. Small banks already enjoy many "regulatory subsidies," such as F.D.I.C. insurance. It is my view that if small banks cannot compete on an equal basis with large banks (or without regulatory protections or subsidies), they should not exist.

The last issue I want to comment on is the concern that changes in the reserve structure, and particularly the payment of interest on reserves, will adversely effect the revenue of the U.S. Treasury. The income that the Treasury presently derives from the Federal Reserve's excess interest earnings on its portfolio of government securities is a form of seigniorage which has no rationale other than that it exists. I see no reason to treat this income with any sanctity. In addition, a strong argument can be made that the Treasury is already handsomely benefited by Federal Reserve purchases of its securities, and that it would be further benefited by the adoption of universal reserve requirements.

Finally, while I believe the imposition of universal and identical reserve requirements on all deposits of all depository institutions and the payment of interest on these reserve balances will substantially improve monetary control, there is some possibility that these requirements may result in significant social costs in the form of increased reporting and record-keeping burdens for financial institutions. However, since all depository institutions are already highly regulated, I seriously doubt that these costs will be high. If, however, after investigating these costs they are found to be substantial, I would suggest exempting from reserve requirements something like the first $10 million of each type of deposit, and indexing this exemption so that it is not eroded by time. Such an exemption would presently completely excuse about half of all commercial banks and most savings institutions from having to hold reserve balances at the Federal Reserve. Moreover, such an exemption would benefit large banks as well by reducing their average reserve requirements. Of course, if such a reserve exemption proved to be a serious obstacle to effective monetary control in the future, it would have to be eliminated. Clearly, I think the $50 million exemption provided for in H.R. 7 is excessive.

Before closing I want to make it clear that I strongly support some form of legislation that will improve monetary control, even though I do not like the details of H.R. 7. It will become increasingly urgent that we have such legislation as the present innovational trend in financial markets accelerates. Another important area where reform is needed but which is not addressed by H.R. 7 is the regulation of interest rate ceilings on the various types of deposits. Differential interest rate ceilings have contributed significantly to the problem of monetary control, and their elimination would do much to improve matters. They should be abolished as soon as is feasible.

Mr. Chairman, I want to thank you for the opportunity to present my views on the Monetary Control Act and on the general question of what regulatory changes are needed to assure effective monetary control in the future.

Mr. STANTON. Next, Mr. Chairman, I want to thank the other witnesses who did appear here this morning. I think it is very appropriate, now that we are heavily weighed toward the State of Delaware, that I pay recognition to our good friend and our colleague who is here with us this morning. It goes without saying, I am sure, that you realize how fortunate you are in having the type of representation that Tom Evans gives to your State.

Mr. SHEA. Thank you. We appreciate his support.

Chairman REUSS. Would the gentleman yield at that point?

Mr. STANTON. Yes.

Chairman REUSS. I wish to associate myself fully with your remarks.

Mr. STANTON. Well, let it be said that it was unanimous then.

Mr. EVANS. May I say that I would like to join in the chorus of praise, not for myself, but for the chairman of our committee and the ranking minority member, both of whom I have a great deal of respect for.

Mr. STANTON. Mr. Shea, Mr. Malarkey, and Dr. Whitesell, I asked Dr. Greenbaum this question: What importance do you put on these particular hearings? Putting it another way, what importance do you put on the Congress or the Fed whose responsibility it is of solving this problem of a loss of membership? Is it of critical importance? Do you think that this is an issue that has to be resolved rather than deteriorate the way it is? Or are we putting too much emphasis on it?

Mr. SHEA. I don't think you are putting too much emphasis on it at all. It is a question, it is a nagging question that has been there. There has been a decline in membership, and many of the banks that have left have done so with mixed emotions, my own bank being one. We left the system 6 years ago, and it took us 3 years to come to that decision, although the mathematics were very clear at the outset.

But there is, I might say, an emotional relationship that exists there, for the function and the role of the system.

So, to answer in as few words as possible, I think it is an important question. I don't think that the house is burning down. It should be approached and has been approached in a deliberate manner, and a number of very interesting ideas have been presented that should get the full consideration of the Congress and allow for sufficient time for coming up with a right answer.

Mr. STANTON. Not to pick on you, Mr. Shea, but you would probably be the only one with the experience to answer this question since you have stated your bank was one of those that had left the Fed umbrella a few years ago—of course, I have heard from quite a few bankers who have expressed to me the fact that their board of directors are watching this situation closely. It is a question of dollars and cents, and it is of deep concern, especially in New England, where they have gone to the third-party transaction accounts in a heavy manner—that it is a wait-and-see attitude at the present time among many banks in this country who are still members of the system. They are looking forward to a solution to the problem of a lessening of their financial burden, and they expect an answer.

With the impasse now that maybe has come along with the Congress trying to find a solution, do you think it might act more as a trigger to reaccelerate the activities of at least looking into the problem of more members leaving now that they seem to think recently that perhaps there isn't going to be a solution?

Mr. SHEA. My offhand reaction to that is that if you were to cease your activities in this area, that that might be the trigger that would cause other banks to leave. So long as they think that a solution is being constructed, they will continue to maintain this wait-and-see attitude.

Mr. STANTON. Dr. Whitesell, do you have any comments on this?

Dr. WHITESELL. I do. I guess I don't view the loss of membership as being very significant. In a sense, I think Dr. Greenbaum and I ultimately would agree, because I would say I don't care if all the banks withdraw from the Federal Reserve System, because that then produces the kind of result, somewhat similar at least in kind to what Dr. Greenbaum was talking about in terms of zero-reserve requirements.

I don't think Fed monetary policy would be in any way diminished in its effectiveness if there weren't a single member in the System. Now, this is not a new argument. When Dr. Greenbaum was with the Comptroller of the Currency, way back in the early 1960's, there was a group of economists at that time, very lively intellects there who started publishing some articles along those lines; that is, why have member banks at all.

So that I think what you hear Dr. Greenbaum describe is not a new idea which has currently just come to him out of the blue, but the development of an idea upon which he has been working for a number of years, so that the idea of zero reserves is not a brand-new idea. I think the approach that he is attaching to it may be an absolutely brandnew idea, but I would concur with him that it doesn't matter if you have zero-reserve requirements. If you had all the banks withdrawing from the System, I don't think it would make that much difference in the sense of whether or not the Fed can control monetary policy efficiently.

Now, if that is the issue, then I think Congress is spending its time wastefully. But if equity is the issue, then I think you are spending time—and if efficiency perhaps enters into that—then I think the time is well-spent on the membership question.

I wholeheartedly agree with Dr. Greenbaum when he says the Fed has been induced to allocate resources in a way in which it wouldn't have allocated resources were it not concerned to hold onto its constituency as it presently exists. I view that as a political problem, though, and not a problem of monetary control. And I think there is a distinction that ought to be made there. We talk about the loss of revenue with H.R. 2133, or at least that is implicit, I think, in the discussion, that we would contribute somehow to the Federal deficit. Well, I think there are ways of dealing with that.

Certainly, Dr. Greenbaum's suggestion is perfectly acceptable to me for recouping those revenues that might be lost. But if you are concerned about equity only, then I don't see why the Congress should be that reluctant to say, "All right, we will pay some interest on those reserves." I think that is the clear incentive for the banks to leave the Federal Reserve; that is, the earnings. That would be my judgment, at least.

Mr. MALARKEY. Well, Mr. Stanton, since I have been involved with banking, which has not been that long in my State, the problem of the erosion of the membership has been a constant topic. So, my feeling is that your time is not wasted. I only hope we can come to some solution which will maintain—and I don't necessarily mean the status quo—but at least on the major point of membership being voluntary as opposed to mandatory, and then dealing, as Dr. Whitesell has pointed out and Dr. Greenbaum, with this matter of equity.

I think there are inequities today with the member and nonmember banks.

Mr. STANTON. Thank you, Mr. Chairman.

Chairman REUSS. Thank you.

Let me just say, before calling on Mr. Evans, that Dr. Whitesell, I enjoyed your preliminary announcement of your qualifications when you said that you have had considerable academic experience and that included your background as a stint as secretary of banking for Pennsylvania, an economist for the Federal Reserve, and a tour of duty with the Comptroller of the Currency. That gives you a pretty wide spectrum, and if your presentation here is sought to be impeached—and I am certainly not going to impeach it on the grounds that you are biased one way or the other—let me say that if so, you have been fixed equally by all parties.

Mr. Evans.

Mr. EVANS. Thank you, Mr. Chairman.

And I appreciate all three of you gentlemen appearing this morning, if you drove down, as I did, from the North—and that is not the easiest drive, not by a long shot.

Professor, you have a novel idea. As you indicate, it has been around for some time, and I understand that. If the impact on the Fed's ability to conduct monetary policy is not affected by membership, then we certainly have no business proceeding on H.R. 7 or H.R. 2133 or anything else. But I would assume, for our purposes this morning—if I might, Mr. Chairman—that the majority of us do feel that membership in the Fed does impact, at least to a slight degree, the Fed's conduct of monetary policy, and what we are attempting to do is do something about America's No. 1 problem, and that is inflation.

We have a very unique situation, as Mr. Shea and Mr. Malarkey know, in Delaware. We are joined by several other States. The other day, gentlemen, some bankers from Hawaii were here, and they asked for an exemption to H.R. 7 for Hawaii because they were impacted rather negatively. I think their impact, the negative impact, was about $91 million.

You say, Mr. Shea and Mr. Malarkey, that our minimum impact would be about $97 million. Would you want Delaware to be exempt from H.R. 7? I trust, from your testimony, it indicates you would not.

Mr. SHEA. I would not. That is why I smiled, because I think we get right to the equity argument that Dr. Whitesell speaks of, and when you create exemptions, you are building a new monstrosity.

Mr. EVANS. Well, Mr. Shea, I certainly thank you and Mr. Malarkey for a very constructive approach in trying to work out public policy here for the benefit, not just for the State of Delaware or the State of Hawaii or any particular State, but for the benefit of the entire country.

Let me pursue, if I might, some of the impact on our Delaware economy from this particular type of legislation, H.R. 7. Now, as I understand it, 95 percent, as you stated, Mr. Shea, 95 percent of the Nation's banks and all thrifts are exempt, and the attempt of H.R. 7—at least one of the attempts, in your opinion—is to capture the 200 banks who are not members of the Federal Reserve at the present time.

I am delighted that you share in the need to strengthen the central bank, but I really don't want Delaware to be the duck at the duck dinner, because we are willing to share, Mr. Chairman, in our responsibility, but I think it is important for us to look at the benefits and costs, as we did in S. 37, in eliminating that section of the law that costs a billion dollars unnecessarily.

In this instance, if this is not going to perform a benefit or be of benefit, generally speaking, it certainly has a negative impact on the State of Delaware.

And could you give me an idea or give the committee an idea—either Mr. Shea or Mr. Malarkey—give us a further perspective on our Delaware economy? What is the unemployment rate in Delaware across the board right now?

Mr. SHEA. At the present time it is a fraction above 7 percent, which is a full percentage point higher than the national average.

Mr. EVANS. What is the percentage of unemployment among a segment of our country that really needs some help, and that is the teenage unemployment in Delaware?

Mr. SHEA. That is very high. One of my part-time duties is to serve as chairman of the Wilmington Metro of the National Alliance of Businessmen, and we are very deeply involved in dealing with exactly the problem that you have just identified. And the rate of unemployment of certain groups—youth and certain segments of the minority population—runs up above 30 percent.

The problem extends beyond that into a State that never really recovered fully from the recession of 1973–74, whenever it was. I think the lowest that the unemployment rate got in Delaware was about 6.4 percent, and then it started to move up from there again.

Mr. EVANS. What is our growth rate now compared to the growth rate nationally in GNP?

Mr. SHEA. I am sorry, I don't know the answer to that. It has been relatively flat. It accounts for the fact that both on the State, county, and local level there has been a great proliferation of development corporations and development associations in an effort to deal with what has been recognized as a problem, that although it is not peculiar to Delaware it is intensified there.

Mr. EVANS. As you know, this could have substantial impact on housing and jobs, and you point out that our teenage unemployment is substantially higher in Delaware perhaps than it is in the rest of the Nation and that our unemployment rate is about 1 percent higher than the average in the Nation.

What impact would H.R. 7 have; what additional impact on unemployment, on housing, on jobs do you feel H.R. 7 would have, either Mr. Malarkey or Mr. Shea?

Mr. SHEA. I couldn't quantify it, but obviously if you have $100 million, 5 percent of the working assets of the State banking system, it has to have a negative impact. I mentioned one item that came to me as a surprise. You have a belief that a certain action is negative, but in speaking to a fellow banker who says the impact on our bank is going to be—and he said, and I have no hesitation in you using that information, the fact that it would require the sale of part of their existing loan portfolio to meet the provisions of H.R. 7 as written.

That is a very drastic impact for a community.

Mr. EVANS. I believe Mr. Malarkey referred to the phenomenal job that one of our banks in Delaware had done. What would be the impact, do you believe, in terms of what the Philadelphia banks might do to penetrate our market in Delaware if we did in fact pass H.R. 7?

Mr. MALARKEY. Market penetration might better be directed to Mr. Shea, I would think, Mr. Evans.

