DALLASFED ROUNDUP

Federal Reserve Bank of Dallas February 1986 Volume 5, Number 2

Board issues public comment on proposal

Policies on bank capital...

The Federal Reserve Board has issued for public comment a proposal intended to bring its policies on bank capital into better alignment with the risk profile of the banking industry. The objective of this Supplemental Adjusted Capital Measure is to enhance the strength and promote the safety and soundness of the banking system.

Capital adequacy is one critical factor the Board of Governors is required to analyze in taking action on various types of applications, such as mergers and acquisitions by bank holding companies. Revised guidelines for minimum and appropriate levels of capital for bank holding companies and state chartered banks were announced in April 1985.

In conjunction with other federal bank regulatory agencies, the guidelines were designed to establish uniform capital standards for all federally regulated banking organizations regardless of size. Uniform capital standards were based on ratios of primary and total capital to total assets.

Since the Board believes there is a need to modify its capital policies to be more explicitly and systematically sensitive to the risk exposure of individual banking organizations, it is proposing to amend its current guidelines.

The proposed guideline which establishes categories for assets and off-balance sheet items would supplement, but not replace, the existing capital standards that the bank regulatory agencies have strengthened in recent years. Measures designed to achieve the objectives of the policy are:

- to address off-balance sheet exposures, which expanded rapidly at many large institutions over the last several years;
- to temper disincentives inherent in the existing guidelines to hold low risk, relatively liquid assets;
- to move U.S. capital adequacy policies more closely in line with those of other major industrial countries; and
- to provide more explicit guidance to bankers and examiners for relating capital to risk profiles.

Assets and certain off-balance sheet items would be assigned to one of four broad risk categories. The categories would be weighted according to their relative risk. The four categories would include: (1) cash and equivalent, (2) money market risk, (3) moderate risk, and (4) standard risk.

Cash and equivalent (weight, zero percent) would consist of assets generally considered to be riskless, such as vault cash and balances due from Federal Reserve Banks. **Money market risk** (weight, 30 percent) would cover assets which have little or no risk of default and a high degree of liquidity, such as all U.S. Treasury securities with over one year to maturity.

Moderate risk (weight, 60 percent) would consist of assets having more credit liquidity risk than money market items, but significantly less than the standard commercial bank loan portfolio. Items in this category might include state, county and municipal securities. **Standard risk** (weight, 100 percent) would cover assets generally found in a typical bank loan portfolio and those not included in the previously listed categories. This group might include commercial or industrial loans.

For a copy of the Board's press release regarding the intended proposal, call (214) 651-6222. Any public comments for this proposal (referred to as Docket No. R-0567) should be sent by April 25, to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, N.W., Washington D.C. 20551.

INSIDE

Federal Reserve grosses $18 billion

The Federal Reserve System's gross income in 1985 amounted to $18.132 billion. More than $17 billion of that figure was returned to the U.S. Treasury.

Interest accrued on U.S. government securities that the Federal Reserve System has acquired through open market operations is the main source of income for the Fed. In 1985, income earned from the provision of financial services amounted to $614 million.

Operating expenses of the 12 Reserve Banks and branches totaled $1.127 billion, including $102 million for earnings credits granted to depository institutions.

Expenses of the Board of Governors totaled $77 million, while the cost of new currency amounted to $174 million. Net additions to current net income amounted to $1.3 billion. This resulted primarily from a $1.2 billion increase in the value of assets denominated in foreign currencies (related to revaluation of these assets at market exchange rates) and a $99 million gain on sales of U.S. government obligations.

Net income before dividends, additions to surplus and payments to the Treasury totaled $18.056 billion. Statutory dividends to member banks were $103 million, additions to Reserve Bank surplus were $155 million and payments to the Treasury amounted to $17.798 billion.

Under the policy established by the Board of Governors at the end of 1964, all net income after the statutory dividend to members banks and the amount necessary to equate surplus to paid-in capital is transferred to the U.S. Treasury as "interest on Federal Reserve notes."

In 1984, the Federal Reserve System had revenue of $18.07 billion and paid $16.05 billion to the Treasury.

