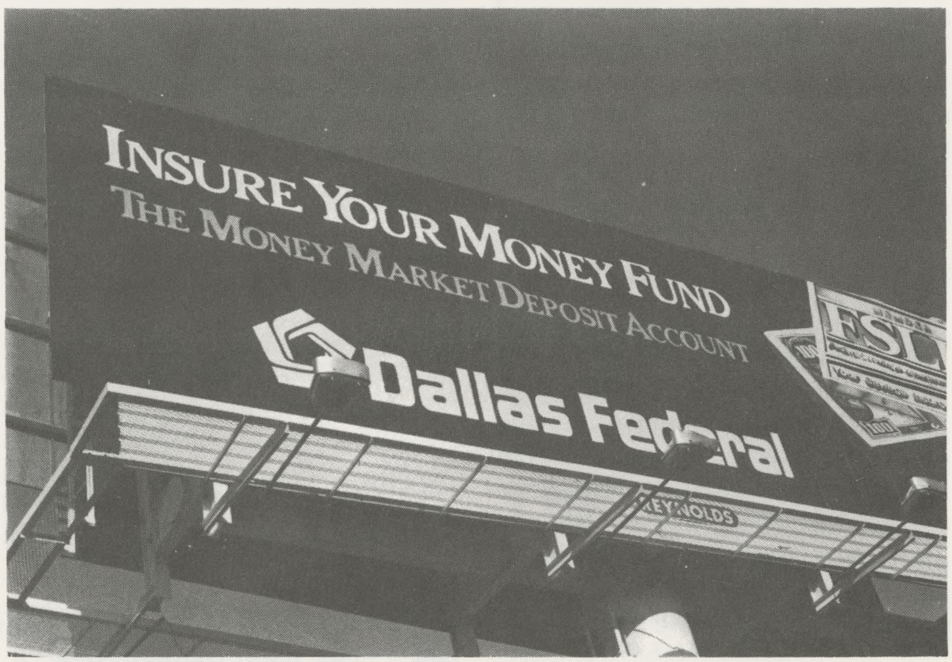
DALLASFED ROUNDUP

Federal Reserve Bank of Dallas January 1983

'Super NOW' Accelerates Deregulation Trend



Features of newly established accounts have been widely promoted.

Recent steps toward deregulation of the banking industry continued to gain momentum December 6 as the Depository Institutions Deregulation Committee (DIDC) established a new "Super NOW Account" for banks and savings and loan associations and eliminated ceilings and reduced minimum denominations on other, already-existing accounts.

Authorized for January 5, the new super NOW account has many of the same features as the money market deposit account which banks and savings and loans were allowed to offer beginning December 14. The major difference between the two is that the new NOW account allows unlimited checking and other transactions and is therefore subject to the same reserve requirments as other types of transaction accounts. The money market deposit account is limited to six preauthorized and third-party transfers each month. The DIDC decided December 6 that all telephone transfers would count toward the total of six allowed transactions.

The super NOW account has no interest rate ceiling as long as a minimum balance of $2,500 is maintained. The existing NOW account ceiling of 5¼ percent applies to accounts that do not maintain this minimum. The average balance may be computed over a period of no longer than one month, and interest rates may not be guaranteed by the institution for more than one month. Institutions offering the account must reserve the right to require seven days notice prior to withdrawal. Loans are not permitted to meet the $2,500 initial or average balance requirements. Eligibility for the new NOW accounts is limited to the current list of those eligible for NOW accounts, which includes individuals, certain nonprofit corporations and govenmental units.

Also effective January 5, the DIDC eliminated interest rate ceilings on the 7- to 31-day deposit account established earlier in 1982. The committee reduced the required minimum denominations to $2,500 each for the 7-to 31- day account, the 91-day certificate, and the 26-week money market certificate. Previously, minimum denominations had been $20,000 for the 7- to 31-day account, $7,500 for the 91-day certificate, and $10,000 for the 26-week money market certificate.

