MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

AUGUST, 1970

Multi-Bank Holding Company for Arkansas?

Fed holds hearing in Little Rock

to hear testimony on both sides of issue

See Page 23

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

You ask about . . . supervisory training

Q What are the best self study materials available for helping my personnel improve their supervisory skills?

A One of the keys to effective employee performance is the quality of supervision. A well trained supervisor can motivate, guide, and direct employees to superior job performance. Liberty's training officer is constantly reviewing and selecting the best materials and techniques for use in the development of supervisors. If you would like to know how these materials could be used in your supervisory training, just ask your Liberty contact man.

LIBERTY
NATIONAL BANK & TRUST COMPANY
405/236-2811 POST OFFICE BOX 25848
OKLAHOMA CITY, OKLAHOMA 73125
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Have a question? Find the answer . . . at your Liberty.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Are you satisfied with your present

Creditors Life Insurance Program?

Ralph Bilotto, Vice President of St. Charles (Ill.) National Bank wasn't. He wondered if the bank's Creditors Life Program wasn't based on their 1960 goals and car loan volume, and their 1960 administrative set-up.

He talked to a Scarborough field man and accepted the program we tailored for the bank's particular credit operation. In recommending us, Mr. Bilotto stated, "We looked around before we decided on Scarborough. We are satisfied that Scarborough provides us with the very best program for *our* bank, a maximum allowable income potential which we lacked before, a much more simple service routine, and a claims service that pleases us very much. We're no longer engulfed in a flurry of red tape on our Credit Life operation."

There isn't much more for us to say. Mr. Bilotto has just about said it for us. We simplify everything for your bank, see that you make the maximum allowable income and give you the kind of claims service that glues the bank to Scarborough.

A Scarborough field man would be happy to review your set-up and present a program for your careful review. Please write—or call 312-346-6060 collect. Scarborough & Company, 33 North Dearborn Street, Chicago 60602.

Scarborough

the bank insurance people

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

World-wide Services.

How can you offer them to your customers?

Ask the men who wrote the book.

Any day, a customer may ask you for credit data on a firm in Tokyo, or advice on the economy of Frankfurt, or Rio. Your answer?

Trust Northern. As a Northern Trust correspondent, you have access to the services of a world-wide network of correspondent banks. These banks have the resources and insight on local matters that only a local bank can have.

You can offer services such as: foreign exchange quotations, information on local business conditions, data on suppliers and sales outlets abroad, and many more.

In addition, through our Chicago headquarters, The Northern Trust International Banking Corporation in New York, and our London branch, you can provide export-import assistance, letters of credit, foreign remittances...and even **issue checks yourself** on foreign banks.

To find out more, contact your Northern Trust banker—or write N. Hall Layman, Vice President.

Trust Northern... All your money matters matter to us.

NORTHERN TRUST COMPANY BANK

50 S. LA SALLE STREET AT MONROE

CHICAGO 60690 • Financial 6-5500 • Member F.D.I.C.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 66, No. 9 **August, 1970**

Convention Calendar

MID-CONTINENT AREA

Kentucky, Sept. 13-15, Louisville, Brown Hotel

MID-CONTINENT AREA (1971)

Alabama, April 19-21 (tentative), Biloxi, Miss. Buena Vista Hotel

Arkansas, May 9-11, Hot Springs, Arlington Hotel

Illinois, June 2-4, Palmer House, Chicago

Indiana, June 9-10, French Lick, French Lick-Sheraton Hotel

Kansas, May 5-7, Kansas City, Kan., Holiday Inn Towers

Louisiana, May 8-11, New Orleans, Roosevelt Hotel

Mississippi, May 17-19, Biloxi, Buena Vista Hotel

Missouri, May 9-11, Kansas City, Hotel Muehlebach

New Mexico, June 3-5, Carlsbad

Oklahoma, May 4-6, Tulsa, Mayo Hotel

Tennessee, May 23-25, Memphis, Holiday Inn-Rivermont

Texas, May 2-4, Dallas

NATIONAL

ABA Agricultural Credit Conference, Nov. 15-17, Atlanta, Marriott Motor Hotel

ABA Convention, Oct. 10-14, Miami Beach

ABA Mid-Continent Trust Conference, Nov. 19-20, Chicago, Drake Hotel

ABA Personnel Conference, Nov. 8-11, Atlanta, Regency Hyatt House

BAI Convention, Nov. 1-4, Washington, D. C.

Bank Marketing Association, Sept. 20-24, Las Vegas, International Hotel

Nat'l Assn. of Bank-Women Inc., Sept. 20-24, Washington, D. C., Mayflower Hotel

NATIONAL (1971)

ABA Marketing/Savings Conference, March 22-24, Dallas, Statler Hilton Hotel

AIB, May 31-June 2, Houston

Independent Bankers Assn. of America, March 28-31, Minneapolis, Radisson Hotel

SCHOOLS

Commercial Lending School, Nov. 9-20, Norman, University of Oklahoma

National Trust School, Aug. 17-28, Evanston, Ill., Northwestern University

School of Consumer Banking, Aug. 9-21, Charlottesville, Va., University of Virginia

FEATURES

DEPARTMENTS

STATE NEWS

DONALD H. CLARK, Chairman HAROLD R. COLBERT, President

RALPH B. COX, Editor & Publisher
LAWRENCE W. COLBERT, Associate Editor
JOHNSON POOR, Assistant Editor
KATHY FLOOD, Editorial Assistant
ROSEMARY McKELVEY, Managing Editor
JIM FABIAN, Associate Editor
WESLEY CLARK, Assistant Editor
MARGARET HOLZ, Adv. Production Mgr.

MID-CONTINENT BANKER is published 13 times annually (two issues in May) by Commerce Publishing Co. Editorial, executive and business offices, 408 Olive St., St. Louis, Mo. 63102. Telephone GArfield 1-5445 (Direct Dialing 314-421-5445). Publication office, 1201-5 Bluff St., Fulton, Mo. 65251. Second-class postage paid at Fulton, Mo. All advertising and editorial material meant for publication in MID-CONTINENT BANKER should be sent to 408 Olive St., St. Louis, Mo. 63102.

NEW YORK: 2 West 45th St., New York, N. Y. 10036. Telephone (Direct Dialing) 212-582-7126.

Contents copyrighted 1970 by Commerce Publishing Co.

SUBSCRIPTION PRICE: Three years $16.00; two years $12.00; one year $7.00. Single copy $1.00. Foreign subscriptions: $20.00 per year.

WANT ADS: Twenty cents per word, minimum charge: $7.00.

COMMERCE PUBLICATIONS: Mid-Continent Banker, Life Insurance Selling, American Agent & Broker, Mid-Western Banker, Club Management, Decor.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

THE BANKING SCENE

By Dr. Lewis E. Davids
Hill Professor of Bank Management
University of Missouri

How About "Savings and Loan Banks"?

SAVINGS and loan *associations* are well known to all commercial bankers. How many are familiar with savings and loan *banks*? (Not to be confused with Federal Home Loan banks.) Probably not too many yet, but we'll be hearing much more about them (by this or some other name) if a good number of CEOs of mutual savings and loan associations have their way. Commercial bankers may well give thought to the impact the savings and loan *banks* will have on individual commercial banks' operations —and on the structure of financial institutions in the years to come.

To set the scene: Many bankers express concern about the growing spread of services that S&Ls now offer and the fact that they are provided (by the federal agencies) with greater competitive flexibility to pay a higher interest rate to savers than commercial banks. Many other bankers are more intent on restricting the innovative and imaginative services some other commercial banks offer than in recognizing the basic evolutionary trend of mutual S&Ls ultimately into commercial banks.

As this summer draws to a close, more CEOs of S&Ls, especially in states that are exclusively "mutual," are stepping up their lobbying effort to have state laws changed to permit switching of their charters from "mutual" to "stock" S&Ls. Of the 6,200 S&Ls, somewhat less than 800 are permanent stock S&Ls.

The reason is simple. The "mutual" CEOs of S&Ls (though well paid) are limited today in creating substantial estates through getting a big "piece of the action" in the form of the controlling founders' stock.

They have seen their peers in those nearly two dozen states that permit stock S&Ls retire as wealthy men. They would like to do the same. With literally billions of dollars involved, it motivates federal S&L executives at the appropriate time to seriously consider switching to state charters. Some 20 states today permit stock S&Ls —but in the other states more and more of the aggressive S&L managers believe that the stock S&Ls provide the most dynamic structure. They are correct because while stock S&Ls account for only some 13% of all associations, they hold about one fifth of the industry's assets. Four states, California, Texas, Ohio and Illinois, have over 500 stock S&Ls, with some 17 other states accounting for the remainder.

Commercial bankers should take a look at the ever-broadening *lending* base of S&Ls—which today includes mobile home loans, student loans and S&Ls' willingness (where permitted by law) to use the open-end mortgage device—or even rewriting existing mortgages to permit purchases of automobiles, boats, hard appliances or remodernizations.

S&Ls' writing and provision of various types of insurance for their customers is increasing notwithstanding some adverse publicity on conflicts of interest involving directors of S&Ls who profited personally from such sales in violation of the corporate opportunity doctrine.

S&Ls for years have had company trust accounts and currently are seeking government deposits along the T&L type that banks have considered as their exclusive plums. Billions of dollars are involved. S&Ls also have provided official checks for their customers in payment of bills, not to mention their sales of travelers checks. Recently they proposed a giro system to pay their customers' regular recurring bills. Incidentally, the system appears much more attractive to the needs of their customers than the checking accounts of many commercial banks. Some S&Ls have "service corporations" separate or as part of holding company operations. These service bureaus in turn can create real estate trusts and sell *equity* participations in the trusts. In fact, some S&L executives are as enthusiastic about the real estate trusts as commercial bankers are about credit cards and leasing.

That S&Ls provide mortgage-banking functions to other financial institutions also should be fully recognized. Under various techniques, they also obtain "points" on mortgage loans from sellers and get "kickers" such as percentages of gross rental receipts as a condition for financing multi-family real estate.

For commercial bankers in the 15 unit-banking states and the 18 states with limited branch banking, it may come as an eye opener that S&Ls have the right to branch in 45 states, the District of Columbia, Puerto Rico and the Virgin Islands. S&L branching on an *inter* state basis is not unknown, though many commercial bankers are unaware of this fact. Incidentally, the United States Savings & Loan League says, "The steady increase in the number of savings and loan offices is due to the opening of new branches rather than to the chartering of new institutions."*

The preceding brief description of some of the many services offered by S&Ls points up the fact that they are providing the vast majority of services provided by banks and are seriously studying those few services, such as credit cards, which to date they have not seen fit to market. Of course, some S&Ls do issue identification cards that may be considered a variation on the credit card.

A survey was conducted at the University of Missouri. Among questions asked was, "Where do you bank?" A significant number responded by naming local S&Ls. In their opinion, S&Ls

(Continued on page 46)

* *Page 54, Savings and Loan Fact Book.*

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

National American Bank Of New Orleans

Statement of Condition As of June 30, 1970

RESOURCES		June 30, 1970
Cash and Due from Banks		$ 69,554,499.51
United States Government Securities		37,802,599.58
Municipal Bonds		32,384,353.05
Stock in Federal Reserve Bank		600,000.00
Bank Buildings and Equipment		2,739,305.90
Loans and Discounts		84,799,869.43
Federal Funds Sold		5,200,000.00
Equity: American St. Charles Co., Inc.		3,750,000.00
Customers' Liability Account Acceptances		68,027.30
Other Assets		7,086,167.85
Total		$243,984,822.62
LIABILITIES		
Common Capital Stock	$ 3,000,000.00	
Preferred Capital Stock	2,850,000.00*	
Surplus	13,000,000.00	
Undivided Profits	1,302,429.18	20,152,429.18
Reserve for Taxes, Interest, etc.		1,181,036.47
Federal Funds Purchased		22,430,000.00
Dividends Payable		34,556.25
Liabilities Account Acceptances		68,027.30
Deposits		200,118,773.42
Total		$243,984,822.62

*In 1964 the Bank issued $3,000,000.00 of Preferred Capital Stock bearing a rate of 4.85%. Under the agreement executed at issuance, $150,000.00, or 5%, was retired April 1, 1970, from the Sinking Fund, consistent with the Indenture.

Contingent Liability on Letters of Credit issued but not Drawn Against $2,763,011.07

BOARD OF DIRECTORS

HARRY J. BATT, SR.
Chairman of the Board, Playland Amusements, Inc.

ALFRED W. BROWN, JR.
Vice President and Director, Brown's Velvet Ice Cream, Inc. and Brown's Velvet Dairy Products, Inc.

ALLEN H. GENERES
Chairman of the Board and Chief Executive Officer, Central Savings & Loan Association

BERNARD J. GRENROOD
General Passenger Agent, Illinois Central Railroad

HERBERT JAHNCKE
Chairman of the Board Jahncke Service, Inc.

G. HAROLD KING
Chairman of the Board, King Lumber Industries, Inc.

WILLIAM J. KROSS
President, Kross Lumber and Wrecking Co., Inc.

MISS MARGARET E. LAUER
Certified Public Accountant

JOHN LEGIER
Chairman of the Board

ROBERT S. MAESTRI
Real Estate

HAROLD W. MISCHLER
President

HESTER PLAUCHE
Vice President Delta Life Insurance Co.; Vice President, Tharp-Sontheimer-Tharp, Inc.

LOUIS J. ROUSSEL
Oil Producer

LOUIS J. ROUSSEL, III
Real Estate

CECIL M. SHILSTONE
President Shilstone Testing Laboratory, Inc.

OFFICERS

JOHN LEGIER
Chairman of the Board

HAROLD W. MISCHLER
President

SENIOR VICE PRESIDENTS

J. S. ABRAMS
GEORGE D. BENSABAT
GEORGE G. VATH

VICE PRESIDENTS

RODNEY C. BROWER, JR.
RALPH L. DUBOS
JEROME B. GLYNN
CLAYTON V. SETZE, SR.

ASSISTANT VICE PRESIDENTS

EDWARD L. ARNO, JR.
ADRIAN L. BROCK
FRANK CASTAGNA
CARROLL R. GRIFFITH
JACK E. KERN, SR.
JOHN M. SIBLEY, JR.

CASHIER

ANTHONY P. CHISESI

ASSISTANT CASHIERS

IRVIN S. DANIEL
JOSEPH A. DEVENNY, III
HENRY J. FERRY
KENNETH W. LAROSE
A. JOSEPH PISCIOTTA
GERALD J. SCHWANKHART
ERNEST TAYLOR
DONALD B. VALLEE

INTERNATIONAL BANKING DIVISION

ANDREW J. SCHWABE, III
Assistant Vice President
CESAR BERISTAIN
Assistant Cashier

CORRESPONDENT BANKING

MILTON J. ZELLER
Vice President
CHARLES E. FORET
Assistant Cashier

BUSINESS DEVELOPMENT

ROBERT E. ELLIOTT
Senior Vice President

ELECTRONIC DATA SERVICES

A. J. KRAIL
Assistant Vice President

REAL ESTATE AND CONSTRUCTION LOAN DIVISION

MALCOLM G. COLEMAN
Vice President
BERNARD P. RIEHLMANN
Assistant Cashier

TRUST DIVISION

RENE R. SMITH
Vice President and Trust Officer
JAY BUCKMAN
Assistant Vice President and Assistant Trust Officer
PHILIP L. BATSON
Assistant Trust Officer
THEODORE J. LABICHE
Assistant Trust Officer
HERBERT HECKER
Assistant Cashier
GERALD G. YOUNG
Assistant Cashier

AUDITING DEPARTMENT

THOMAS J. RAFFERTY
Auditor
RUDOLF H. BRUNKEN
Assistant Cashier

ACCOUNTING DEPARTMENT

ELWOOD H. KEIM
Assistant Cashier
JULES POUMAROUX
Assistant Cashier

LADIES BANKING CENTER

MRS. WINIFRED L. BISHOP
Executive Director

TRAVEL DEPARTMENT

MRS. JEANNE S. POWERS
Manager

NATIONAL
AMERICAN BANK
OF NEW ORLEANS

Ten offices strategically located throughout New Orleans to serve a growing community

Main Office: 200 Carondelet Street, 525-7761

Member: Federal Deposit Insurance Corporation

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Insurance

Is There Rule-of-Thumb Guideline On Outside Audits for Small Banks?

OUTSIDE AUDITS for small banks? Are they necessary? Such audits were the subject of one of this year's issues of the Loss Prevention Bulletin, published by the Bank Share Owners Advisory League, Chicago.

The league was prompted to discuss outside audits after receiving a letter from one of its members, who said that his bank's insurance firm had asked him to install a set of internal controls that the insurance company had outlined for the bank and requested that the bank start having outside audits made on an annual basis. According to the letter, the insurance firm threatened to cancel the bank's blanket bond if it did not accede to these requests. When asked whether it believed the bank's loss ratio was excessive, the insurance company admitted it was not. Then, the bank explained that to establish workable internal controls, it would have to departmentalize and that wasn't practical for a bank of its size, where all employees help one another.

The banker's letter said that the insurance firm then canceled his bank's bond, but the bank finally obtained another one from a firm that required a $1,000 deductible and charged a substantially higher premium than the bank paid previously. In conclusion, the banker suggested that the league might want to comment on this situation because, in the banker's opinion, his bank is not unique in such a "squeeze predicament."

In its bulletin, the league said that before it commented on this letter, it would quote from another letter on the same subject: "Our state bank examiner suggested we have an outside audit made by a CPA. The closest CPA was 55 miles from our town, but we hired him. He may know a lot about physical assets and inventories, but he was inexperienced with bank operations. We feel that every dollar we paid him was a dollar lost. I am writing this in answer to your bulletin suggesting outside audits for smaller banks."

Then, returning to the first letter, the bulletin said that the league agrees with the writer that, costwise, it's impractical to departmentalize a small bank (say $2 million deposits). However, the bulletin continued, sooner or later a small bank may increase its operations, volume and exposure hazards to the point where it's wise to rethink the bank's need for internal controls and outside audits. The bulletin warned that there comes a time when "helping one another out" can be a very dangerous banking practice, which may be why the insurance firm canceled out the first writer's bank.

"Is there a rule-of-thumb guideline as to when a bank does or does not require regular outside audits?," asked the bulletin. "There is not. From the standpoint of exposure, a $5-million suburban bank can be a very different operation from, say, a $5-million country bank. It would seem to the bulletin that if a bank examiner suggests such an audit, it would be in the bank's interest to comply without too many reminders by him or his staff on subsequent visits."

Turning to the second letter, the bulletin agreed that hiring a CPA unfamiliar with banking is largely a waste of money, but pointed out that, fortunately, there are accounting firms with good banking departments that have efficient branches throughout the country.

What About the Cost? According to the bulletin, the league called the bank department head of a larger accounting firm, and he said a $5-million bank requiring a directors' full-accountability audit without asset valuation might regularly obtain such an audit for about $3,500. Less state and federal income taxes, that would amount to about $1,750, said the bulletin. An advantage of this type of audit, according to the league, is that the bank pays for the minimum of auditing work required to satisfy the management prerogatives of the bank officer or officers and the fiduciary function of the board.

Whether this $1,750 or so is a lot or a little is a question of getting used to a charge that covers an essential bank service, said the bulletin. Then the league suggested that by asking around, a bank may find a CPA familiar with bank procedures whose fee is lower—or, has been suggested elsewhere, smaller banks can, as a group, obtain effective individual and private

(Continued on page 36)

The Case for an Outside CPA for a Bank

After receiving the issue of the Loss Prevention Bulletin dealing with the subject of outside audits for small banks, MID-CONTINENT BANKER editors decided to get the viewpoint of a CPA firm. The editors contacted Peat, Marwick, Mitchell & Co., St. Louis, which is extremely bank oriented because its clients include banks. K. Dane Brooksher, a partner in the firm, told MCB:

"As you are aware, we perform audits for many county banks in our area. These audits vary in type and scope of audit procedures. They range from a full-opinion audit, with evaluation of loans, to programs of periodic limited audit procedures of various departments within the bank. For example, we sometimes perform an audit program where over a period of three years we audit the entire bank, but—in any one year—limit our examination to specific areas. This, of course, is done to reduce the cost of the audit in any one year to the bank.

"Generally, I cannot disagree with comments contained in the Loss Prevention Bulletin. However, it has been our experience that once the banker sees an outside CPA familiar with bank operations, he generally is pleased with the results and is most anxious to continue the audit program. In many of our audits we find bank management actually feels the audit is a profit contribution to the bank in terms of ideas brought to the bank by the audit personnel. In many cases, we can point out procedures in the bank which can be simplified and make suggestions to increase internal control without increasing cost."

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Chemical New York Corporation

Principal Subsidiary

CHEMICAL BANK

Consolidated Statement of Condition

At June 30, 1970

Assets

Cash and Due from Banks	$ 2,189,287,000
Securities:	
U. S. Treasury and Federal Agencies	494,782,000
State and Municipal	818,107,000
Other	42,688,000
TOTAL SECURITIES	1,355,577,000
Loans	6,232,012,000
Federal Funds Sold	86,550,000
Premises and Equipment	86,243,000
Customers' Liability on Acceptances	176,194,000
Accrued Income Receivable	95,778,000
Other Assets	87,696,000
TOTAL	$10,309,337,000

Liabilities

Deposits:	
Demand	$ 4,811,062,000
Savings	535,020,000
Time	1,097,323,000
Foreign Branches	1,860,954,000
TOTAL DEPOSITS	8,304,359,000
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	323,978,000
Other Liabilities for Borrowed Money	497,934,000
Acceptances Outstanding	179,555,000
Accrued Taxes and Other Expenses	63,699,000
Dividend Payable	8,726,000
Other Liabilities	91,582,000
TOTAL	9,469,833,000

Reserve

Reserve for Possible Loan Losses	123,938,000

Capital

5⅞% Capital Notes Due 1992	50,000,000
5% Convertible Capital Notes Due 1993	52,748,000
TOTAL CAPITAL NOTES	102,748,000
Stockholders' Equity:	
Common Stock, $12 Par Value	160,868,000
Shares Authorized 33,000,000, Outstanding 13,405,683 after deducting 19,400 shares held in the Treasury	
Capital Surplus	303,781,000
Retained Earnings	148,169,000
TOTAL STOCKHOLDERS' EQUITY	612,818,000
TOTAL CAPITAL	715,566,000
TOTAL	$10,309,337,000

Assets carried at $497,100,000 in 1970 were pledged to secure public funds and for other purposes required by law.

Member Federal Deposit Insurance Corporation

143 Offices in Greater New York

MAIN OFFICE: 20 Pine Street, New York, N.Y. 10015
OVERSEAS BRANCHES: London (City and West End) • Frankfurt • Nassau
REPRESENTATIVE OFFICES: Paris • Mexico City • Caracas • Bogota • Rio de Janeiro
Buenos Aires • Manila • Tokyo • Beirut

Directors
Chemical New York Corporation
Chemical Bank

WILLIAM S. RENCHARD
Chairman

HULBERT S. ALDRICH
Vice Chairman

HOWARD W. McCALL, JR.
President

HENRY UPHAM HARRIS
Chairman, Harris, Upham & Co. Incorporated

HAROLD H. HELM
Chairman of Executive Committee, Chemical Bank

RICHARD K. PAYNTER, JR.
Director and Retired Chairman, New York Life Insurance Company

ROBERT G. GOELET
Real Estate and Investment Management

KENNETH E. BLACK
Chairman of the Board, The Home Insurance Company

HENRY L. HILLMAN
President, Pittsburgh Coke & Chemical Company Pittsburgh, Pa.

H. I. ROMNES
Chairman of the Board, American Telephone and Telegraph Company

LAMMOT duPONT COPELAND
Chairman, E. I. duPont de Nemours & Co., Inc. Wilmington, Del.

GRANT KEEHN
Chairman of the Finance and Real Estate Committees, The Equitable Life Assurance Society of the United States

IRWIN MILLER
Chairman of the Board, Cummins Engine Company, Inc. Columbus, Ind.

GEORGE R. VILA
Chairman and President, Uniroyal, Inc.

CROWDUS BAKER
Retired Vice Chairman of the Board, Sears, Roebuck and Co., Chicago, Ill.

ROBERT C. TYSON
Chairman, Finance Committee, United States Steel Corporation

J. WILSON NEWMAN
Chairman, Finance Committee, Dun & Bradstreet, Inc.

W. THOMAS RICE
Chairman, Seaboard Coast Line Railroad Company, Jacksonville, Fla.

WILLIAM P. MARSH, JR.
New York

LEWIS P. SEILER
Chairman of the Board, Associated Dry Goods Corporation

T. VINCENT LEARSON
President, International Business Machines Corporation

G. KEITH FUNSTON
Chairman of the Board, Olin Corporation

AUGUSTINE R. MARUSI
Chairman and President, Borden, Inc.

HOWARD C. HARDER
Chairman, CPC International Inc., Englewood Cliffs, N. J.