Mr. EVANS. Either one of you gentlemen.

Mr. SHEA. We know the Philadelphia banks are there, and it certainly would not help the issue, but I don't really know how much additional impact it would have. The fact that the local banks would be more restricted in their lending activities would certainly open the door that much wider for competition from either Philadelphia or Baltimore, for that matter.

Mr. EVANS. Could I ask just one more question, Mr. Chairman. I know my time has expired.

Chairman REUSS. Yes.

Mr. EVANS. I appreciate having the opportunity to do this. In your opinion, does the Fed already have the power to pay interest on reserves?

One of the problems that we have in Fed membership is the fact that there are sterile reserves. Do you believe that administratively or at least in your opinion, do they have the power to pay interest on those reserves? There are some who suggest that they do and that this might be a way of voluntarily taking care of the problem of declining membership without severely impacting the dual banking system of the country.

Mr. SHEA. This was a subject of some debate last year at this time, if I recall, between Chairman Miller—maybe a little later in the year—but Chairman Miller and Senator Proxmire. Perhaps Dr. Whitesell could help with that.

Mr. EVANS. Dr. Whitesell?

Dr. WHITESELL. I am afraid that is a question of interpretation, and I will have to yield to the people that have more information.

Mr. EVANS. Well, we would like a little help from time to time, professor, in developing that public policy.

Dr. WHITESELL. Well, my personal opinion would be no, that the Fed can't do that without legislation, and even if they could, I think it would be extremely unwise for them to do it. As Congress said through the chairmen of its committees, that we don't want you to do that, then I think that the Fed would be very unwise to move in the face of that kind of statement.

Mr. EVANS. Thank you. Mr. Chairman, just in winding up, let me say that we do have an inflation problem in America, and the ability to finance housing starts, the ability to finance those things that produce jobs for people, especially permanent jobs, impacts rather substantially on our inflation rate. And I would hope that we would do nothing here that would be a detriment to achieving the goal that I think all of us share, and that is to do something about inflation. And I certainly thank the gentlemen for being here this morning. We appreciate it very much. And I thank you for being kind in the time that you have provided me, Mr. Chairman.

Dr. WHITESELL. Mr. Chairman, could I just add a word to something that Mr. Evans said, and that is that if the Philadelphia banks would in fact come to Delaware and lend the money, I wouldn't be concerned at all, not just because I am a Pennsylvanian and because some of those banks used to be my charges, but the assumption is there that the money will be available to be loaned in Delaware.

Let me just suggest that there is a problem in the assumption because if you have the impact that we are talking about here, all banks are going to be negatively affected which are not now members of the Fed. And therefore there would be a diminution of funds available to be loaned in the aggregate so that it would not be a case just of Philadelphia banks coming in; in fact if they would come in, that would not be a problem. The problem with respect to development is that there aren't any other banks that have those funds to come in and can take the place of those banks.

Mr. EVANS. I might add one more item here and that is that we have a fairly substantial port in Wilmington and we are attempting as a nation, I think, to expand our export markets, which is also relevant to fighting inflation. And in order to do that, we need the proper and the necessary financing. And I am afraid that if H.R. 7 were to pass, that this would impact rather substantially on that ability also.

Thank you, sir.

Chairman REUSS. Thank you. Mr. Vento?

Mr. VENTO. Mr. Chairman, I am sorry that I am late. I hope I don't go over any ground that you have gone over before. I just have a few brief questions here. As I peruse the statements that have been made, Mr. Malarkey—I am sorry, I hope I am pronouncing that right.

Mr. MALARKEY. Absolutely correct, sir.

Mr. VENTO. In your testimony you point out the concerns that you have. You have four large banks in Delaware and a good representative on the committee here. But you are attempting to demonstrate that almost 90 percent of the reserves are with those large banks. Is that correct?

Mr. MALARKEY. That is correct, sir.

Mr. VENTO. So you are concerned about the sterile reserve requirements in the effect that these are all State-chartered banks at this time. You have reserve requirements. Are they sterile reserve requirements?

Mr. MALARKEY. No, sir.

Mr. VENTO. So those banks are receiving interest or some sort of payment; is that correct?

Maybe you would like to expand upon that.

Mr. MALARKEY. Fifty percent of our required reserves may be maintained in interest earning types of obligations since June of 1977. Analyzing the data that we collect on a semimonthly basis since that point, we find that it has been utilized substantially little, other than the largest mutual savings bank is utilizing almost the full 50 percent.

Mr. VENTO. In other words, before June of 1977 you had sterile reserves?

Mr. MALARKEY. Yes.

Mr. VENTO. And you have changed that?

Mr. MALARKEY. Yes.

Mr. VENTO. This points out probably one of the problems that we do have in that there are changing requirements or lessening requirements on the part of the States and this gets back to a statement made by Dr. Whitesell, in which he asks, will monetary policy be improved?

And, Doctor, one of the problems is that if the Federal Reserve Board makes an effort to exercise monetary policy by increasing the percentage of reserves in any type of a time deposit or a more liquid type of asset and the burden becomes onerous, under voluntary membership you just drop out membership and take up membership with the State of Delaware where they pay interest on reserves and they have less of a percentage requirement. So obviously monetary policy with those types of alternatives, I guess, would be somewhat less effective than what it could be.

How would you respond?

Dr. WHITESELL. I would respectfully reject that notion and say to you that the Fed is the ultimate source of all the reserves and that anything it can do through changes in reserve requirements it can do through open market operations. Now, if that were not in fact the case, then I would be concerned about the membership issue.

Mr. Evans says that we are all going to assume that Fed membership is required. I would just say that the Fed is the single largest employer of monetary economists in the world. The Federal Reserve has never ever produced a single shred of evidence, no studies of any kind, that suggest that membership is necessary for the execution of monetary policy.

The only article that comes anywhere near that was written by Ira Kaminow who is presently employed with the Federal Reserve Bank of Philadelphia, and he says that as presently conducted, monetary policy would not be enhanced. So——

Mr. VENTO. But I think that as presently conducted, there have been some very real limits or a handicap, have there not?

Dr. WHITESELL. Not in my judgment, because the assumption there must, I think, necessarily be that changes in reserve requirements per se are able to do something for monetary policy that open market operations cannot do. And I just don't believe that is the case. That is, I don't know of any basis in monetary theory per se for saying that is true.

Mr. VENTO. Well, in monetary theory I don't know. But you certainly could take in one full swoop a greater percentage of the assets if you have 71 percent of the total assets participating and you increase it by a percentage or two, it would seem to me to make a difference. There would be a different effect in terms of monetary policy in terms of which commercial banks would have liquid assets as opposed to those that would not.

It would seem to me that would be a very significant thing. I have to admit that I don't have compete knowledge, but it would seem to me very significant. You're saying that if you do that in terms of reducing the M_1 supply, the Fed of course would have 100 percent effect. Is that what you are suggesting?

Dr. WHITESELL. No. I am saying that to change reserve requirements even by 1 percentage point the Fed would offset immediately the impact through open market operations and gradually move the system into a mode that would reflect that increase in reserve requirements. So they could do the same thing with the open market operations.

Mr. VENTO. Well, you are overshooting here, considering the nature of investment that is going on in various sectors. We know S. & L.'s, federally or State chartered—are outside of these reserve requirements, and they have a different commission, theoretically. So you could certainly deal with something like this or impose a tighter credit restriction by virtue of that, could you not?

I am not saying it is desirable, but it could be done, could it not?

Dr. WHITESELL. Yes.

Mr. VENTO. That is what I thought, so you probably think it is a clumsy way to deal with the problem. Is that right?

Dr. WHITESELL. I think you have a different issue here, and that is: Do you want to direct money into particular channels, per se, and you are talking about allocating credit. You are really talking about allocating credit rather than general monetary policy.

Mr. VENTO. Well, it is a monetary policy issue. I don't necessarily differentiate. Apparently you do. I am just trying to say that it has no role at all or hasn't had a role when there is voluntary membership. Of course in any instance where you try to do that, I am sure you receive a certain negative reaction.

Dr. WHITESELL. My assumption was that Congress did not want to tell the banks specifically how funds should be allocated. Now, if Congress or the Federal Reserve wants to tell the banks how to allocate funds, that is, that you ought to be lending more money in particular areas, then various reserve requirements would certainly be appropriate, but then not only on the liabilities but on the assets; that is, some reserve requirements against loans in home mortgages.

Mr. VENTO. Well, I don't know that Congress wants to set priorities. That would be my reaction. It has a different effect when you have voluntary membership as we do today, reduced requirements on the part of States as in Delaware, and the opportunity for interest and all sorts of other things; you really have no floor in terms of maintaining participation or membership under these circumstances.

I don't know that you can demonstrate, for instance, that there is a greater increase in jobs in Delaware or elsewhere in the economy by virtue perhaps of offering interest. And you might want to respond to that.

But on the other side of the coin here of course is the fact that there is a $12 million reduction in terms of total reserve requirements. It is your concern that Delaware is adversely affected, and I am just suggesting that somewhere someone is going to be very positively affected by a reduction of $12 million worth of sterile reserves.

Dr. WHITESELL. Delaware really was not my concern.

Mr. VENTO. I understand that. I just wanted to comment for the benefit of the other gentlemen. Mr. Shea had raised that question.

Thank you, Mr. Chairman.

Chairman REUSS. Thank you, Mr. Vento.

Mr. Hyde?

Mr. HYDE. Thank you, Mr. Chairman. I have no questions except to compliment Mr. Shea and Mr. Malarkey for their States' good judgment in sending us Tom Evans, and I would yield to Mr. Evans for 30 seconds.

Mr. EVANS. I thank the gentleman for yielding. My good friend, my distinguished friend from Illinois, is obviously very objective in his assessment.

I just have one comment to make. Professor Whitesell, just to correct the record, what I had indicated was that for our purposes in considering H.R. 7 or H.R. 2133, I think we have assumed that reserve requirements do have some impact on the Fed's conduct of monetary affairs of this Nation.

And I agree with you completely that the open market operations have a tremendous impact also.

What I indicated was that for purposes this morning, the impact was there.

Dr. WHITESELL. Do you want me to respond to that? I assume not.

Mr. EVANS. No.

Chairman REUSS. Are there any further questions?

[No response.]

Chairman REUSS. If not, Dr. Whitesell, Mr. Shea, Mr. Malarkey, we are most delighted with your constructive contribution. The committee now stands in adjournment.

[Whereupon, at 11:30 a.m., the hearing was adjourned, subject to the call of the Chair.]

APPENDIX

Letters Submitted for Inclusion in the Record

JOHN V. EVANS
GOVERNOR

OFFICE OF THE GOVERNOR
STATE CAPITOL
BOISE 83720

February 15, 1979

The Honorable Henry S. Reuss
Chairman, House Committee on Banking,
Finance and Urban Affairs
UNITED STATES HOUSE OF REPRESENTATIVES
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

It is my understanding that the House Committee on Banking, Finance and Urban Affairs is considering HR-7, a bill introduced by Representative Henry Reuss, which is intended to solve the problem of declining bank membership in the Federal Reserve System. I would like to take this opportunity to comment on this proposed legislation and its potential impact.

The proposed legislation by Representative Reuss would require all banks with over $50 million in demand deposits and $50 million in time and savings deposits to maintain their reserves with the Federal Reserve System and to conform with reserve requirements established by the Federal Reserve Board. It is my understanding that the Federal Reserve would like these requirements to apply to all banks, and other types of financial institutions, and would include all institutions with $10 million in "transaction accounts".

It is my opinion that either the proposal by Representative Reuss or that of the Federal Reserve would have a strong adverse impact upon Idaho state chartered banks, savings and loan associations and credit unions, and upon the economy of Idaho. It is also my opinion that if such a proposal were enacted, that it would not have the desired effect of improving the precision with which the Federal Reserve carries out its monetary policy.

As a basis for setting out my objections to the proposals, it may be useful to describe the context of the reserve issue.

The policy tool available to government which can be used to combat undesirable economic conditions can be divided into three groups:

1. Fiscal policies which include changes in taxes and government spending.
2. Structural or incomes policies which attempts to shift the relationships between supply and demand through wage and price controls, import tariffs, farm policies, anti-trust policies, etc.
3. Monetary policies which consists primarily of the Federal Reserve open market operations and includes the power to establish the rate at which banks may borrow from the Federal Reserve, the ability to change the reserve requirements for member banks, and interest and credit controls.

In dealing with monetary issues, the Federal Reserve is only a part of the machinery of fiscal policy. To carry out its monetary policies, the Federal Reserve relies almost exclusively upon its open market operation through buying or selling government securities in the open market. Through these open market operations, the Federal Reserve exercises considerable control over the money supply and interest rates.

Supplementing these open market operations is the Federal Reserve's ability to set maximum rates of interest on time and savings deposits under Regulation Q and to selectively limit the amount of credit banks may make available to brokers and dealers or margin requirements on loans to purchase securities. These interest and credit controls have been used in recent years and have far-reaching impact.