Discount Rate Continues to Decline

It had been four years since the Federal Reserve discount rate was 8.5 percent. That rate, which again became effective at the Dallas Fed December 14, is the rate financial institutions are charged for borrowing funds from Federal Reserve Banks. The reduction was the seventh half-point decrease this year, beginning with the July 20 lowering of the rate from 12 to 11.5 percent.

ACH Prices Announced

The Federal Reserve Board recently announced a new fee schedule for the automated clearinghouse service which was effective December 30. The new prices announced are designed to recover 40 percent of current Fed costs plus a private sector adjustment factor which takes into account imputed taxes and financing costs which would have been incurred by a private firm. This step is part of an overall plan to phase out "incentive pricing" of ACH services by 1985.

The new prices include intra-ACH per-item charges of two cents for debits originated and four cents for credits received, and inter-ACH charges of 3.5 cents per item for debits originated and 5.5 cents per item for credits received. In New York, intra-ACH per-item charges are one cent for debits originated and two cents for credits received, and inter-ACH charges are 2.5 cents per item for debits originated and 3.5 cents per item for credits received. In addition, there is a night cycle surcharge of five cents per item at all ACH facilities for intra- and inter-ACH debits originated.

11th District Salary Survey Results Available for 1982

The average chief executive officer's salary was $65,929 in 1982 for those banks who participated in the Dallas Fed's Officers' Salary Survey which was published in December. This survey, along with the Employees' Salary Survey, is published each year with both member and nonmember banks in the Eleventh Federal Reserve District given the chance to participate.

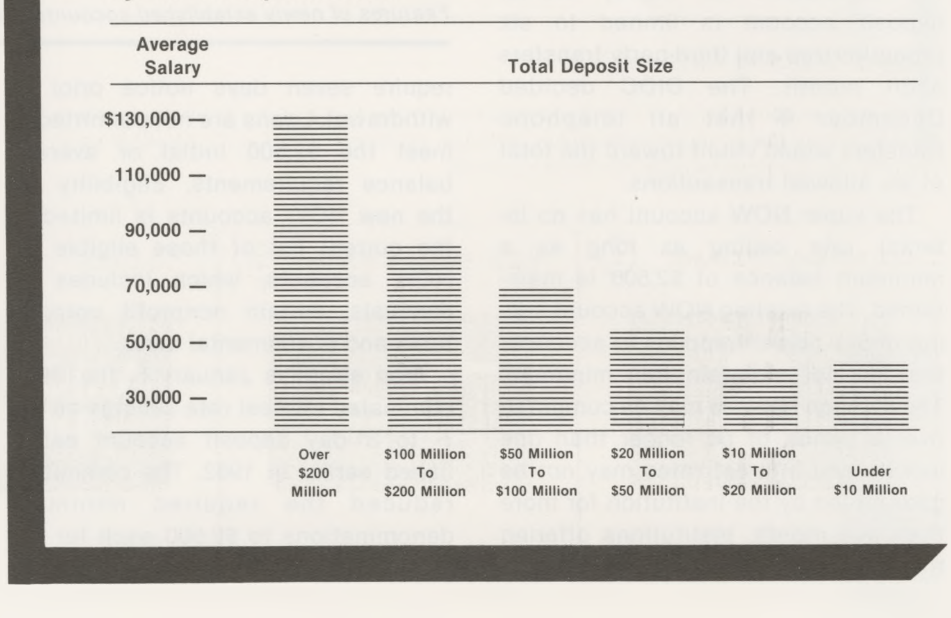
In addition to the chief executive officer position, the Officers' Salary Survey provides data on loan officers, trust officers, planning officers, controllers and branch managers among other official positions. The Employees' Salary Survey provides information on such positions as paying and receiving tellers, clerks, machine operators, bookkeepers, programmers, custodians, and other categories of tellers and secretaries.

The surveys provide information on the average, maximum and minimum salaries for 31 official positions and 28 employee positions. Compensation in addition to salaries is also reported. In addition to averages reported for all participating banks in the Eleventh District, the information is compiled according to each of nine geographic areas and according to each of six deposit size categories.