DONALD C. PLATTEN
Executive Vice President, Chemical Bank

Bank Advisory Committee

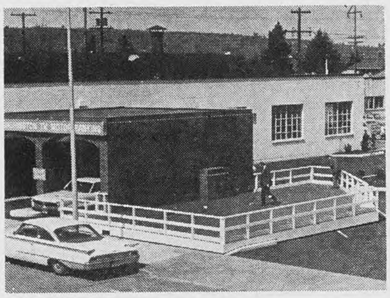
N. BAXTER JACKSON	GILBERT H. PERKINS
ADRIAN M. MASSIE	ISAAC B. GRAINGER
ROBERT J. McKIM	CHARLES H. KELLSTADT
MAURICE T. MOORE	HAROLD W. COMFORT
JAMES BRUCE	C. W. NICHOLS, JR.
B. F. FEW	JOHN L. GIBBONS

FRANK K. HOUSTON
Honorary Director, Chemical Bank

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Bank's Own Country Club

Pictured here is the "fairway" of the Downtown Golf and Country Club, a facility of the Auburn Office of the National Bank of Washington, which headquarters in Tacoma. Kind of "throwed out" after a TV drive-in was built was a small, irregular piece of ground. Senior Executive Officer Harry Romberg came up with an idea for a nine-hole putting course and the Downtown Golf and Country Club was conceived.



The bank lends putter and ball to a customer who wants to get in a little practice while ostensibly conducting bank business. When club membership was limited to bank customers, officers of other Auburn banks picketed the National Bank of Washington bearing signs charging discrimination and worse.

The bank emphasizes that a rumor going the rounds that the putters are gold plated is untrue. They are merely gold color, it says.

Key Tags for Safety

Security State, Great Bend, Kan., is giving customers a key tag that bears a registered number and a request that, if the keys are found astray, to please drop them in the mail box so they may be returned to the bank. Through the registered number the bank is then able to return keys to the owner.

Key tags and printed notes were mailed to customers urging that the printed forms be filled out and returned to the bank for registration. The tags then were to be attached to customers' key rings.

Employee ID Card

Citizens & Southern National with offices in a number of Georgia cities is supplying employees with identification cards similar to drivers' licenses. The cards bear color photographs of the owners and provide a second piece of identification for cashing checks outside the bank.

New Ideas

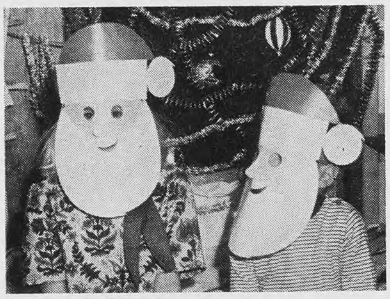
Art at Paint-Up Time

Chiming in with Paint-Up, Clean-Up, Fix-Up Month in St. Louis, Manchester Bank sponsored an art contest in area grade schools for pictures that best illustrated the importance of the month's theme.

Hundreds of entries were received and 22 winners received achievement certificates and savings certificates varying in value from $25 for first prize to 19 fourth prizes of $5 each. In addition, the school attended by the first-place winner was awarded a television set.

Giant blow-ups of the first-prize drawing were then displayed on billboards throughout the bank's area.

Two Holidays Marked



Jefferson-Gravois Bank, St. Louis, marked two holidays in novel ways. At top, children model light cardboard Santa Claus masks the bank has given away the last six Christmases. In 1969 more than 4,000 were distributed. Below is a billboard which appeared coincident with Washington's birthday. Emphasizing safety in banking, it shows Washington crossing the Delaware wearing a life jacket and holding a ring buoy.

Lucky Dollar, Smile Promotions

A two-ply promotion directed toward creating customer goodwill was developed by Bank of Maryville in Tennessee.

To boost downtown shopping coincident with the opening of new downtown parking lots, the bank put into circulation approximately 125 bills of $1, $5 and $10 denomination, the serial numbers of which had been recorded. These serial numbers then were publicized through handbills available at Maryville stores and services. By presenting at the bank or its branch one of the bills listed, the "Lucky Dollar" finder would receive twice the face value of the bill.

Billboards, newspaper ads and radio spot announcements were used to spread the word about the "Bet You Can't Do It" promotion. This dared Maryville-area residents to go to the bank and make a transaction and leave without receiving a smile and a "thank you." Anyone who failed to receive the friendly greeting would be given a $5 gold coin issued between 1885 and 1900 that had a collector's market value of $50.

Bank Aids Art Event

Citizens Bank, Jonesboro, Ark., has contributed $1,000 to the first Arkansas National Art Exhibition with $750 as a purchase prize and the remaining funds used to underwrite the cultural event.

The $750 purchase prize was awarded for an enamel painting entitled "Painting for 3-D Piece." The exhibition was said to be the first national open art exhibition in Arkansas' history and the only one directed to artists in all 50 states. Categories consisted of paintings, drawings and prints.

The "3-D" painting, which was displayed at Arkansas State University, will become part of Citizens Bank's permanent collection.

Honors for the Unknown

Capital National, Miami, has started a program by which a "Citizen of the Month" will be selected and awarded a $50 savings account. The bank's idea is to recognize the anonymous, unknown citizen who does his daily job in a dedicated way or serves the public in a courteous, thoughtful manner. The honor is NOT intended for the obvious VIP or celebrity.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"Now you can offer this Regular $29.95 wig for opening or adding to accounts."

"In the midwest it is estimated that over 100,000 wigs were given away by just a few institutions during the Spring re-investment period. New accounts were especially exciting because they accounted for over half of the wigs given out.

"But that's just the beginning. Today wigs are what every wife, mother and teenage daughter wants. The appeal is universal to even the over 65.

"Under our exclusive financial program you can give them away free—or you can invite the public to buy them at big savings for just a few dollars and even make a profit. My wig is a luxurious, nationally known, synthetic, stretch wig. One size fits anyone. It is available in different styles and many colors, including the popular new frosteds.

"No promotion has ever been simpler. To start with, I go along with the promotion. As a professional stylist, I come to your institution (with other girls if you have branches) and set up the entire promotion for you. I'll bring a "wig style center" to your lobby. Provide window displays, newspaper ads, envelope stuffers, a direct mail piece . . . even a TV commercial. You receive a complete program with everything you need. And nobody else has it but WIG FAIR INTERNATIONAL—one of the most respected names in the hair industry . . . currently represented exclusively by J. Edward Connelly Associates, America's leading financial promotion company.

"But don't take our word for it. Return the coupon below and let me send you all the information—and a beautiful $29.95 wig sample to examine for yourself. When you reply you'll automatically receive 30 day protection rights for your institution in your market area. If you order, we'll of course allow you to return all unused merchandise. And if you send for the sample and decide not to run the promotion you may keep the wig for just $5. (We'll bill you.) Or simply return it without cost or obligation."

Program excellent for credit card promotion as well as new accounts. If coupon is missing write to Dept. A, J. Edward Connelly Associates, 1401 Reedsdale Street, Pittsburgh, Pa. 15233. Phone: 412-391-3382

"With my wig and program you can open more new accounts than ever before."

Send for sample wig and automatically reserve protection for your market area.

J·EC   WIG FAIR INTERNATIONAL

J. Edward Connelly Associates
1401 Reedsdale Street
Pittsburgh, Pa. 15233

Please send me a sample Regular $29.95 stretch wig to examine. I am interested in using it for a promotion. If I am the first in my area responding now, I will have automatic protection rights in my market for 30 days. And if I order right away (after examining the wig), I will have market protection for 90 days or more—and no one will run the promotion before me. If after examining the wig I wish to keep it and not run the promotion I understand you will bill me $5 to cover cost of manufacturing, mailing and handling. Or I can return it without any cost or obligation.

Name ______
Title ______
Institution ______
Address ______
City ______ State ______ Zip Code ______

☐ Don't send wig. Just send information.
☐ Send wig and information.

Check color of wig desired.

___Black	___Beige	___Dark Frosted
___Dark Brown	___Blonde	___Silver White
___Medium Brown	___Auburn	___Silver Grey
___Light Brown	___Medium Frosted	
___Ash Blonde	___Light Frosted	

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Credit Cards

No-Risk Credit Card Policy Begun at Louisiana Nat'l, Baton Rouge

LOUISIANA NATIONAL, Baton Rouge, has announced a "no-risk" plan for holders of its BankAmericards. Under the plan, fraudulent use of lost or stolen cards no longer will result in any liability to cardholders. The bank believes this no-risk program to be a first not only in the field of bank credit cards but for credit cards in general. Credit-card liability elsewhere ranges from $100 on up to the total amount charged to a card.

Prior to August, 1969, LNB BankAmericard holders were liable for the total amounts charged to their cards. At that time, LNB's BankAmericard department instituted a policy of charging nothing if a cardholder notified the bank within 24 hours after discovering his card was missing. If he did not call within that period of time, his maximum liability was $25. The bank set that figure because it was thought that some dollar figure, no matter how small, would cause people to be more careful with their cards. However, LNB has found that most people are careful anyway because no one wants to go through the trouble of losing a card, notifying the issuer and securing a new card.

LNB believes its no-risk plan to be timely for two reasons: 1. There has been growing public concern in regard to a cardholder's liability if someone else uses his card. This concern has increased as the result of several recent articles telling about the spread of fraud and other criminal activity in the credit card field. 2. Legislation is pending in Congress that, if enacted, will limit any cardholder's liability to $50.

According to LNB BankAmericard officials, almost all cards issued by the bank are in the hands of their rightful owners. They base this belief on the fact that they were extremely careful during their initial issue of BankAmericards (they verified all addresses and checked the credit ratings of everyone before mailing the cards). This assumption is made after only two years' experience, during which time the various operational processes, including statement mailings, have been perfected as much as possible.

Lee Griffin, vice president of BankAmericard at LNB, said about the new policy, "I would hesitate to recommend a no-risk card to any bank that does not have at least 1½ to two years of sound experience with a credit card. You must be absolutely certain that you have eliminated all the duplicate accounts, and you must have generated enough cardholder activity to prove that you have good addresses. In the two years that we have had BankAmericard at LNB, we feel that we have accumulated enough data to safely assume that our accounts are as accurate as possible. We do not feel that the no-risk BankAmericard will noticeably increase our actual fraud loss. On the contrary, the new policy should improve profits through increased cardholder activity."

In addition to expecting financial rewards, LNB officials believe that the no-risk card will be a tremendous asset in terms of customer good will. As the bank points out, because the customer usually is completely innocent of his card's misuse, the LNB BankAmericard department now can protect him from suffering the consequences. • •

■ HAROLD M. FLORSHEIM recently was elected a director of Mercantile National, Chicago. He is honorary chairman of the Florsheim Shoe Co. and was formerly president and chairman. Mr. Florsheim previously was a director of the bank from 1953 until 1957.

State National of Alabama Makes New Appointments

The State National Bank of Alabama recently made these appointments at its various offices:

Joe F. McWilliams was elected chairman, Florence, and W. O. Whitten was elected vice chairman. Mr. McWilliams is manager of the Credit Bureau of Muscle Shoals and Mr. Whitten is president and chairman, Florence Packing Co. Tom A. Hall was promoted to assistant cashier, Florence. He is manager of the Seven Points Office.

Bobby G. Drake was elected chairman, Gurley. He is data center manager, Control Data Corp. P. S. Dunnavant was elected chairman and Thompson R. Kelly, vice chairman, Huntsville. Mr. Dunnavant is president, Dunnavant's, Inc., and Mr. Kelly is senior partner, D. E. and J. O. Kelly. Everett Lay was named chairman, Gadsden. He is the owner of Lay Brothers Real Estate and Investments.

Lamar Cushing and Sam L. Wallingsford were promoted to assistant cashiers, Scottsboro.

Swiss American Bank
& Trust Corporation

One Old Bond Street
London W. 1, England

Specialists in the Eurodollar Market

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

We insure these bankers, too!

When setting up (or revising) insurance plans for employee families and children, you want an insurance service that can give you the most up-to-date coverages—and the most conscientious follow-up.

Financial Insurance Service, Inc. is that kind of company. We are relatively young, but our principals have 150 years of cumulative experience—including *current* experience as Administrator for Illinois Bankers Association Employee Benefit Plans.

We now insure banks in 20 states. Our service includes Bankers Blanket Bond, One Million Dollar Excess Fidelity, Installment Lending Coverages and Directors & Officers Liability.

We think we're a good company to know better. We'd like to work for you.

FIS

FINANCIAL INSURANCE SERVICE, INC.
2200 EAST DEVON AVENUE • DES PLAINES, ILLINOIS 60018 • 312/297-4660

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Selling Bank Services

Chicago Bank Surveys Working Women to Determine Their Banking Needs

WHO IS today's career woman? Is she married or single? What are her job responsibilities? Her financial needs?

To find the answers to these and other questions about the working woman in today's business world, Harris Trust, Chicago, conducted a survey of nearly 800 women representing a wide variety of occupations. The findings were released recently at a special briefing for area press women held at the bank.

Results to Be Used

The survey is not merely academic, for the results will be used by the women's banking section to determine how the bank can better serve women, traditionally an important segment of the market and even more so today with women entering the labor force at a rate five times as fast as men.

The survey reflects a long-time interest in women and their banking needs on the part of Harris. In 1956, a survey of women depositors provided the impetus to formulate a program to assist women with their financial problems.

In those days, while men officers personally contacted men customers to become acquainted with them and their banking needs, seldom, if ever, did they approach the woman customer, according to Miss Jessamine Durante, assistant vice president and head of the women's banking section.

"It was not considered 'professionally proper' for a man to call on a woman customer in her home—unless perhaps they went in pairs," she said.

In order to care for this important segment of the customer list, Harris staffed a department with women who also happened to be professional bankers. The goal was not to segregate a woman's business from men's, merely to offer a personalized service and practical solution to her money problems.

"We like to think of our service as a specialty shop in a large department store of finance," Miss Durante said. The women's division was one of the few in the country 15 years ago and still is today.

Startling Contrast

"The contrast between the woman called on 15 years ago and the woman we call on today is startling," according to Miss Durante. "For many reasons, due primarily to social and economic changes, the woman today is much more informed on money matters. Our survey was designed to tell us who the Chicago career woman is, how she thinks and what kind of help she wants."

And the findings? The composite drawn of the "typical" Chicago career woman described her as a college graduate in her early 40s, responsible for supporting only herself, earning almost $15,000 per year and expecting to work at least 30 years in her lifetime.

In addition to profiling the career woman, the study explored her attitudes toward her job, finances and changing role in business.

Reason for Working

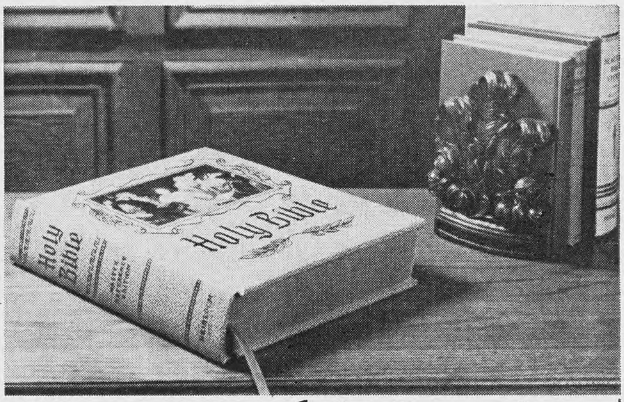
The results showed that career women work for the same reason as anyone else who has a job—money. Secondary reasons are "to use talents and keep alert," "to have a career" and "like to work."

As might be expected by virtue of their salaries, job responsibilities and need to support themselves and others, career women are heavy users of professional financial and legal services.

Seventy-seven per cent have an insurance agent; 69% have a banker; 59% have a stockbroker; 39% have an accountant, and 23% have another financial adviser.

Seventy-four per cent are responsible for investment decisions; they invest principally in corporate stocks, mutual funds and real estate.

The study also found that almost half the women disagree with the statement, "A man should handle a family's financial affairs." Only 31% agree with the traditional male financial role, and 21% are uncertain and expressed no opinion. • •



Promote Your Bank's Services with the HEIRLOOM BIBLE

The Heirloom Bible is a nationally-advertised $39.95 value, yet your bank can offer it for less than $10 to encourage new checking and savings accounts. Your cost is only $7.95 each direct from the publisher.

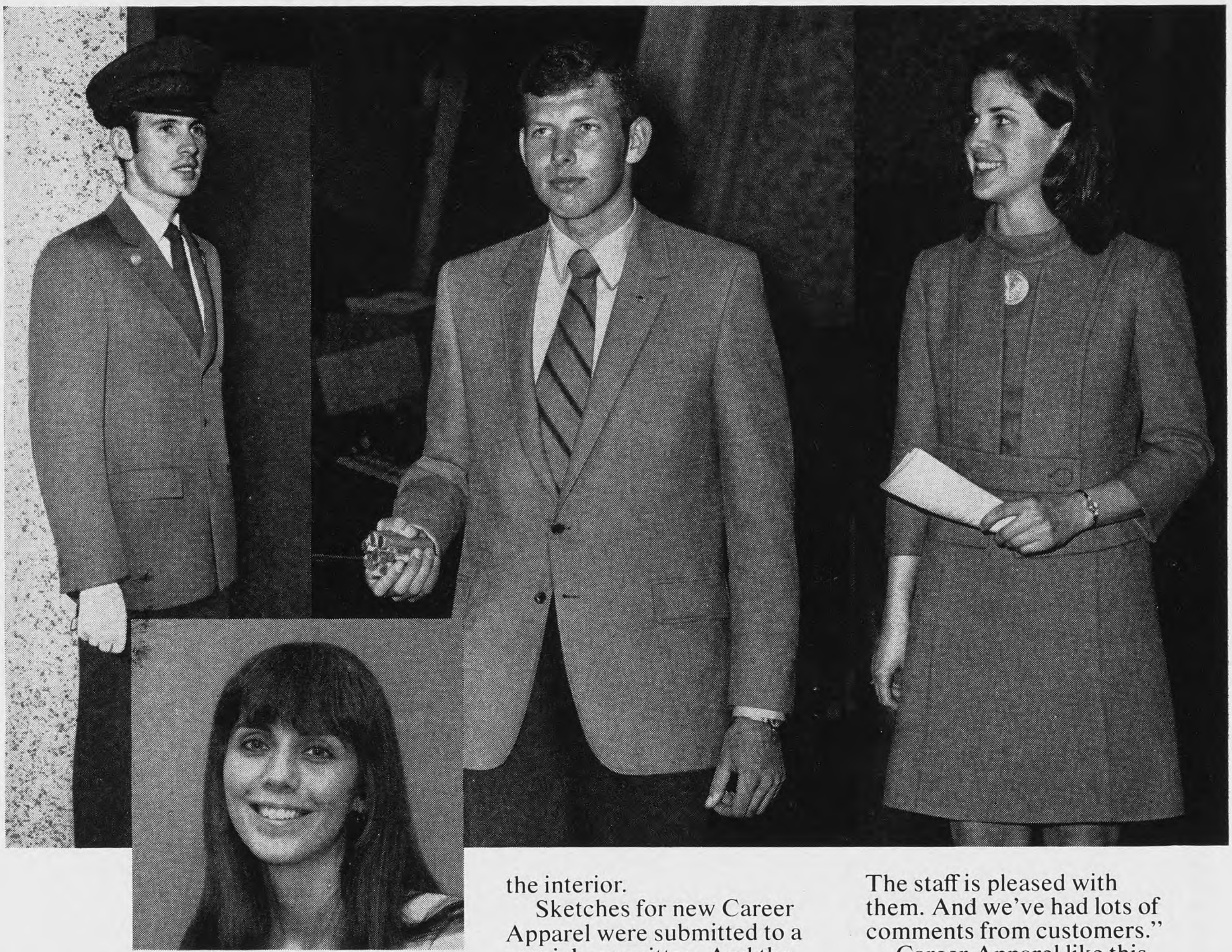
And, we supply promotional materials at cost . . . full-color statement stuffers, brochures, display stand, plus photographs for use in advertising. It's a complete promotional program with guaranteed sale arrangement — and it's a program that will not compete with your present bank customers. Write for details and a sample copy of the Heirloom Bible on approval.

HEIRLOOM BIBLE PUBLISHERS

P. O. Box 1232M
Wichita, Kansas 67201
Phone (316) 264-8385

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

First National Bank of Chicago switches to Career Apparel with Dacron®.



"They stay neat, keep their color and wear very well. Both our customers and our employees are pleased with them," says Kay Lowe, Administrative Assistant.

When the First National Bank of Chicago opened the doors of its new 60-story, lake-view headquarters, visitors were welcomed into a show-case of fine modern design. The designers had taken great pains to make every detail of the lobby a model of functional good taste. Granite floors and walls. Wood furniture and bronze fixtures. Even a staff in fashionable Career Apparel color-coordinated with the interior.

Sketches for new Career Apparel were submitted to a special committee. And the designs chosen were presented to the staff at a fashion show, with employees serving as models. For women tellers, jacket dresses in mustard, rust and gold. For men tellers, mustard blazers. Pages, guards and elevator starters got striking new uniforms, too. And all were tailored in blends of 55% Dacron* polyester, 45% worsted wool.

"Our old uniforms looked about ten years old after six months," says Administrative Assistant Kay Lowe, "but our new Career Apparel with 'Dacron' has worn very well. We certainly have had no problem with wrinkling. 'Dacron' keeps the garments in shape, and they clean easily. The staff is pleased with them. And we've had lots of comments from customers."

Career Apparel like this will make a big difference in your bank—in appearance, in service, in employee morale. Look into it. Just be sure you get "Dacron" and worsted. And you'll be getting uniforms proved to be the finest made.

We're at your service. Write for our Career Apparel booklet and specific information on these garments made with "Dacron". Write Du Pont Co., 31J6 Centre Road Building, Wilmington, Del. 19898. Or call: (302) 999-3813.

DU PONT
REG. U.S. PAT OFF
Better things for better living
...through chemistry

*Du Pont registered trademark

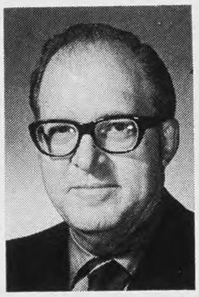
Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

CORPORATE NEWS ROUNDUP

• **Lawrence Warehouse Co.** James T. McGuire recently was appointed corporate secretary of Lawrence Warehouse Co., San Francisco. He will continue to serve as the company's general counsel. Before joining Lawrence in 1951, Mr. McGuire was a special agent for the FBI and had been in private law practice.

William L. Sneltjes was appointed manager of sales and marketing for Lawrence. He formerly was with National Van Lines, Chicago, as vice president for general sales and marketing.


McGUIRE


SNELTJES

• **Financial Data Systems, Inc.** The 10th major module for the basic St. Louis online financial package has been announced by Financial Data Systems, Inc., St. Louis.

According to the bank, for the first time, name and address information will be available online at the teller terminal for realtime inquiry, correction, addition or deletion. This feature eliminates hours of offline processing and gives the teller full access to the file for opening new accounts, preparing passbooks and signature cards and verifying changes.

Other modules already in use include savings and mortgages, CDs, general ledger, construction and home improvement loans, investor reporting, MICR input, 1060/2740/1050 terminal support, 2980 terminal support and Olivetti terminal support.

President William W. Canfield indicated that additional modules are planned for late 1970 and early 1971.

• **Bank Building Corp.** Garry R. VanOchten has joined Bank Building Corp., St. Louis, as a consultant representative to corporate headquarters. Previously, Mr. VanOchten was employed by Designware Industries, Inc., Minneapolis, as regional sales manager.

Charles P. Baker is Bank Building's new consultant for the northern division. Before joining the company, he was general sales manager for Spotnails, Inc., Rolling Meadows, Ill.

New banker associates at Bank Building are Webb J. Thomas, western division, and Peter J. Laninga, northern division. Mr. Thomas previously was vice president of United California Bank and Mr. Laninga was vice president of Continental Illinois National, Chicago.

• **Lester B. Knight & Associates, Inc.** William E. Cole has joined Lester B. Knight & Associates, Inc., headquartered in Chicago, as a senior consultant. Mr. Cole previously was director of accounting for Union Texas Petroleum.

• **Studley, Shupert & Co., Inc.** Edwin A. Klose and Henry W. Flood have joined Studley, Shupert & Co., Inc., Philadelphia, a subsidiary of the Girard Co. Mr. Klose, vice president, has been assigned to the investment council staff and Mr. Flood, assistant vice president, is in the bank portfolio management division.


KLOSE


FLOOD

Previously, Mr. Klose was trust investment officer of First National, San Jose, Calif., and of Provident National, Philadelphia. Before joining Studley, Shupert, he was executive vice president of DHR Systems, Inc., a subsidiary of Drexel Harriman Ripley, Inc.

Mr. Flood was formerly a trader in the municipal bond department of Drexel Harriman Ripley, Inc.