Of far less significance in carrying out monetary policy is the ability to set the "discount rate" which is charged to banks borrow ng from the Federal Reserve and the ability to change the amount of reserves maintained by member banks. These reserves can be set between 7 and 22 percent for demand deposits and between 3 and 10 percent for other deposits. The current significance of the role played by the "discount rate" and "reserve setting authority" are effectively described by former Federal Reserve Board Governor Sherman J. Maisel in his book called "Managing the Dollar". With the exception of describing the mechanics of this authority, the importance of these powers is summed up in a single paragraph as follows:

> "Compared to open market operations, however, both of these actions, although useful, serve rather minor functions; except for their announcement effects on (peoples) expectations, they can be neglected in most analysis."

Currently the majority of bank deposits are held by national banks who are required to be members of the Federal Reserve. In addition, a substantial proportion of the larger state chartered banks are members of the Federal Reserve along with a number of smaller state chartered banks. In view of the fact that the majority of deposits are currently subject to reserve levels established by the Federal Reserve, and the fact that reserve setting authority is of only minor significance in implementing monetary policy, the necessity of extending compulsory reserves to include non-member state banks and other types of financial institutions appears highly questionable.

I would also like to discuss the impact of this proposal on banks in Idaho and the consequent effects upon the economy of Idaho. Our state is one of large geographical area and a comparatively small population. The population is served by a small number of banks which provide a large proportion of the credit used in farming and ranching operations. These farming and ranching operations are a large and integral part of Idaho's economy. State banking laws recognize the importance of agriculture in Idaho and provide an effective structure which enables state chartered banks to meet the credit needs of Idaho's citizens and its economy.

Most state chartered banks are not members of the Federal Reserve and are therefore subject to the reserve requirements established by state law. State reserve requirements are fixed by statute and may be changed only by legislative action. These stable reserve requirements are necessary and desirable in order for state chartered banks to maximize their ability to provide needed agricultural credit in a capital-short state.

Under the compulsory reserve requirements as proposed, a decision on the part of the Federal Reserve to increase reserve requirements at a time when farmers and bankers are negotiating annual credit lines would have an adverse effect upon the availability of agricultural credit in this state. Additionally, state banks operating under variable reserve requirements would necessarily have to plan for the contingency that reserves might be raised substantially during periods of peak seasonal loan demand which would as a matter of practice further restrict the availability of credit. Unlike the metropolitan or "money center" banks, rural area banks, such as those in Idaho, do not have access to money market sources of funds which would allow them to "cover" their reserve requirements through temporary borrowings. In similar fashion, the loan portfolios of agricultural banks cannot be quickly reduced from loan repayments because of the highly seasonal nature of these loans. Of necessity, increases in reserve requirements, whether actual or anticipated, would be funded out of funds withheld from loans to local borrowers.

In their application, variable reserve requirements are temporary and direct measures used to carry out monetary policy. The application of such "temporary" measures within Idaho could result in long-term affect because of their impact on agricultural borrowers.

The effect of changes in reserve requirements are described in a Federal Reserve publication entitled "The Federal Reserve System - Purposes and Functions" which is quoted below:

> "As an instrument of monetary management, adjustments in required reserve ratios are less flexible than open market operations or changes in the discount rate. There are two reasons for this. One is that changes in the ratio affect all member banks in a given class *at once*. The second is that for each member bank the required reserve ratio *is the basis for current and forward decisions by the bank's management concerning the composition and maturity of liabilities and of loans and investments. Frequent changes in that ratio complicate in some degree the task of forward planning by the management.*
>
> Furthermore, even fairly small changes in reserve requirements, such as 1/2 of a percentage point, may result in relatively large changes in the margin between total reserves and required reserves. Thus *even a small change* in the required reserve ratio *may have a rather large potential impact on deposits and bank credit*." (Emphasis added.)

A further impact of the proposed legislation is that Idaho law permits state chartered non-member banks to maintain required reserves in correspondent banks. These correspondent balances provide lendable funds to the larger banks in our state as well as compensation for services provided to the rural banks of the state. The impact of the proposed legislation would be to remove a very large proportion of these deposits from correspondent banks and place them with Federal Reserve District banks. The impact of these actions would have a very detrimental effect upon the availability of lendable funds within Idaho and upon the correspondent banking system of this state.

The proposed legislation has additional adverse impact in terms of the dual banking system. Legislation which would preempt state banking laws by requiring the maintenance of compulsory reserves established by the Federal Reserve is very likely to result in the conversion of state chartered banks to a federal charter. In our discussions with Idaho bankers, it is clear that the larger state chartered banks would seriously consider conversion if the proposed legislation is enacted.

National banking laws are more restrictive with respect to lending limitations to a single borrower than are Idaho banking laws. Conversion by state banks to a national charter would further restrict the normal lending activities of Idaho banks in addition to the impact of reserve requirements discussed previously.

Charter conversions, particularly by the larger state chartered banks, would also have a direct effect upon state bank supervision. State banks are assessed an annual fee as an offset against the cost of examination and supervision. These fees are based upon asset size. In Idaho, the conversion of the largest state chartered non-member banks would reduce banking department revenues by 38 percent.

Conversions by any of the larger state banks could seriously affect the state's ability to carry out an effective program of examination and supervision. It is my opinion that the proposed legislation would have a detrimental and irrevocable impact upon the dual banking system and the financial ability of state banking departments to maintain effective programs of examination and supervision.

To summarize these comments:

1. Reserve setting authority has represented a very small and insignificant role in implementing monetary policies. There is no demonstrated need for the expansion of reserve requirements to include non-member state banks and other types of non-bank financial institutions.

2. I favor a continuation of the existing practice of the Federal Reserve in relying upon its open market operations as the primary tool for implementing monetary policy. Open market operations have proved to be an effective mechanism both for the Federal Reserve and the economy.

3. The proposed legislation would have a serious adverse impact upon the economy of Idaho which would result from less stable reserve requirements, the need to restrict seasonal lending in order to meet actual or potential reserve increases, and the reduction or elimination of reserve balances maintained in correspondent banks within Idaho which would be moved to Federal Reserve banks outside the state.

4. The proposed legislation presents a clear danger to the vitality of the dual banking system. Conversions

by state chartered banks to national chartered banks which may seriously affect the ability of state bank supervisors to carry out an effective program of supervision.

In conclusion, I cannot help but speculate on the purpose and objectives of this proposal. The value of compulsory reserves in implementing monetary policy is highly questionable if they are treated as incidental powers as they have been in the past. Conversely, the expanded use of these powers by the Federal Reserve presents a rather awesome image when the extent to which these powers are used are neither tempered by alternatives to the banking industry, or subject to control or restraint by the executive or legislative branches of government.

The extension of Federal Reserve authority to the extent proposed in this legislation goes far beyond improving the tools of "monetary policy" and contains the potential for an independent agency to dictate the broader issues of "fiscal policy" through its use, or misuse, of authority. I would hope that it is apparent to the members of the committee that such authority can be used to preempt or negate the "fiscal policies" established by the Congress and by the executive branches of government.

In considering this proposed legislation, I would hope that you give appropriate attention to the limited, and in some cases questionable, benefits of this proposal in view of the actual and potential adverse impact on the economies of states such as Idaho, and upon the dual banking system. The potential impact on the dual banking system is in direct opposition to a recent resolution by the National Governors Conference in support of a strong dual banking system. The proposed legislation represents a substantial expansion of direct governmental influence by an autonomous agency at a time when the public is demanding a reduction in governmental control and greater participation in those areas of government that affect them.

Thank you for the opportunity to express my views on this important matter. Your consideration of these comments in your deliberations is appreciated.

Sincerely,

John V. Evans

JOHN V. EVANS
GOVERNOR

Office of the Governor

STATE OF SOUTH DAKOTA

William J. Janklow
GOVERNOR

February 26, 1979

Banking, Finance and Urban Affairs Committee
2127 Rayburn House Office Building
Washington, D.C. 20515

Re: Proposed federal legislation (House Resolution 7 and Senate Bill 85) relative to compulsory affiliation with the Federal Reserve for reserve-setting purposes

Gentlemen:

South Dakota would appreciate your efforts to oppose the above-described legislation which would give the Federal Reserve reserve-setting authority over all state-chartered commercial banks (or over all state-chartered financial institutions).

Here are some of our major reasons for being opposed to the proposed legislation:

1. Federal Reserve membership has always been optional and should remain so as there has been no showing, to the best of my knowledge, that the decline in Fed membership has adversely affected the public interest by reducing the effectiveness of the Fed in carrying out its monetary policies.

2. A proposal having universal reserve-setting authority for the Fed over state-chartered financial institutions does have strong adverse implications for the state segment of our dual banking system. The dual banking system would be meaningless should this occur, with control of our banking structure resting largely in the hands of the Federal Reserve.

3. There would be the possibility that if banks were required to submit to the Fed's reserve-setting authority, the bank would shift to Fed membership or ultimately change to a national charter.

4. The proposed legislation would dilute effectiveness of the present private correspondent banking system and tend to make the Fed the nation's correspondent banker.

5. Presently, South Dakota has 123 state-chartered banks and only 28 are members of the Federal Reserve. Two banks in South Dakota have withdrawn from the Federal Reserve during the past two years because they dislike having what they consider excessive amounts of their money in required Federal Reserve Stock and in reserve requirements held at the Federal Reserve Bank of Minneapolis.

Thank you for your consideration.

Sincerely,

William J. Janklow

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

NINETY-SIXTH CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

March 8, 1979

Honorable G. William Miller
Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Dear Chairman Miller:

In all of the hearings on H.R. 7, as well as in both the hearings and executive meetings of this Committee on a similar bill (H.R. 14072) in the 95th Congress, there was unanimity of opinion that the comprehensive and timely reporting of data on money and credit contemplated by section 2 of the bill would be very much in the public interest. That section would amend section 11(a) of the Federal Reserve Act (12 U.S.C. §248(a)) by adding a new paragraph which would empower the Board of Governors--

> (2) To require any depository institution specified in this paragraph to make, at such intervals as the Board may prescribe, such reports of its liabilities and assets as the Board may determine to be necessary to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates. Such reports shall be made (A) directly to the Board in the case of member banks and in the case of other depository institutions for all liabilities specified in sections 19(b)(1)(A) through 19(b)(1)(D) of this Act, and (B) to the Board through the (i) Federal Deposit Insurance Corporation in the case of insured State nonmember banks, (ii) National Credit Union Administration in the case of insured credit unions, (iii) Federal Home Loan Bank Board in the case of any institution insured by the Federal Savings and Loan Insurance Corporation or which is a member as defined in section 2 of the Federal Home Loan Bank Act, and (iv) such State officer or agency as the Board may designate in the case of any other type of bank, savings and loan association, or credit union. The Board shall endeavor to avoid unnecessary burdens on reporting institutions and the duplication of other reporting requirements, and any data therefrom shall be made readily available to the Board. The Board may classify depository institutions for the purposes of this paragraph, and may impose different requirements on each such class.

Testifying on behalf of State officers and agencies, the Conference of State Bank Supervisors, even though objecting vigorously to other provisions of H.R. 7, supported this section by recommending "...that financial institutions be required through their appropriate Federal and State authorities to furnish data which the Fed determines it needs for its monetary policy objectives." (Testimony of E.D. Dunn, Feb. 13, 1979) In light of this very constructive attitude, it is my hope that you will be able to work out with State agencies arrangments for the reporting of data from those depository institutions which have no Federal nexus.

There is obviously no problem with respect to requiring reports from banks which are members of the Federal Reserve System. As to them, the authority of the Board of Governors, set forth in the first sentence of section 11(a) (12 U.S.C. §248(a)), is direct and plenary. In this connection, I would hope that the Board will give particular attention to foreign deposits of United States banks and other aspects of international capital flows, and will make certain that it collects data from the banking institutions involved which immediately and fully reflect these flows which can have such enormous and often unanticipated effects on the availability and cost of credit in the domestic economy. The growing use of security repurchase agreements and ATS accounts deserves similar attention.

Turning now to the other Federal agencies which would be involved in the administration of section 2 of H.R. 7, all of them, in their testimony and reports, expressed support for this provision. For the reasons set forth in my enclosed letters to the chief officers of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration, it is my view that those agencies already have the legal power to collect and transmit to the Federal Reserve the type of data contemplated by that section. Since, by supporting this provision, they have already given formal and official expression on behalf of their agencies of their willingness to undertake the functions contemplated by the section, the only remaining step necessary for full and immediate implementation would be for the Federal Reserve to call upon them for the reports that it needs.

Statutory recognition of this need already exists. It is well known that open market operations are the principal tool of the Federal Reserve in the implementation of monetary policy. Section 12A(c) of the Federal Reserve Act (12 U.S.C. §263(c) provides--

> (c) The time, character, and volume of all purchases and sales of paper described in section 14 of this Act as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

It is self-evident that timely and comprehensive data on the liabilities and assets of all depository institutions are essential to enable the Federal Open Market Committee to ascertain the general credit situation of the country at any given time. It is thus not only appropriate but necessary that the Board of Governors and the Federal Open Market Committee should redetermine from time to time the type of information flows which they need in adjusting policies and operations to rapidly changing conditions.