The Officers' Salary Survey, for example, indicates an average chief executive officer's salary of $65,929 across the Eleventh District in 1982, compared to $55,270 reported for this position in the 1981 survey. Chief executive officers' salaries ranged from a minimum of $12,000 to a maximum of $325,000. Persons in these positions had an average 19 years of banking experience, with seven years in the chief executive position. These positions also included an average bonus of $13,648, average profit sharing of $6,273, average insurance benefits of $2,485, and average retirement benefits of $6,464. The average salaries of chief executive officers according to total deposit size of the bank are shown in a graph accompanying this article.

Additional copies of the 1982 Officers' Salary Survey and Employees' Salary Survey are available upon request to the Public Affairs Department.

Chief Executive Officer Average Salaries By Total Deposit Size



Clearing Accounts Allow Access to Services

Two changes regarding clearing accounts were announced recently by the Federal Reserve. The first permits any depository institution desiring a clearing account to have one. Procedures for offering the accounts had varied widely among Reserve Banks, with some allowing accounts only for institutions that have zero or small reserve balances and others allowing accounts for some larger banks as well.

The second change involves a revision designed to avoid penalty charges for deficiencies in a required clearing account. A penalty-free range has been established on either side of the required clearing balance. Any financial institution whose account falls within the specified limits will continue to receive earnings credits and will not incur penalties for deficiencies.

Clearing accounts are established by financial institutions as a means of access to Federal Reserve services. These accounts are used by institutions who do not want service charges applied to their reserve accounts at the Fed or do not have sufficient reserve account balances for this purpose. The Federal Reserve System was authorized to establish clearing accounts for eligible institutions with the passage of the Monetary Control Act (MCA) of 1980 in conjunction with the initial pricing of Fed services. Currently, 79 financial institutions in the Eleventh District hold clearing accounts.

An institution may elect to settle the credits and charges arising from its use of services in one of the following ways: (1) through its own account at a Reserve Bank which may consist of a reserve account and/or a clearing account; or (2) through prior arrangement of an account maintained by a correspondent at a Reserve Bank.

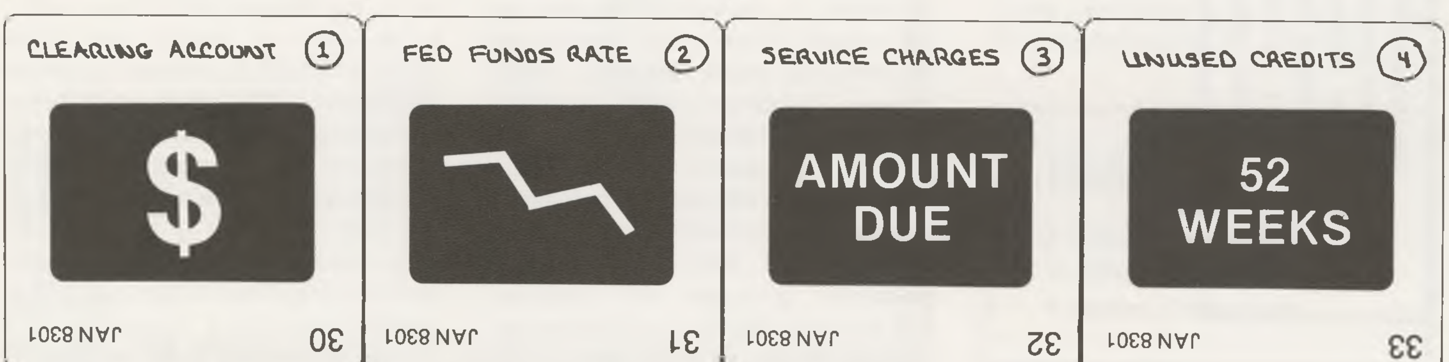
A clearing account can receive earnings credits if agreed to by both the Federal Reserve and the institution. These credits can only be used to offset charges an institution incurs in its use of Fed services. The rate of credit received is based on the weekly average Fed funds rate—the rate commercial banks charge each other for overnight use of funds in amounts of $1 million or more—and is applied to the actual balance maintained or the established clearing balance, whichever is lower. If available earnings credits exceed the Federal Reserve charges incurred during a given month, unused credits will accumulate for use in later months. Credits are retained for a maximum of 52 weeks, and are applied against service charges on a first-in, first-out basis. If these credits are not used by the end of 52 weeks, they expire. Earnings credits are not transferrable among accounts.