• **Delta Corp. of America.** Leslie M. Jones has joined Delta Corp. of America, Miami, as a vice president. He will work in marketing, new business, industry relations and mobile home park development and financing.

Before joining Delta, Mr. Jones was vice president of Mortgage Guaranty Investment Corp. and New York Guaranty Corp.

• **James Talcott, Inc.** An asset purchase agreement was reached recently between James Talcott, Inc., New York, and Mill Factors Corp. providing Talcott with substantially all of the assets of Mill Factors, principally cash and receivables.

Mill Factors Corp. announced that the purchase price will be distributed among creditors and stockholders of Mill Factors following a plan of liquidation adopted by its board.

LESTER B. KNIGHT & ASSOCIATES, INC.

Celebrating in 1970 its 25th year as management consultants and consulting engineers

CONSULTANTS TO THE BANKING INDUSTRY

- INFORMATION SYSTEMS
- MARKETING STUDIES
- FACILITIES PLANNING
- ORGANIZATION STRUCTURES

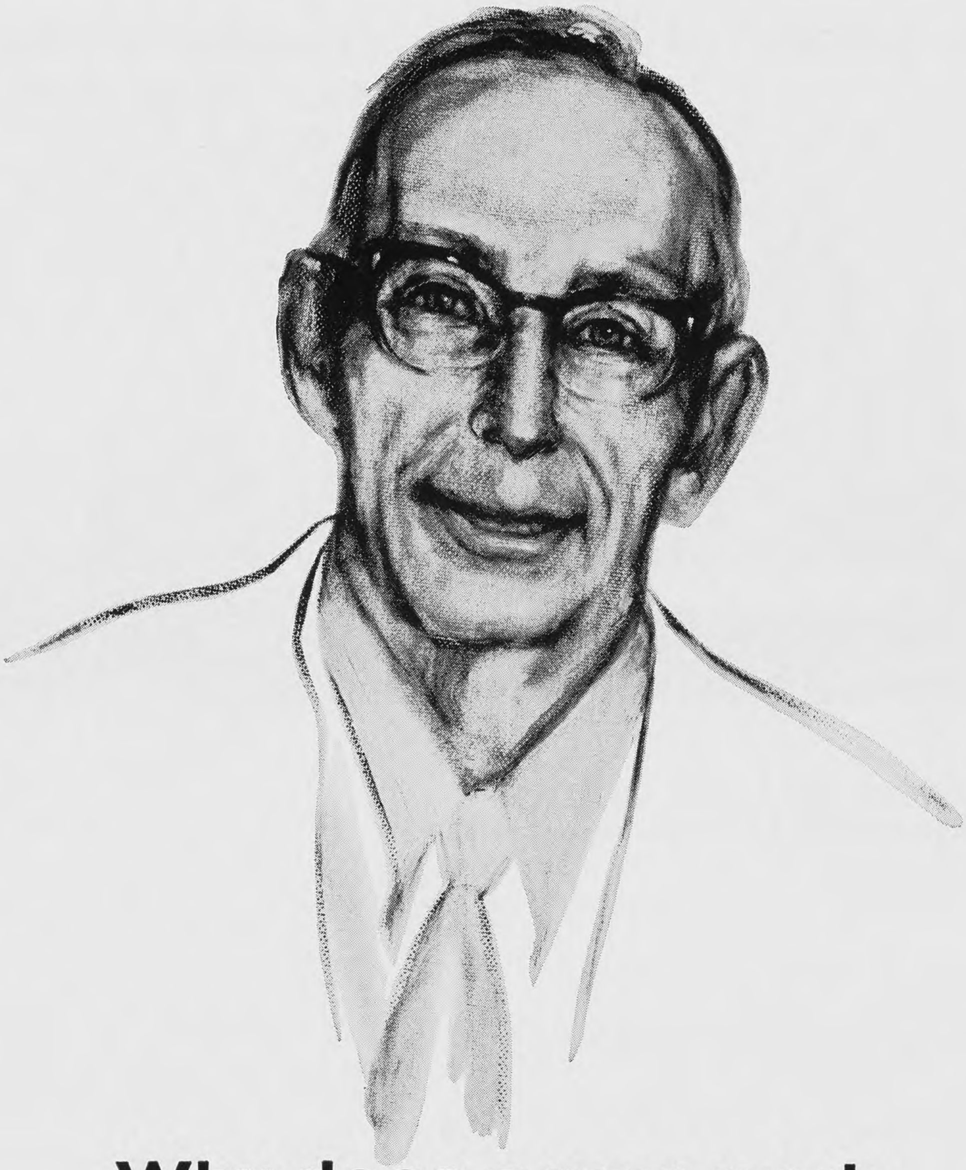
549 W. Randolph St. • Chicago, Ill. 60606 • 312/346-2100

Other Offices In

NEW YORK • CLEVELAND • SAN FRANCISCO
LONDON • BRUSSELS • ZURICH • DUSSELDORF
VIENNA • FLORENCE • STOCKHOLM

Member of the Association of Consulting Management Engineers, Inc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis



Why does a man work 44 years for one company?

At 38, Jack Podewils joined DeLuxe. He brought with him the delicate, skilled art of engraving learned from old country craftsmen, beginning with an apprenticeship at the age of 14. He spent the next 44 years as an engraver and artist in our St. Paul plant.

He retired this year at 82, leaving behind a host of friends and a grateful company. At his going away party he said, among other things:

"It's past time I retired, but I'm sure going to miss the work. I always took pride in the work I did and I've never been sorry I came to work for DeLuxe."

He was proud of his work and we are proud of Jack Podewils.

DELUXE

DELUXE CHECK PRINTERS, INC.

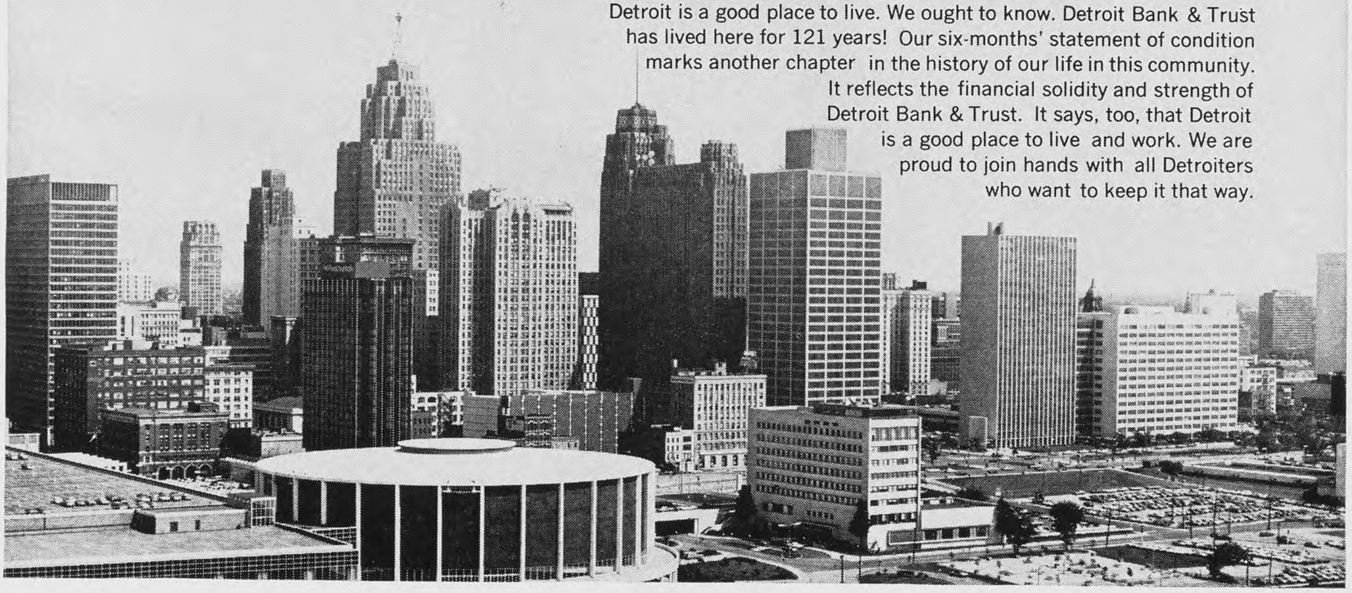
SALES HDQTRS. • 3440 N. KEDZIE, CHICAGO, ILL. 60618

STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

We're proud of Detroit... matter of fact, it's our first name.

Detroit is a good place to live. We ought to know. Detroit Bank & Trust has lived here for 121 years! Our six-months' statement of condition marks another chapter in the history of our life in this community. It reflects the financial solidity and strength of Detroit Bank & Trust. It says, too, that Detroit is a good place to live and work. We are proud to join hands with all Detroiters who want to keep it that way.



DETROIT BANK & TRUST
Consolidated Statement of Condition, June 30, 1970

ASSETS	
Cash and Due from Banks	$ 300,101,660
United States Treasury Securities	198,257,832
State and Municipal Securities	313,390,442
Other Securities	3,864,700
Total Securities	515,512,974
Federal Funds Loaned	6,000,000
Commercial and Consumer Loans	779,415,486
Real Estate Mortgage Loans	464,907,796
Total Loans	1,250,323,282
Bank Premises and Equipment	25,821,863
Accrued Income Receivable and Other Assets	24,794,347
TOTAL	$2,116,554,126

LIABILITIES	
Demand Deposits	$ 642,364,992
Savings and Personal Time Deposits	1,025,037,469
Other Time Deposits	201,634,971
Total Deposits	1,869,037,432
Funds Borrowed	33,060,000
Unearned Income	12,489,737
Accrued Expenses and Other Liabilities	34,793,223
Total Liabilities	1,949,380,392
RESERVES	
Reserve for Loan Losses	23,238,160
CAPITAL ACCOUNTS	
Capital Stock—$10 par value (Shares authorized and outstanding 2,451,336)	24,513,360
Surplus	96,000,000
Undivided Profits	23,422,214
Total Capital	143,935,574
TOTAL	$2,116,554,126

On June 30, 1970, securities having a par value of $119,585,000 were pledged where permitted or required by law to secure liabilities and public and other deposits totaling $83,376,029 including deposits of the State of Michigan of $21,062,922.

Board of Directors

WALKER L. CISLER
Chairman of the Board
The Detroit Edison Company

FRANK A. COLOMBO
Executive Vice President
The J. L. Hudson Company

LOUIS A. FISHER
Director

WALTER B. FORD II
Chairman of the Board
Ford & Earl Design Associates, Inc.

EDWARD J. GIBLIN
President
Ex-Cell-O Corporation

WILLIAM E. GRACE
President
Fruehauf Corporation

LESLIE H. GREEN
Chairman
Automotive Materials Corp.

WILLIAM B. HALL
Retired Executive Vice-President

CHARLES H. HEWITT
Retired President

JASON L. HONIGMAN
Partner
Honigman, Miller, Schwartz and Cohn

ROBLEE B. MARTIN
Vice President
Fruehauf Corporation

JAMES McMILLAN
Director

RAYMOND T. PERRING
Chairman

H. LYNN PIERSON
Chairman of the Board
Dura Corporation

ROBERT F. ROELOFS
Vice President
National Steel Corporation

C. BOYD STOCKMEYER
President

ARBIE O. THALACKER
President
Detrex Chemical Industries, Inc.

CLEVELAND THURBER
Partner
Miller, Canfield, Paddock & Stone

HERBERT B. TRIX
Director
The Standard Products Company

KENNETH J. WHALEN
President
Michigan Bell Telephone Company

JAMES O. WRIGHT
Director
Wallace-Murray Corporation

WILLIAM R. YAW
President
Wabeek Corporation

You ought to know a DETROIT BANK-er **DETROIT BANK & TRUST**

More than 80 offices in and around greater Detroit, and an office in London, England too!

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MID-CONTINENT BANKER

NEWS ROUNDUP

News From Around the Nation

PEOPLE


LASATER

• DONALD E. LASATER will become chairman and chief executive officer of Mercantile Trust October 1, when JOHN FOX, chairman, will reach mandatory retirement age of 65. HARRISON F. COERVER, now senior vice president, will become president. Mr. Coerver also is the bank's chief lending officer.


COERVER


FOX

Mr. Lasater joined Mercantile in 1959, became head of the trust department in 1965 and president in 1967. He holds a law degree from the University of Southern California. Mr. Coerver joined Mississippi Valley Trust in 1935 and went to Mercantile in 1951, when the two banks were merged. He has held his present posts since 1961. Mr. Fox has been with Mercantile since 1933, when he became secretary to the president. He was named senior vice president in charge of commercial lending operations in 1955, president in 1962 and chairman in 1967.

• FRANCIS MARION LAW, 93, consultation chairman, First City National, Houston, died recently. He was the oldest former president of both the ABA and the Texas Bankers Association. Mr. Law entered banking in 1897 after graduating from the University of Texas Law School. Mr. Law headed the TBA in 1918-19 and the ABA in 1933-34.

A Significant Bank-Merger Ruling

The same antitrust standards that are applied to proposed mergers of large banks will be applied to those of small banks under a recent U. S. Supreme Court ruling. The High Court was unanimous in deciding to return a Justice Department suit against two small New Jersey banks to a lower court for further proceedings.

The case—involving Phillipsburg National and Second National of Phillipsburg—is considered to be important because about 85% of the nation's banks have deposits of less than $25 million and thus can be considered "small." The case also is the first involving small banks to come before the High Court since passage of the Bank Merger Act in 1966.

The two Phillipsburg banks' market area is the basis for dispute in their proposed merger. When the Comptroller approved the merger, he viewed that area as consisting of the entire Lehigh Valley, in which he counted more than 30 commercial banks, plus 13 S&Ls and 34 finance firms. Consequently, he found that the merger would not substantially lessen competition. However, the Justice Department argued that the proper market within which to judge the legality of the merger was the Phillipsburg, N. J.-Easton, Pa. area (Easton is just across the Delaware River from Phillipsburg). These two communities have seven commercial banks. The merger would have made the consolidated bank the second largest in the combined area, with assets of $41 million, or 19% of total commercial bank deposits in the combined area.

New Subordinated-Debenture Rules

New, liberal rules on subordinated-debenture financing have been issued by the Federal Reserve Board and FDIC.

The new regulations place a $500 minimum on all subordinated note or debenture financing by banks and raise maturities on such issues from two to seven years. In addition, such instruments are ineligible as collateral for loans by issuing banks and must be approved by the FDIC as additions to banks' capital structures. Issuing banks must expressly state that these issues are not deposits, are not insured by the FDIC and are subordinated to depositors' claims.

Small banks had feared that they would be excluded from capital markets when, last March, the FRB proposed to set the floor on such financing at $20,000.

The Fed became concerned that possible abuses might arise from these debentures when—last January—the First Pennsylvania Banking & Trust Co., Philadelphia, rapidly sold $20 million of such paper at low maturities and denominations to help raise additional lending capital. Other banks joined the trend.

Less Red Tape on SBA Loans

The Small Business Administration has announced a plan aimed at drastically reducing the amount of paper work required of banks taking part in its program. The SBA's aim is to encourage more banks to participate in its loan-guarantee program.

The SBA action has cut down from four to two times a year the number of times banks must report on the status of SBA-guaranteed loans. From now on, participating banks will report in November and May.

As another effort to cut red tape, the SBA now allows banks to list as many as 16 individual loans on each reporting form. They formerly had to use individual sheets to report on each loan. In addition, the SBA will issue consolidated bills for the payment of loan-guarantee fees rather than billing banks separately for each guaranteed loan.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MID-CONTINENT BANKER

NEWS ROUNDUP


AGEMIAN


SCOTT

• CHARLES A. AGEMIAN, chairman, Garden State National, Hackensack, N. J., took office July 1 as president of the Bank Administration Institute. He moved up from first vice president and succeeded WILLIAM B. CARR, executive vice president, Provident National, Philadelphia. Other BAI officers are: first vice president, RAYMOND C. KOLB, senior vice president and cashier, Mellon National, Pittsburgh; second vice president, CHARLES E. ARNER, senior vice president, First National, St. Paul; and treasurer, HERMAN L. SCOTT, senior vice president, First National, Memphis. Mr. Scott is serving his second term as treasurer.

Among new BAI directors is MICHAEL G. GLASS, vice president and cashier, Southwest National, Wichita, who represents District Seven.

• ALLEN P. STULTS, chairman and chief executive officer, American National, Chicago, last month was named chairman of a new Task Force on ABA Organization to recommend realignment of the association's committee structure. Among task force members are the following from the Mid-Continent area: JOHN J. CROSS JR., senior vice president, Citizens Fidelity, Louisville; JOE H. DAVIS, executive vice president, First National, Memphis; TOM C. FROST JR., president, Frost National, San Antonio, Tex.; DONALD C. MILLER, senior vice president, Continental Illinois National, Chicago; and ALFRED R. NAUNHEIM, chairman and president, North Side Bank, Jennings, Mo.

The group will examine the existing structure of banker committees and other working units in the light of the industry's performance and needs in the 1970s. Its goal is to identify a policy-making and procedural pattern that will maximize the association's responsiveness and service to member banks.

S&Ls Sued for False Advertising

Six Chicago residents last month filed suit against three federally chartered S&Ls there, charging the associations with misrepresenting the manner in which dividends on savings accounts are calculated. The class-action complaint was filed in the Federal District Court in Chicago. Each plaintiff is said to be a holder of a savings account in one of the three institutions named in the suit.

The plaintiffs asked that the three S&Ls specifically named as well as all other similar institutions in the area be enjoined from making the alleged misrepresentations and from omitting facts in advertising and other literature that are necessary to fully inform account holders of the manner in which dividends are computed.

One of the suit's allegations is that the three S&Ls are claiming that dividends earned on savings accounts are the equivalent of interest at the stated rate as compounded daily when, in fact, the dividends are not earned, paid or distributed on such a basis. It is also contended that the S&Ls are failing to disclose that when an account holder sells his account (withdraws funds) prior to the end of a calendar quarter, the dividends allegedly compounded are forfeited. In addition, the suit charges that the institutions do not disclose that savings accounts started after the 10th day of a month don't earn interest until the first day of the succeeding month.

Study Disputes Congressional Report

An ABA-commissioned study has taken issue with a congressional committee's finding that banks exercise undue influence over the U. S. economy. The study, by Carter H. Golembe Associates, Inc., a consulting firm, does not agree with reports released in 1963 through 1968 by the House Banking Committee's Domestic Finance Subcommittee.

The subcommittee charged, among other findings, that a "money monopoly" existed in the country and that commercial banks, through trust departments, exercise a disproportionate influence on the economy.

ABA President Nat Rogers described the Golembe study as fundamentally and basically sound, but said the association differs with it in some instances. For instance, the ABA doesn't agree with the firm's recommendation that officers or directors of financial institutions, in most instances, be prohibited from serving in similar capacities with competing financial organizations.

The report suggests that the subcommittee falsely interpreted some of its basic data. It attacked the committee's "simplistic assumption—that a holding of stock" by a bank "for whatever purpose, or whether or not it can be voted, or a director interrelationship, for whatever purpose, and however exercised, can have one and only one meaning—that the bank exercises, or intends to exercise, some amount of influence or control over the other corporation."

According to Mr. Rogers (president, First City National, Houston), the ABA believes that banks aren't engaged in any conflict of interests due to their stockholdings and that the recent trend toward more concentration of stockholdings into financial institutions is probably good.

Chase Enters Environmental Field

Chase Manhattan Bank, New York City, has taken positive action to try to alleviate environmental problems in this country and abroad. The bank has created an environmental systems post, to which it appointed Robert H. Aldrich. Mr. Aldrich is a chemical engineer with 12 years' experience in chemical research and development, production, engineering, marketing and environmental systems. He will work with Chase Manhattan officers in assessing the impact on the bank's lending activities of pollution control and other environmental problems. Mr. Aldrich also will help Chase's lending officers as they deal with firms in the pollution-control field.

The thrust of Mr. Aldrich's function will be to help businesses throughout the United States and abroad in environmental improvement. This will involve dealing with manufacturers of anti-pollution equipment and assisting the industrial community in the solution of technical, economic and social aspects of environmental problems.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Onward & upward (as usual) with ARIZONA!

Statement of Condition

AT THE CLOSE OF BUSINESS

JUNE 30, 1970

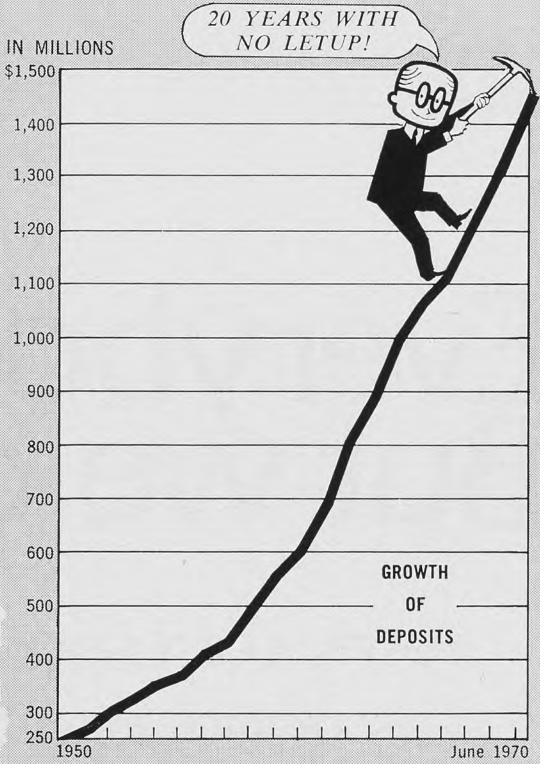
RESOURCES

CASH	
Cash on Hand and Collection Items	$ 92,206,537
On Deposit in Federal Reserve and Other Banks	110,409,819
Total	$ 202,616,356
BONDS AND INVESTMENTS	
U. S. Government	$ 72,592,827
States and Political Subdivisions	143,286,566
Corporates and Federal Agencies	13,338,903
Money Market Investments	40,000,000
Total	$ 269,218,296
LOANS	
Agricultural and Livestock	$ 165,241,830
Commercial and Industrial	344,606,275
Instalment Loans	300,336,057
Credit Card Loans	40,973,998
Mortgage Loans	258,014,254
Total	$1,109,172,414
OTHER	
Accrued Interest Receivable	$ 12,850,971
Bank Premises and Equipment (Net of Depreciation)	38,075,039
R. E. Other than Bank Premises	643,396
Customer's Acceptance Liability	8,145,711
Other Assets	11,111,949
Total	$ 70,827,066
Total Resources	**$1,651,834,132**

LIABILITIES

DEPOSITS	
Demand Deposits	
Individuals, Businesses and Banks	$ 555,455,403
U. S. Government and Other Public Funds	89,012,494
Total Demand Deposits	$ 644,467,897
Time Deposits	
Savings Accounts	$ 333,367,208
Certificates of Deposit — Regular	414,229,955
Certificates of Deposit — Public Funds	72,672,706
Total Time Deposits	$ 820,269,869
Total Deposits	$1,464,737,766
OTHER LIABILITIES	
Funds Borrowed	$ —
Unearned Income	33,947,360
Acceptances Outstanding	8,145,711
Accrued Expenses and Reserves	8,340,017
Accrued Income Taxes	5,478,651
Other Liabilities	1,246,039
Total Other Liabilities	$ 57,157,778
RESERVES ON LOANS	
Reserve for Possible Loan Losses (Under Treasury Tax Formula)	$ 17,132,025
CAPITAL ACCOUNTS	
Convertible Capital Notes	$ 13,563,700
Equity Capital	
Capital Stock ($2.50 Par Value)	22,115,335
Surplus	51,610,174
Undivided Profits	25,517,354
Total Equity Capital	$ 99,242,863
Total Capital Accounts	$ 112,806,563
Total Liabilities and Capital	**$1,651,834,132**
Number of Shares Outstanding	8,846,134

Earl L. Bimson,
PRESIDENT



(Compared with June 30, 1969)

Loans up $138,237,000

Resources up $139,482,000

Deposits up $107,799,000

Capital up $22,715,000

VALLEY NATIONAL BANK

"Everywhere in Arizona"

MORE THAN 100 OFFICES

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

We
believe
in
you.

Everybody does it. But we do it better.

Any correspondent bank is only as good as what it will do for you.

There are many major services correspondents perform for their member banks.

You probably are already utilizing all or most of them. But if you're not using them all, or aren't completely satisfied with the way your correspondent is working for you, try us. We may just be a little better.

Here's what we can do:

- Complete Transit Service.
- Handle Overline Loans.
- Bond Transactions and Safekeeping of Securities for You and Your Customers.
- Transfer Your Funds to Other Banks.
- Provide Channels for "Fed Funds".
- Complete Off-Premise Computer Services.
- Provide Complete Trust Services and the Administration of Wills, Estates, and Corporate Investments.
- Streamline Your Operational Procedures and Banking Systems.
- Provide International Services.