In carrying out this undertaking, I am sure you will share with the Administration and the Congress our continuing concern with minimizing the burdens imposed on the private sector by Federal reporting requirements. I am asking the Director of the Office of Management and Budget to expedite the implementation of this project in a manner which will minimize the likelihood of delays due to interagency disagreements over the interpretation and application of the Federal Reports Act (44 U.S.C. §§3501-3512), while continuing to strive for the achievement of the purposes of that Act.

For far too long a time, the conduct of monetary policy in this country has been susceptible to criticism on the ground that the lag between changes in monetary and credit conditions, and the perception of these changes by the monetary authorities, has been such as actually to destabilize the economy, producing alternate spasms of inflation and recession. Some of the blame can be attributed to delays in the feedback of information on the effects which efforts to achieve a particular interest rate target are having on monetary and credit aggregates, and thus on the ability of business and the consumer to maintain satisfactory and sustainable rates of economic activity. In the period ahead, more sophisticated hedging techniques employed by both suppliers and users of capital, as well as more deeply ingrained inflationary expectations, are likely to cause unpredictable alterations in historical relationships between changes in interest rates and changes in monetary aggregates. For that reason, I regard the prompt design and implementation of improvements in the Federal Reserve's money and credit information system as a matter of urgent importance.

Sincerely yours,

Henry S. Reuss

Henry S. Reuss
Chairman

Enclosures

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

NINETY-SIXTH CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

March 8, 1979

Honorable Irving H. Sprague
Chairman
Federal Deposit Insurance Corporation
550 17th Street
Washington, D. C. 20429

Dear Chairman Sprague:

The recent hearings on H.R. 7 have revealed unanimity of opinion that the comprehensive and timely reporting of data on money and credit contemplated by section 2 of the bill would be very much in the public interest. An examination of the relevant statutes, however, demonstrates that legislative action is not necessary to achieve the purposes of that section of the bill. Your attention is specifically directed to the third sentence of section 7(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. §1817(a)(1)), which reads as follows:

> The Board of Directors may call for additional reports of condition on dates to be fixed by it and *may call for such other reports as the Board may from time to time require*. [Emphasis supplied]

The ability of the FDIC to fulfill its responsibility for the safety and soundness of insured banks is dependent upon the soundness of the banking and monetary system as a whole, and the ability of the Federal Reserve System to fulfill its responsibilities in that regard is dependent in turn upon the availability to the System of complete and timely data on the money and credit situation of the country.

Accordingly, it would clearly be an appropriate exercise of the powers of the FDIC to collect from each insured bank, for transmission to the Federal Reserve, such reports of assets and liabilities as the Federal Reserve Board determines necessary to enable the Federal Reserve to discharge its responsibility to monitor and control monetary and credit aggregates. This is because such an exercise of the authority cited above would be both within the express terms of the authority and in furtherance of the purposes of the legislation in which it appears.

It is essential that existing statutory authority be used to maximize the effectiveness of monetary policy in reducing the rate of inflation while minimizing the danger of recessionary overkill. I am enclosing a copy of my letter of even date to Chairman G. William Miller of the Board of Governors of the Federal Reserve System on this matter. I know I can count on your agency to cooperate promptly and fully.

Sincerely yours,

Henry S. Reuss

Henry S. Reuss
Chairman

Enclosure

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-SIXTH CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

March 8, 1979

Honorable Robert H. McKinney
Chairman
Federal Home Loan Bank Board
Washington, D. C. 20552

Dear Chairman McKinney:

The recent hearings on H.R. 7 have revealed unanimity of opinion that the comprehensive and timely reporting of data on money and credit contemplated by section 2 of the bill would be very much in the public interest. An examination of the relevant statutes, however, demonstrates that legislative action is not necessary to achieve the purposes of that section of the bill.

Your attention is specifically directed to the general power of examination and regulation which section 5(a) of the Home Owner's Loan Act of 1933 (12 U.S.C. §1464(a)) vests in the Federal Home Loan Bank Board with respect to Federal savings and loan associations. As consistently construed and applied throughout its history, this section clearly authorizes the imposition of any reasonable reporting requirements. Likewise, the third sentence of section 403(b) of the National Housing Act (12 U.S.C. §1726(b)) vests the Federal Savings and Loan Insurance Corporation with plenary examination authority over every insured institution, with coextensive authority to require reports.

Since the establishment of the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation, Federal savings and loan associations and other insured institutions have become an integral and important part of the overall system of money and credit. Moreover, the ability of the Federal Home Loan Bank Board to fulfill its responsibility for the safety and soundness of these institutions is dependent upon the soundness of the banking and monetary system as a whole, and the ability of the Federal Reserve System to fulfill its responsibilities in that regard is in turn dependent upon the availability to the System of complete and timely data on the money and credit situation of the country.

Accordingly, it would clearly be an appropriate exercise of the powers of the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation to collect from each insured institution, for transmission to the Federal Reserve, such reports of assets and liabilities as the Federal Reserve Board determines necessary to enable the Federal Reserve to discharge its responsibility to monitor and control monetary and credit aggregates. This is because such an exercise of the authority cited above would be both within the express terms of the authority and in furtherance of the purposes of the legislation in which it appears.

It is essential that existing statutory authority be used to maximize the effectiveness of monetary policy in reducing the rate of inflation while minimizing the danger of recessionary overkill. I am enclosing a copy of my letter of even date to Chairman G. William Miller of the Board of Governors of the Federal Reserve System on this matter. I know I can count on your agency to cooperate promptly and fully.

Sincerely yours,

Henry S. Reuss

Henry S. Reuss
Chairman

Enclosure

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

NINETY-SIXTH CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

March 8, 1979

Honorable Lawrence Connell
Administrator
National Credit Union Administration
2025 M Street, N.W.
Washington, D. C. 20456

Dear Mr. Connell:

The recent hearings on H.R. 7 have revealed unanimity of opinion that the comprehensive and timely reporting of data on money and credit contemplated by section 2 of the bill would be very much in the public interest. An examination of the relevant statutes, however, demonstrates that legislative action is not necessary to achieve the purposes of that section of the bill. Your attention is specifically directed to section 202 (a)(2) of the Federal Credit Union Act (12 U.S.C. §1782(a)(2)). This provision of the Act, which confers unrestricted authority to require reports from Federally insured credit unions, reads as follows:

> (2) The Administrator may call for such other reports as he may from time to time require.

As you know, the authority contained in the foregoing provision of law applies with respect to all Federal credit unions, because they are required to be insured, as well as to all other credit unions which elect to be insured.

Ever since the enactment of the Federal Credit Union Act, credit unions have increasingly become an integral and important part of the overall system of money and credit. Moreover, the ability of the National Credit Union Administration to fulfill its responsibility for the safety and soundness of Federal credit unions and other insured credit unions is dependent upon the soundness of the banking and monetary system as a whole, and the ability of the Federal Reserve System to fulfill its responsibilities in that regard is dependent in turn upon the availability to the System of complete and timely data on the money and credit situation of the country.

Accordingly, it would clearly be an appropriate exercise of the powers of the National Credit Union Administration to collect from each insured credit union, for transmission to the Federal Reserve, such reports of assets and liabilities as the Federal Reserve Board determines necessary to enable the Federal Reserve to discharge its responsibility to monitor and control monetary and credit aggregates. This is because such an exercise of the authority cited above would be both within the express terms of the authority and in furtherance of the purposes of the legislation in which it appears.

It is essential that existing statutory authority be used to maximize the effectiveness of monetary policy in reducing the rate of inflation while minimizing the danger of recessionary overkill. I am enclosing a copy of my letter of even date to Chairman G. William Miller of the Board of Governors of the Federal Reserve System on this matter. I know I can count on your agency to cooperate promptly and fully.

Sincerely yours,

Henry S. Reuss

Henry S. Reuss
Chairman

Enclosure

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-SIXTH CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

March 8, 1979

Honorable John G. Heimann
Comptroller of the Currency
Washington, D. C. 20219

Dear Mr. Heimann:

The recent hearings on H.R. 7 have revealed unanimity of opinion that the comprehensive and timely reporting of data on money and credit contemplated by section 2 of the bill would be very much in the public interest. Because section 11(a) of the Federal Reserve Act (12 U.S.C. §248(a)) provides for direct reports to the Federal Reserve Board by member banks, there is not, strictly speaking, a legal necessity for participation by your agency in a program of administrative action to achieve the purposes of section 2 without the enactment of legislation, but this fact in no way detracts from the importance of your support and commitment in assuring the success of this important undertaking.

In order that you may be fully informed on this matter from the very outset, I am forwarding herewith copies of my letters to the chief officers of the other Federal banking agencies and to the Director of the Office of Management and Budget. I know that they as well as I can count on your full cooperation.

Sincerely yours,

Henry S. Reuss

Henry S. Reuss
Chairman

Enclosures

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

NINETY-SIXTH CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

March 8, 1979

Honorable James T. McIntyre, Jr.
Director
Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Dear Mr. McIntyre:

In the light of recently concluded hearings on H.R. 7, I have asked the Federal bank supervisory agencies to undertake a program of substantial improvement in the money and credit information system used by the Federal Reserve in the determination and implementation of monetary policy. In brief, this program would involve the making of reports by depository institutions which are not members of the Federal Reserve System to their respective supervisory agencies for transmission to the Federal Reserve, so that the Federal Reserve will have a current, comprehensive picture of credit conditions throughout the economy insofar as these are reflected in the liabilities and assets of depository institutions. The purpose and legal authority for such a program are more particularly described in my letters to the chief officers of the bank supervisory agencies, copies of which are enclosed for your information.

Such reports would clearly fall within the general terms of §3509 of title 44 of the United States Code, and thus the question arises as to whether they would be exempted by the second paragraph of §3507. With the advent of the negotiable order of withdrawal, share drafts, and other devices for the utilization of accounts in savings and loan associations and credit unions to make third-party payments, it seems clear that such institutions have become part of the banking system of the country, and that whatever the situation may have been at their inception, the Federal agencies which regulate these institutions are now Federal bank supervisory agencies.

The other question involved in the applicability of the §3507 exemption is whether the reports and information are to be obtained by these agencies in their supervisory capacity. For the reasons set forth in my letters to the agencies, I think that they are. While the supervisory role is usually conceived in terms of an agency's responsibility for safety, soundness, and compliance with law on the part of individual institutions under its jurisdiction, it would be myopic indeed to exclude systemic considerations from the purview of that responsibility. All of the agencies have a responsibility for the soundness of the system as well as that of the individual institution, and the exercise of that responsibility in the context of the banking system which has evolved in this country requires the collection and interchange of information as contemplated by this proposed program.

In the event that you reach a different conclusion on these questions, I hope that you will nevertheless assign a high priority to this project. I know that the banking agencies support the objective of the Federal Reports Act (12 U.S.C. §§3501-3512) to reduce the burdens on the private sector imposed by Federal reporting requirements. It is my expectation that the data to be supplied by the reporting institutions will be taken directly from figures which they must keep as an incident to the conduct of their own business, and thus will impose minimal burdens. As you know, it is anticipated that the Congress will be reviewing the §3507 exemption among other aspects of the Federal Reports Act, and so a precedent established in the context of this particular matter is likely to be of very limited usefulness.

In my view, the uncertainties of the current economic situation lend great urgency to the implementation of this project, and I think that it would be most unfortunate if progress on it were delayed for any reason whatsoever. I am grateful for the commitment of your agency to the achievement of the purposes of the Federal Reports Act, and I am confident that, no matter how the legal questions above adverted to may be resolved, I can count on your wholehearted cooperation in bringing this project to prompt and successful fruition.

Sincerely yours,

Henry S. Reuss

Henry S. Reuss
Chairman

Enclosures

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

G. WILLIAM MILLER
CHAIRMAN

July 13, 1978

RECEIVED
JUL 13 1978
Banking, Finance & Urban Affairs Committee

The Honorable Henry S. Reuss
Chairman
Committee on Banking, Finance
and Urban Affairs
House of Representatives
Washington, D.C. 20515

Dear Henry:

You have expressed an interest in our General Counsel's opinion that the Board has the authority to pay interest on required reserve balances.

Enclosed for your information are (1) copy of the Legal Division memorandum dated June 19, 1978 and (2) copies of previous memoranda and correspondence by the General Counsel or Board Members on this subject.

This material also has been forwarded to Chairman Proxmire.

Sincerely,

Bill

Enclosures

June 19, 1978*

To: Board of Governors

From: Legal Division
(Messrs. Petersen,
Raiken, and Schwartz)

Subject: Authority of the Board to pay interest on required reserves of member banks

Introduction:

This memorandum considers the question of whether the Federal Reserve System is empowered to pay interest on the reserves that member banks maintain in the form of balances at the Federal Reserve Banks. In examining this question, this memorandum considers the permissibility under the Federal Reserve Act of providing a return on reserves maintained by member banks in the form of direct payments to member banks by Federal Reserve Banks.

In view of the current discussions concerning membership and charges for System services, the Legal Division has prepared this memorandum in order to review the Board's legal authority to pay interest on member bank reserves. In the course of its review of this question, the Legal Division has also taken into account prior consideration that has been given to the issue of compensating member banks for reserves held with the System.

* Revised from original draft memorandum of December 10, 1976.

