

Federal Reserve Bank of Dallas

October 1982

## Advisory Committee Meets to Express Views

Deregulation of the industry and simplification of reporting requirements were major concerns expressed by the Advisory Committee of Financial Institutions when it met at the Dallas Fed September 9. The 17-member committee is composed of representatives from commercial banks, savings and loan associations, and credit unions and provides a liaison between the Board of Directors of the Dallas Reserve Bank and the financial institutions in the Eleventh Federal Reserve District.

During the half-day committee meeting, some members of the group expressed concern that the deregulatory efforts of the Depository Institutions Deregulation Committee (DIDC) are not progressing as rapidly as they had hoped. Money market mutual funds and other high-yielding alternatives place financial institutions at a competitive disadvantage, they said.

Other committee members stated that regulatory reporting requirements are an excessive burden on smaller institutions. They expressed the opinion that as much unnecessary reporting as possible should be eliminated and that the remainder should be simplified.

Members of the committee stressed that the relationship between the Federal Reserve Bank of Dallas and the financial institutions in the District is generally excellent. Dallas Fed President Robert H. Boykin agreed with that sentiment and expressed his satisfaction in being associated with



*Advisory Committee members express concern over deregulation of the industry.*

the financial institutions of the Southwest. Moreover, Boykin confirmed to the committee that its views would be conveyed to appropriate regulatory and legislative authorities.

Advisory committee members began their afternoon by attending a luncheon with the Federal Reserve Bank of Dallas Board of Directors. Afterward, formal presentations on the economy, financial services, and communications were heard during a meeting with Reserve Bank management and members of the Board of Directors. An open discussion followed, where committee members expressed their opinions on matters of mutual concern. The role of the Federal

Reserve in the financial services market was also discussed.

The Advisory Committee of Financial Institutions was created last year to establish a constructive dialogue between the Dallas Fed and financial institutions. The initial meeting of the committee was held March 12, 1981.

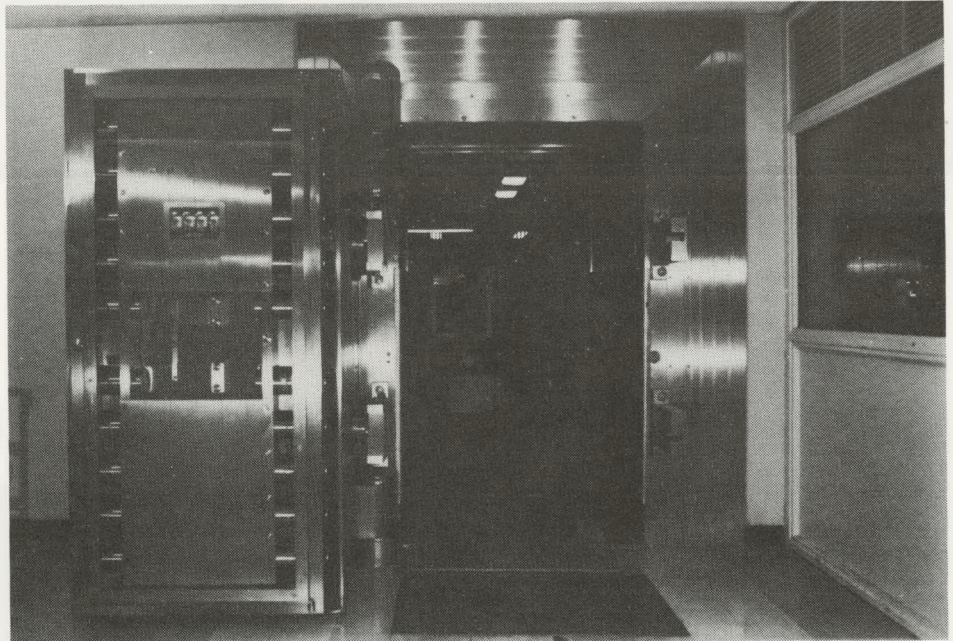
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# New Safekeeping Services Announced

The Federal Reserve Bank of Dallas announced that it has broadened its securities safekeeping services to include three new categories of definitive securities which can now be held in vaults at the Fed. These new categories of securities are equity securities such as stocks and bonds, certificates of deposit, and bankers' acceptances. Securities owned by a financial institution or owned by an institution's customers are eligible for this new service.