We believe in ourselves and our ability to perform with high ratings of success for your best interests. We want you to believe in us. We believe in you.

First National Bank of Kansas City

10th & Baltimore, Kansas City, Missouri 64141 / Phone: (816) 221-2800. Night: (816) 221-2804.
24 Hour Transit Department / World Wide Correspondent Banks / Member Federal Deposit Insurance Corporation

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Multi-Bank Holding Company for Arkansas?

By RALPH B. COX, Editor & Publisher

ARKANSAS AWAITS a decision from the Federal Reserve Board that could change the course of banking in the state. That decision revolves around an application by First Arkansas Bankstock Corp. (FABCO) to become the state's first registered bank holding company.

Anchor bank of the proposed multi-bank holding company is the $186-million Worthen Bank of Little Rock, which is seeking to acquire the state's 12th largest bank, the $40-million Arkansas First National of Hot Springs. (Deposit totals as of June 30, 1970.)

A group of Arkansas bankers, however, protested the move so vigorously that the Fed moved its planned May 21 hearing in Washington to the Federal Reserve Branch in Little Rock on June 25, in order to accommodate testimony on both sides of the issue. The one-day open hearing brought some 250 banking leaders from all over the state, saw a parade of witnesses on both sides and developed testimony that best could be measured in poundage instead of wordage.

The hearing was conducted by Federal Reserve Governor George Mitchell, assisted by the board's general counsel, Thomas J. O'Connell. Mr. O'Connell said that the opposition was led by the $39-million Arkansas Bank & Trust, Hot Springs' only other bank.

The board, Mr. O'Connell said, had received 56 letters from Arkansas bankers protesting FABCO's application, 10 in support of the application. Another letter had been received, he said, which maintained a neutral position on the proposal.

The principal argument used by opponents of FABCO, said Mr. O'Connell in opening the hearing, was the claim that a multi-bank holding company would violate the state's anti-branch-banking law. (Arkansas laws are silent regarding formation of multi-bank holding companies.)

Mr. O'Connell seemingly weakened this portion of the opponent's case when he pointed out that this was not the first time that opponents of a holding company had used state anti-branching laws as their basic argument. The board had rejected this argument, he said, in a Texas case in 1960 and later reaffirmed its position in a Denver case in 1963.

Nonetheless, opposing witnesses pressed that issue constantly as they appeared one by one before Governor Mitchell and Mr. O'Connell. The application, if approved, they argued, would violate the well-established pol-

Fed holds hearing in Little Rock to hear testimony on both sides of issue . . .

The June 25 hearing on FABCO's application to become the first multi-bank holding company in Arkansas brought an array of legal talent to the Fed's hearing site. Left: Edward M. Penick, pres. and CEO of Worthen Bank, anchor bank of FABCO, confers with attorneys. Right: Cecil Cupp (in dark glasses), ch. of Arkansas Bank, Hot Springs, leading protestant, checks testimony as attorneys for his side prepare statements.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

FABCO hearing at Little Rock Federal Reserve Branch attracted some 250 interested bankers from all parts of the state. Pictured here are just a few of those who heard the day-long testimony.

icy of the state of Arkansas against any form of branch banking, particularly state-wide branch banking.

"This anti-branching policy is an historical one and one that dates back nearly to the inception of bank regulatory law in Arkansas," said Cecil W. Cupp, chairman of the lead dissenting bank, Arkansas Bank of Hot Springs.

Later, B. Finley Vinson, chairman of First National of Little Rock, argued that "the registered bank holding company procedure primarily benefits those who wish to avoid restrictive branch-banking laws." He then informed the hearing that Worthen Bank, thwarted in previous attempts to achieve full-service branching in Little Rock, now sought to circumvent the state's anti-branch laws through the vehicle of the holding company.

Richard C. Butler followed with testimony again citing Arkansas' prohibition against branching, calling attention to bank failures that had resulted because of group or chain banking, and reasserting that the attitudes of bankers and the state's legislature are opposed to branching. "A holding company," he said, "differs only in name from an unrestricted, full-service, state-wide branching arrangement."

Mr. Butler made it quite clear that Arkansas bankers were prepared to go before the state legislature in 1971 to gain legislation that would clearly outlaw multi-bank holding companies. When present anti-branching laws were enacted, he said, state legislators were not aware that some devious method could be used to circumvent that law. If they had, he argued, they "would have used whatever language was necessary to make it clear that state-wide branch banking in Arkansas, by whatever name it might be called, is not acceptable."

An attorney for Worthen Bank—Gaston Williamson, also a Worthen director—sought at the outset of the hearing to dispose of the branch-banking argument. The protestants, in arguing that FABCO's acquisition of Arkansas First National (AFNB) would constitute branch banking, have raised this issue, said Mr. Williamson, "only as an attempt to prejudice the public against FABCO and its affiliates and to frighten bankers who have had no occasion to learn the difference between branch banking and a bank holding company operation."

Branching Not an Issue

Mr. Williamson pointed out that Arkansas does not have a statute prohibiting or dealing with bank holding companies. He cited one statute that "implies" that bank holding companies are permissible.

He further argued that Arkansas banking statutes require the approval by the state bank commissioner of any transfer of shares of a state bank. The bank commissioner expressly approved, he continued, the acquisition by FABCO of the capital stock of Worthen Bank.

"In addition," Mr. Williamson stated, "the Federal Reserve Board notified the bank commissioner of FABCO's application for permission to acquire the stock of AFNB, and the bank commissioner has raised no objection. You may be sure," he argued, "that the bank commissioner would have objected had he been of the opinion that the formation of a registered bank holding company would be illegal under Arkansas banking statutes."

Mr. Williamson then called attention to a memorandum prepared by the office of the Comptroller of the Currency during Senate hearings in 1969 on Senate Bill 2569 to amend the Bank Holding Company Act of 1956.

This memorandum discusses five cases in which federal and state courts have held that multi-bank holding companies or a chain of banks owned by the same stockholders did not violate state laws prohibiting or restricting branch banking. The leading case, he said, is First National Bank in Billings vs. First Bank Stock Corp., 306 Fed. 2d 937 (1962), in which the Court of Appeals for the Ninth Circuit held that the creation of a multi-banking holding company in Montana did not violate a Montana statute that expressly prohibited branch banking.

Mr. Williamson cited several additional opinions and then went into great detail to show the difference between the organization of a branching organization and a holding company organization in order to refute claims that the two types of organizations are one and the same.

Economic Aspects

From this point on, the main thrust of testimony, by both sides, dealt with the economic and competitives aspects of the FABCO proposal and whether holding company banking or unit banking or a combination of the two could best serve Arkansas in the years ahead. Governor Mitchell's interest in the testimony appeared to quicken at this point for under the Bank Holding Company Act of 1956, and later amended in 1966, the Federal Reserve Board is required by law to evaluate the competitive effects, among other factors, of a holding company formation or acquisition within a state. (See opposite page: "Fed Must Judge Competitive Effects.")

Chief spokesman for the Worthen Bank was Edward M. Penick, president and chief executive officer of the bank, who spoke briefly on the history of FABCO and more extensively about the benefits of such an organization to the state.

FABCO originally was formed as a one-bank holding company, he said, because Worthen, being a state bank, could not have a mortgage service company, a travel agency, a leasing company, a real estate holding company or many other such affiliates and departments, which the national banks in Little Rock are authorized to operate and are now operating.

Later, he said, the Worthen Bank was encouraged by numerous business leaders and bankers throughout the state to take the lead in organizing "a family of banks" under the registered bank holding company act."

Arkansas, Mr. Penick argued, needs a larger banking institution in order to handle the state's economic growth. He pointed to the opening of the Ar-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

kansas River as a navigable waterway that could lead to tremendous growth in Arkansas in the future.

"We believe that through a family of banks . . . supervised and regulated by the Federal Reserve Board, we can muster the assets of the affiliated banks to help our state continue its growth," he said.

Mr. Penick agreed, under questioning by Governor Mitchell, that some large industrial loans could be handled through the correspondent process, both "upstream and downstream," but this type of coordination has limitations, he argued. "Through FABCO and a group of affiliated banks, we can enlarge the capital available for all Arkansas business and industry, and we can be in a position," he said, "to be competitive with the regional banks (in states surrounding Arkansas) that are draining capital from Arkansas and not contributing anything to help our state grow."

The holding company vehicle also would help Worthen provide improved services to the various banking publics in Arkansas, Mr. Penick continued. The expertise of Worthen, the state's largest bank, could be made readily available to AFNB and to other members of the "family" as they are added.

The services that Worthen, as anchor bank for FABCO, could provide for other members of the group would be these, according to Mr. Penick:

1. Economic development assistance.
2. Improved trust facilities, particularly as transfer agent and stock registrar.
3. Improved capabilities to serve residential mortgage field.
4. Foreign banking facilities.
5. Competitiveness in data processing for consumer services.
6. Formation of a Minority Enterprise Small Business Investment Company.
7. Market research.
8. Development and retention of skilled banking personnel.

Governor Mitchell queried Mr. Penick as to whether any of these services were currently being made available to correspondents. Mr. Penick said they were, but he pointed out that it is just natural to work a little harder where you have a stock interest in the bank.

Governor Mitchell also asked Mr. Penick about future plans for acquisitions to the "family" of banks.

Mr. Penick agreed that FABCO would be seeking other affiliate banks from time to time, principally ranging in size from $20 million to $40 million and in counties with multi-banking units. Smaller banks, he admitted, would have to be ideally situated to interest FABCO.

Mr. Penick sidestepped Governor Mitchell's query as to the number of banks that FABCO might acquire or the percentage of the banking business in Arkansas. Mr. Penick's reply was to the effect that any future acquisition was, in any case, always subject to Federal Reserve approval.

(The current proposal would give FABCO some $226 million in deposits, or between 8-9% of the state's deposits that have ranged recently from $2.5 to $2.7 billion, Polk's Directory, March, 1970.)

Benefits to AFNB

Thomas W. Stone, president and chief executive of AFNB, the bank that FABCO would acquire, echoed Mr. Penick's opinions on the benefits of a multi-bank holding company to the state. Specifically, for AFNB he saw great possibilities for more efficient service to the public by his bank becoming associated with FABCO. "We are firmly convinced," he said, "that through the affiliation greater and better services can be rendered to our customers, stockholders, employees and to the community as a whole."

Mr. Stone said that certain benefits already had accrued to the bank since its decision to become associated with FABCO. Increased credit lines already are available, he said, through the facilities of Worthen, "which will enable us to take care of larger loans required by some customers. This service has been far beyond what we could expect," he said, "from the usual correspondent bank relationship." (AFNB has been a correspondent of Worthen for some 30 years.)

Mr. Stone also pointed out that Worthen officers already had given refresher courses to AFNB personnel on FHA and VA loans; he expected help in the field of marketing and also in

Fed Must Judge Competitive Effects

The Bank Holding Company Act of 1956 requires the Board of Governors of the Federal Reserve System to evaluate the competitive effects, among other factors, of *multiple-bank holding company formations and acquisitions.* The Bank Merger Act of 1960 further requires the Federal Reserve and other bank regulatory agencies to evaluate the competitive effects, among other factors, of bank mergers.

In 1966 Congress amended both the Bank Holding Company Act and the Bank Merger Act to clarify the relationship between those two banking acts and the federal antitrust laws—that is, the Sherman Act and the Clayton Act. The amendments prescribed, among other things, that the same competitive standards would be applied by the federal bank regulatory agencies and the Department of Justice in all cases involving bank mergers *and registered bank holding company formations and acquisitions.*

Under the amended legislation, as under that in effect earlier, all bank mergers must receive prior approval from the appropriate federal regulatory agency, and all registered bank holding company formations and acquisitions must receive prior approval from the Board of Governors of the Federal Reserve System.

The agencies may not approve under any circumstances acquisitions that would violate the antimonopoly provisions (Section 2) of the Sherman Act. They also are forbidden to approve any acquisition the effect of which "may be substantially to lessen competition, or to tend to create a monopoly" (the language of Section 7 of the Clayton Act), or which "would be in restraint of trade" (that is, be in violation of Section 1 of the Sherman Act), unless "the anti-competitive effects . . . are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served."

Even if an acquisition is approved by the relevant banking agency, however, the Department of Justice may bring suit under the Clayton and/or Sherman acts. But if that department does not act within 30 days, it is thereafter barred from entering suit except under Section 2 of the Sherman Act. (Source: *Federal Reserve Bulletin,* March, 1970.)

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

the opening of a new bank building recently begun by AFNB.

Benefits also would accrue to employees of AFNB, according to Mr. Stone, through specialized training programs offered by Worthen, and through a more liberal employee benefits program. Shareholders, too, would benefit, he said, from a more diversified investment and a greater growth potential. Shareholder enthusiasm for joining FABCO is evidenced by the fact that stockholders owning more than 99.07% of the bank's outstanding stock have joined, according to Mr. Stone.

Benefits Refuted

Opponents of the FABCO application had their opportunity to refute the benefits that would accrue to Arkansas and the economy of the state through holding-company banking. Cecil Cupp, chairman and chief executive officer of Arkansas Bank and Trust (ABT), Hot Springs, led the opposing testimony.

"Although our bank initially will be the bank most directly involved," he said, "since it is the only other bank in the Hot Springs area, our objections to the application are based, not on any effect it may have on ABT, but rather upon the effect the granting of this application would have on the economics of Arkansas. Already, the large concentration of capital in the city of Little Rock under the unit-banking system works on occasion as a detriment to the other communities of our state."

Mr. Cupp took issue with the FABCO application that minimized the city's efforts to industrialize. He pointed to numerous industries that had located in the area, advising that "the growth of industry has come about through the *cooperation* of the financial institutions, the Chamber of Commerce and county and city officials. If this application is granted," he argued, "and the control of AFNB comes under the applicant (FABCO), we are concerned that this past cooperation will not be as readily available and that our community may be disserved by pulling in opposite directions."

Mr. Cupp also took issue with the application in its claim that the inadequacy of banking in Arkansas was a serious deterrent to industrial development. Citing his experience with the Arkansas Industrial Development Commission from 1959 to 1963, Mr. Cupp said that he could not recall a single instance in which a good industry was lost to the state because of inadequate bank financing.

"Professional development engineers," he continued, "generally consider the adequacy of Arkansas banking as a neutral asset. . . . I see no way," he concluded, "in which the granting of the application could be of any significant benefit to the state's industrial development program."

Mr. Cupp pointed out that several of the services that FABCO could now provide to AFNB, such as travel and leasing, might be cut off if the application is granted. "Our attorneys have raised the question," he said, "whether or not these subsidiary corporations would be allowed to continue if the application is granted and, consequently, whether these particular services would long be available." FABCO now provides these services under the one-bank holding company structure.

According to Mr. Cupp, the unit-banking system has best served Arkansas in the development of the small businessman and farmer. "This is the keystone upon which a great deal of the economy of Arkansas historically has been built.

"Arkansas is a small state economically and generally is made up of small businesses. The financing of giant corporations has not been a problem in Arkansas. These corporations," he said, "have arranged their own financing or have availed themselves of one of the attractive bond programs which the Arkansas legislature provided for the express purpose of assisting them in locating here."

Mr. Cupp argued that if funds from smaller banks were to be funneled through a holding company for the benefit of larger corporations, "this inevitably would drain off available funds for the needy locally owned business and farm operation."

Mr. Cupp also disagreed with the applicant's position that a holding company would generate new capital. "We are of the opinion," he said, "that it may well make it more difficult for the small businessman and small farmer to obtain needed capital, since frequently these are the more risky loans."

The application should be denied, he said, so that the matter of branch banking or the desirability of registered holding company banking can be left to the determination of the people of Arkansas.

As the petition now stands, said Mr. Cupp, FABCO would ultimately monopolize and substantially lessen the competition of banking in Arkansas through acquisition of other banks and concentration of economic power in one banking organization.

Danger of Concentration

Another protesting witness, B. Finley Vinson, chairman of First National of Little Rock, evaluated the consequences of concentrating the state's financial resources in one or more hands.

"Once a registered bank holding company is created in a given state," he said, "other banks must create or join such an organization in order to compete. This will be true in Arkansas if this application is approved.

"The other Little Rock banks, namely, First National, Union National and Commercial National, would, in my opinion, be forced to create bank holding companies and acquire smaller banks. In time, none of them could competitively avoid this. Independent banking in our state would be de-

(*Continued on page 72*)

Plans Are Announced in Alabama for Bank Holding Company

Alabama will have its first registered bank holding company if the proposed First Alabama Bancshares, Inc., is approved by the Federal Reserve Board. If the application is approved, the holding company will make an offer to stockholders of First National, Montgomery, Exchange Security Bank, Birmingham, and First National, Huntsville, to exchange stock of the holding company for stock of the three banks.

If the firm becomes a reality, officers will be: president and chief executive officer, Frank A. Plummer, chairman and president, First of Montgomery; chairman, Robert Lowry, chairman, First of Huntsville; and vice chairman, Norman Pless, president, Exchange Security Bank. All three men are CEOs of their banks.

Under the proposed plan, the three banks would not be merged, but would continue as separate corporations in their respective communities. As of last April 30, their total assets were: First of Montgomery, $209.1 million; First of Huntsville, $83.2 million; and Exchange Security Bank, $154.4 million.

Initially, the holding company's board would be composed of 10 members from the Montgomery bank, seven from Birmingham and four from Huntsville.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Senate Banking Committee Reports Milder 1-BHC Bill

By JIM FABIAN

Associate Editor

THE OTHER SHOE has finally fallen in the one-bank holding company drama taking place in the nation's capital. After approximately eight months, the Senate Banking and Currency Committee has reported out its version of what has been termed the most restrictive piece of banking legislation ever written.

But the falling of the second shoe wasn't nearly as loud as was the crash made as the first shoe was dropped by the House Banking and Currency Committee last November. For the members of the Senate committee chose to report a milder version than did their House counterparts.

The Senate version—which must be voted on by the entire body, then reconciled with the House version—exempts entirely from legislation companies controlling banks with a net worth of $3 million or less. It also calls for a more liberal acquisition cut-off date—March 24, 1969; eliminates the "laundry list" of "no-no" bank services compiled by the House committee; and provides for the Fed to grant exemptions from legislation to 1-BHCs seeking them, even though the firms do not qualify for the $3 million-or-less exemption.

Final Senate action on the bill is not expected until September—and reconciliation of the two disparate versions of the legislation could take considerably longer due to the heated debate expected from supporters of the House version of the bill. At least one commentator has predicted the bill will never be signed into law, due to the almost impossible task of reconciling the two versions.

According to the Senate version, a $500 million bank seeking exemption from the bill would have to be part of a holding company with at least $2 billion in assets in order to qualify for exemption. Such calculations are based on the theory that the net worth of a bank comprises about 10% of its assets, which means that 1-BHCs with banks of from between $30 million and $500 million in assets would continue to be exempt from regulation, for the most part.

The Senate version requires acquisitions to be only functionally related to banking, which is interpreted to permit banks to operate insurance agencies, travel bureaus, data processing centers and leasing agencies—activities specifically denied banks by the House version.

The Senate bill agrees with the House version in placing all 1-BHC activities under jurisdiction of the Fed. The agency would have the power to order divestitures of subsidiaries acquired after March 24, 1969, if they did not meet the standards of the new law. This grandfather clause date conflicts with the May 9, 1956, cutoff date

ABA's Stand on 1-BHCs

The ABA issued an official position concerning 1-BHC legislation early in 1970. The position consists of five basic principles, as follows:

"1. We endorse the principle that serious and thoughtful study of the nation's financial system by an appropriate commission is an essential prerequisite to any legislation of the type contemplated by H.R. 6778.

"2. We endorse the principle that banks and bank holding companies should be permitted to engage in any activities which are financial in nature, or are functionally related to banking or finance, and that they should be limited to such activities.

"3. We endorse the principle that whatever regulation is adopted, temporarily or permanently, for bank holding companies, should apply equally to all such holding companies whether one-bank or multi-bank.

"4. We endorse the principle that holding company legislation, whether multi-bank or one-bank, should provide only for regulation of the domestic activities of holding companies.

"5. We endorse the principle that any legislation finally adopted must make reasonable provisions for activities begun in good faith and in full accordance with existing law and that unfair retroactivity be avoided."

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

approved by the House.

New to the legislation is a provision granting conglomerate 1-BHCs a total of 10 years to divest themselves of their banking subsidiaries. Conglomerates are those generally dominated by a non-bank corporation, such as a foundation or industrial firm. The divestiture plan provides for two five-year periods in which to divest. This provision was adopted to permit conglomerates sufficient time to build up their banking subsidiaries into "saleable packages."

Another provision calls for a 91-day Fed processing time on all applications for bank-dominated companies. In the past, this has been an unwritten rule of the Fed.

The Senate version also gives the Fed power to initiate action in cases where it feels a holding company is engaging in tie-in deals. This section was designed to alleviate fears of 1-BHC competitors who envisioned banks luring customers away from the competitors' subsidiaries by dint of their economic power.

It had been estimated that more than 1,100 1-BHCs would be affected by the legislation. However, amendments are expected to exempt 34 major firms that control one bank apiece, and up to 870 small holding companies controlling banks having less than about $30 million in deposits.

The reporting of the bill out of the Senate Banking and Currency Committee came as a blow to most bankers, since every effort had been made to delay any action until President

(Continued on page 30)

What Bankers Are Saying About 1-BHC Regulation

Gordon J. Kingma, vice president, Lafayette (Ind.) National, referring to the recent Louis Harris poll on the nation's opinion of banking (see June MCB):

"Only 34% of the (nation's) leaders were even familiar with the concept of one-bank holding companies and only 44% favored it. The big fear is the threat of monopoly—47% worried that banks would enter fields they have no business in; 51% said banks would have too much influence on the economy; and 70% said big banks, as they get bigger, will become more powerful. All of which proves the lousy job banks have done to explain the one-bank holding company idea.

KINGMA

"The survey proves a winning story can be told. For example, 61% agreed that allowing banks to broaden and expand services permits maximum use of bank assets through diversification; 67% believe diversification would attract top talent to banking; and 65% said this concept would have a full and positive impact on the community."

Dr. Arthur Burns, chairman, Federal Reserve System:

"If banks . . . are to be prohibited from offering service simply because it might compete with a non-bank business, we can expect a stagnant banking system and, perhaps also, a drag on the economy."

BURNS

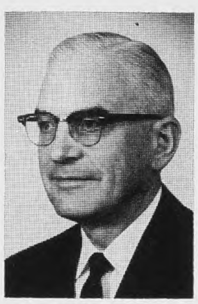
Clifford C. Sommer, ABA vice president, and president, Security Bank, Owatonna, Minn.:

"H.R. 6778 . . . is probably the most restrictive piece of banking legislation ever written. If this bill goes through as written, it will be like putting up a brick wall in the way of the future growth of our industry. . . . Freeze the definition of banking by statute at any point in time and you will cripple its ability to respond to changing needs. It's the beginning of obsolescence by edict. . . . H.R. 6778 is the most critical challenge our industry has faced since the depression of the '30s."

SOMMER

Blaine H. Wiseman, immediate past president, Indiana Bankers Association, and president, Old Capital Bank, Corydon, Ind.:

"Most bankers do not quarrel with those who would keep us in bank related fields, providing there is flexibility in determining these fields in the future. But, in the haste to give banking a bath, let's not throw the baby out with the bath water.



WISEMAN

"Who will benefit if banks are kept out of leasing, data processing, insurance, travel agencies, etc.? Will it be the public or the competitors of banking who are operating in these fields? The public should benefit significantly if banks with their convenient locations and their strong public interest are allowed to compete.

"If banking is to be put in a strait jacket while all its competitors are left free to expand, the younger and more talented bankers will be leaving in droves for greener pastures."

Nat S. Rogers, ABA president, and president, First City National, Houston:

"As is frequently the case, the hue and cry of the current controversy misses the point and obscures the issue. The one-bank holding company device is not a bid for financial mastery over American industry. Nor is it a 'boarding house reach,' as Mr. Patman has charged, to enable banks to pick up non-related companies. It is an attempt to bring a degree of flexibility to banking that has been sadly lacking because of over-regulation."

ROGERS

Dr. Harry P. Guenther, executive vice president-economist, National Association of Supervisors of State Banks:

"Early discussions about one-bank holding companies centered about whether they posed threats of creating undue concentrations of power, reduced competition and risks to depositors. That emphasis has changed until the debate currently centers around the definition of the business of banking and wheth-

GUENTHER

(Continued on page 30)

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Giveaways or Meaningful Premiums? Legislation Prompts Rethinking

By EARL S. EICHIN

Executive Vice President
Financial Marketing Corp. of America
Worcester, Mass.

PROMINENT on the first page of many of the nation's newspapers of July 15 was a story concerning the massive battle of gift giveaways being waged by major savings banks in New York City. This story has helped bring into sharp focus the controversial subject of bank premiums offered to attract deposits.