Summary:

The question of the payment of interest on reserves has been considered by the Board and by Congress on several occasions since the 1913 passage of the Federal Reserve Act. In examining this matter, the Legal Division has considered the legislative history of the Act, the express and implied powers under the Act of the Board and the Reserve Banks, the events of the early years of the System, various legislative proposals concerning the distribution of excess earnings to members, the National Bank Act, and the Banking Act of 1933.

At the outset it should be noted that the Federal Reserve Act does not expressly authorize the Federal Reserve Banks to pay interest on reserves of members. On the other hand, the Act contains no express prohibition against such payment. In fact, the relevant legislative history reveals that Congress discussed at length the issue of the payment of interest on reserves and expressly recognized that the Act would remain silent on this matter.

On the basis of this review, the Legal Division believes it is reasonable to conclude that the decision to pay interest on reserves has been left to the System's discretion and that the express and implied powers granted to the System by the Federal Reserve Act may reasonably be construed as the bases for the authority to pay interest on reserves.

Legislative History

A review of the legislative history of the Federal Reserve Act reveals the circumstances relating to Congress' determination to enact legislation that did not expressly authorize or expressly prohibit the payment of interest on reserves.

The original bill to create the Federal Reserve System was introduced by Congressman Glass as H.R. 7837 on August 29, 1913. This bill contained the following provision under GOVERNMENT DEPOSITS, SEC. 16:

> The Secretary of the Treasury shall, subject to the approval of the Federal reserve board, from time to time, apportion the funds of the Government among the said Federal reserve banks, distributing them, as far as practicable, equitably between different sections, and may, at their joint discretion, charge interest thereon and fix, from month to month, a rate which shall be regularly paid by the banks holding such deposits: Provided, That no Federal reserve bank shall pay interest upon any deposits except those of the United States.

(See House Report, September 19, 1913, p. 122.)[1/]

Even though no interest payments on private deposits were to be allowed, Section 7 of the House bill allowed member banks to share in the profits of the Reserve banks. Specifically, section 7 provided for the following division of earnings:

(a) a 5 per cent dividend to stockholding member banks;

1/ H.R. Rep. No. 69, 63d Congress, 1st Sess. (1913); hereinafter "House Report."

(b) one-half of the remaining net earnings were to be devoted to surplus (until such surplus amounted to 20 per cent of the capital of the bank);

(c) the remaining one-half of the net earnings was to be divided three-fifths to the U.S. government and <u>two-fifths to the member banks in the ratio of their average balances with the Federal Reserve Bank for the preceding year</u>. (See House Report No. 69, September 19, 1913, p. 38.) (Emphasis added)

In the substitute bill offered by Senator Owen on December 1, 1913, both of these provisions were deleted. No explanation was given for the deletion.[2/] Senator Owen's bill was supported by only half of the Senate Committee on Banking and Currency.[3/] The version of the bill favored by the other committee members proscribed the payment of interest on deposits of member banks and eliminated the proposed division of earnings (Senate Report, Part 3 at pp. 10, 15).

The question of interest on reserves and the equitable division of earnings was actively debated on the floor of the Senate. On December 8, 1913, Senator Nelson discussed the prohibition against interest payments:

> I may say in this connection that while a great majority of the banks of the New York Clearing House approved of it [the prohibition against

2/ 51 Cong. Rec. 21 (December 1, 1913).
3/ S. Rep. No. 133, Part 2, 63d Congress, 1st Sess. (1913), p. 3; hereinafter "Senate Report."

payment of interest] and would have adopted the plan there was a very small minority that refused to acquiesce. The result was that the rule recommended by this committee [New York Clearing House Committee to study panic of 1873] was not adopted. * * * I refer to these matters not so much for the purpose of criticizing anybody as for the purpose of enabling us to draw a lesson therefrom; and that lesson has been utilized in a concrete form in two of the pending currency bills by entirely changing the system of reserves and by prohibiting the payment of interest on such reserves and the payment of interest on deposits in the reserve banks. [51 Cong. Rec. 450, 451]

As noted previously, the original proscription was included as a proviso in the section on government deposits. It can be argued that its omission, when that section was redrafted, was inadvertent. This possibility was discussed by Senator Nelson during the Senate debates:

> I may say in this connection that the original Glass bill prohibits the payment of interest on all deposits except on the deposit of Government funds. The Hitchcock bill is along the same lines, and prohibits the payment of interest on bank deposits in the Reserve Banks, while the last print of the Owen bill, if my recollection serves me right, is silent on that subject . . . I rather think it was unintentional.
>
> MR. O'GORMAN. My understanding is that interest will not be paid on deposits made by member banks, and will not be paid on deposits made by the Federal Government.
>
> MR. NELSON. It is not indicated in the last print of the bill that that is so. [51 Cong. Rec. 451]

Later, Senator Nelson again stressed that, despite the personal conclusions of some of the Senators, there was no express prohibition in the redraft of the Owen bill.

> MR. SHAFROTH. I am not certain, but I am satisfied that there is no power whatever given to these banks to pay any interest on deposits made with them.
>
> MR. NELSON. There is no express power to do so, but there is no inhibition against it. [51 Cong. Rec. 451]

In fact, Senator Reed even pointed out the exact location of the previous prohibition, and noted its omission from the final Senate bill.

> MR. REED. To clear up the matter, I will state that in the Owen bill, as it appears in its last print, section 16 of the old bill becomes section 15 of the present bill . . . It covers largely the same subject matter as the same section of the Glass bill; but the latter had at the end of the section as it appeared there these words:
>
> > Provided, That no Federal reserve bank shall pay interest upon any deposits except those of the United States.
>
> MR. NELSON. Yes; that is what I referred to.
>
> MR. REED. That language does not appear in the same place in the Owen bill, and I do not think it appears elsewhere in the bill.
>
> MR. NELSON. That is my understanding--that it does not appear anywhere in the last print of the Owen bill. [51 Cong. Rec. 451]

After discussing the possibility of paying interest on government deposits, Mr. Nelson continued:

> What I am concerned about more than anything else is the payment of interest by the reserve banks to their depositors. Unless that is prohibited we fall back into the old and dangerous rut of the present reserve system.
>
> MR. WILLIAMS. That would seem to fall within the powers of the reserve board. [51 Cong. Rec. 452]

If, as Senator Williams believed, the Board had authority to prohibit interest payments, it would follow that the Board also had the power to authorize Reserve Banks to make such payments.

It should be noted that in their discussions, the Senators often stated that the Reserve Banks "will not" pay interest--not that they "could not" or "cannot" pay interest. The Senate Report on the Owen bill states that:

> The reserves placed with the Federal reserve banks would not bear interest under the present bill (although this may possibly be found expedient at some future time when the system is established) 4/

The revisions that occurred during the development of the Act are highly significant and help clarify the intent of the drafters of the bills. The supporters of the original House bill clearly felt that, while interest should not be allowed on reserve balances, member

4/ Senate Report, Part 2, p. 12.

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banks should still share proportionately in any excess earnings of the Federal Reserve Banks. The supporters of the Senate version of the bill, however, felt that member banks should not have an absolute right to a proportionate share of the profits and also believed that the Federal Reserve System should not be expressly prohibited from paying interest on reserve balances.

On the basis of the full and complete discussion of the omission of the express prohibition contained in the House and Hitchcock bills, we believe that it is fair to conclude that the Congress intentionally excluded from the Act any express prohibition on the payment of interest on reserves and that they did not wish to foreclose such possibility if the System found such action desirable or necessary at some later time.

Should the Federal Reserve Act Be Regarded As Containing An Implied Prohibition Against the Payment of Interest on Reserves

If the Congress in 1913 intended to prohibit by implication the Board's authorizing the payment of interest on reserves, that intent should be revealed by an examination of the reasons given for the proposed express prohibition. If the reasons were weak then, or if they have lost validity over the years, it would be inappropriate at this time to find an implied prohibition now.

The reasons given for the prohibition against payment of interest on reserves that had been considered by Congress can be summarized as follows:

(1) Under the then-widespread practice of pyramided reserves, funds were drawn away from the country banks, where they could have been used for agricultural loans, to the New York banks where they could earn interest.

(2) The new system would result in lower reserve requirements for national banks, thus freeing more funds for lending. The income from these newly freed funds would more than compensate for the interest lost on reserves.

(3) The loss of interest was a quid pro quo for the privilege of a national charter and membership in the System with its inherent benefits.

(4) The Federal Reserve Banks needed to build up surplus for use in emergencies, and the payment of interest would delay the process of building surplus.

(5) Member banks would be adequately compensated by access to the discount window, and by any other services which the system might provide to members in the future.

These reasons have lost their validity under today's circumstances and, indeed, as indicated below, existing conditions support recognition of an implied authority to make such payments.

1. The drawing of funds to New York. During the Senate discussion of the Owen bill, the concern over the drain of funds caused by the policies of the New York banks was constantly raised. In a representative colloquy, Senator Williams stated:

> The viciousness of the present system consists in the fact that what ought to be the reserve of the country, held subject to instantaneous call, in order to protect the country bank or the reserve city bank, finds itself wrapped up in New York and it cannot be gotten away . . . . If you do not let them earn interest, the deposit never will be made, except so much as the law compels to be made.
>
> MR. NELSON. That is all the better; that is what makes the system safe. There is where the Senator from Mississippi utterly fails to draw a lesson from our present reserve system. It is not only that they pay interest on the required reserves they deposit, but they pay interest on all the deposits of the country banks, and by that means draw the money to New York or other reserve centers. The country banks, instead of keeping the money at home, send it to New York or other reserve centers for the sake of getting 2 per cent interest. And then the banks in the reserve cities loan it out on stock collateral as call loans, which, in cases of great emergency, cannot readily be converted into cash.
>
> The seat of the difficulty, to my mind, is the payment of interest by the banks on bank deposits. [51 Cong. Rec. 452]

Under the Federal Reserve Act, reserves would not be drawn to one location (New York), but would be spread among the Reserve Banks, remaining close to the nation's agricultural and industrial centers. In addition, the Reserve Banks would not loan money for stock market speculation as the New York banks had. While the Senators' concerns may have been valid under the old system, the same types of problems and abuses ordinarily would not arise under the Federal Reserve System as structured.

2. The benefits of lowered reserve requirements. This was a valid argument in 1913 and probably remained valid for several years thereafter. The member banks were benefitted by the freeing of funds which originally had been part of their required reserves. But the benefits which accrued to member banks over 60 years long since have been overshadowed by subsequent developments.

3. The privileges of a national charter. The advantages of national bank charter as opposed to a state bank charter may be less apparent today especially in view of the burden of sterile system reserve requirements that national banks must bear.

4. The need to build up surplus. Until the Reserve Banks built up sufficient surplus to be able to operate effectively in times of fiscal emergencies, the System's financial soundness was uncertain. They needed funds for such things as buildings, equipment, and staff. Thus, the concern that the payment of interest might delay the accumulation of surplus was probably justified. But by 1920 the Reserve Banks were strong and secure, and their present strength deprives this argument of any present validity. Last year the Reserve Banks paid $5.9 billion in earnings to the Treasury. A reasonable program that includes the payment of interest on reserves would not affect the financial soundness of the Reserve Banks.

5. Services provided by the Federal Reserve. Member bank access to the discount window historically has been viewed as a very valuable privilege. During the formative years of the System, other services were added, including the free delivery of coin and currency, check clearing facilities, and wire services. When Reserve Bank profits started to rise during World War I and the pressure increased for the payment of interest on reserves or other forms of compensation, the Board pointed to these services as compensating for lost interest income. In recent years check collection and other Federal Reserve services have been very valuable to member banks, and do partially offset the burden of maintaining sterile reserves. But the availability of some Federal Reserve services to nonmembers, the availability of alternative correspondent services and the pressure for increased earnings diminish the value of Federal Reserve membership even though these services are provided at no additional charge to member banks.

The continued erosion of System membership indicates clearly that access to the discount window and other services currently provided without charge to member banks are inadequate compensation for the burden of sterile reserves. Moreover, members of Congress and others have urged establishment of, and the Board has indicated its intention to develop, a system of explicit pricing for services provided. To the extent that member banks in the future are required to pay for the

System services they receive, the burden of maintaining sterile reserves increases, and the historical rationale that free services "compensate" member banks for required reserves loses its validity.