Other than the earnings credit feature, a clearing account is similar to a reserve account. As a result of the MCA, reserve requirements for many institutions were altered and some were required to hold zero or very small reserve balances. Because an institution's reserve account is also used as an account to which charges are posted resulting from use of Fed services, those institutions with zero or small accounts faced overdrafts and the associated costs. In order to facilitate access for these institutions to Federal Reserve services, the clearing account system was developed to cover charges resulting from the use of services.

If an institution has a reserve and a clearing account at the Federal Reserve, both accounts are administered as a single account. At the end of each weekly maintenance period, any balances held with the Fed will first be allocated to the clearing account requirement, and the remainder will apply to the required reserve balance. For example, if an institution holds an average total balance that is less than the required balance—clearing account plus required reserves—the institution is deficient in reserves. If the deficiency is greater than required reserves, the remaining amount is considered a deficient clearing balance. If the total balance exceeds the required balance, the institution is considered to be holding excess reserves.

How a Clearing Account Works

A clearing account balance is negotiated between the Fed and the financial institution (1). Earnings credits are received at the weekly Fed funds rate on the actual or established balance, whichever is lower (2). Monthly service charges are applied to the account (3). Any unused credits may be accumulated up to one year (4).



Directors Appointed to Board

Appointments to the Board of Directors for the Head Office and the Branches of the Federal Reserve Bank of Dallas for 1983 have been announced.

Robert D. Rogers, president of Texas Industries, Inc. of Dallas, was appointed by the Board of Governors to replace Margaret S. Wilson whose term expired December 31. Rogers joins Robert Ted Enloe, III, and John P. Gilliam whose elections to the Head Office Board were previously announced.

Directors for the Branch Offices are either appointed by the Federal Reserve Bank of Dallas or by the Board of Governors. The Board appointed S. Lee Ware, Jr., a private investor in oil and real estate ventures in Ruidoso, New Mexico, to the El Paso Branch Board. It also named Robert T. Sakowitz, president and chief executive officer of Sakowitz, Inc. in Houston, to serve as a director for the Houston Branch. Serving as director for the San Antonio Branch will be Robert F. McDermott, chairman and chief executive officer of United Services Automobile Association in San Antonio.

Reappointments made by the Dallas Fed for the Branch Offices include: Will E. Wilson, chairman of the board and chief executive officer of First Security Bank of Beaumont, to serve on the Houston Board; George Brannies, chairman of the board and president of The Mason National Bank, to serve on the San Antonio Board; and Stanley J. Jarmiolowski, chairman of the board of InterFirst Bank El Paso, to serve on the El Paso Board.

Directors, who serve three-year terms, are selected to represent a broad range of interests.

New Advisory Council Chosen

Three Texas residents have been appointed by the Federal Reserve Board to serve on its Consumer Advisory Council.

Appointed to three-year terms were: James G. Boyle of Austin, a consumer law specialist and a director of the Texas Consumer Association; Charles C. Holt of Austin, a professor of management at the University of Texas and director of the University's Bureau of Business Research; and Elva Quijano of San Antonio, vice president and executive professional officer of RepublicBank San Antonio.

The council advises the Board on consumer financial protection laws and other topics of consumer interest.

Roundup is published monthly by the Federal Reserve Bank of Dallas and its Branches at El Paso, Houston, and San Antonio. Additional copies of most issues and subscription information are available from the Public Affairs Department.

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