

Federal Reserve Bank of Dallas February 1984

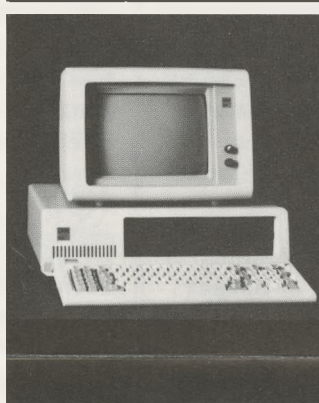
Electronic Deposit Reporting to Begin

The Federal Reserve Bank of Dallas has developed an enhancement to its RESPONSE communications network which will allow the electronic transmission of deposit data to the Fed through either dedicated terminals or personal computers. This service will be available to on-line financial institutions in the Eleventh District who are required to

send deposit reports to the Fed weekly for use in determining bank reserves. The Dallas Reserve Bank is the first in the Federal Reserve System to utilize this type of process.

The implementation of contemporaneous reserve accounting (CRR) February 2 creates the need for more immediate reserve position statements for weekly reporting institutions. Under CRR, each reserve maintenance period ends only two days following the completion of the computation period for transaction accounts. The process of mailing reports of deposit to the Fed will prevent most institutions from knowing their reserve positions before the end of the maintenance period. Therefore, CRR requires that each institution calculate its reserve requirement on its own.

The new enhancement will speed up this process. On-line institutions will transmit reports of deposit directly by computer instead of through the mail. Then the Fed will be able to provide



A new enhancement to the RESPONSE network will allow the transmission of deposit data to the Fed and will facilitate the implementation of contemporaneous reserve accounting.

the reserve position statements over the RESPONSE network before the end of the maintenance period. There will be no fees associated with using these services.

Eight financial institutions in the Eleventh District are in the process of testing the new reporting procedure. Other weekly reporting on-line institutions will be asked to begin using the service according to a phase-in schedule developed by the Dallas Fed. These institutions will be contacted individually during the next 12 months and will be given the chance to participate in the program. Currently, there are approximately 1,600 weekly reporting financial institutions in the Eleventh District, 500 of which have either personal computers or dedicated terminals for use with the RESPONSE network.

In addition to the new procedure for transmission of deposit data, the Dallas Fed has announced the availability of a computer program which

allows financial institutions to calculate their reserve requirements using estimated data. This program does not depend on electronic transmission of actual data and is available to all weekly reporting institutions immediately, either on-line through the RESPONSE network or over the telephone.

The new computer program allows the computation of reserve requirements directly on-line rather than manually and should help with the management of reserve accounts on a day-to-day basis. The "what if" reserve requirement furnished by the program is based on an institution's estimated figures for transaction accounts.

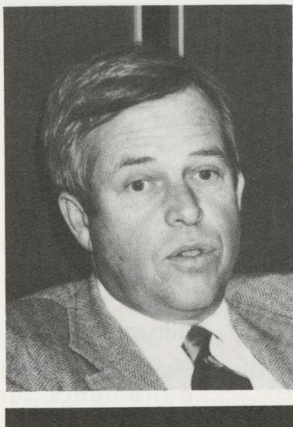
The RESPONSE communications network provides a link between financial institutions and the computer at the Dallas Fed through several on-line options. These include terminals connected by dedicated communication lines as well as personal computers which use dial-up telephone procedures to establish the connection.

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Bob Rogers

New Dallas Fed chairman describes role



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Robert D. Rogers, president and chief executive officer of Texas Industries, Inc. in Dallas, became chairman of the board of the Federal Reserve Bank of Dallas January 1. Since receiving a degree in intensive economics from Yale and an MBA from Harvard, Rogers has spent most of his career with Texas Industries. He also has served as a director for several corporations and has been very active in community affairs. *Roundup* recently had the opportunity to interview Rogers about his views and duties as chairman.

Q With all your other activities, how do you find time to be chairman of the Federal Reserve Bank of Dallas?

A I think it's a matter of making time for activities that you think are important or that you are very interested in. It's normally the busy people who are most available to make time for new or worthwhile activities.

Q What do you see as the major roles of chairman?

A I think the major roles are to continue to attract capable board members and to be a help to the officers of the Dallas Bank. I think that's the major job of the board and certainly of the chairman.

Q You first came to the Dallas Fed as a director in 1980. Has your experience here lived up to your expectations?

A Yes, it has. Although I think the Federal Reserve is somewhat a mystery to a lot of people and so the expectations of what the Federal Reserve is like, or what being a board

member is like, are not necessarily very strong in people's minds. I didn't have any strong expectations when I came to the board, but one thing that has impressed me is the caliber and dedication of the employees and directors of the Bank. That's been a very pleasant surprise because I've never been associated with a creature of Congress—much less a direct part of a federal organization—and I certainly had the impression of the stereotype that it would be inefficient and that the people would not be highly motivated. But I found that not to be the case here.

Q You came to the Fed at an interesting time in its history. There have been many changes that have taken place since 1980 as a result of the Monetary Control Act. How do you feel about those changes?