The First Two Decades

The framers of the Federal Reserve Act did not contemplate that the Federal Reserve Banks should operate with a substantial financial surplus and, in fact, in the early years of the System, some of the Banks had difficulty earning amounts sufficient to pay operating expenses. Until 1916 only the Federal Reserve Bank of Richmond had been able to pay the statutory 6 per cent dividend to stockholding member banks and it was not until 1918 that all of the Federal Reserve Banks had paid their dividends in full. [Letter X-1914a, April 22, 1920]

However, with the entry of the U.S. into World War I in 1917 came the necessity of raising funds to finance the War through bond issues. This resulted in a great credit expansion and unusually high earnings for the Federal Reserve Banks. After the conclusion of the war, a number of legislative proposals were introduced to require the System to return some or all of its excess earnings to member banks. These proposals included direct payment of interest on reserves, payment of an additional dividend to member banks, and a direct pro rata distribution based on reserves or capital stock or both. The following list, though probably not exhaustive, is representative:

S. 3773	1/22/20 (Mr. Gore) Payment of interest on reserves at the rate prevailing in the reserve or central reserve cities.
H.R. 12849	3/1/20 (Mr. Goodykoontz) Payment of 2 per cent interest on reserves.
S. 4103	12/16/23 (Mr. Lenroot) Extra dividend of up to 3 per cent when earnings exceed 12 per cent.
H.R. 3206	12/13/23 (Mr. Fulmer) Payment of 2 per cent interest on reserve balances.
S. 2321	2/1/24 (Mr. Shields) Payment of 2 per cent interest on reserve balances.
S. 5571	1/26/29 (Mr. Glass) Additional dividend of up to 2 per cent.
H.R. 7966	1/6/30 (Mr. McFadden) Pro rata distribution based on reserve balances up to maximum of $500,000.
S. 5723	2/4/30 (Mr. Glass) One-half of excess earnings to member banks as extra dividend.
S. 3564	2/15/30 (Mr. Fletcher) 90 per cent of earnings pro rata to stockholders.
H.R. 10211	2/24/30 (Mr. Stegall) Earnings from note issue to government; excess earnings pro rata to stockholders.
H.R. 10472	3/4/30 (Mr. Wingo) Pro rata distribution of earnings at the end of each year.
S. 1905	9/15/41 (Mr. Wiley) Payment of interest on reserves; rate of interest not specified.

H.R. 12865	3/30/76 (Mr. Allen) Payment of interest of not less than 1 per cent under the discount rate, on reserve balances.
S. 1873 (later S. 2055)	7/15/77 (Mr. McIntyre) Limits payment of interest on required reserves to 5 per cent of Reserve Bank net earnings.

Almost without exception these bills were directory, stating that the Board was "obligated and required" to pay interest, or that interest on earnings "shall be paid," "shall be distributed," or "shall be divided." From the mandatory tone of these bills, it is reasonable to conclude that the drafters intended to force the Board into exercising existing authority, which for policy reasons it had been reluctant to exercise. Two other Senate bills (S. 5571 and S. 4103) were phrased permissively and dealt only with extra dividends, not interest on reserves. S. 1873 (later S. 2055) was regarded by the Board as confirming the Board's implied authority and as establishing a limit on the amount of interest that may be paid by the Federal Reserve.

Although the Board had expressed opposition to bills requiring distribution of excess earnings, at times individual Board members have expressed support for additional discretionary distribution of System earnings to member banks. In a letter dated January 13, 1923, to the Secretary of the Treasury, Vice Governor Platt stated:

> though the Federal Reserve Board has never approved any of them before [bills requiring additional dividends] I think it may be said that some of them have been discussed by the Board with the idea that something of the kind might be done to offset the agitation for payment of interest on reserve deposits and also as some extra inducement to increase the membership of State banks.

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In a personal letter to a Georgia banker on June 1, 1923, Governor Harding stated that he had recommended that a bill include a provision that:

> anything remaining should belong to the Reserve Banks to be distributed by them to the member banks upon the basis of average reserve balances carried during the year.

Governor Young in a letter to a New York banker on April 5, 1930, made the following observations:

> In the Federal Reserve Board's Annual Report to Congress, which will be issued very shortly, the Board will advise the Congress that they believe the time has arrived when the member banks should participate to a greater extent in the profits of Reserve Bank, but that the Board has no definite plan to suggest at the moment. Many suggestions have been made, but as we have analyzed them, we believed them to be faulty. We do believe, however, that an equitable plan can be arrived at and we are working to that end. I am convinced that the Board will never recommend the compulsory payment of interest on reserve balances, and I personally, at the moment, lean very decidedly towards the suggestion contained in the last sentence of your letter, which suggests that a portion of the earnings be distributed to member banks using both their stockholdings and reserves as a basis when and if earned.

Apparently no Board recommendations were ever made. In 1931 the Board indicated that it had refrained from making any recommendatior in its 1930 annual report, pending "the conclusion of investigations now in progress by committees of Congress." [Letter dated April 1, 1931, to the Undersecretary of the Treasury]

It should be noted that on at least two occasions, official correspondence of the Board has indicated that the Board does not have authority to pay interest on reserve balances. In a letter to Congressman James F. Byrnes, signed by the Vice Governor on January 15, 1924, the Board stated:

> There is nowhere in the Federal Reserve Act any provision authorizing Federal Reserve Banks to pay interest on the reserve deposits of member banks, and the Federal Reserve Board has no authority to require the Federal Reserve Banks to do so. All earnings in excess of the necessary expenses of a Federal Reserve Bank must be distributed in accordance with section 7 [of the Federal Reserve Act].[5/]

Subsequently, in a letter to Mr. W. W. Philips on August 4, 1924, Governor Crissinger stated:

> there is no provision of the Federal Reserve Act which expressly or by necessary implication authorizes Federal Reserve Banks to pay interest on such deposits and because of this lack of express authority, it is believed that Federal Reserve Banks have no power under the law to make payments of this nature.

Statements made by various individual members of the Board more than 50 years ago are certainly not binding on the present Board. Moreover, those statements do indicate a more narrow reading of what we believe

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5/ The original Federal Reserve Act provided in section 7 that all the net earnings of the Reserve Banks (less certain payments into a surplus fund) would be paid to the United States as a franchise tax. This tax was repealed by the Banking Act of 1933, which amended section 7 to provide for the payment of all the net earnings of each Reserve Bank into that Reserve Bank's surplus fund. That Act also required the Reserve Banks to pay one-half of their surplus to purchase stock in the newly created FDIC and the action repealing the franchise tax was presumably taken in order to permit the Reserve Banks to rebuild their surplus. This provision of section 7 has not been further amended since 1933.

to be the System's implied authority to compensate member banks for reserves. As will be indicated in this memorandum, in light of the consequences of a continued decline in membership occasioned by the existence of the System reserve burden, such payments can be regarded as a necessary expense for a Federal Reserve System under section 7 of the Act.

Implied Authority and Necessary Expense

It is clear that Congress rejected the recommendation of those who believed that the Federal Reserve Act should contain an express prohibition against the payment of interest on reserves. Moreover, we believe the reasons that might be shown as supporting the recognition of an implied prohibition to such payment have largely lost their validity over the passage of time. The most significant factual point is the elimination of the express prohibition against payment of interest from the final draft of the Federal Reserve Act. That prohibition had appeared in many earlier bills, and we believe its omission from the final bill was not inadvertent. Senator Nelson pointed out explicitly that the Owen bill "is silent on that subject" [51 Cong. Rec. 451] and if a prohibition was later determined to be necessary, at least Senator Williams felt that "[t]hat would seem to fall within the powers of the reserve board" [51 Cong. Rec. 452]. Further, as was pointed out in the Senate Report, even though the System would not initially pay interest, "this may possibly be found expedient at some future time when the System is established" [Senate Report, Part 2, p. 12]. The Legal Division believes that it is reasonable to interpret this provision to mean that such authority would be left to the discretion of the Board and the Reserve Banks based on their express and incidental powers. We are of the opinion that such an interpretation is at least as reasonable as the view that such payment could be made only after specific Congressional approval, particularly in light of the extensive discussion and rejection of including an express prohibition in the Act.

Payment of Interest on Reserves as an Incidental Power

Section 4 of the Federal Reserve Act provides that Federal Reserve Banks are empowered:

> To exercise by its board of directors or duly authorized officers or agents, all powers specifically granted by the provisions of this Act and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this Act. [12 U.S.C. 341]

This provision is virtually identical to the language of R.S. § 5136 (12 U.S.C. 24 ¶ Seventh), which similarly authorizes national banks to exercise all such incidental powers as shall be necessary to carry on the business of banking.

The House Report on the Glass bill (H.R. 7837) indicates that Federal Reserve Banks are to be assigned the function of "bankers' banks"6/ and that the powers of each Reserve Bank are to be "precisely analogous to those of national banks except insofar as altered by the act itself."7/ The courts also have regarded the incidental powers provision of the Federal Reserve Act to be virtually identical to the incidental powers provision of the National Bank Act.8/

At the time of the passage of the Federal Reserve Act, national banks relied upon the incidental powers provision to pay interest on reserves of other banks since they did not possess express authority to pay interest on demand deposits. The payment of interest on reserves was, of course, a widespread practice at the time. Since national banks were authorized under the incidental powers provision to pay interest on reserves maintained with them by other banks, and since the incidental powers of Reserve Banks are regarded as virtually identical to those of national banks, we believe that Reserve Banks necessarily possess authority to pay interest on reserve balances under their incidental powers if such payment is viewed as "necessary" to carry on the business of banking as directed by the Federal Reserve Act.9/

6/ House Report, p. 16.

7/ Id., p. 36. See also Senate Report, Part 2, p. 9.

8/ Lucas v. Federal Reserve Bank of Richmond, 59 F. 2d 617 (4th Cir. 1932); Federal Reserve Bank of Richmond, Virginia v. Duffy, et al. 210 N.C. 593 (1936).

9/ Member banks were subsequently prohibited from paying interest on demand deposits by the Banking Act of 1933 (12 U.S.C. 461). Such prohibition by its own terms does not apply to Reserve Banks.

While the Legal Division believes that it is appropriate for the Board to regard the payment of interest on reserves as essential to the continued strength of the System, it should be noted that in construing the scope of the incidental powers provision of the National Bank Act, courts have indicated that the term necessary does not mean "indispensable." At least two Federal circuit courts have stated the following:

> For an activity to be pursuant to an incidental power necessary to carry on the business of banking it must be convenient or useful in connection with the performance of one of the bank's established activities pursuant to its express powers. [Arnold Tours, Inc. v. Camp, 472 F. 2d 427, 432 (1st Cir. 1972); M&M Leasing Corp. v. Seattle First National Bank, 563 F. 2d 1377, 1382 (9th Cir. 1977) cert. denied, ____ U.S. ____ (June 12, 1978)].

At the time the Federal Reserve Act was enacted, the Senate report indicated the expectation that Reserve Banks would not pay interest on reserve balances since member banks would receive benefits in the form of lower reserve requirements and access to the System's discount facilities and other services, such as check clearing [Senate Report, p. 12]. Today, however, member banks incur a very substantial burden that results from the need to satisfy System reserve requirements. In view of increasingly intense competition, many banks are regarding the burden of membership as outweighing the benefits derived from the System and are withdrawing as members. Over the past ten years, in fact, 551 banks have withdrawn, 69 alone in 1977. Because of the decline in membership, the proportion of total commercial bank deposits subject to reserve requirements has been reduced to about 72 per cent. The Federal Reserve has stated that continued erosion of membership threatens the soundness of the nation's financial system as more payments and credit transactions take place outside the Federal Reserve, as immediate access to the Federal Reserve's discount window is diminished, as Federal bank supervisory and regulatory involvement becomes diluted and as implementation of monetary policy becomes more difficult.[10/]

In view of the present situation, the Legal Division believes that it is reasonable for the Board to conclude that the payment of interest on reserves is a necessary expense in order for the Federal Reserve to accomplish successfully the basic purposes and objectives established by Congress and that Reserve Banks are therefore authorized to pay interest on reserves under the incidental powers provision of the Federal Reserve Act. Additionally, in light of longstanding judicial recognition that an agency's interpretation of statutes it administers is entitled to great deference,[11/] we believe that it would be regarded as reasonable for the Board to determine that the payment of interest

10/ Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, and Philip E. Coldwell, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs, United States Senate, May 25, 1978, p. 6.
11/ Association of Bank Travel Bureaus, Inc. v. Board of Governors of the Federal Reserve System, 568 F. 2d 549, 552 (7th Cir. 1978); Udall v. Tallman, 380 U.S. 1, 16 (1965).

on reserves is a necessary action that is incidental to the functioning of the Reserve Banks as a means to assure the continued viability of the Federal Reserve System.

CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

July 28, 1976

The Honorable Clifford Allen
House of Representatives
Washington, D. C. 20515

Dear Mr. Allen:

In your letter of July 19 you raise a number of questions about the comments I offered in my letter to you of July 8 on the revised version of H.R. 12865. As you know, that bill would provide for the payment of interest on reserves to those member banks that make loans for low- and medium-priced housing, to the extent that they choose to participate in the program.

One of your questions concerns my use of the term "subsidy" in discussing the bill. As you recognize in your letter, if the Federal Reserve paid interest on member bank reserves the income of the Federal Reserve System would be reduced and Federal Reserve payments to the Treasury would in turn be correspondingly reduced. In order to keep the Federal deficit from rising, it would then be necessary either to raise taxes or to reduce expenditures, unless indirect effects outweighed the direct effects of which I speak. That is all that I meant when I used the phrases "subsidize housing" and "subsidy to banks" in my letter.

I believe the essential question raised by the bill is not whether it is appropriate for the Federal Reserve to pay interest on reserves, but whether it is desirable for the Federal Government to channel additional funds to low- and medium-priced housing. If the Congress is inclined to answer the latter question in the affirmative, the best approach, in my judgment, would be through the budgetary process.