Institutions often use Federal Reserve safekeeping services not only as a security measure, but to have their securities readily available for use as collateral on discount window loans. A variety of custody classes are offered by the Dallas Fed to allow institutions to categorize securities as they wish and meet internal controls.



*Definitive securities are kept safe behind this massive vault door.*

## Better Information is Aim Of Call Report Revisions

All federally-insured commercial banks will begin reporting data on past due and other nonperforming loans to federal regulators at the end of this year through the quarterly Reports of Condition and Income, known as Call Reports by the industry.

The Federal Financial Institutions Examination Council (FFIEC), which is composed of representatives from several federal regulatory agencies, recently announced that major revisions to the Call Reports would be implemented beginning March 31, 1984. At the same time, however, the council decided that certain key sections of the revised reports require earlier implementation.

The FFIEC believes these sections are pertinent to the immediate supervisory needs of the agencies and that the data is essential to the effective monitoring and supervising of the nation's banking system.

Banks will begin reporting informa-

tion on past due, nonaccrual and renegotiated loans and lease financing receivables beginning with the December 31, 1982 reports. In addition, this new information will be made available to the public beginning with the June 30, 1983 reports. Earlier implementation of other sections of the Call Reports will take place in 1983.

The FFIEC's main objective in revising the Call Reports is to obtain additional information it needs to monitor individual bank condition and performance. The revisions include certain additions to information required to be reported as well as elimination of some current requirements.

Call Reports involve separate reporting forms and requirements for three categories of banks: banks with foreign offices, banks with domestic offices only and assets of \$100 million or more, and banks with domestic offices only and assets of less than \$100 million.

## Reg Z Revised

The Official Staff Commentary to Regulation Z was revised effective September 17, 1982 to provide more flexibility for institutions governed by the regulation while preserving the basic consumer protection. The mandatory compliance date for the revised commentary, which applies and interprets the truth in lending regulation, will be April 1, 1983.

The issues dealt with in the revised commentary include variable-rate open-end credit, finance charge rules, prepayment disclosures, and mortgage financing plan disclosures.

October 1 marks the mandatory compliance date for the new Regulation Z, which had been revised effective April 1, 1981 under the Truth in Lending Simplification Act of 1980. Institutions were given the choice of compliance with either the old or new regulation during the interim before the mandatory October 1 date.

# A Zinc Penny For Your Thoughts

Pennies. Somehow they collect in pockets, drawers, and jars. They multiply as mysteriously as coat hangers left unguarded in the hall closet.

As familiar as the penny is, it is undergoing a change. At the beginning of 1982, the Philadelphia mint began producing pennies containing 97 percent zinc and three percent copper, and several Eastern Reserve Banks began distribution. This is exactly the reverse from the previous mix of 97 percent copper and three percent zinc. The copper-coated pennies look iden-

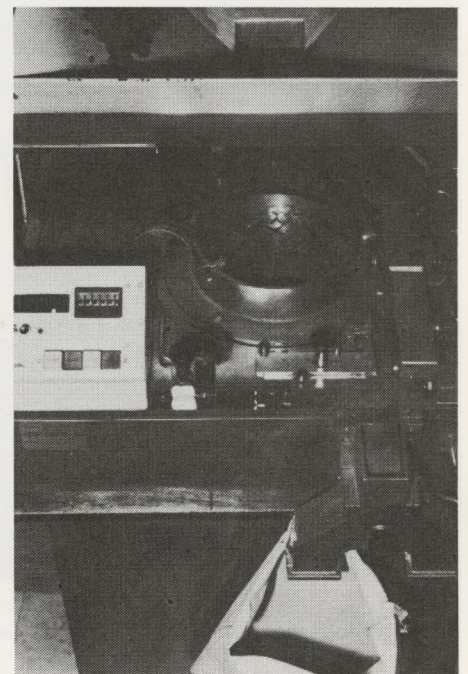
slight problem for the Federal Reserve's Cash Department. All coins currently coming into the Fed are verified by weight. According to Charles Worley, manager of the Dallas Fed's Cash Department, "We will have to verify each bag by piece counting for awhile."