A I think they are probably necessary changes. I don't think they were thought of as being desirable when they came about, but I think the Fed has made that transition better than I would have thought. I really felt that it was going to be very difficult for the Fed to improve its productivity and become competitive in the sale of services rather than offering services. It has done a far better job than I anticipated.

Q What specific areas about the Fed interest you the most?

A There's no question that the monetary policy aspect of the Federal Reserve—which has the highest visibility—is an important one. But also I think the impression within the District of the Bank as a stabilizing, worthwhile part of the system that promotes financial stability in our country is probably of equal importance.

Q You mentioned monetary policy and you do have a degree in economics. Has that helped you in serving on the board?

A Yes, it has helped me a great deal. However, I've never known more about economics than when I was a major in intensive economics as an undergraduate. There were three of us in that major and we would sit around with the senior professors—many of whom have been on the president's Council of Economic Advisors and one of whom is on the Board of Governors of the Federal Reserve in Washington today. We would sit around until five o'clock in the afternoon and sip sherry and solve all the problems of the world. They were so easy then. I really felt I knew a lot about economics. I've found that, being on the board, we are so inundated with statistics that I know less and less with each passing month.

Q Directors at Federal Reserve Banks are different from corporate directors. In your view, how can Reserve Bank directors make the most effective contribution?

A Many companies—including Texas Industries—have all outside directors except for the president. So corporations over the years have gone in the direction that the Fed has had for a long time. I think it's important to have outside directors because they can bring to the system, or to the organization, points of view which are not otherwise easily available. The internal points of view are available to the board and the organization, so I'm very much in favor of outside directors. I think there are two major functions—and I may be old-fashioned in this respect—of any board of directors. The first involves the hiring and firing of the chief executive officer, and the second is to support the management of the company in what it's trying to do. I think those are the major roles of any director. Now certainly in order to be able to do those two jobs one

must know enough about what is happening within the organization and be able to help in the establishment of policy. Unique to the Federal Reserve are suggestions on monetary policy and discount rates either indirectly through the president, who is a member or alternate of the FOMC (Federal Open Market Committee), or directly to the Board in Washington.

Q What do you feel are the principal challenges facing the country today?

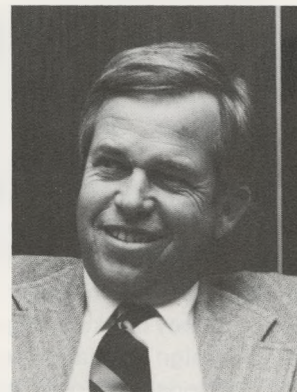
A In the fields that the Federal Reserve is most concerned with—which are those of financial stability and economic growth—I don't think there is any question that the size of the federal deficit, and the unwillingness of the administration and Congress to do anything about it, is the greatest single threat.

Q What are the challenges facing the Federal Reserve over the next five years?

A I think maintaining its independence. Maintaining its degree of independence is probably the major challenge facing the Federal Reserve System. The topic comes up all the time, but it seems like it's coming up now as a more serious threat than it has in other years.

Q Do you think the Fed should remain independent?

A Without a doubt. I think it should maintain its maximum degree of independence and I think it would have its maximum value to the country if it did. But there are others who feel to the contrary, who suggest either taking away its regulatory functions or in some cases taking away its ability to act in the field of short-term monetary policy without disclosures which would make monetary policy very much more ineffective. I think that's the major challenge—independence.



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New Activities Permitted

Five new activities have been added to the list of nonbanking activities in which bank holding companies may engage. These include the following: issuing money orders, arranging commercial real estate equity financing, underwriting and dealing in government and certain money market obligations, providing foreign exchange advisory and transactional services, and acting as a futures commission merchant.

The Federal Reserve Board of Governors added these activities as part of a complete revision of Regulation Y, effective February 4, 1984. This regulation is the Board's rule dealing with the regulation of bank holding companies, and it is issued under the Bank Holding Company Act of 1956 as amended.

The revision also reduces the time now required for handling applications of banks wishing to become bank holding companies. A Reserve Bank

receiving a bank application must accept it for processing or ask for more information within 10 business days and must approve the application within 30 calendar days of acceptance, if appropriate, under delegated authority. Applications for establishing new offices of an existing and approved non-bank subsidiary have been eliminated. Acquisition of small non-bank growing concerns with up to \$15 million in assets will be permitted if 15 days of notice is provided. These revisions became effective January 1, 1984.

The completely revised Regulation Y follows review of some 800 letters of comment received after publication last May of a proposed overhaul of the regulation. The process is part of a Federal Reserve Board project for reviewing and modernizing its regulations and lightening the burden of compliance.

Penalty Lifted After Freeze

The Board of Governors of the Federal Reserve System has granted a temporary suspension of the Regulation Q early withdrawal penalty for depositors who incurred losses in certain Texas counties as a result of severe freezing temperatures beginning approximately December 22, 1983. The Board's action permits a member bank, wherever located, to pay a time deposit before maturity without imposing penalties for depositors who suffered losses in Cameron, Hidalgo, Starr and Willacy counties.

This action is retroactive to January 7, 1984, and remains effective until midnight, July 7, 1984.

FEDERAL RESERVE BANK OF DALLAS
STATION K
DALLAS, TEXAS 75222
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