The giveaway battle started early this year when a federal regulation limiting gifts to $2.50 was revised to the current $5 and $10 limit. The program has succeeded only in luring money from one bank to another instead of attracting new deposits as intended, many bankers contend. The giveaway battle is spreading to other cities.

As a result of this sharp focus on giveaway promotions, Representative Spark M. Matsunaga (D., Hawaii) recently introduced a bill into Congress that would limit federally insured banks in the offering of gifts or inducements to new depositors. The situation as it now stands is a clouded one and calls for much discussion and self-examination by the banking industry.

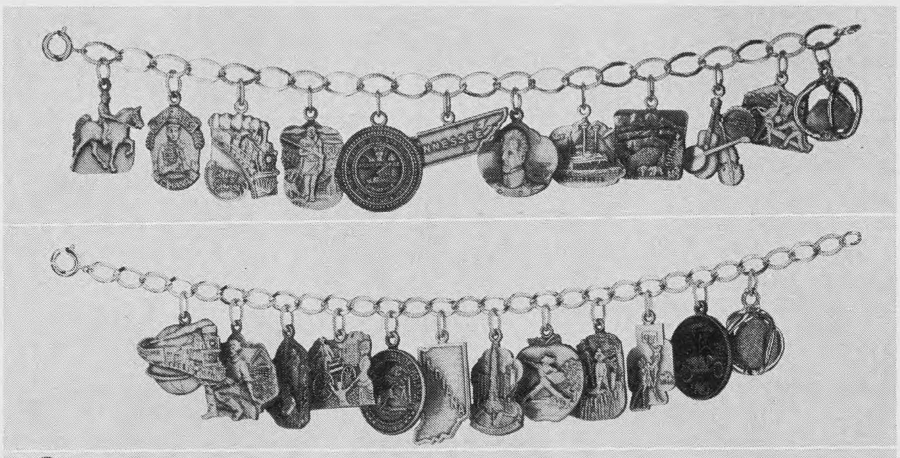
These developments are of interest to firms like Financial Marketing Corp., which is currently working with over 40 banks in eight states with a self-liquidating marketing system of deposit incentives created to fill the promotional needs of banks in the U. S.

The system is known as the state heritage program and it embraces a broad marketing approach that has as one of its tangible manifestations the offering of sterling silver sculptures, or charms, that are added to a customer's charm bracelet during a promotional campaign. Aside from the admirable results obtained in the execution of the heritage concept, there is a pressing necessity to differentiate this program from the extravagant giveaway efforts put forth by the New York City banks. It is in the presentation of the state heritage and its symbolic portrayal that the heart of the matter becomes evident.

First National, Louisville, was one of the first Mid-Continent-area banks to present a state heritage program. The bank offered a charm bracelet to customers opening new savings accounts or adding $10 or more to a current savings account. The initial deposit and all subsequent deposits of $10 or more entitled the customer to buy one sterling silver heritage charm for $1.50. The charms depict well-known figures or events in the history of the state in which the bank is located.

Many banks in the Mid-Continent area have since joined the ranks of those offering this program, including First National, Chicago, with exclusive rights to Illinois; American Fletcher National, Indianapolis; Lincoln National, Fort Wayne, Ind.; and Hamilton National, Knoxville, Tenn. In addition, many of the correspondents of these banks have either accepted or are in the process of accepting similar programs.

A unique state heritage collection must be created for each bank. In so doing, each subject is presented with its relevant historical narrative. This concept has reached the influential community of business, education and gov-



Trio of state heritage collections was created by Financial Marketing Corp. for banks in Tennessee (top), Indiana (center) and Illinois (bottom). Each bracelet bears 12 charms depicting the heritage of the state involved.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ernment leaders, which has not only commented favorably on the approach but has also been inclined to participate in the program.

A bank, once committed to a program, enlists the aid and support of its employees and, by their enthusiastic participation, insures good evidence of the program's value. Each employee is familiarized with the heritage concept and with the narratives of each of the subjects. Each employee is made aware that the sterling silver sculptures are hand-crafted originals and that the heritage collections recognize the achievements of the people of their state as well as the contributions of these people to the welfare of the nation and to mankind. As a result, almost every participant does so with enthusiasm. Pride in the collection is infectious. The results—substantial savings deposit gains!

Each phase of program development, starting with research, visuals, and on to design and finished final art, is done by a staff at the studios of Financial Marketing Corp.

The initiating bank in a state under development usually accepts the role and responsibility of heritage subject moderator. Deliberation and some arbitration is vital to design the best and most revealing heritage collection. It is therefore a lengthy, time-consuming process to come to terms with the research, writing and artwork. Generally stated, months are required to fully develop a particular state heritage program for presentation.

Each 12-subject collection is visualized story-board fashion, which allows the history of the state to be revealed in sequence, to be evaluated chronologically and to be properly balanced in concept. The state heritage savings incentive program is ultimately prepared in a series of "flats" preceded by a title page revealing all 12 designs with their narrations, again in an organized sequence, to the bank.

Support materials include a 16-page heritage folder with descriptions of the sculptures, a shopper's guide, an informative brochure for statements and lobby displays, as well as a management guide with all necessary forms for the conduct of a program.

Once a state heritage collection is approved, the finished artwork is released to one of several manufacturers. For the designer there are limiting factors and some restrictions that must be considered from the start of a visual. It is, therefore, necessary for the artist to understand the problems in the process of manufacturing. Despite the use of special equipment, it is interesting to note that each step in manufacturing involves intricate hand-crafting techniques that remain basically the same as they were years ago when artisans first began to work with precious metals. The resulting sculpture is a product that is exclusive with the issuing bank, representing a value considerably in excess of that attached to it by the program.

Banks that are either now participating or have participated in state heritage programs have realized new deposits in excess of $100 million. • •

Bank Giveaways Hit

A bill to prohibit federally insured financial institutions from offering gifts for the opening of new accounts or adding to existing accounts has been introduced in the House of Representatives by Spark M. Matsunaga (D., Hawaii).

Representative Matsunaga is said to be of the opinion that such gifts could permit financial institutions to circumvent regulations approved by Congress that govern interest rates and thus could endanger the protection and safety of banks.

The legislation was introduced as a result of the dramatic increase in giveaway programs being carried out by banks—mostly those located on the East Coast.

Fifteen large New York City banks have been conducting simultaneous giveaway programs that are said to have turned bank lobbies into department stores. Depositors have been offered wristwatches, appliances, radios, luggage and similar items. Several banks have offered Cadillacs and other autos, color tvs, European vacations, and other expensive gifts to those willing to make large deposits. One bank is reported to have offered a chauffeur-driven Cadillac for one year to anyone depositing $1 million.

A growing consensus admits that, for the most part, these campaigns are merely causing money to flow from one bank to another with relatively little new money coming in.

1-BHC Bill

(Continued from page 28)

Nixon's Commission on Financial Institutions had made its report on the status of banking in the nation.

Among the first to go on record as not favoring the Senate version is Richard W. McLaren, chief anti-trust enforcement officer of the Justice Department. Mr. McLaren criticized the "very substantial loophole" that the Senate version would create by providing for the exemption of conglomerates. Senator William Proxmire (D.,Wis.) the only member of the Senate Banking and Currency Committee to criticize the bill, warned that the Senate version is a "complete cave-in to the conglomerates." He said he would attempt to defeat the section granting exemptions to certain holding companies.

Both Messrs. McLaren and Proxmire agreed that the grandfather clause cutoff date should be rolled back to June 30, 1968, the date preferred by the Nixon administration.

The 34 corporate-dominated holding companies exempted under the legislation control the following banks in the Mid-Continent area:

O'Hare International, Lakeside Bank, Bank of Chicago, LaSalle National, Pioneer Trust & Savings, Lake View Trust & Savings, all of Chicago; Bank of Lincolnwood (Ill.); Jefferson Trust & Savings, Peoria, Ill.; Illinois National, Rockford, Ill.; Argo State, Summit, Ill.; First Bank & Trust, South Bend, Ind.; Texas Commerce and Houston National, Houston; and Brotherhood State, Kansas City, Kan. • •

What Bankers Say

(Continued from page 28)

er or not firms in certain lines of business should be protected from competition from banks. I strongly urge the (Senate Banking and Currency) committee to define the proper scope of the legislation. Such a clarification is critical to the continued vitality of the banking business, is in the best interests of the public and would serve to reaffirm that it is the prerogative of the states to define the essential powers of banking."

Five U. S. Banks Form Group to Sponsor Internat'l Bank

Two Mid-Continent-area banks—Mercantile Trust, St. Louis, and Indiana National, Indianapolis—are among five banks in the U.S. that are forming a new international bank in London. The new bank will be capitalized initially at $12 million, with each of the jointly participating banks owning an equal interest. The bank is expected to open this fall, and its primary purpose will be to operate in the international Euro-currency market and to specialize in the provision of medium-term financing.

The other participating banks are Maryland National, Baltimore; First Western Bank, Los Angeles; and First National, Atlanta. Also taking part is Keyser-Ullmann, Ltd., a 100-year-old merchant bank in London. Combined assets of the sponsoring group are approximately $6 billion.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

This young man knows his way around. As a member of National Bank of Tulsa's Correspondent Bank Department, he may be walking through your front door soon.

The brand of banking service he brings with him is as unique and distinctive as the decor surrounding him here in NBT's new Executive Dining Room. The only thing "old-fashioned" about Pacesetter banking is our goal . . . MAXIMUM SERVICE to our customers . . . to our correspondent banks.

Richard Duncan's specialty is service. Get in touch with him at NBT's Correspondent Bank Department, 584-3411. The Pacesetter Bank helps you get things done.

MEMBER F.D.I.C.

NATIONAL BANK OF TULSA

THE PACESETTER® BANK THAT HELPS YOU GET THINGS DONE

A FULL SERVICE BANK

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Federal Crop Insurance

—Should Bankers Recommend It to Their Farm Customers?

BY ROSEMARY McKELVEY

Managing Editor

ALTHOUGH federal crop insurance has been available to farmers for 32 years, many bankers know little or nothing about it, and some of those who are acquainted with it don't really know whether their farm customers should have it. Therefore, the Federal Crop Insurance Corp., which administers the insurance program, is making a sustained effort to acquaint bankers with the insurance.

The Federal Crop Insurance Corp. —a government-owned corporation within the U. S. Department of Agriculture—was created by law in 1938 to provide all-risk crop insurance not available to farmers from any other source. The term "all-risk" is used when the insurance covers unavoidable loss due to adverse weather (drought, freeze, excess moisture), insects, plant diseases, flood, fire and a few other causes.

Because the loss frequently comes from failure of a crop to grow, the method of determining loss is by establishing a guaranteed production in bushels or pounds or other units of weight and, if the crop is not as large as the guaranteed production as a result of insurable causes, a farmer is paid for the shortage. On certain fruit crops—especially trees—and on some other speciality crops, all-risk insurance is not practical. But more than 90% of the insurance protection is all-risk insurance on field crops.

The insurance is voluntary. The farmer must apply for it before planting time. He generally doesn't have to pay the premium until after harvest. If the application is accepted, he is issued an insurance policy. He doesn't have to apply every year; the policy continues from year to year unless he or the FCIC cancels it.

The insurance covers loss in *quality* as well as loss in *quantity* of production. They are not separate, but blended so that large production in quantity may offset loss in quality.

The following crops are insured in 1970 and the order of arrangement is roughly from the crop with the largest number of farmers insured to the crop with the fewest: wheat, corn, tobacco, soybeans, oats, cotton, barley, flax, grain sorghum, peas, peanuts, beans, citrus, sugar beets, raisins, apples peaches, sugarcane, potatoes, grapes, tomatoes and rice. The insurance is in effect in 1,425 agricultural counties in 39 states, but not all crops are insured in all counties.

An insured farmer may assign his insurance in any year to a bank or any other creditor. If there is a crop loss, a joint check for the indemnity is made payable to both the insured farmer and the creditor, and both must sign the check to get it cashed. The FCIC doesn't have to decide how much money to pay to each. This provision improves some farmers' credit and enables them to obtain loans or perhaps to buy supplies or machinery on credit.

The FCIC now is telling bankers about (1) the service FCIC makes available to farmers and (2) the collateral-loan feature, which can be used to protect the lender. As the FCIC pointed out in its 1968 annual report, when bankers understand the program, they realize that under it, they can extend more credit and continue financing operations that they had been turning down. With the collateral assignment, all or part of an indemnity can be assigned to the lending agency.

As part of the educational program for bankers, the manager of the FCIC wrote to the presidents of more than 6,800 banks. In addition, the FCIC offered to provide speakers from the FCIC for bankers association meetings and had booths at the ABA's 1968 and 1969 agricultural credit conferences. More recently, the corporation made a random-sample survey of presidents and other ranking officers of 69 banks in four different states. The purpose was to find out what bankers did and did not know about federal crop insurance, their interest in it and what the FCIC might do to increase their knowledge and utilization of the insurance as collateral. More than 90% of those sur-

Comparison of Crop Insurance Protection and Premiums in Mid-Continent Area for 1960 and 1969

State	1969 Liability	1960 Liability	1969 Premium	1960 Premium
Kansas	$47,620,148	$16,121,453	$3,985,617	$2,034,294
Texas	51,507,044	9,431,920	3,427,533	833,660
Alabama	17,966,348	1,422,409	1,127,798	86,235
Tennessee	17,554,264	4,550,213	931,778	244,725
Kentucky	16,819,530	7,342,251	599,388	306,730
Indiana	16,754,968	3,279,917	690,544	172,843
Illinois	19,032,175	4,525,678	737,717	291,359
Oklahoma	10,099,684	5,351,492	781,606	597,970
Arkansas	12,732,491	689,354	702,811	42,761
Louisiana	11,794,233	599,039	550,608	37,888
Missouri	9,084,760	2,820,638	779,321	275,172
Mississippi	13,552,095	2,620,153	580,494	143,215
New Mexico	6,424,632	1,085,217	391,213	56,927

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Need one good reason to join our Time-Sharing system?

Take ten!

4. BANK PLANNING AND CAPITAL EVALUATION SYSTEM

6. BOND TRADING SYSTEM REVISED FOR THE TAX REFORM ACT

3. COMMERCIAL LOAN PROFITABILITY AND BUDGETING SYSTEM

5. INVESTMENT PORTFOLIO PERFORMANCE MEASUREMENT

7. CAPITAL BUDGETING

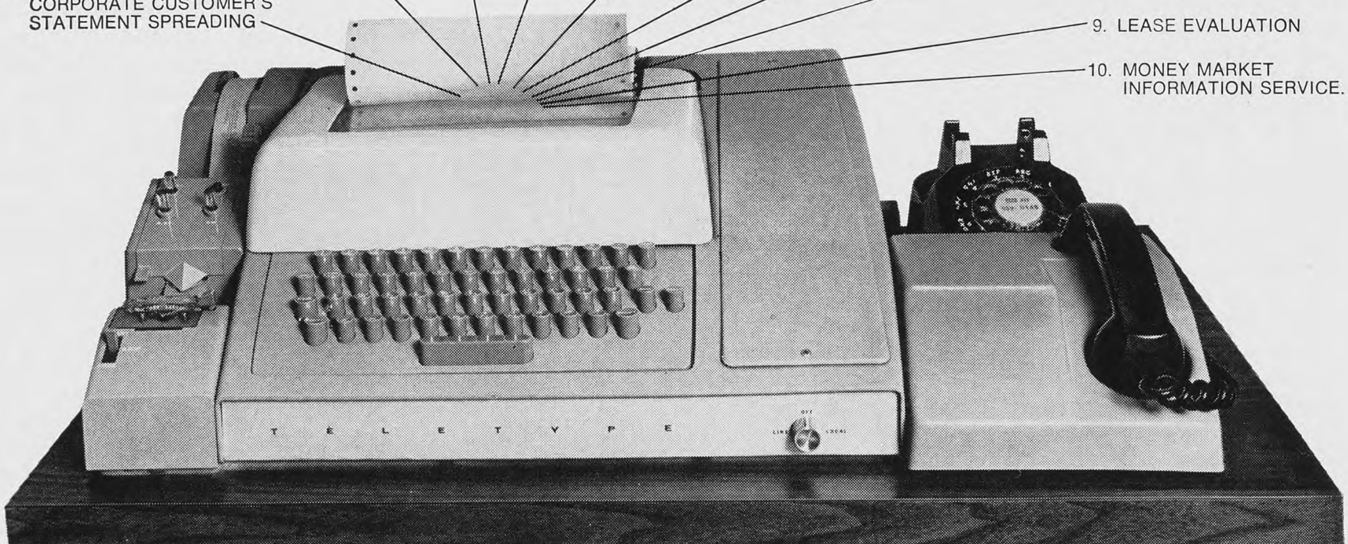
2. MODFUN— CORPORATE CUSTOMER'S FINANCIAL PLANNING

8. REGULATION Z— TRUTH IN LENDING PROGRAM

1. MODFUN— CORPORATE CUSTOMER'S STATEMENT SPREADING

9. LEASE EVALUATION

10. MONEY MARKET INFORMATION SERVICE.



MEMBER F.D.I.C.

All of these computer programs are on tap for you through Citibank's Financial Service Network. Any one of them can become one of your most valuable management tools —can do the calculations in support of management decisions in a matter of minutes.

That's why banks of all sizes throughout the U.S. are already participating in our Time-Sharing system. Through a simple phone call over an ordinary teletypewriter—by local service in over 100 U.S. cities—you can put the computer to work for your bank, retrieving required information or solving problems.

To make doubly certain that your bank gets maximum value out of the system, Citibank holds workshop seminars in the office of each subscribing correspondent and conducts regular monthly seminars in our New York headquarters.

Whether your main interest is in Modfun, Money Market Information Service—or anything in-between, you should find out all the details and benefits right now. To do so, just speak to your Citibank Representative or write Norman R. Prouty, Jr., Assistant Vice President, 399 Park Avenue, New York, N.Y. 10022.

FIRST NATIONAL CITY BANK

Innovators in Correspondent Banking

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

veyed said: 1. It's all right for the government to offer federal crop insurance. 2. It doesn't compete with other insurance. 3. The farmer with FCIC protection is a better risk for loans. 4. The FCIC ought to do everything it can to become better known to banks.

One banker who is sold on federal crop insurance is Elmo A. Carlson, vice president, Deuel County State, Chappell, Neb. Speaking before FCIC representatives at Ogallala, Neb., he said that federal crop insurance had stabilized his area's economy. Every fall when the wheat is seeded, he explained, he knows he has more than $1 million in bankable collateral as a result of FCIC coverage. Farmers are pleased to think that their costs of production are guaranteed, he continued, and that, in case of disaster, they will not go backwards economically.

In 1965 farmers in Deuel County lost their wheat crops, said Mr. Carlson, but the economy went along on an even keel because the FCIC promptly paid more than $1 million in wheat-loss indemnities.

"Even though losses have been paid every year but two," he said, "premiums have exceeded losses. The FCIC stands on its own feet and is not a government crutch or welfare program of any sort. It's a good, sound business corporation which handles insurance on crops because no private corporate insurance company is large enough to handle an insurance program as large as that of the FCIC."

Mr. Carlson believes federal crop insurance can solve a serious problem for both the farmer and the banker. In his own bank, he continued, the best source of income for farm loans is available through the use of federal crop insurance.

The FCIC provides a guaranteed income to farmers (their cost of production), he said, and the collateral-assignment feature provides a good source of eligible collateral for sound bank security, thus increasing the available source of credit for farmers who hope to prosper and expand their operations.

Mr. Carlson pointed out that most of his bank's borrowers include federal crop insurance as a part of their farm financial management program similar to repairs, fuel, seed and fertilizer. In fact, he said, farmers around Chappell wouldn't think of farming without federal crop insurance, and it's well accepted by more than 90% of small and large farmers alike. He added that he rarely ever has had FCIC contract cancelations.

"Our bank has not had a single loss in 30 years of making loans secured by mortgage or security agreement on the growing crop and a collateral assignment of the federal crop insurance contract," said Mr. Carlson. "Using federal crop insurance as collateral," he continued, "we are not forced to make a barnyard-type loan which sometimes would have been secured partly by machinery and non-liquid assets. By using a farmer's crop as a source of payment, we thus free his other personal property, including machinery, for more flexibility.

"In our area, federal crop insurance has established and added to the income of our community," Mr. Carlson said.

In Caruthersville, Mo., the First State Bank also believes in federal crop insurance. Horace Dunagan Jr., president, and Wayne Bond, farm representative, told MID-CONTINENT BANKER that such insurance is usable collateral for a farm loan, that a farmer on marginal land should carry this insurance every year and not on in-and-out basis and that in 1967 and 1968, many of the farmers in the bank's county were kept in business by the FCIC.

Mr. Dunagan said he does question whether federal crop insurance is profitable when a farmer's land is spread over a large area, and he reported having had problems with farmers complying with all the FCIC requirements, such as filing crop reports on time or knowing exactly how the insurance program works. Mr. Dunagan also said that he doesn't recommend this insurance to all farmers in this area because some have never had a loss on their farms. He reported that most farmers in his area believe the premium is too high on cotton land.

Another Missouri banker—Layton Pickard, executive vice president, First Security State, Charleston—told MCB that he believes that federal crop insurance should be carried by the majority of farmers. He pointed out that his area has violent changes of weather, and there are river floods and droughts, and so hardly a year passes that having federal crop insurance would not be advantageous for farmers there.

This has been particularly true the last three years, he continued, when 90% of the cotton crops planted had to be plowed up and replanted in soybeans because of the weather. In these cases, he said, farmers with federal crop insurance have been paid for their total cotton crops. Farmers in this area have been fortunate, said Mr. Pickard, because the Agricultural Stabilization & Conservation Office has allowed them to plant soybeans behind the cotton. If this were not allowed, according to Mr. Pickard, a total crop would have been lost without any payment because of adverse weather conditions. (Under FCIC regulations, if a crop is destroyed while there is still time to replant, the farmer must replant in order to remain insured.)

It's Mr. Pickard's opinion that most farmers don't know about the benefits of this type of insurance and that they have not had a good selling job by those who handle this program. He said he naturally would feel much safer if he had federal crop insurance as additional collateral because variations in the weather are the most damaging aspect of the farming problem.

Edward J. Behm, farm service director, First National, Mattoon, Ill., believes there is a place for federal crop insurance but that it doesn't suit the needs of most of his bank's customers in the Mattoon area. He said this is because he thinks such insurance is good for farmers who are located in areas that have either frequent droughts or flooding, but the last drought in Mattoon occurred in 1954. He believes it's prudent for farmers to carry enough crop-hail insurance to cover the cost of production in case of total crop loss due to hail, especially if their crops are planted in one area. He pointed out that First National's farm department manages farms in nine Illinois counties and, because of this responsibility, the bank keeps in constant touch with the insect situation through the University of Illinois. Thus, the bank tries to be alerted to any insect problems on farms as they arise.

Mr. Behm said that, as far as can be determined, the commercial and farm loan department at First National has never taken federal crop insurance as collateral on a loan.

The FCIC believes that bankers' in-

Information on local crops, rates and coverages may be obtained from the following Federal Crop Insurance Corp. offices:

ALABAMA—R. C. Burnette, Rm. 733, Aronov Bldg., 474 S. Court St., Montgomery, Ala. 36104.

ILLINOIS—R. E. Ostermeier, Rm. 213, U. S. Post Office & Courthouse, Springfield, Ill. 62701.

INDIANA—J. Earl Wilson, Rm. 105, 311 W. Washington St., Indianapolis, Ind. 46204.

KANSAS—Russell L. Bowling, 2601 Anderson St., Manhattan, Kan. 66502.

MISS.-ARK.-LA.—James S. Smith, Rm. 610, Milner Bldg., 200 S. Lamar St.. Jackson, Miss. 39201.

MISSOURI—Murrell Williams, 505 S. Massachusetts Ave., Sedalia, Mo. 65301

OKLAHOMA—E. Paul Smith, Agric. Center Office Bldg., Stillwater, Okla. 74074.

TENN.-KY.—J. Bruce Joyner, Rm. 518, U. S. Courthouse, Nashville, Tenn. 37203.