When the new pennies are distributed through the Dallas Fed early in 1983, all bags of incoming pennies will be individually counted for approximately one year to compensate for the mixture of copper and zinc pennies. Why only one year? "Pennies just dis-

more than their face value in copper.

Some pennies have increased in value, however. Known as "wheaties" because they have two stalks of wheat on the back, these pennies are now worth two cents apiece. Their value increased in 1959 when the Lincoln Memorial replaced the wheat design on the back of the penny.

The penny hasn't always been the lowest coin denomination. In 1793, copper cents and half-cents about the size of the present quarter and nickel were minted in Philadelphia. The half-cent eventually became obsolete and



*Pennies are currently weighed for verification (left), but will be piece counted for the interim period (right).*

tical to the mostly-copper older pennies. However, the new pennies cost less to mint. It costs the government six-tenths of a cent to produce a zinc penny, compared to nine-tenths of a cent to make a copper penny. With approximately 12 billion pennies minted per year, that difference results in a yearly savings of \$36 million.

The new zinc pennies also weigh less than the copper pennies—21 percent less. This means a \$50 bag of zinc pennies will weigh 27 pounds instead of the 34 pounds copper pennies weigh. The weight difference poses a

appear," says Worley. Whether people hoard them, stash them in jars, or throw them in fountains, pennies simply do not circulate like other coins. Every month, large quantities of pennies are distributed to financial institutions. Of those sent out, less than one percent are returned to the Fed as excess.

Do pennies disappear because of widespread hoarding? According to Worley, this is sometimes the case. However, even though people may believe the copper pennies will become more valuable, they will never be worth

the Indian head penny took over as the lowest denomination coin. In 1909, the profile of Abraham Lincoln was placed on the front of the penny. All but one of the currently minted coins honor past U.S. presidents. The exception is the small dollar coin introduced in 1979 which honors Susan B. Anthony, famous advocate of women's rights.

Even though pennies are often looked upon as nuisances, they do serve a useful function in society. After all, what can substitute for a penny when the bill at the gas station is \$15.01?

# All Savers Certificate Facing Uncertain Future

Time is running short for the all savers certificate. First offered in October 1981, the one-year instruments are coming up for renewal this month and, unless Congressional action is taken, they will continue to be offered only through December 31, 1982.

Over the past year, the tax-exempt certificates have proven extremely effective in attracting billions of dollars to financial institutions. Although the growth was most spectacular the first month they were introduced, when the rate of interest paid was at its highest level of 12.61 percent, funds have continued to flow into financial institutions helping them compete in today's money market.

As the accompanying table shows, total funds in all savers deposits grew 20 percent from December 1981 to March 1982, with federally-insured nonmember banks showing the largest individual increase of 30 percent.

## AMOUNT OF ALL SAVERS DEPOSITS

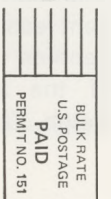
Type of Institution	Amounts of All Savers Deposits (Billions of Dollars)	
	March 31, 1982	December 31, 1981
National Banks	\$11.3	\$ 9.6
State Member Banks	2.7	2.2
Federally Insured Nonmember Banks	7.0	5.6
Federally Insured Mutual Savings Banks	5.2	4.5
Federally Insured Savings and Loans	20.6	18.3 <sup>2</sup>
Federally Insured Credit Unions	2.3 <sup>1</sup>	2.3
<b>TOTAL</b>	<b>\$49.1</b>	<b>\$42.5</b>

1. Amount outstanding as of December 31, 1981. The NCUA collects this information only semiannually as of June 30 and December 31.

2. Savings and loan associations report by fiscal years. Approximately 15% do not report on December 31. Of those reporting on December 31 the amount of all savers deposits was \$15.6 billion. It was estimated that those not reporting hold approximately \$2.7 billion of such deposits.

Source: Federal Financial Institutions Examination Council.

FEDERAL RESERVE BANK OF DALLAS  
STATION K  
DALLAS, TEXAS 75222  
ADDRESS CORRECTION REQUESTED



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