The route taken in H.R. 12865--through the Federal Reserve--offers no advantages of which I am aware, and it has a number of disadvantages. First, as I noted in my letter of July 8, that approach would interfere with the implementation of monetary policy. (I might mention in passing that an added provision limiting interest payments on reserves to 4-1/2 per cent, which you suggest would deal with the illustrative problem cited in my letter, would do so in the specific circumstances assumed in the illustration, but not in certain other circumstances--as when the discount rate happens to be below 5-1/2 per cent.) Secondly, the approach taken in H.R. 12865 limits participation in the program to member banks; other mortgage lenders, such as savings and loan associations, would surely consider such an arrangement inequitable. Finally, by appearing to offer something for nothing--or for very little--the approach in the bill might tend to interfere with a fair evaluation, both by the Congress and by the public, of the costs and benefits of the program.

In response to another of your questions, there is nothing in the Federal Reserve Act that specifically prohibits the payment of interest on balances maintained by member banks in Federal Reserve Banks for purposes of satisfying reserve requirements. Whether interest should be paid on member bank reserve balances is a complex issue, involving questions of law, including the issue of Congressional intent, as well as questions of monetary control, competitive balance, and Treasury revenue. The Board has held some preliminary discussions of the problem recently, and it hopes to develop a position on the matter in the not too distant future.

Let me turn, finally, to the questions you raise in the latter part of your letter.

1. My objection to the provision of the bill requiring the Federal Reserve to define low cost housing would be met by delegating that responsibility to an appropriate agency in the executive branch.

2. I agree that my objection to the provision intended to prohibit discrimination against participating banks could be met by an appropriate reformulation, but without further study I cannot be sure that the particular reformulation you suggest would deal with the problem.

3. I do not favor the reimposition of wage and price controls. I believe that housing can best be encouraged by moderate fiscal and monetary policies that will help contain inflationary pressures, and by structural reforms that would serve the same general end. If we can succeed in keeping the economy from reheating again, the result should be to moderate upward pressures on housing costs, and at the same time to generate the confidence in income prospects that will lead to increased consumer commitments to better housing accommodations.

4. More specific means of slowing the rise in construction costs would include repeal or suspension of the Davis-Bacon Act, which--by setting a wage-rate floor on Federally assisted construction projects--tends to validate the local structure of "prevailing" wages as determined by the Department of Labor; measures that encourage local wage settlements in the construction industry more closely in line with underlying economic conditions; and careful assessment of all costs, as well as all benefits, of Federally-imposed environmental controls and minimum property standards required as a condition of Governmental aid toward residential development.

I appreciate the further opportunity you have given me to comment on this important matter.

Sincerely yours,

Arthur F. Burns

File No.
Office of General Counsel

September 10, 1941

Governor Ransom

Mr. Wyatt, General Counsel.

Proposed bill to require Federal Reserve Banks to pay interest on reserve balances.

Mr. Rice of the Office of Legislative Counsel of the Senate, tried to telephone me this morning and the call was transferred to Mr. Hackley because I was tied up in a conference with Mr. Vest and Mr. Longstreet. I asked Mr. Hackley to write you a memorandum about his conversation with Mr. Rice. After learning from Mr. Hackley what the conversation was about, I called Mr. Rice as if I did not know that he had talked to Mr. Hackley.

Mr. Rice explained that, in the absence of Mr. Henry Wood, who usually works on banking legislation for the Senate Banking and Currency Committee, Mr. Rice had been called upon by an individual senator to draft a bill requiring Federal Reserve Banks to pay interest on reserve balances of member banks and he also indicated that the senator had asked him to call me up and find out what the opposition, if any, to such legislation would be.

I told Mr. Rice that, so far as I know, the Board has not considered this question in recent years and has taken no position on it; but that similar proposals were advanced during the Twenties, that the Board opposed such legislation at that time, and that the reasons for such opposition are much stronger today than they were at that time. I told Mr. Rice that, during the Twenties, the Board opposed such legislation on the ground that the necessity for earning enough to pay interest on reserve balances would force the Federal Reserve Banks to make loans or investments which would put funds into the money market at times when the public interest may require action in the opposite direction. I explained to him that the member banks now have an enormous volume of excess reserves, that there is danger of inflation, and that an addition to excess reserves would add to this danger. I called his attention to the various measures which the Government is now taking to combat the danger of inflation, such as the Consumer Credit Regulation, the price control activities, the pending price control legislation, the tax bill, and Mr. Morgenthau's recent speech and pointed out that anything forcing the Federal Reserve Banks to add to excess reserves at this time would run counter to all of those measures, and probably would be opposed by everyone who is now worried about the danger of inflation.

I also called Mr. Rice's attention to the fact that the Federal Reserve Act, as amended by the Banking Acts of 1933 and 1935, forbid any member bank or any insured bank to pay interest on demand deposits and that a requirement that Federal Reserve Banks pay interest on reserve balances would seem inconsistent with that legislation.

I also told Mr. Rice that the Federal Reserve Banks may not be able to earn enough this year to pay their expenses and dividends, that they probably will go into the red next year, and that they could not possibly earn enough to pay interest on reserve balances except by making additional loans or investments which would add to excess reserves and run counter to the efforts which the Government is making to combat the danger of inflation.

Mr. Rice thanked me for this information and asked me whether he could pass it on to the senator. I told him that I had no objection to his passing this information on to the senator but that I thought it might be better for the senator to discuss the subject directly with me or Dr. Goldenweiser. Mr. Rice then told me that the senator in question is Senator Wiley, of Wisconsin.

I specifically asked Mr. Rice whether he had been asked to draft a bill for a committee or an individual senator, and he said that it was for an individual senator. (The Legislative Counsel's Office usually works only for committees and declines to draft bills for individual senators or congressmen, but sometimes they have to yield to requests to draft bills for individual senators.)

Respectfully,

Walter Wyatt,
General Counsel.

File No. 330

Office of General Counsel

Federal Reserve Board

August 4, 1924.

Mr. W. W. Philips,
P. O. Box 347,
Bowling Green,
Kentucky.

Dear Sir:

(Signed) D. R. Crissinger

Receipt is acknowledged of your letter of July 26 with regard to deposits in Federal reserve banks. In reply to your inquiry whether Federal reserve banks pay interest on Government deposits you are advised that no interest is paid on such deposits.

You also inquire whether it would be legal for Federal reserve banks to pay interest on member bank reserve deposits, stating in this connection your understanding that there is no prohibition in the Federal Reserve Act against the payment of such interest. It is true that there is no express provision in the Federal Reserve Act which prohibits Federal reserve banks from paying interest on the reserve deposits of their member banks, but on the other hand there is no provision of the Federal Reserve Act which expressly or by necessary implication authorizes Federal reserve banks to pay interest on such deposits and because of this lack of express authority, it is believed that Federal reserve banks have no power under the law to make payments of this nature. In support of this view, attention may be called to Section 7 of the Federal Reserve Act which provides in general that after all necessary expenses of a Federal reserve bank have been paid or provided for, the member bank stockholders shall be entitled to an annual 6% dividend and the balance of net earnings, except for a specified transfer to surplus, shall be paid over to the Government as a franchise tax. Unless the payment of interest on member bank reserve deposits can be considered to be a necessary expense of a Federal reserve bank, and this is extremely questionable, Federal reserve banks are precluded from using their earnings for the purpose of paying interest on deposits. It is significant also that in the past few years a number of bills have been introduced in Congress to amend the Federal Reserve Act so as expressly to authorize Federal reserve banks to pay interest on member bank reserve deposits and obviously these bills were introduced in the belief that without express authorization by Congress Federal reserve banks have no power to make such interest payments. I gather from your letter that you are familiar with the objections to the payment of interest on member bank deposits from the viewpoint of economics and sound banking policy and I shall not go into them. I trust the above brief discussion of the legal phase of the question will be of service to you.

Very truly yours,

(Signed) D. R. Crissinger,

Governor.

File No. ....

Office of General Counsel,
Federal Reserve Board.

January 15, 1924.

Hon. James F. Byrnes,
U. S. House of Representatives,
Washington, D. C.

My dear Congressman:

I have received your letter of January 9th, with reference to the authority of the Federal Reserve Board to require Federal reserve banks to pay interest to member banks upon their reserve deposits.

Section 7 of the Federal Reserve Act provides that "After all necessary expenses of a Federal reserve bank have been paid or provided for" the stockholders shall be entitled to an annual dividend of 6% and the balance then remaining shall be paid over to the Government as a franchise tax except that a certain designated portion shall be carried to surplus account. There is nowhere in the Federal Reserve Act any provision authorizing Federal reserve banks to pay interest on the reserve deposits of member banks, and the Federal Reserve Board has no authority to require the Federal reserve banks to do so. All earnings in excess of the necessary expenses of a Federal reserve bank must be distributed in accordance with Section 7 referred to above.

In reply to your inquiry as to the net profits of Federal reserve banks during the past year, I have to advise you that the total net earnings of the twelve Federal reserve banks during 1923 were $12,711,286, of which $6,552,717 was paid to member banks as dividends; the balance available for surplus and franchise tax being $6,158,569. In order to pay 2% interest on the daily average reserve balances of the member banks $37,460,140 would have been required.

You also ask whether it would be necessary for the Federal reserve banks to increase the rate of discount in order to pay 2% interest upon reserve deposits. As shown above in order to pay 2% interest upon the reserve balances the Federal reserve banks would necessarily have to increase their net earnings in some way, but an increase in the rate of discount would not necessarily accomplish this end because such increase in the discount rate would tend to decrease the amount of such discounts and thereby prevent an increase in earnings from this source. However, in my opinion it would be inadvisable to make any change in the discount rate merely in order to attempt to increase the earnings of Federal reserve banks. A change in the Federal reserve discount rate should be made for economic reasons only.

Trusting that I have given you the information which you desire, I am,

FEDERAL RESERVE BOARD

WASHINGTON

File No. ....

Office of General Counsel
Federal Reserve Board.

X-1862
3/3/20

The Federal Reserve Board has all along taken the position consistently that the payment of interest on reserve balances is thoroughly unsound and undesirable from every standpoint. Any agitation in favor of payment of interest arises, no doubt, from the large earnings growing out of present operations of the Federal Reserve Banks. The Board in its annual report to Congress for the year 1919 points out that these earnings are abnormal and temporary and cannot be expected to continue under a normal functioning of the Federal Reserve Banks. The surplus which Federal Reserve Banks are allowed to accumulate is, in the last analysis, the property of the Government of the United States (Section 7, Federal Reserve Act), and each Federal Reserve Bank, after it accumulates a surplus equal to one hundred per cent. of its subscribed capital, is required by law to pay ninety per cent. of its net earnings in any one year to the United States as a franchise tax. The earnings of the Federal Reserve Banks therefore do not inure to any particular persons or interest but to the people of the United States as a whole.

With average reserve deposits of $1,750,000,000, the payment of two per cent. interest on such deposits would involve an annual charge against the Federal Reserve Banks of $35,000,000. In ordinary circumstances it would be impossible for the banks to make such payments unless they were operated not as reserve banks but essentially as money-making institutions. An interest charge against reserve balances would complicate the entire structure of discount rates and there would be a strong temptation on the part of the management of the reserve banks to subordinate the public interest to the necessity of making profits out of which interest charges could be paid.

I would also like to call your attention to the fact that the member banks are not subjected to any hardship in carrying reserves without interest with the Federal Reserve banks. Before the Federal Reserve Act became a law national banks in central reserve cities were required to carry against net deposit liabilities a reserve of twenty-five percent in lawful money in their vaults; those in reserve cities were obliged to carry twelve and one-half per cent. lawful money reserve in their own vaults, and all other banks (called country banks) were required to carry a reserve in lawful money in their own vaults of six per cent. of their net deposit liabilities. No distinction was made between time and demand deposits. The Federal Reserve Act, on the other hand, distinguishes between time and demand deposits and fixes the reserve against time deposits at three per cent. and the required reserve against demand deposits is fixed at thirteen per cent. in the case of banks in central reserve cities, ten per cent. for banks in reserve cities, and seven per cent. for the country banks.

When the nominal reserves against time deposits are taken into consideration, it is evident that the reserves now required by law to be carried with Federal Reserve Banks are less, as regards each class of banks, than the cash reserve required under the old law, on which, of course, no interest could possibly be made. The present law does not require any member bank to carry any cash reserve whatever, and all their required reserves are carried with the Federal Reserve Banks in the shape of collected balances; the amount of vault cash or till money is left entirely to the discretion of each member bank. There are twelve Federal Reserve Banks and these banks have more than twenty branches. A large majority of member banks are located within twelve hours reach of a Federal Reserve Bank or a branch, and all transportation charges on currency received from or delivered to member banks are paid by the Federal Reserve Banks.

The Board feels therefore that justice to member banks does not require that they should be allowed interest on their reserve balances in the Federal Reserve Banks. Moreover the Board has a strong conviction that the payment of interest on reserve balances by Federal Reserve Banks would be highly detrimental, not only to the Federal Reserve System but to the best interests of the country, for such a course would always have a direct bearing upon the discount policy and the functioning of the reserve banks. The Board has therefore put itself on record as being opposed to any proposition which requires the reserve banks to pay interest on member banks' balances.

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

NINETY-SIXTH CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

March 29, 1979

Honorable G. William Miller
Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Dear Chairman Miller:

Enclosed is a copy of my letter to Secretary Blumenthal of today's date transmitting for his information a copy of a memorandum by the legal staff of this Committee on the legality of the payment of interest on reserves.