TEX.-N.M.—Ben A. Jordan Jr., USDA Bldg., College Station, Tex. 77840.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

First Chicago Corporation and Subsidiaries including The First National Bank of Chicago

Consolidated Statement of Condition June 30, 1970

Assets

Cash and due from banks	$1,210,962,000
United States treasury securities	315,559,000
Obligations of states and political subdivisions	621,096,000
Other securities	67,550,000
Trading account securities	113,229,000
Federal funds sold & securities purchased under agreements to resell	96,550,000
Loans	4,549,955,000
Direct lease equipment	38,902,000
Bank premises and equipment	186,300,000
Accrued income receivable	55,993,000
Customers' acceptance liability	133,633,000
Other assets	22,783,000
Total assets	$7,412,512,000

Liabilities

Deposits—head office	
Demand deposits	$2,196,730,000
Time deposits	
Savings passbook deposits	$ 757,489,000
Other savings-type deposits	570,796,000
Other time deposits	635,741,000
Total time deposits	$1,964,026,000
Total deposits—head office	$4,160,756,000
Deposits—overseas branches & consolidated subsidiaries	1,515,877,000
Total deposits	$5,676,633,000
Federal funds purchased & securities sold under agreements to repurchase	265,790,000
Funds borrowed	496,068,000
Acceptances outstanding	138,201,000
Unearned discount	11,921,000
Other liabilities	141,129,000
Total liabilities	$6,729,742,000
Valuation Reserve	
Reserve for bad debts	$ 98,108,000
Capital Accounts	
Preferred stock— without par value, authorized 1,000,000 shares, none issued	$ —0—
Common stock, $20 par value	200,708,000

	1970	1969
No. of shares authorized	13,500,000	10,500,000
No. of shares issued	10,035,410	10,032,910

Surplus	241,258,000
Undivided profits	38,351,000
Reserve for contingencies	105,651,000
Total	$ 585,968,000
Less: Treasury stock, 21,835 shares at cost	1,306,000
Total capital	$ 584,662,000
Total liabilities, valuation reserve and capital	$7,412,512,000

Board of Directors

THOMAS G. AYERS
President,
Commonwealth Edison Company

EDWARD F. BLETTNER
Vice Chairman of the Board

JOSEPH L. BLOCK
Chairman, Executive Committee,
Inland Steel Company

GAYLORD DONNELLEY
Chairman of the Board,
R. R. Donnelley & Sons Company

JOHN E. DRICK
President

MARSHALL FIELD
Publisher,
Field Enterprises, Inc.

GAYLORD A. FREEMAN, JR.
Chairman of the Board

WILLIAM B. GRAHAM
President,
Baxter Laboratories, Inc.

JOHN D. GRAY
Chairman,
Hart Schaffner & Marx

ROBERT P. GWINN
President,
Sunbeam Corporation

BEN W. HEINEMAN
President,
Northwest Industries, Inc.

ROBERT S. INGERSOLL
Chairman,
Borg-Warner Corporation

BROOKS McCORMICK
President,
International Harvester Company

LOUIS W. MENK
President,
Burlington Northern, Inc.

GORDON M. METCALF
Chairman of the Board,
Sears, Roebuck and Co.

LEE L. MORGAN
Executive Vice President,
Caterpillar Tractor Company

PETER G. PETERSON
Chairman of the Board,
Bell & Howell Company

WILLIAM WOOD PRINCE
President,
F. H. Prince & Co., Inc.

GERALD A. SIVAGE
President,
Marshall Field & Company

ROBERT D. STUART, JR.
President,
The Quaker Oats Company

JOHN E. SWEARINGEN
Chairman of the Board,
Standard Oil Company (Indiana)

CHARLES R. WALGREEN, JR.
Chairman of the Board,
Walgreen Co.

Honorary Directors of The First National Bank of Chicago

JAMES B. FORGAN
Former Vice Chairman of the Board

WALTER M. HEYMANN
Former Vice Chairman of the Board

HERBERT V. PROCHNOW
Former President

Member Federal Deposit Insurance Corporation

The 1st First National Bank of Chicago

CHICAGO · LONDON · DUBLIN · PARIS · FRANKFURT
DÜSSELDORF · BRUSSELS · MILAN · BEIRUT
PANAMA CITY · JAMAICA · TOKYO · MEXICO CITY
IN NEW YORK: FIRST CHICAGO INTERNATIONAL BANKING CORP.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

terest in federal crop insurance is rising because, according to the FCIC's 1969 annual report, as farmers need to borrow more money, bankers find that more security is needed to meet their loan requirements.

In recent years, both the FCIC protection provided and the premiums paid by farmers for this protection have reached record levels—$923.8 million of protection and $49 million in premiums for the 1969 crop year. In the 13-state area served by MID-CONTINENT BANKER, Kansas led with $47.6 million in protection and $4 million in premiums (see chart on page 32 for all 13 states' statistics). Currently, the FCIC is reviewing its rates, coverages and contract provisions to determine what changes may be needed for sound operations. Cotton and citrus loss ratios have been especially high in recent years and are receiving special attention.

Bankers can support more of their loans with federal crop loans in four ways, said Richard H. Aslakson, FCIC manager:

1. Find out what crops the FCIC will insure for farmer-borrowers and get a general idea of what coverages are offered and what premiums are charged so that you have a basis for discussing it with borrowers.

2. Discuss it or mention it as you see fit to borrowers you'd like to see insured.

3. Give names of potential policyholders to your nearest FCIC representative so he can go and explain this insurance to them personally. Then, the decision on whether to make application will be up to the farmer. He'll be influenced, of course, if you've spoken to him about it.

4. The FCIC has collateral-assignment forms available to use in cases where you want a borrower to assign to the bank any loss-payment check he may receive (in which case the check is made jointly to him and the bank). • •

Outside Audits

(Continued from page 8)

audits at a group price.

The bulletin also suggested a compromise—have the CPA make the audits only on a cycle basis, to keep the cost down, and yet have everyone toe the line, because they don't know when the audit will be made.

Judging from other letters from league members, the league believes the precise function of an outside auditor, at least for smaller banks, should be clarified. Said the bulletin:

"He is not required to check the overdraft listings, computation of interest, follow through on the verifications and all that. He is the architect of the audit and control plan, not its artisan. His function is to observe that the division of duties is appropriate for the program he sets up, that the rotation of personnel is effected and that there is a working system of checks and balances among personnel.

"In short, the auditor's job is to see that the personnel and program are working as the master plan indicated. He should be kept out of operations; that's what the bank staff is for. After the operational procedures and checks are set up, a part-time auditor or other individual can make the periodic checks and verifications to keep the program from going off the track.

"To conclude, other businesses are organized to make money handling non-money items. Banking is a business of money. Its products, receipts, inventory, etc., are money. Naturally, there is more incentive for monkey shines. Without protective auditing, banking can be just about as dangerous a business as there is, even though some managements of unaudited banks don't see it that way. Familiarity does breed contempt." • •

Franklin Nat'l, New York, To Relocate Headquarters

NEW YORK—Franklin National has signed a long-term, 10-floor lease in a new 32-story, $2-million office tower now rising on the southwest corner of Park Avenue at 57th Street. The bank will transfer its New York City executive headquarters to the new Franklin National Bank Building in 1971.

Office floor areas in the building will range from 8,330 square feet to 8,678 square feet. The main banking area, instead of being on the ground floor, will be located in high-ceilinged quarters on the second floor. The ground floor will be reserved for shops.

Eleven Receive Promotions At Birmingham Trust

BIRMINGHAM—Birmingham Trust recently promoted five officers and elected six new officers.

James R. Beaird, officer in charge of the mortgage and construction division, was named vice president. He joined Birmingham Trust in 1960 and became assistant vice president in 1967.

Promoted from assistant cashiers to assistant vice presidents were: Samuel M. Franks, Miss Barbara A. McCarty, Garis C. Rowe and E. Frank Schmidt.

Elected assistant cashiers were: Geron Daniel, Miss Barbara Dotson, Wallace James, James Likis, Mrs. Lyonitte Lowery and Spencer B. Pickens.

Support Your Team!

Your bank's name and illustration go here

Support your local team with antenna pennants imprinted with your bank's name.

High in public relations value, but low in cost!

Lobby Poster

SOLD BY

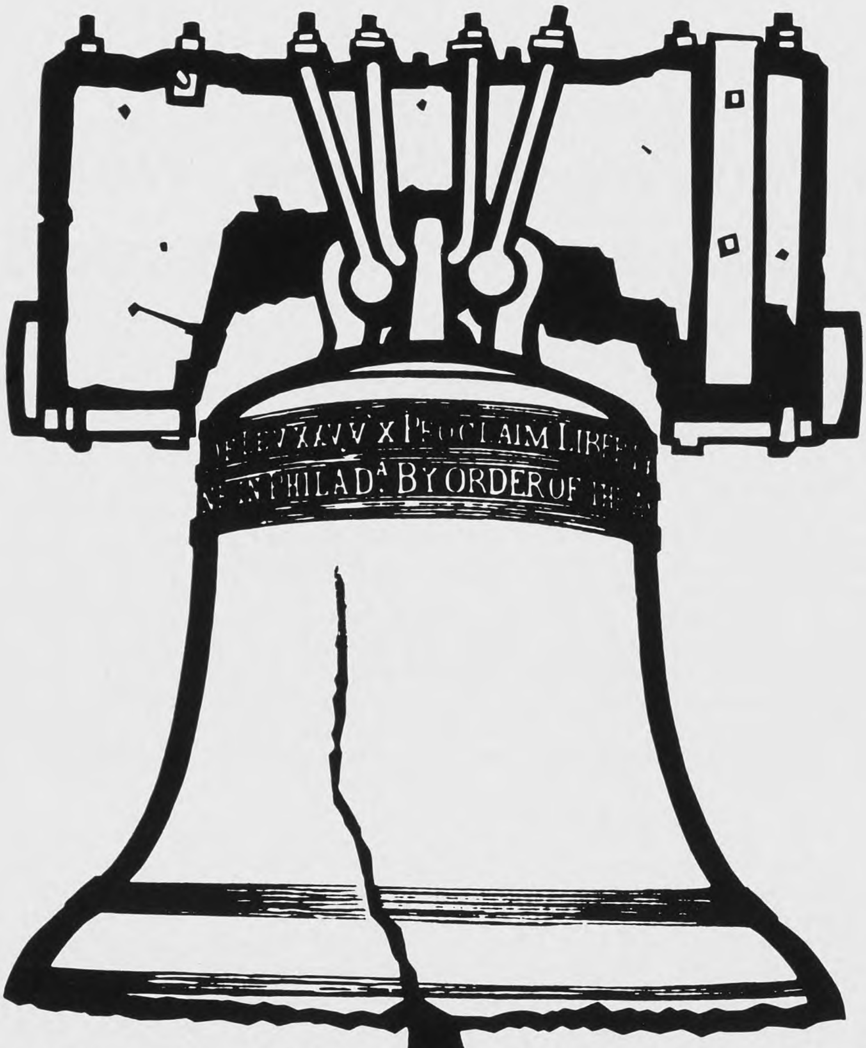
THE GEO. D. BARNARD COMPANY

Known Throughout the Mid-Continent Area for 99 Years

3863 Laclede Avenue
St. Louis, Mo. 63108

Write for samples and prices

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis



TOLL FREE 1-800-292-3594

Independence is a good thing, most times. Other times you may need help in providing your customers with specialized services.

We offer correspondent services second to none. Just try us — give us a ring — "Toll Free" (out-of-state call collect).

Liberty
NATIONAL BANK
& TRUST COMPANY

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION
LOUISVILLE, KENTUCKY

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Banks Can Pinpoint Strong, Weak Points With Comparative Performance Study

By RAY E. REENTS
Bank Management Consultant

HOW DOES a bank's performance compare with others of the same size located in a comparable community?

The accompanying comparative statistical report was prepared from condensed financial statements of 10 banks in the same midwestern non-branch banking state in communities of comparable economy and size. The deposit structure is about the same for the 10 banks.

Five of the banks are members of the Federal Reserve System, the other five are not; six are state chartered, four are national banks. Although condensed statements were used, a definite pattern of operation may be detected, reflecting management's attitude and resulting profit picture.

The five-year average loans/deposits ratio among the 10 banks varies considerably with bank D showing a 37% average for the five-year period and bank G reflecting a 68% average.

Although bank G has maintained a high loan ratio, its 8.9% return on year-end book value and 0.72% return on deposits is not among the highest of the group.

Also, bank G's cash/deposit ratio of 8.2% and book value/deposit ratio of 8.2% should have allowed the bank a much higher return. It is possible that the bank has had heavy loan losses, with such a high ratio of loans, or bond losses or high operating overhead or a combination of all three factors.

However, bank D, with an average loan/deposit ratio of only 37% for the five-year period, shows only a 6.7% return on book value and 0.64% return on deposits. Possibly this bank incurred no loan losses, but earnings would not be substantial with that size of loan portfolio.

Best performance among the group appears to have been by bank E, which shows a 12.8% return on book value and 1.33% on deposits. This was accomplished even though the bank maintained an average 10.1% book value to deposit ratio. It also appears management has been extremely efficient in making loans, especially since the bank has maintained a 62% loan/deposit ratio for the five-year period.

Cash also appears to have been worked to capacity because an average cash/deposit ratio of 9.1% was maintained during the five-year period. In addition, the municipal bond/deposit ratio would indicate some tax-free income of benefit to this size bank.

Many factors enter into a bank's earnings performance, and a comparative study such as this points out strong and weak areas of operation that should be investigated thoroughly to determine if a bank's earnings might be improved. • •

10-Bank Comparative Performance Study (Five Year Averages – 1963-68)

Bank	A	B	C	D	E	F	G	H	I	J
Charter	State	State	State	Natl.	State	Natl.	State	Natl.	Natl.	State
Fed Member?	no	yes	no	yes	no	yes	no	yes	yes	no
Population	3,000	9,000	10,000	4,000	2,000	14,000	5,000	7,000	9,000	2,000
Banks in town	1	2	2	2	1	2	1	2	2	1
12/31/68 Deposits	14.4 M	14.7 M	14.1 M	14.5 M	13.9 M	15.5 M	14.9 M	15.5 M	15.1 M	13.7 M
12/31/67 Deposits	13.6	13.6	13.1	13.1	13.0	13.8	13.2	13.5	13.3	12.9
Increase in Book value	130,180	76,325	80,272	50,457	104,271	51,532	74,997	93,843	54,916	71,597
Dividends pd.	20,000	61,200	31,994	28,000	52,080	37,200	10,560	25,500	21,600	25,200
Dividends plus Incr. in book	150,180	137,525	112,266	78,457	156,351	88,732	85,557	119,343	76,516	96,797
Return on year-End book value	9.6%	8.6%	10.5%	6.7%	12.8%	6.0%	8.9%	11.9%	7.9%	9.4%
Return on deposits	1.14%	0.95%	0.90%	0.64%	1.33%	0.74%	0.72%	0.90%	0.63%	0.80%
Loans/Deposits	52%	62%	48%	37%	62%	60%	68%	40%	56%	46%
U.S. Bds./Deposits	27%	30%	31%	38%	23%	15%	15%	37%	22%	33%
Mun. Bds./Deposits	17%	9%	21%	15%	14%	15%	12%	14%	13%	10%
Other Bds./-Deposits	1.9%	0.2%	—	6%	—	0.9%	3.7%	2%	5%	9%
Cash/Deposits	12.4%	10.3%	7.9%	12.5%	9.1%	14.4%	8.2%	11.9%	10.9%	10.0%
Book/Deposits	12.1%	11.3%	8.6%	9.1%	10.1%	11.7%	8.2%	7.4%	7.9%	8.5%

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Behind every good man, there are other good men at First American.

DON PACE, Assistant Vice President

Our correspondent representatives can help you with everything.
But if for some reason you can't reach your man when you need him,
don't worry. There is a team behind the team.

INDUSTRIAL DEVELOPMENT

For your specific need, you can go directly to an expert. Our industrial development pro can help you plan industrial parks in your community, consult with industrial development groups and encourage such expansion in your trade area.
In Tennessee use WATS line 1-800-342-8392,
bordering states use WATS 1-800-251-8514.

FIRST AMERICAN NATIONAL BANK

Nashville, Tennessee / Member F.D.I.C

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Be a name dropper.

When a fellow banker asks who handles your credit overlines, be a name dropper. City National Bank & Trust Company is the name that's quick to be picked up as the bank that never lets a correspondent down.

City National Bank
& Trust Company
Kansas City, Missouri

MEMBER F.D.I.C.

IT'S GREAT TO DROP A NAME EVERY BANKER KNOWS.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Bond 'Trading' Cannot Be Condoned

By JAMES W. THOMPSON

Regional Director, Memphis Region FDIC

LET'S DISCUSS a practice that is actually old but which seems to be new to those now practicing it.

I refer to the practice of trading bonds on the basis of false invoice prices rigged by a bond dealer above the market levels at which the bonds could actually be sold. Probably such bond trading was not new even then, but I first encountered it early in 1947. The bank supervisory authorities broke it up then, but now a group of eager gentlemen among the bond fraternity has revived it again, and they have been flourishing at the expense of banks who become their unwitting victims.

I have no complaint about transactions where bonds are bought or sold at market prices then existing. Indeed, sales of bonds are often desirable to establish tax losses, to adjust maturities, to get rid of bonds whose credit quality has declined, or for other reasons. But bond trading on the basis of fictitious prices is an entirely different matter. It cannot be condoned.

I am fully acquainted with all of the reasons advanced by a bond dealer for making trades above the market. Let's explore a few of them:

- "We are taking you out of low-yielding bonds and increasing your yield." What the dealer does not say is that the yield should be increased much more and that he is making an excessive profit on the transaction and merely throwing a small bone to the bank in the form of a relatively small increased yield.

- "We are upgrading your bond account, improving the quality of bonds held." In some cases this does happen, but again the prices are unrealistic, and the dealer is making an excessive profit at the bank's expense.

- "We are improving your maturities." Sometimes they do, when a bank has a concentration in certain years. But usually the dealer is lengthening maturities and making an excessive profit at the bank's expense.

- "We are getting you out of unknown bonds and into general market bonds." They may do this, but it might have been better to stay in an obscure local issue with excellent credit quality than to jump into some big city issue of mediocre quality owing to severe urban financial problems—especially when the switch is accomplished to provide an excessive profit to the dealer at the bank's expense.

Mr. Thompson has been with the FDIC since 1940 and has examined banks in Florida, Georgia, Alabama, Mississippi and Louisiana. He was stationed at the FDIC's Jackson, Miss., Office prior to the formation of the Memphis Region in 1967, when he moved to the new office as assistant supervising examiner. In January, 1969, he was promoted to supervising examiner and later that year his title was changed to regional director. He has supervision over 689 banks in Arkansas, Tennessee, Mississippi and Louisiana.

In many cases the fault lies with the bank and not the bond dealer. All too often a banker is unwilling to take a loss on a bond sale, feeling that this would be a reflection on his judgment and would not be understood by his board or stockholders. He therefore informs the bond dealer that he cannot make a switch if it involves showing a loss on the bonds sold. The dealer quickly gets the point and offers to pay book for the bonds bought and to up the price of the bonds sold to the bank.

In this case the banker has literally asked to be taken to the cleaners. I don't believe that many bank directors are so dense that they would blame the bank officer for every loss taken on bonds sold. If so, the bank certainly needs more competent directors who have some comprehension of interest rates and the world in which we live.

Just what is this bond trading to which I refer? Let's take some examples.

Bank bought: $25,000 Par Value, State of "X," Dormitory Authority, 3.60%, Due 7-1-83.

Invoice	$22,885.50
Market Value	19,062.50
Bank Overpaid	$ 3,823.00

Bank sold: $25,000 Par Value, Town of "Y," General Obligations, 4%, Due 3-1-75.

Invoice	$25,674.25
Market Value	23,827.50
Dealer Overpaid	$ 1,846.75
Net Loss to Bank	$ 1,976.25

Bank "sold" one issue at exact book value, but should have sustained a loss of $1,846.75. Bank "bought" one issue

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

at a price $3,823.00 above market value. Bank's net loss on the trade was $1,976.25. And maturities were lengthened eight years and four months.

Bank bought: $171,000 Par Value, City of "X," Public Improvement, 2.90%, Due 12-1-82.

Invoice	$157,520.07
Market Value	119,858.50
Bank Overpaid	$ 37,661.57

Bank sold: $231,000 Par Value, Nine issues of Bonds, Various Coupons and Maturities.

Invoice	$228,200.75
Market Value	203,884.34
Dealer Overpaid	$ 24,316.41
Net Loss to Bank	$ 13,345.16

Bank "sold" nine issues at exact book value, but should have sustained a loss of $24,316.41. Bank "bought" one large issue at a price $37,661.57 above its market value. Bank's net loss on the trade was $13,345.16. And maturities were lengthened substantially.

Bank examiners and supervisory authorities are not inflexibly bound to appraise a bank's bond account at its amortized cost if the bank has not followed recognized sound investment practices. Certainly we would be fully justified in appraising at current market values the bond account of a bank which has been engaged in bond trading on fictitious prices. No one could argue that book values established on the basis of such falsified figures had any meaning whatever or should be accepted under the Uniform Appraisal System, which was adopted by the three federal bank supervisory agencies in 1938.

So what do we do when we find these cases? Although we would be on sound ground in appraising such a bond account at current market value, we have not—up to now—done so. But if these trades continue, we may well be forced to take this position. Up to now we have gone to considerable trouble to fix the approximate market prices at which traded bonds could have sold on the market at the dates of the transactions. This gives the banks a break, because bond prices are much lower now than they were some months or a year ago. But to price bonds as of a date gone by is not easy.

But what we have to do is not a pleasant experience for the banker who has been taken to the cleaners by the bond dealer. After we establish the fact that trades on fictitious prices took place, we ask the bank to charge down any bonds so acquired to their true market value on the dates acquired. These bonds will be appraised at this true cost in all future examination reports as long as they are owned, and the excess price paid will be scheduled as a loss if not charged off.

An explanation is made to the bank's board, which thus learns how gullible its officer was in bond transactions. We report the bank officer and the bond dealer to the U. S. Attorney for possible violations of Sections 1001, 1005 and 1341, Title 18, U. S. Code. Usually an FBI agent makes an inquiry into the matter, and the U. S. Attorney must decide whether he will seek indictments.

We also insist that the transactions be reported by the bank to its insuror under its banker's blanket bond, and if the bank officer is to continue in the bank, the bank must request a waiver from the insurance company.

This is necessary because the surety company can, under the automatic termination clause in section 10 of the blanket bond, deny all liability for subsequent actions of the banker if irregular transactions known to the board are not reported and a waiver obtained. Thus if a waiver is not obtained, and the surety company learns of irregular bond transactions when a claim is filed many years later for a $300,000 embezzlement by that same bank officer, it can refuse to pay under the automatic termination clause.

And if you don't think a lot of companies would take this opportunity to deny liability, then you are not aware of the fact that many surety companies are already canceling blanket

Guidelines for Bond "Swaps"

In conducting bond transactions, bankers have been advised by several state bankers associations to adopt and follow guidelines so that there will be no danger of unethical transactions. The Missouri Bankers Association last month sent a letter containing a bond-transaction checklist to its membership. The checklist was developed by bond experts at some of the MBA's metropolitan member banks. According to the MBA, the following questions should be asked and answered by bankers making bond trades:

1. Name of firm.
2. Name of salesman.
3. Amount of bonds (face value).
4. Maturity date of bonds.
5. Approximate dollar price.
6. Full description of bond to include specific issuer.
7. Moody's/Standard & Poor's ratings.
8. Yield (before trading, know specific yield bond is talking about):
   a. Gross
   b. Net after tax on fully taxable discount
9. Type of bonds:
   a. General obligation unlimited tax
   b. General obligation limited tax
   c. Revenue
   d. State agency issues
10. Verify market prices with another dealer.
11. Be watchful for markups in adjusted trading. When authorizing collection for bonds after trade, provide correspondent the above information plus No. 12.
12. Pledging requirements of the bonds or where you desire safekeeping.

ARKANSAS FIRST NATIONAL BANK 1 ST.