Changes made on Regulation D

The Federal Reserve Board announced an increase of $1.9 million in the amount of net transaction accounts to which the three percent reserve requirement applies. The increase went from $29.8 million to $31.7 million. These adjustments took effect Dec. 31, 1985.

Provisions of the Monetary Control Act, require the Board to amend Regulation D—Reserve Requirements of Depository Institutions—annually to increase the amount of transaction accounts subject to a three percent reserve requirement.

Annual adjustments must be 80 percent of the annual percentage increase in transaction accounts held by all depository institutions. The growth in total net transaction accounts of all depository institutions from June 30, 1984 to June 30, 1985 was 8.1 percent. Thus, the statutory rule required the increase of $1.9 million over last year's amount.

In addition, the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent has been increased from $2.4 million to $2.6 million, as required by the Garn-St Germain Depository Institutions Act of 1982. The growth in total reservable liabilities was 9.1 percent from June 30, 1984 to June 30, 1985.

The Board has also changed the basis of the reporting cut-off level (previously $25 million in deposits) which was used to separate weekly reporters from quarterly reporters. The new basis is being indexed to 80 percent of the annual percentage increase in total deposits and other reservable liabilities. The annual adjustment will be computed as of June 30 of each year.

Employees' Average Salary Results* (Eleventh District)

Employee Position	Average Salary
1. Head Teller	$15,050
2. Paying and Receiving Teller	11,420
3. Savings Teller	12,492
4. Note Teller	12,889
5. Universal Teller	11,247
6. Executive Secretary	17,035
7. Secretary	13,906
8. Secretary-Receptionist	12,074
9. Telephone Operator	11,201
10. Proof Machine Operator	11,068
11. Bookkeeper	11,246
12. General Ledger Clerk	13,306
13. Check File Clerk	10,312
14. General Clerk	12,005
15. Supervisor-Bookkeeping	15,770
16. Senior Programmer	26,139
17. Junior Programmer	20,974
18. Data Processing Manager	18,188
19. Computer Operator	13,131
20. Key Punch Operator	12,172
21. Encoding Machine Operator	10,730
22. Forms Control Analyst	16,415
23. New Accounts Clerk	13,194
24. Audit Clerk	15,052
25. Credit Department Clerk	12,695
26. Trust Department Clerk	12,807
27. Management Trainee	16,160
28. Custodian	10,739

*Taken from the Employee Salary Survey of the Eleventh District. The survey, conducted annually by the Corporate Banking Department, is offered as a free service to the District's financial institutions. For a copy of either the Employee or Officer Salary Survey call the Corporate Banking Department at (214) 651-6261 or (214) 651-6370.

Senate confirms BOG appointees

Wayne Angell and Manuel Johnson were recently sworn in as governors of the seven-member Federal Reserve Board. Angell, a director of the Kansas City Federal Reserve Bank, is from Kansas where he had been a farmer, banker and economic professor. Johnson had been assistant Treasury secretary for economic affairs.

Angell and Johnson were nominated by President Reagan to replace Lyle P. Gramley and J. Charles Partee, respectively, and confirmed by the Senate. Members of the Board of Governors serve 14-year terms. Other members are: Paul A. Volcker, Chairman; Preston Martin, Vice Chairman; Henry C. Wallich, Emmett J. Rice, and Martha R. Seger.

Customer Assistance expands

The Customer Assistance Group for the Eleventh Federal Reserve District was expanded this January to handle questions relating to certain services provided by the Federal Reserve Bank of Dallas.

Currently, institutions located in the Dallas Office territory can call one telephone number to obtain assistance relating to the following services: federal reconcilement, verification of reserve account balances for reserve account maintenance and missing cash letters.

Institutions located in Branch Office territories should continue to call the appropriate operating departments at the Branch that serves its area.

All institutions, regardless of location, that have questions about their reserve account balances should call the Dallas Office Customer Assistance telephone number listed below.

Customer Assistance Telephone Number:

Dallas Territory Institutions Only

Customer Assistance Group	(214) 698-4246

Branch Office Telephone Numbers: (Contact the appropriate department for all questions except those relating to reserve account balances)

El Paso Branch	(915) 544-4730
Houston Branch	(713) 659-4433
San Antonio Branch	(512) 224-2141

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. Editor: Dione Anteau

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