I appreciate your letter of March 20, 1979 in response to my suggestion for the administrative improvement of monetary data reporting by nonmember institutions. I am very gratified by the constructive attitude which the heads of other financial regulatory agencies have also displayed on this matter.

Sincerely,

Henry S. Reuss

Henry S. Reuss
Chairman

Enclosure

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
NINETY-SIXTH CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

March 29, 1979

Honorable W. Michael Blumenthal
Secretary of the Treasury
Washington, D. C. 20220

Dear Secretary Blumenthal:

When Deputy Secretary Carswell testified on behalf of the Administration before this Committee on H.R. 7 in January of this year, he expressed serious reservations about any action which would set a precedent or provide legal authority for the payment of interest on reserve balances held in Federal Reserve banks. The legal authority of Federal Reserve banks to make such payments was a subject of disagreement last year between the chairman of the Federal Reserve Board and the chairmen of the House and Senate Banking Committees.

Against what I hope is the unlikely event that this issue might come to life again, I am enclosing a copy of a memorandum prepared by the legal staff of this Committee in support of the position that Federal Reserve banks do not have legal authority to pay interest on reserve balances. This memorandum was prepared in the light of a memorandum from the Board's legal staff supporting the contrary position, a copy of which is also enclosed for your information.

Sincerely yours,

Henry

Henry S. Reuss
Chairman

Enclosures

MEMORANDUM FOR: HONORABLE HENRY S. REUSS, CHAIRMAN
Committee on Banking, Finance and Urban Affairs

FROM: Legal Staff of the Committee

SUBJECT: Legal authority of Federal Reserve banks to pay interest on deposits held as reserves for member banks

Summary

Federal Reserve banks do not have legal authority to pay interest on deposits of member banks held to satisfy reserve requirements. The language and legislative history of the original Federal Reserve Act support that conclusion, which was confirmed when the chief officers of the Federal Reserve Board, in official correspondence scarcely ten years after the establishment of the System, publicly stated that the banks lack legal authority to make such payments.[1] While important changes in the financial and legal environment have taken place since then, these changes tend to support rather than weaken the position that the Federal Reserve banks lack this authority.

The Original Act

The Federal Reserve Act is silent on the issue of whether Reserve banks may pay interest on reserve deposits. The Senate Report on the Act states that "The reserves placed with the Federal Reserve banks would not bear interest under the present bill (although this may

1. Letter dated August 4, 1924, from Governor D.R. Crissinger, whose position corresponded to that of Chairman today, and letter dated January 15, 1924, from Vice Governor Edmund Platt, whose position corresponded to that of Vice Chairman today. The full text of these letters is annexed to this memorandum as Appendix A.

possibly be found expedient at some future time when the system is established)..." (S. Rept. No. 133, Part 2, 63d Congress, 1st Session. (1913), p. 12). The Report went on at length detailing the benefits member banks would receive in lieu of interest on reserves, such as earnings on capital stock and the increased stability of the banking system.

Although the Senate Report makes clear that the bill (the "Owen" bill) did not permit the payment of interest on reserves, it was different from other proposals being considered which explicitly prohibited such payments. This led a supporter of these other proposals, Senator Nelson, to suggest that the Owen bill permitted payment of interest on reserves. Senator Nelson was quite concerned that such payments would draw money to large money centers, leaving the rest of the country short of capital. Senator Nelson said he preferred the legislation he was supporting because, among other differences, it explicitly prohibited paying interest on reserves. Since no senator suggested that he supported the Federal Reserve's paying interest on reserves, Senator Nelson was anxious to point out what he saw as the superiority of the bill he favored over the Owen bill on this point.

Nevertheless, supporters of the Owen bill on the Senate Banking Committee who spoke on the issue made clear their belief that the Owen bill did not permit payment of interest on reserves.

These senators, O'Gorman and Shafroth, stated that they opposed paying interest on reserves and indicated that it was their intention that the Owen bill not permit such payments. No Banking Committee supporters of the Owen bill agreed with Senator Nelson's interpretation of it on this point.

It is clear then that Congress did not intend to implicitly permit the Federal Reserve to pay interest on reserves. Without such authority, these payments may not be made.

Early Administrative Interpretation

In a letter dated January 15, 1924, to Representative James F. Byrnes, Vice Governor Edmund Platt stated flatly that the Federal Reserve Board had no authority to require Federal Reserve banks to pay interest on the reserve deposits of member banks, and also stated that there is no provision of the Federal Reserve Act authorizing the reserve banks themselves to make such payments. Later that year, Governor Daniel R. Crissinger went a step further by stating, "it is believed that Federal Reserve banks have no power under the law to make payments of this nature." At the time these letters were written, the positions of governor and vice governor corresponded to those of chairman and vice chairman under present law, and scarcely 10 years had elapsed since the chartering of the Federal Reserve banks.

Both letters appear to have been drafted in the Board's Office of General Counsel. Of the six appointive members provided for under section 10 of the Act as then in effect, two, Charles S.

Hamlin and Adolph C. Miller, were among the original appointees who took office on August 10, 1914. Governor Crissinger himself had been officially associated with the system as early as 1921, when he became an *ex officio* member of the Board upon his appointment as Comptroller of the Currency, and he had been designated Governor upon his appointment to the Board in 1923. It seems almost certain that the legal opinion expressed in his letter was formulated with the advice of people who were involved with the congressional consideration of the original Act. Crissinger was a lawyer who had practiced extensively, having been a prosecuting attorney for two terms, a city solicitor for three terms, and general counsel for the Marion Steam Shovel Company for 22 years, and he must have had a sensitivity to the legal significance of the position that he took when writing on behalf of the Board. Most important of all, he wrote not simply as a member of the Board, but as its Chairman and "active executive officer."

The Board's Current Position

No further correspondence or memorandums prior to 1978 which bear directly on the issue of legal authority have been made available. In his letter of July 28, 1976 to Representative Allen, Chairman Burns states that the Board did not then have a position on its legal authority. The current position of the Board is not entitled to any special weight as a matter of law merely because it has been taken by the Board. While it is true that the courts will ordinarily show deference to agency expertise when the issue is the soundness from a policy standpoint of agency action which is within the scope of its authority, the issue of what the limits of that authority are is a legal question. An agency's views on that question are not ordinarily entitled to any special weight unless it can invoke the doctrine of contemporaneous administrative construction, and to the extent that that doctrine is applicable here, it militates strongly against the current position of the Board.

The Membership Rationale

Even if it is conceded that the payment of interest on reserve deposits would have a substantial effect in terms of inducing banks to become or remain members of the Federal Reserve System, it is hard to see how this has any bearing on the legal question of whether the banks have power to make such payments. A moment's reflection will show why this is so. Rebates to members calculated on the basis of their Federal income tax liabilities would doubtless have the same effect. If it is assumed that widespread membership is a desirable goal, then a showing that a given policy will tend to promote the achievement of that goal is a factor to be weighed in considering the wisdom or desirability of the policy in question, but it cannot be used as the basis for a legal power which has no independent existence.

Changes in the Monetary System

At the time of their establishment, Federal Reserve banks were intended to supplant large money market banks in the performance of certain functions, and to supplement the performance of other functions which would continue to be performed by public and private agencies as before. For many years after the establishment of the Federal Reserve System, a large part of the circulating currency of the country would continue to consist of national bank notes, gold and silver coin, and gold and silver certificates. Today, Federal Reserve banks are the only banks of issue, and they supply the overwhelming preponderance of the circulating currency of the country. The Federal Reserve banks, under the direction and control of the Board and the Federal Open Market Committee, have become the exclusive instrumentality for the exercise of the constitutional power to regulate the value of money. Thus, the contrast between Federal Reserve banks and large commercial banks is much clearer now than it was at the beginning. As these banks have become less and less like commercial banks, the argument that they should be held to possess any given legal power merely because commercial banks had it in 1913 has become less and less persuasive.

Fiscal Implications

A final and compelling consideration in construing the Federal Reserve Act in the light of present day conditions is the extent and character of the power which the Board would have if its claim of authority to authorize the payment of interest on reserves is upheld. At stake is the income of the Treasury from the earnings of the Federal Reserve banks. In 1977, that income amounted to $5,937,148,424. It is true that the Board proposes to limit the diversion of that income to a relatively small percentage of the total, but this limitation has been arrived at solely through exercise of the Board's own discretion. It seems highly unreasonable to suppose that the Congress ever intended to delegate a power of such vast magnitude without any guidelines as to its exercise. There are no congressional powers more jealously guarded than that of the purse. To justify the conclusion that a constitutional function of such gravity has been delegated to an administrative agency on a purely discretionary basis requires evidence far more convincing than anything that appears in the original enactment, the legislative history, or the actual administration of the Federal Reserve Act.

Conclusion

Under the Federal Reserve Act as originally enacted, the Federal Reserve banks lacked authority to pay interest on reserves, and this position has been consistently maintained by the Board on both legal and policy grounds throughout virtually the entire administration of the Act. No developments have occurred to cast doubt on the position that Congress has never intended Federal Reserve banks to have that authority, and present day financial and monetary conditions make the case against the existence of any such authority even more compelling.

DATED: March 29, 1979

APPENDIX "A"

File No. 330
Office of General Counsel
Federal Reserve Board

August 4, 1924

Mr. W. W. Philips,
P.O. Box 347,
Bowling Green,
Kentucky

Dear Sir:

Receipt is acknowledged of your letter of July 26 with regard to deposits in Federal reserve banks. In reply to your inquiry whether Federal reserve banks pay interest on Government deposits you are advised that no interest is paid on such deposits.

You also inquire whether it would be legal for Federal reserve banks to pay interest on member bank reserve deposits, stating in this connection your understanding that there is no prohibition in the Federal Reserve Act against the payment of such interest. It is true that there is no express provision in the Federal Reserve Act which prohibits Federal reserve banks from paying interest on the reserve deposits of their member banks but on the other hand there is no provision of the Federal Reserve Act which expressly or by necessary implication authorizes Federal reserve banks to pay interest on such deposits and because of this lack of express authority, it is believed that Federal reserve banks have no power under the law to make payments of this nature. In support of this view, attention may be called to Section 7 of the Federal Reserve Act which provides in general that after all necessary expenses of a Federal reserve bank have been paid or provided for, the member bank stockholders shall be entitled to an annual 6% dividend and the balance of net earnings, except for a specified transfer to surplus, shall be paid over to the Government as a franchise tax. Unless the payment of interest on member bank reserve deposits can be considered to be a necessary expense of a Federal reserve bank, and this is extremely questionable, Federal reserve banks are precluded from using their earnings for the purpose of paying interest on deposits. It is significant also that in the past few years a number of bills have been introduced in Congress to amend the Federal Reserve Act so as expressly to authorize Federal reserve banks to pay interest on member bank reserve deposits and obviously these bills were introduced in the belief that without express authorization by Congress Federal reserve banks have no power to make such interest payments. I gather from your letter that you are familiar with the objections to the payment of interest on member bank deposits from the viewpoint of economics and sound banking policy and I shall not go into them. I trust the above brief discussion of the legal phase of the question will be of service to you.

Very truly yours,

(Signed) D.R. Crissinger,
Governor,

File No. 311
Office of General Counsel
Federal Reserve Board

January 15, 1924

Hon. James F. Byrnes,
U.S. House of Representatives,
Washington, D.C.

My dear Congressman:

I have received your letter of January 9th, with reference to the authority of the Federal Reserve Board to require Federal reserve banks to pay interest to member banks upon their reserve deposits.

Section 7 of the Federal Reserve Act provides that - "After all necessary expenses of a Federal reserve bank have been paid or provided for" the stockholders shall be entitled to an annual dividend of 6% and the balance then remaining shall be paid over to the Government as a franchise tax except that a certain designated portion shall be carried to surplus account. There is nowhere in the Federal Reserve Act any provision authorizing Federal reserve banks to pay interest on the reserve deposits of member banks, and the Federal Reserve Board has no authority to require the Federal reserve banks to do so. All earnings in excess of the necessary expenses of a Federal reserve bank must be distributed in accordance with Section 7 referred to above.

In reply to your inquiry as to the net profits of Federal reserve banks during the past year, I have to advise you that the total net earnings of the twelve Federal reserve banks during 1923 were $12,711,286, of which $6,552,717 was paid to member banks as dividends; the balance available for surplus and franchise tax being $6,158,569. In order to pay 3% interest on the daily average reserve balance of the member banks $37,460,140 would have been required.

You also ask whether it would be necessary for the Federal reserve banks to increase the rates of discount in order to pay 2% interest upon reserve deposits. As shown above in order to pay 2% interest upon the reserve balances the Federal reserve banks would necessarily have to increase their net earnings in some way, but an increase in the rate of discount would not necessarily accomplish this and because such increase in the discount rate would tend to decrease the amount of such discounts and thereby prevent an increase in earnings from this source. However, in my opinion it would be inadvisable to make any change in the discount rate merely in order to attempt to increase the earnings of Federal reserve banks. A change in the Federal reserve discount rate should be made for economic reasons only.

Trusting that I have given you the information which you desire, I am,

Very truly yours,

Edmund Platt
Vice Governor