Statement of Condition
At the Close of Business
June 30, 1970

FDIC
Hot Springs, Arkansas

RESOURCES

Loans and Discounts		$21,621,970.40
Bank Buildings (Net of Depreciation)		489,067.28
Furniture, Fixtures & Vaults (Net of Depreciation)		135,318.10
Federal Reserve Bank Stock		42,000.00
Accrued Income Receivable		379,977.78
Other Resources		160,512.63
Federal Funds Sold		500,000.00
U. S. Government Bonds	$5,563,248.85	
U. S. Government Agency Bonds	995,025.25	
State and Municipal Bonds	9,184,906.67	
Cash and Exchange	6,046,377.22	21,789.557.99
TOTAL		$45,118,404.18

LIABILITIES

Common Capital Stock	$ 700,000.00
Surplus	700,000.00
Undivided Profits	1,810,515.10
Reserves: For Possible Loan Losses	410,882.67
For Accrued Interest, Taxes and Other Expenses Not Due	240,897.13
For Deferred Income	565,999.44
DEPOSITS	40,690,109.84
TOTAL	$45,118,404.18

THOS. W. STONE, President

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MANUFACTURERS BANK

CONSOLIDATED STATEMENT OF CONDITION
June 30, 1970

RESOURCES:	
Cash and Due From Banks	$ 306,321,233
U.S. Government Securities	$ 168,610,115
Public Housing Authority Securities	51,542,564
State and Municipal Securities	161,307,227
Other Securities	5,535,697
Total Securities	$ 386,995,603
Federal Funds Sold and Securities Purchased Under Agreements to Resell	18,000,000
Commercial Loans	$ 527,938,563
Instalment Loans	134,326,028
Real Estate Mortgage Loans:	
Insured or Guaranteed	219,713,095
Other	306,297,564
Total Loans	$1,188,275,250
Bank Properties and Equipment	36,646,644
Accrued Income and Other Resources	20,702,242
Total Resources	$1,956,940,972
LIABILITIES AND CAPITAL FUNDS:	
Demand Deposits	$ 663,497,293
Time and Savings Deposits—Personal	902,262,860
—Other	163,098,758
Total Deposits	$1,728,858,911
Federal Funds Purchased	35,124,500
Accrued Expenses and Other Liabilities	33,770,365
Total Liabilities	$1,797,753,776
Reserve for Possible Loan Losses	22,883,212
Capital Funds:	
Capital Notes—4.65%, Due 1989	$ 25,000,000
Convertible Capital Notes—5%, Due 1994	15,000,000
Common Stock—$10.00 par value, authorized 2,000,000 shares; outstanding 1,709,382 shares	$ 17,093,820
Surplus	57,906,180
Undivided Profits	21,303,984
Total Stockholders' Equity	$ 96,303,984
Total Capital Funds	$ 136,303,984
Total Liabilities and Capital Funds	$1,956,940,972

Securities carried at approximately $140,652,598 were pledged at June 30, 1970 to secure public deposits, including deposits of the Treasurer, State of Michigan of $18,408,542, and for other purposes required by law.

Member Federal Deposit Insurance Corporation

MANUFACTURERS NATIONAL BANK
OF DETROIT

DIRECTORS

LOUIS G. ALLEN
Executive Vice President

WENDELL W. ANDERSON JR.
Chairman of the Board and President, Bundy Corporation

ALBERT J. BERDIS
Vice President and Director, National Steel

H. GLENN BIXBY
Chairman of the Board, Ex-Cell-O Corporation

E. PAUL CASEY
President, McCord Corporation

WM. REEVE CLARK
Director

LEROY W. DAHLBERG
Partner, Dahlberg, Mallender & Gawne

MAX M. FISHER
Chairman of the Board, Fisher-New Center Co.

SHERMAN J. FITZSIMONS JR.
Chairman, FitzSimons Manufacturing Company

E. M. FORD
Director

WILLIAM CLAY FORD
Vice President and Director, Ford Motor Company

MERVYN G. GASKIN
Chairman of the Board, Taylor & Gaskin, Inc.

PIERRE V. HEFTLER
Partner, Bodman, Longley, Bogle, Armstrong & Dahling

GEORGE M. HOLLEY JR.
Director, Holley Inc. Carburetor

HARRY J. LOYND
Director

WILFRED D. MACDONNELL
President and Chief Executive Officer, Kelsey-Hayes Company

WILBER H. MACK
President, American Natural Gas Company

WILLIAM A. MAYBERRY
Director

WILLIAM G. MEESE
President, The Detroit Edison Company

ROLAND A. MEWHORT
Chairman of the Board

DONALD R. MITCHELL
Chairman of the Board, The Mitchell-Bentley Corporation

DEAN E. RICHARDSON
President

ROBERT P. SCHERER JR.
Chairman and President, R. P. Scherer Corporation

RUSSELL S. STRICKLAND
Director and Senior Vice President, Castleton Industries, Inc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Brain-sharing: new approach to correspondent banking.

Everyone knows you can't make money when you're trying to do everything yourself.

It's especially true when it comes to the more complex banking problems, like bond pricing, trust investment management, capital forecasting, and international banking.

At the Harris, you'll find whole departments specializing in these fields—all available for Brain-sharing with you. And they've got the brains to share.

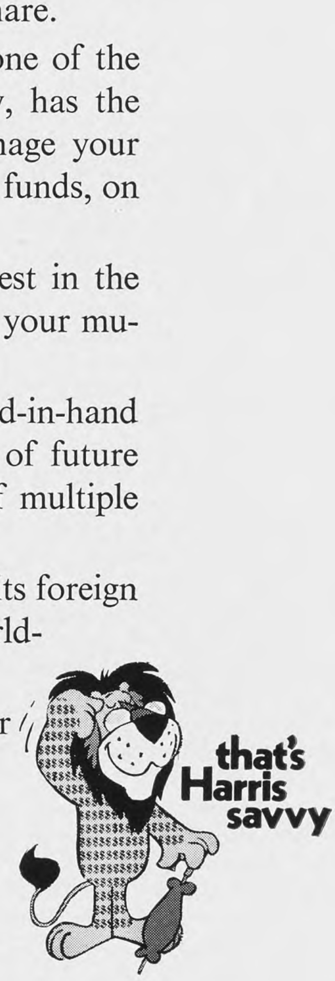
Our Investment Research staff, led by one of the most respected economists in the country, has the experience and facilities to help you manage your own, as well as your customers' investment funds, on a sound basis.

Our Bond Department, one of the largest in the nation, can automatically price and review your municipal bond portfolio on a regular basis.

Our bank planning team can work hand-in-hand with you to help you get a clear picture of future capital requirements, based on analysis of multiple assumptions.

And our International Division, with all its foreign operations and contacts, can give you worldwide capabilities at the snap of a finger.

Put this Brain-sharing power to work for you. Write or phone David L. Webber, 312/461-2813, today.



HARRIS *Trust and Savings* **BANK**

111 West Monroe Street, Chicago, Illinois 60690.
Organized as N. W. Harris & Co. 1882. Incorporated 1907.
Member F.D.I.C. . . . Federal Reserve System.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

bonds at every excuse. We have one state in which four banks have either had their bonds canceled or received notice they will not be renewed. Some bonding companies appear to be trying to get out of the business of insuring banks under blanket bonds.

Here are some simple precautions I would recommend to avoid being taken in by sharpies:

• Generally avoid simultaneous sales and purchases; make each transaction on its own merits.

• Don't confine your transactions to one firm; deal with several, and compare what one tells you with what the others say.

• Avoid any firm that offers to make a trade that removes without a loss any bond in which you have market depreciation.

• Beware of an offer to purchase any bonds at your book value; this is virtually an impossibility today in a legitimate transaction.

• Don't hesitate to sell bonds at a loss; let the Internal Revenue Service bear a part of your bond depreciation.

• Don't "churn" your bond account or let anyone talk you into it. The only gainer will be your friendly bond dealer. We have had banks that, between examinations, both "sold" and "purchased" more bonds than they carry in the account, in other words, more than 100% turnover in about a year.

• Recognize the fact that in the cases of most small banks, the officer's familiarity with bond prices is limited; know your own limitations and realize the bond dealer's advantage.

• Learn something about the effects on prices of coupon rates, maturities, name of the obligor and credit quality, and keep informed on the level of bond prices and trends, both municipals and governments.

• Have a reason for every transaction; you would be surprised how often we see a bank trade for a bond, and then in six or eight weeks trade that bond off for something else.

• Don't depend wholly on what one bond dealer tells you; call someone else in whom you have confidence and seek his advice on important matters, especially if you feel some doubts.

• Don't hesitate to ask a bond dealer to provide you with a copy of his firm's financial statement. This is certainly within your rights when you consider the representations he has made concerning the bonds. Why should you not be entitled to know which dealers are over-extended?

• Many dealers are selling from lists of bonds they do not even own. Ask the salesman if his firm actually owns the bonds he proposes to sell you.

• There are reasons to believe that in some cases bonds are represented as being general obligation bonds when they are not. Require that such a statement be put in writing.

• Finally, remember that while most bond dealers are honest, they are all in business to make money, and nobody is going to give you something for nothing. Therefore, realize that you are supposed to look out for yourself, just as the dealer looks out for himself. • •

Convention Dates

The Arkansas Bankers Association will hold its 1971 convention May 9-11 at the Arlington Hotel in Hot Springs.

New York Stock Exchange Seat Bought by George K. Baum

KANSAS CITY—George K. Baum & Co., Inc., has purchased a seat on the New York Stock Exchange and also has become an associate member of the American Stock Exchange. The firm already was a member of the Midwest Stock Exchange.

The firm has enlarged its corporate department and continues doing general brokerage, municipal and corporate underwritings, private placements and mutual funds.

Baum is headquartered on the second floor of the 1016 Baltimore Building here and has additional sales offices in Topeka, Emporia and Pittsburg, Kan., and in Denver. It was founded in 1928 as Baum, Bernheimer & Co. and took its present name in 1947, when Mr. Bernheimer's interest was sold to the late George K. Baum.

Checking New York Stock Exchange constitution and rules are (l. to r.) G. Kenneth Baum, pres., George K. Baum & Co., Inc.; H. H. "Pete" Hunter, v.p. and head of trading department; and Don L. Roberts, v.p. and head of municipal department. Baum firm recently bought seat on NYSE.

Savings & Loan Banks

(Continued from page 6)

were their "banks."

We are all familiar with the fable of "The Ugly Duckling" that turned out to be a beautiful swan. My old professor, the late Dr. Marcus Nadler, in a somewhat different context used to respond to some students' questions with a statement, "If it waddles, has feathers, webbed feet and quacks, it probably is a duck."

Executives of more than a few S&Ls have felt that their public image was poorer than banks. And we all know how concerned bankers have been about their own "poor image." Many of these same S&L people thought the best route was to push for *federal* charters of mutual savings banks and thus acquire the coveted designation of "bank" as distinguished from loan association.

Several top regulators of financial institutions have felt that it is only a matter of time before we will have wide-spread mergers of S&Ls into banks and—hold your breath—mergers in some states by banks into S&Ls to obtain their branching privileges.

One financier, who could be called either an S&L executive or a commercial banker since he is both, has given considerable amount of thought to the problem. So far, he has not decided which financial institution should be designated the swan and which the duck. But he is ready to merge the two when the time is appropriate.

If both provide basically the same functions and services, it may really become somewhat academic whether to call one a bank and the other institution an association. • •

Officers, Directors Elected by Charge Account Bankers

The Charge Account Bankers Association recently announced new officers. They are: president, Robert D. C. Serafine, vice president, Trenton (N. J.) Trust; first vice president, James H. Gray, vice president, First National, Columbia, S. C.; secretary, John W. Bloomer, vice president, American Fletcher, Indianapolis; treasurer, Glen F. Woolsey, assistant vice president, Bank of Madison, Wis.; chairman, Samuel M. Annenberg, vice president, First New Haven National.

New directors include: Terry Van Gilder, vice president, First National, Mobile; Charles R. Smith, vice president, Harris Trust, Chicago; Jack L. McSwain, vice president, First National, Birmingham, Ala.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

IRVING TRUST COMPANY

and Subsidiaries, New York — A Charter New York Bank

CONSOLIDATED STATEMENT OF CONDITION, JUNE 30, 1970

ASSETS	
Cash and Due from Banks	**$2,334,011,881**
Investment Securities:	
U.S. Government Obligations	**281,704,339**
Obligations of States and Political Subdivisions	**511,781,507**
Other Securities	**159,976,718**
	953,462,564
Loans	**2,138,473,095**
Bank Premises and Equipment	**72,754,967**
Customers' Acceptance Liability	**162,392,076**
Accrued Interest and Other Assets	**74,378,170**
TOTAL ASSETS	**$5,735,472,753**
LIABILITIES AND CAPITAL ACCOUNTS	
Deposits:	
Demand	**$2,896,893,510**
Time and Savings	**718,778,911**
London Office	**1,382,983,187**
	4,998,655,608
Borrowed Funds	**155,700,000**
Acceptances Outstanding	**166,295,152**
Taxes and Other Expenses	**20,610,237**
Other Liabilities	**52,597,910**
	5,393,858,907
Notes Payable, 4½% due 1993	**28,482,614**
Reserve for Loans	**41,035,809**
Capital Accounts:	
Capital Stock ($10 par) Authorized and Outstanding 8,046,000 shares	**80,460,000**
Surplus	**128,602,525**
Undivided Profits	**63,032,898**
Total Capital Accounts	**272,095,423**
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	**$5,735,472,753**
Assets pledged to secure deposits and for other purposes amounted to:	**$ 216,335,720**

DIRECTORS

ARTHUR G. BOARDMAN, JR.
Senior Executive Vice President

FAYETTE S. DUNN
Chairman—Finance Committee
Otis Elevator Company

GORDON EDWARDS
Chairman and Chief Executive Officer
Kraftco Corporation

A. LEON FERGENSON
Chairman and Chief Executive Officer
General Cable Corporation

ELLISON L. HAZARD
Chairman of the Board and President
Continental Can Company, Inc.

STUART K. HENSLEY
Chairman and Chief Executive Officer
Warner-Lambert Pharmaceutical Company

WAYNE HICKLIN
Chairman and Chief Executive Officer
Avon Products, Inc.

ROBERT C. KIRKWOOD
Former Chairman and Chief Executive Officer
F. W. Woolworth Co.

DAVID L. LUKE, III
President
Westvaco Corporation

MINOT K. MILLIKEN
Vice President and Treasurer
Deering Milliken, Inc.

DON G. MITCHELL
Former Chairman of the Board
General Time Corporation

HAMILTON B. MITCHELL
President and Chief Executive Officer
Dun & Bradstreet, Inc.

GEORGE A. MURPHY
Chairman of the Board

PETER S. PAINE
Chairman and Chief Executive Officer
Great Northern Nekoosa Corporation

WILLIAM E. PETERSEN
President

DONALD C. POWER
Chairman of the Board
General Telephone
& Electronics Corporation

OREN ROOT
Executive Vice President and Counsel

E. R. ROWLEY
Chairman and Chief Executive Officer
National Lead Company

GORDON T. WALLIS
Vice Chairman of the Board

ADVISORY DIRECTOR

DAVID L. LUKE
Retired Chairman of the Board
Westvaco Corporation

Foreign Branch Office:
London

Representative Offices:
Beirut • Caracas • Hong Kong • Melbourne
Paris • Singapore • Taipei • Tokyo

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Compensation Practices For The Bank Executive

By

DAVID S. SILKINER
Organization and Personnel Consultant

Ernst & Ernst
Atlanta

WHAT'S A GOOD executive, manager or secretary worth? Plenty, according to recent surveys of compensation costs. Good people are vital to any company's success and they cost a lot. Most boards know they need to attract, retain and motivate competent employees at the lowest cost and yet meet the pressures of competition and competitive offers.

Successful management demands a blending of many factors, one of which is motivation through compensation. To support a general climate of achievement, you must also spend dollars. But how much and what kind? Compensation is the most tangible reward for effective performance. It is also a complex symbol, requiring adequacy and fairness if it is to be a positive motivational force.

Even if competitive externally, compensation can be a source of aggravation if internal money relationships are inappropriate. These situations also can bring unfair labor practice claims with possible accompanying costs and hard feelings. When you consider pay, you are dealing with an emotional subject. Thus, compensation must be faced no differently than any other management task—with study, logic and fairness.

Let's define compensation. It is composed of all rewards to employees and usually consists of three elements: Base salary, incentives and fringe benefits. These three elements can be combined into a variety of plans. How and why the three parts are combined requires a careful analysis of your needs and your employees' needs. The nearer your plan conforms to both sets of needs, the more effective it will be.

Several general guidelines can be used as a foundation for compensation planning:

- A sound base wage structure is necessary to assure an adequate, equitable and competitive program.
- A relative dollar equality among positions is a "must" to a sound compensation plan.
- Compensation should be related to a base-wage structure that is both internally consistent and externally competitive.
- To provide true incentive, compensation should be geared to contribution and impact.
- The total compensation program, including benefits, should provide flexibility and competitive comparability.

These are conceptual guidelines. Many organizations, however, ignore some practical questions. What are the economics of the labor market? What is the right price to pay for a good employee? What does it take to attract good employees? To motivate them? To retain them? These essentials must be considered in business planning. And because compensation planning is part of business planning, it should be structured against this background.

The two key questions are:

- What are the compensation objectives of your bank?
- What are the compensation needs of your employees?

From the bank's standpoint, three major objectives can be listed:

1. *The plan must not cause trouble.* Between 50% and 70% of the hundreds of compensation plans that have been studied meet this minimum objective. That means 30% to 50% of the plans cause problems. This is needless, for compensation planning has advanced to the point where, if a compensation program does not specifically help a company, there is no need for it to do harm.

What kinds of problems can compensation programs cause? Low pay is one. A company may not have kept pace with the field; it may have inflexible pay maximums or be unfair. Constant turnover due to low pay is costly.

2. *The plan must help attract, motivate and retain employees, especially key personnel.* It should contain a positive—if possible, a unique—talking point. Whether the plan includes higher than average salaries, a new way to apportion bonuses or all-around better flexibility does not matter. It should contain something distinct from competitive offerings. About 40% of the plans studied contain such features.

3. *The plan must help the company achieve its business goals.* Too often, compensation is considered an end in itself. Properly structured, it can focus executive attention on activities the company considers most important to long-range objectives. For example, if plugging profit leaks is particularly important in a given year, you can gear compensation to achievements in this area. If developing new business or services is an objective, you can use bonuses to point employees in this direction.

Just a few years ago, only about one in every 100 organizations had a plan that related compensation to attainment of business goals. Today, it appears that a significant number of companies do this. They have established specific, measurable objectives, determined which employees affect the achievement of the objectives and set and communicated the kinds of rewards that will follow successful efforts.

Once corporate objectives are determined and approaches established, the compensation needs of employees must be considered. There are three main needs:

1. *After-tax income.* Obviously, employees are concerned with how much they have left after Uncle Sam has taken his cut. Although no comprehensive plan should be structured solely around tax considerations, it is advisable to offer a package flexible enough to give employees the most take-home pay possible—now, and in the future. Such a package might contain some mixture of salary, bonus, deferred salary, savings plans, pensions or profit sharing.

2. *The right kind of income.* A younger employee may desire the bulk of his compensation in cash. His current living expenses may be heavy due to children in school, a mortgage on his home, automobile payments and various other bills. But an older employee, with fewer cash demands, might prefer deferred income and similar devices because he may be more concerned with retirement income and building an estate. Compensation plans should be flexible enough to meet the varied needs of people in different age brackets or with different desires.

Related to this, then, you need to have:

3. A *reasonable balance between cash and non-cash income or fringe benefits.* The best fringe package in

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

A small world?

Yes and no.

It's 25,000 miles around
but a pebble in space.

One thing to know...
we give you a world
of service.

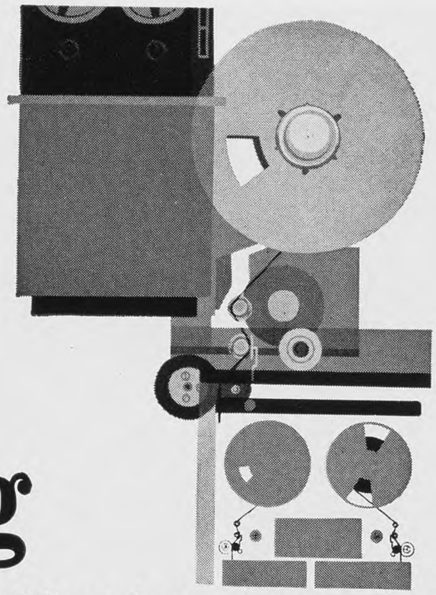
CORRESPONDENT BANK DEPARTMENT

FIRST NATIONAL BANK
OF MEMPHIS

where the focus is on you

MEMBER F.D.I.C.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis



Boatmen's Computerized

Demand Deposit Accounting

for fast, accurate, off-premise bookkeeping at low cost

There's nothing new about off-premise DDA via computer. But if you're considering it, we'd like to talk with you about the Boatmen's service. It's a flexible service that can be tailored to meet your needs, giving you the efficiency and economy of off-premise, computerized demand deposit bookkeeping at modest cost.

You merely send us your daily accumulation of MICR encoded deposits and checks and miscellaneous transactions. We process the material through our computer equipment and return it to you, fine-sorted by account number and accompanied by reports of all transactions, current balances and special information digests.

DDA is fast, accurate, dependable. It sets you free of backbreaking detail... helps reduce peak work loads, staff requirements and training. It frees critical space and management time. It streamlines your banking operations and improves your efficiency.

We'll be glad to make a detailed study of your requirements, complete with cost figures on the existing and proposed systems.

Contact your Boatmen's representative or mail the coupon below today for more information on Boatmen's Demand Deposit Accounting.

Correspondent Banking Department
Boatmen's National Bank of St. Louis
Broadway and Olive
St. Louis, Missouri 63102

Please send me detailed information on your Demand Deposit Accounting Service.

NAME________________ TITLE________
BANK________________
ADDRESS________________
CITY________________ STATE______ ZIP______

6724R

Aye, Aye!

BOATMEN'S

NATIONAL BANK OF ST. LOUIS

Member Federal Deposit Insurance Corporation

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

the world is useless if it is in lieu of competitive base salaries. You can use only so much of your resources on wages and fringes, and they have to be balanced and flexible.

Banks face heavy pressures for people. This is due largely to a change in services, shortage of people, economic conditions and general attitudes of people today. Compensation has the potential of altering this situation, either to your benefit or to your detriment. Today, it is essential to plan wisely the spending of compensation dollars to insure that benefits received are commensurate with the cost to your bank.

What has happened in the compensation practices areas? What are the trends in bank compensation practices that reflect these changing conditions? What do you want to do to protect your position and maintain a strong and enthusiastic staff? First, you will analyze the bank's objectives and the needs of your employees for proper over-all compensation planning.

More specifically, though, what you want to know is what is happening in the areas of wages, pensions, profit sharing, fringe benefits, etc. The first answer, obviously, is that these costs are going up. Let's consider the common ingredient of all organizations—base salaries or wages.

Banks have been considered a low-paying industry in terms of wages and base salaries. In 1966, a national survey placed banks below average in terms of base salaries for management. Surveys of clerical employees also indicated that banks were generally not the places to work to earn the highest wages.

In 1969, a similar survey was conducted and the banking industry had moved up to the average-paying category in terms of base salary. Comparisons of clerical salaries indicate the same kinds of change. Thus, while wages have increased throughout the country, it is probable that bank wages have increased at a steeper rate. The increased competition for people and the need for new specialized skills have provided a major push in this area. To employ a competent specialist required a competitive offer, which also often forced the bank to increase salaries of present employees to maintain some degree of internal fairness.

In the past year, for example, management pay in all types of businesses, according to one survey, has increased at an average rate of 5%, while the average base salary in banks increased 5.8%, or an average of 14%, for the individuals who received an increase. This trend soon will completely eliminate the previous disparity in bank base salaries, both at management and clerical levels.

Another factor about base salaries at management level is deferred compensation. As a result of the 1964 tax law—and more recently the 1969 amendment—more individuals want most of their pay in cash. This has resulted in a decrease in deferred-compensation arrangements. Most deferred arrangements benefited the highly paid, who will have reduced tax rates in 1971 and 1972. This trend will bring banks and other industries more in line with one another.

Another changing trend in banks is the increasing use of systematic planning for base salaries. In 1963, some 20% of banks had some form of wage administration; in 1967, 35% were using some form of planning and controlling base salaries. Companies generally find they can administer and control wages better if done on a planned basis and more and more banks are hiring wage administrators to implement programs, thus bringing banks closer to other concerns.

Such a program in the average bank does not require a wage administrator nor any sophisticated plan. All that is required is to systematically analyze jobs and arrange them in terms of contribution to the bank. Utilizing these two factors results in a ranking of jobs that can be considered equitable from an internal standpoint. You can then group similar or closely ranked jobs in wage or responsibility groups.

The next questions are: How many dollars should be assigned to a job or group of jobs? How do you determine what an employee is really worth? There are generally three approaches in use, although none is absolute.

The first is a purely philosophical view. It is typified by the manager who once told me that he considered it simply immoral to pay someone doing a certain job more than $7,000 a year.

The second works like this. A company determines the skills of individual "A" compared to individual "B." It then tries to assess the knowledge of individual "A" against individual "B." Then, using some kind of basic yardsticks, it establishes a sliding scale of pay levels, based on who rates "best," "next best," etc. In practice, this method is more refined than this simple example makes it appear. Even so, I cannot recommend it, because it bears no relation to reality. It bases compensation on estimates rather than on the sure knowledge of what competitors are paying.

The third method for determining what an individual is worth involves market study. What is the going rate for a certain kind of employee? For a specific job?

Answers to these questions can never be exact, but they will allow a company to draw up a better scale than could be done with the first two methods. It's surprising that more banks do not seek out available compensation information. Many use either the arbitrariness of the first method or the guesstimates of the second, instead of using data available to them. The third method essentially insures that internally equitable ranking is externally competitive.

What trends exist in other areas of compensation? By far the most prevalent form of non-cash fringe in banks is the pension plan. As of two years ago, 90% of banks provided non-contributory pension plans, compared to 65% for all industries. However, this 65% is an increasing figure and another 10% have announced plans to change from contributory to non-contributory plans, again bringing banks and other industries closer together.

What changes are occurring in pension plans? The recent tax law introduced some important considerations. First, any payments deposited to an employee's account after January 1, 1970, if withdrawn in a lump sum, will be taxed as ordinary income instead of as capital gains. However, this can be offset by an averaging provision, which, in some situations, would make the effective tax rate lower than the previous capital-gain rate.

Another change is the ruling regard-

IRS Ruling on Municipals

WASHINGTON—In most instances, interest deductions will be allowed banks on borrowings that involve tax-exempt securities. So ruled the Internal Revenue Service last month.

The IRS reiterated that it will continue to allow interest-cost deductions on money that banks with tax-exempt municipals borrow "in the ordinary course of their day-to-day business." It listed several transactions in this category.

The interest-deduction issue was raised last spring when the IRS challenged some interest-cost deductions made by First of Chicago and indicated it would disallow such deductions when a bank's borrowings and its holdings of municipals both increased substantially. In June, the IRS said it wouldn't disallow any of these deductions until guidelines were issued.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ing integration with social security. Many pension plans now are tied to the $4,200 or $4,800 annual base salary for computing benefits, and these will be gradually phased to integrate at $7,800. This would mean a potential reduction in benefits for many employees or require an increase in contributions without regard to whether such funds could be applied more usefully to some other benefit area. Due to the frequency with which social security has changed in recent years and in view of the problems created by these rules, many plans have been revised to non-integrated formulas.

A third trend in pensions is the increasing concern for the adequacy of retirement benefits, not only at retirement, but throughout retirement. With people living longer and inflationary pressures continuing, fixed-income levels become inadequate. In a recent survey, employers listed three ways for keeping pension benefits in line: periodic adjustments at management's discretion, variable annuities and automatic cost-of-living adjustments.

Variable annuities have received wide publicity lately, but most companies are opposed to this method of tying an employee's benefits to the stock market. The important factor is that this concern has become fairly widespread and requires periodic and careful analysis of benefits to insure continued adequacy.

Cash-Bonus Incentive

The next major compensation practice is the cash bonus or incentive, which is the most common form of cash payment to stimulate performance. As companies are moving from deferred compensation and stock options, funds are being utilized to a great extent in cash bonuses. There is a considerable difference between banks and other companies, but the trend is for banks to move in this direction. In a 1963 comparison, 12% of banks and 50% of other companies paid bonuses. In 1967, 50% of the banks and 69% of other companies paid bonuses. By 1969, about 60% of the banks had a cash-incentive feature.

One important difference, however, that has held firm is the percentage of base salary paid. In non-bank companies some 35% to 37% of base has been paid, while banks have paid around 8% to 10%. The general trend is for banks to use this practice more and more. This feature is most important when tied to an individual's position and used to stimulate performance in attaining the bank's objectives. With an average bonus of only 8% to 10%, however, it is doubtful that much real reward for individual performance is offered.

As a general rule, 10% of base salary is regarded as proper for average performance under a bonus plan, and from 35% up for outstanding performance. It would seem that most banks use this practice to supplement base salaries, instead of relating individual performance to attainment of objectives and insuring that top people are retained. Thus, banks probably are losing the full potential impact of this important practice.

In the area of deferred profit-sharing trusts, banks and other companies are similar with about 60% providing this benefit, although the trusts are mainly concentrated in banks with assets over $150 million. This is another means of providing additional retirement income, but on an incentive basis rather than through a pension plan where contributions are relatively fixed. In a profit-sharing trust, contributions usually are linked to profits and theoretically will act as motivators. Another important feature relates to trusts' flexibility to individual needs since plans can be tailored to allow an employee to take part of his share in the plan in cash each year. In this respect, then, such a benefit functions to provide incentive and promote employee retention by building retirement income.

Much has been said about the value of cash incentives and profit-sharing trusts, both positively and negatively. In 1968, a survey of banks indicated some positive value. These banks were grouped in terms of performance. Measured by growth and profitability of the highest-performance banks, 70% offered cash incentives and 88% had profit-sharing trusts. In the lowest-performance group, only 41% offered cash incentives and 37% had profit-sharing trusts.

Stock Options Dead

Stock options once again are being put down as dead. The 1964 tax law and other subsequent rulings on stock-option plans probably did arrest their growth. The recent tax law again has put more pressure on the value of stock options. However, the biggest factor in their decline in popularity today is the general market condition. This year, stock options have held total compensation equal to or less than 1969 levels for many people who received other increases. The options are virtually useless and their value has nothing to do with the performance of employees.

This last statement is really the crux of the drawback to stock options. The value of the individual's compensation can have little or no relation to his performance. Even worse, to protect stock value, management can tend to become overly cautious or make decisions not in the best interest of stockholders! Stock options do have a place, though, where the intent is to create an equity situation. In banks, stock options have played a minor role and likely will continue to do so.

Other Fringe Benefits

There are many other practices related to compensation, and one area deserves special mention—other fringe benefits. There are two different types of fringe benefits that serve different purposes to meet different needs: security benefits, such as pensions; life, hospital and accident insurance; and status benefits, such as a title, big office, car, work hours, new typewriter, cafeteria, free parking.

The trend is that the occurrence and type of these items not only increase, but that banks are expected to make more of them non-contributory. Thus, life insurance or medical benefits are not only increased in coverage, but banks are picking up more of the tab themselves. These costs will continue to increase as the work week shortens and pressure for longer vacations increases.

In a 1967 survey of banks, costs for pension plans, profit sharing, cash incentives, insurance, payroll taxes and dining room operations amounted to a little over 21% of base salaries. While this is somewhat shy of the industrial average, it is still a substantial cost (and it doesn't include vacations).

To dramatize the value of these benefits to the employee, many companies have instituted programs of costing these benefits on an individual basis and reporting them to employees.

Another trend in this area is the practice of integrated compensation plans. Historically, each compensation or benefit practice was treated somewhat independently. Now, the trend is to plan compensation costs and attempt to balance all factors to provide the best match between company objectives and individual needs. Needs and motives of employees vary tremendously. What motivates one to outstanding performance will bring nothing extra from another. One person may be looking for security, another for large bank accounts, and still another for family welfare through insurance. Company objectives also vary tremendously. Two fairly sophisticated approaches to compensation planning have appeared in the last few years. One emphasizes individ-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Our smiles tell part of the story. Our statement tells the rest.

Our smiles reflect our enthusiasm for the job we do, our sense of worthwhile accomplishment in helping thousands acquire the things they want and need, and our pride in having capital funds (including unallocated reserves) the largest by far of any bank in this area. They reflect, too, our confidence in the future of our city, state, and nation. Our statement supports that confidence.

Statement of Condition

June 30, 1970

Assets

Cash and Due from Banks		$109,348,948.07
Investment Securities:		
U. S. Treasury Securities	$48,424,209.23	
Obligations of States and Political Subdivisions	50,489,855.08	
Other Securities	2,020,320.16	
Total Investment Securities		100,934,384.47
Federal Funds Sold		45,450,000.00
Loans		344,455,570.94
Bank Premises and Equipment		12,273,592.98
Income Earned—Not Collected		4,001,822.64
Other Assets		872,516.61
TOTAL ASSETS		$617,336,835.71

Liabilities

Deposits		$496,371,093.46
Federal Funds Purchased		36,650,000.00
Funds Borrowed		3,000,000.00
Acceptances		426,786.48
Income Collected—Not Earned		10,880,535.37
Reserve for Taxes, Interest, etc.		4,235,433.94
Other Liabilities		251,500.00
TOTAL LIABILITIES		$551,815,349.25
RESERVES FOR LOANS		
Reserve for Bad Debt Losses		$ 5,862,704.12
CAPITAL ACCOUNTS		
Capital Notes (4¾% due 1991)		$ 7,500,000.00
Equity Capital:		
Capital Stock	$10,000,000.00	
Surplus	20,240,000.00	
Undivided Profits	17,859,178.62	
Reserve for Contingencies	4,059,603.72	
Total Equity Capital		52,158,782.34
Total Reserves and Capital Accounts		$ 65,521,486.46
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS		$617,336,835.71

THIRD NATIONAL BANK IN NASHVILLE

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ual needs; one emphasizes company objectives. Both use computer models.

The individual model has been used in companies that offer employees—primarily management—a selection from various compensation methods. The individual provides data specifying his needs and the computer indicates the best mixture of current cash, deferred cash, stock options, extra contributions to a profit-sharing trust or general market investments. The individual decides how he wishes to utilize his share of compensation dollars.

The company-based model has built-in requirements for attaining company objectives and a general profile about all employees. The computer analyzes the data and the result is an efficiency index rating for each compensation method the company uses. Management then can select objectively the best allocation for the total compensation dollars it spends.

This kind of sophistication is not necessary in most instances. Good solid business planning is still the key to success and will be for some time to come. The important factor is to explicitly recognize that compensation must be planned. Banks face increasing competition for people, not only from financial institutions, but from all companies. One result we have seen is the trend for compensation practices to become more similar, each industry adopting some of the other's major strengths for its own use.

Profitability and growth are more and more dependent upon the ability to hire and hold capable personnel. Thus, benefits must keep up or you will be at a competitive disadvantage in the labor market and be faced with dissatisfied, complacent employees.

The best plan for you depends on your priorities and objectives. You must recognize individual needs and that compensation is an active management tool with which to achieve these objectives. Too often, compensation is a passive rather than an active management tool. It is merely paying people for services rendered, with little thought to its contribution to corporate success.

A sound compensation program can help you attain business goals. Many compensation programs do not. The choice is yours. Which road do you want your bank to follow? • •

HIGH TIME FOR THE HUMAN TOUCH?

You have a beautiful bank. But it's become dehumanized, perhaps, in the growth process. Many banks have found a Gittings gallery of colour portraits of officers and directors to be the perfect public relations touch: to play up people, to make familiar faces of your higher ups. Call Fred Winchell collect (A/C 713 529-5901) or write 3327 D'Amico, Houston. Gittings comes to you — for photography and to arrange every detail.

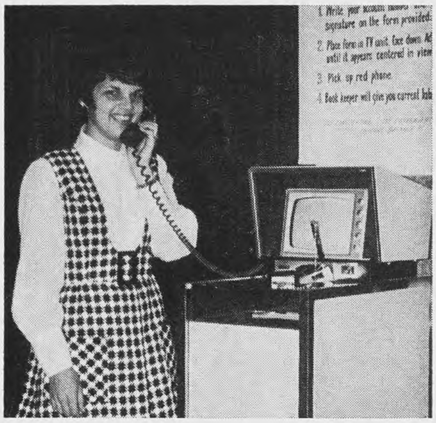
GITTINGS

Neiman-Marcus, Dallas and Fort Worth / Lamar Hotel, Houston / Biltmore Fashion Park, Phoenix / Phipps Plaza in Atlanta.

Bank PRMA Changes Name

CHICAGO—The Bank Public Relations and Marketing Association recently changed its name to Bank Marketing Association. The association also formed a public affairs council to work on social and environmental problems with other banking trade associations. Paul G. Collins, manager of public affairs, Industrial National, Providence, will head the new council.

"Instant Balance" Over TV



Mrs. Kay Brown, an employee of First Bank, Richardson, Tex., demonstrates how the bank's new service—"Instant Balance"—works. The system, installed by Diebold, Inc., Canton, O., works like this: A customer fills out a form with his account number and signature and places it in a transmitter, which beams the image via closed-circuit TV to a monitor in the bookkeeping department. After the number and signature are verified, information is given the customer on a direct-line telephone near the transmitter. According to the bank, a customer can find out how much money he has in his checking account in less than 30 seconds.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Santa Fe Nat'l Signs Contract With National Sharedata

SANTA FE—Santa Fe National recently signed a contract with National Sharedata Corp. whereby National Sharedata will assume management responsibilities of Santa Fe National's data processing center.

The agreement provides extended marketing of the bank's data processing center and assures cutsomers a wider range of computer services. It provides Sharedata an established processing center and opportunities for expansion into regional use.

Santa Fe National is the second bank in New Mexico to join Sharedata's national association of banks. The first was Bank of New Mexico, Albuquerque.

At the signing of the Santa Fe National and National Sharedata contract were, seated from left, William H. Vernon, chairman and chief executive officer, Santa Fe National, and Tom L. Walker, senior vice president, National Sharedata. Standing, from left, are Jack L. Fielder, director of marketing, Sharedata, and William C. White, president and chief administrative officer, Santa Fe National.

Bank Offers New Savings Plan With Christmas Club Format

PITTSBURGH—A new savings plan offered at Western Pennsylvania National offers Christmas Club discipline plus 5% interest.

The plan—called "Unforgettable Savings Plan"—offers four savings options: 50 deposits of $10 each; 25 deposits of $20 each; 10 deposits of $25 each and five deposits of $100 each. The saver receives a book of coupons marked in these denominations, and thus he's able to keep track of his progress toward the $500 goal that the bank has set for participants in the plan. When a customer enrolls in the plan, he gets a book of reminders telling when deposits are due and how close the customer is to the $500 goal. Each reminder also serves as a savings deposit slip for the account.

Western Pennsylvania National will send "Unforgettable Savings Plan" savers statements of deposits and interest every three months. Savings can be withdrawn on 90 days' notice, but the bank hopes that, once the $500 goal is reached, the money will pass into CDs at 5¾%, which mature in two years. In fact, when savers in the plan get to the last coupons in their books, they also will see notes suggesting they consider moving to the CDs, the higher-yielding instruments.

Indianapolis Promotions

INDIANAPOLIS—Indiana National recently made these promotions. Advanced from assistant cashiers to assistant vice presidents were: Lawrence A. O'Connor, national division; Robert A. O'Neal Jr., government and corporate services division; and David S. McNelly II, manager of the bank's 38th and Sherman Drive Office. Promoted from assistant trust officers to trust officers were Wilbur J. Harrer, personal trusts and agencies, and Phillip N. Smith, corporate trust.

STATEMENT OF CONDITION

June 30, 1970

RESOURCES

Cash and Due from Banks	$ 38,977,745.43
United States Government Securities	16,643,787.81
Loans	80,609,136.66
Federal Funds Sold and Securities Purchased Under Agreements to resell	552,225.00
Investments	15,590,060.78
Federal Reserve Bank Stock	390,000.00
Banking House, Vaults and Equipment	890,734.16
Letters of Credit (contra)	2,250,396.22
Interest Receivable	1,026,626.47
	$156,930,712.53

LIABILITIES

Deposits	126,093,542.05
Federal Funds Purchased	10,585,000.00
Reserve for Taxes, etc.	1,192,023.49
Letters of Credit (contra)	2,250,396.22

RESERVES

Allowance for Possible Loan Losses	2,020,166.87

CAPITAL ACCOUNTS

Capital	4,000,000.00
Surplus	9,000,000.00
Undivided Profits	1,789,583.90
	$156,930,712.53

THE BANK OF FRIENDLY SERVICE

THE LOUISVILLE TRUST COMPANY

Main Office—5th and Market

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

MEMBER FEDERAL RESERVE SYSTEM

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The Case for Small Banks and the Changing Payments System

By PHILIP F. SEARLE, President BancOhio Corp., Columbus

IN ORDER to appreciate both the quantitative and qualitative aspects of the smaller bank and the changing payments system, let us turn our attention to the relative position of the smaller bank in today's banking structure. Any designation of a bank as a "small bank" is necessarily arbitrary. Some authorities define the small bank as being less than $10 million in deposit size; others believe that a "small bank" is defined as a bank with deposits of less than $25 million.

Nationally, as of December 31, 1968, there were over 11,500 banks in the nation with deposits of less than $25 million, representing about 85% of the nation's 13,500 insured banks. Well over 60% of the nation's banks had deposits of $10 million or less at that same date.

For the past few years there have been frequent predictions of the demise of many of the nation's smaller banks within the next decade or two. Several problems have been cited as contributing to these predictions; among which are management succession; a growth rate generally lower than that of larger banks; increasing difficulties in raising needed capital; inability to take advantage of the economies of scale; and the gradual disappearance of that competitive advantage enjoyed by many smaller banks formerly isolated in small communities.

An alleged problem of more recent origin is the changing payments system, a major change in which has been frequently forecasted for the decade of the 1970s. The resultant system which may evolve from this change has been variously labeled "the checkless society," or "the cashless-checkless society," or "the less-check society," to mention only a few of the popularized phrases to attempt to forecast the new form the system might take.

The accompanying article is a condensation of Mr. Searle's remarks, originally delivered before the 31st annual Bank Management Clinic, sponsored by the Kansas Bankers Association.

Any discussion of the payments system deserves consideration in two contexts: What the payments system is today, and what will be involved in the payments system of the future. Today it is a combination of all methods of exchanging value—cash, checks, wire transfers and charge cards, to name some of the major components.

As to the future, the banking industry frankly does not know as yet exactly what form the new system will take, but there most assuredly must and will be a changed system. The sheer volume of such items of transfer is increasing dramatically each year: one recent analysis estimates that the nation's commercial banking system handled over 24 billion different checks in 1969, and that this represented an increase of more than 10% in the number of checks handled from the previous year.

Even though the specific form of the payment system of the future cannot yet be stipulated, certain assumptions can be made. The new system will almost certainly involve the use of a uniformly acceptable card which will actuate validated input information into a nationally interlinked electronic system of payment transfer. Bank charge cards are the ancestors of that future card. Other features of the payment system of the future very likely will involve one-statement banking, whereby all of a person's financial activities will be reported on a single statement. There probably will be a personal line of credit automatically actuated through the customer's bank charge card or his checking account, or both. Financial profiles for better financial planning and budgeting will be a by-product of the record-keeping done by the computer on each checking account and/or charge card. Many bills will be automatically paid by virtue of pre-authorization agreements between a customer and the bank, just as many sources of income, such as salary, dividend and interest payments, will be automatically credited to the customer's account. For the business customer, there are promises of investment advice, full accounting services, including payables and receivables, cash management services, revenue accounting and other such services.

Banking is thus faced with the challenge of meeting its operational problems, with respect to its ever-increasing volume of payment transfers processed, in a better manner. It is also offered an opportunity to provide new services and techniques as a consequence of this change in the payments system. Undeniably, the technological requirements of such a change will be demanding, for the final system involves not only bank computers, but the effective linking of each computer into a national network, on a wholly compatible basis.

The enormity of the technological and capital requirements necessary to implement this change has produced varying opinions as to the effect of such change upon smaller banks. One view is that, in time, the banking industry will consist of a few hundred regional banks. Another version of that same thesis is that ultimately there will be only a few banks in the nation, all operating through national networks. Another prediction is that many smaller banks will disappear, and those which remain will lose most of their individuality and become little more than glorified terminals connected to computer centers in distant cities.

In one variation on this last projection it is envisioned that the small bank will survive, but will become a sales outlet for the automated services to be dispensed through local terminals. Even so, banks will be smaller because the overdraft facilities that would probably be a part of the new payments system would do away with the necessity of a cash balance for individuals, thus reducing the level of demand deposits.

The dual banking system has come in for its share of pessimistic predictions. It has been suggested that only the larger banks, which are mainly national and Fed-member banks, would have the facilities and the expertise to operate effectively within the highly complex payments system of the future, and would be able to afford to make the large investment necessary for such participation. Conversely, the smaller state banks that are not members of the Fed, would, for the most part, be eliminated because of their in-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NATIONAL BANK OF DETROIT

CONSOLIDATED BALANCE SHEET—JUNE 30, 1970

ASSETS

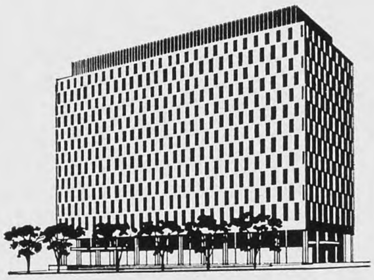
Cash and Due from Banks		$1,264,944,084
Securities—At Amortized Cost:		
U.S. Treasury		500,359,496
Other U.S. Government Agencies and Corporations		4,176,184
States and Political Subdivisions		485,889,424
Other Securities		33,716,089
		1,024,141,193
Federal Funds Sold and Securities Purchased Under Agreements to Resell		134,800,000
Loans:		
Commercial and Consumer		1,578,184,564
Real Estate Mortgage		543,063,088
		2,121,247,652
Bank Premises and Equipment (at cost less accumulated depreciation of $24,751,439)		44,323,019
Other Assets		45,934,448
Total Assets		$4,635,390,396

LIABILITIES, RESERVE AND CAPITAL FUNDS

Deposits:		
Demand		$1,651,393,657
Individual Savings and Time		1,357,196,009
Other Savings and Time		292,929,829
London Office		399,492,180
		3,701,011,675
Other Liabilities:		
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	$180,107,686	
Other Funds Borrowed	8,600,000	
Unearned Income and Sundry Liabilities	362,917,697	551,625,383
Total Liabilities		4,252,637,058
Reserve for Possible Loan Losses		52,574,256
Capital Funds:		
Convertible Capital Notes (5% Due 1993)	50,000,000	
Shareholders' Equity:		
Common Stock—Par $12.50 (Authorized 7,000,000 Shares; Outstanding 6,000,000 Shares)	75,000,000	
Surplus	125,000,000	
Undivided Profits	80,179,082	330,179,082
Total Liabilities, Reserve and Capital Funds		$4,635,390,396

Assets carried at approximately $284,000,000 (including U.S. Treasury Securities of $45,000,000) were pledged at June 30, 1970 to secure public deposits (including deposits of $38,150,031 of the Treasurer, State of Michigan) and for other purposes required by law.

Michigan's Leading Bank



Main Office, Woodward at Fort

Board of Directors

A. H. Aymond
Chairman—Consumers Power Company

Henry T. Bodman
Detroit, Michigan

Ivor Bryn
Chairman—McLouth Steel Corporation

Harry B. Cunningham
Chairman—S. S. Kresge Company

William M. Day
Chairman—The Michigan Bell Telephone Company

Leland I. Doan
Chairman, Executive Committee—The Dow Chemical Company

Charles T. Fisher III
Executive Vice President

Edward F. Fisher
Detroit, Michigan

A. P. Fontaine
Chairman and President—The Bendix Corporation

John B. Ford
Director—Wyandotte Chemicals Corporation

John F. Gordon
Director—General Motors Corporation

Joseph L. Hudson, Jr.
President—The J. L. Hudson Company
Vice Chairman—Dayton Hudson Corporation

Ralph T. McElvenny
Chairman—American Natural Gas Company

Ellis B. Merry
Chairman of the Board

F. W. Misch
Detroit, Michigan

Peter J. Monaghan
Partner—Monaghan, McCrone Campbell & Crawmer

George E. Parker, Jr.
Detroit, Michigan

Robert B. Semple
President—Wyandotte Chemicals Corporation

Nate S. Shapero
Honorary Chairman and Director—Cunningham Drug Stores, Inc.

Austin Smith, M.D.
Chairman and President—Parke, Davis & Company

George A. Stinson
President—National Steel Corporation

Dwight L. Stocker
Kalamazoo, Michigan

Peter W. Stroh
President—The Stroh Brewery Company

Robert M. Surdam
President

Donald F. Valley
Chairman, Finance Committee—S. S. Kresge Company

NATIONAL BANK OF DETROIT

Member Federal Deposit Insurance Corporation

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ability to offer the banking services of the future.

Because I had spent virtually all of my banking career in small and medium-sized banks, I was particularly interested, when appointed in 1968 to the ABA's monetary and payments system planning committee, to contemplate the possible effects of the change in the payments system upon smaller banking institutions. I might add parenthetically that the MAPS planning committee, as it is more popularly designated, was created to consider the implications of changes in the payments system and to recommend those changes that were considered to be in the best interest of the public and of the industry. The initial goals for the committee were: (1) to promote awareness throughout the country of the whole subject of the changing payments system, (2) to provide coordination for industry-wide planning and research efforts, (3) to stimulate funding to support meaningful research and (4) to define the research required before necessary changes could be identified and supported.

In any event, when I joined the MAPS committee and attended its first two meetings, my own predictions about the effect of the payments system changes on smaller banks were generally akin to those that I outlined early in my remarks. In a vague way I felt that this as yet poorly described, but obviously complicated, development could only be detrimental to the smaller banks. In my files I still have the working notes of what was to be a well-documented monograph describing the difficulties which inevitably would be experienced by the smaller banks as the changed payments system evolved. The discussion was to have proved that the future was so uncertain for small banks that the legislative and regulatory bodies should be urged to take concerted and immediate action to liberalize branching and holding company laws wherever necessary so that mergers and acquisitions could provide havens for afflicted small banks.

Today, however, I am firmly convinced that I was wrong in those early pessimistic assumptions. I feel I depended too much upon opinions of observers who, for the most part, were not, and never had been, bankers. Their predictions substantially underestimated the resourcefulness and adaptability of small banks, as well as the frequently proved inventiveness of the banking industry in discovering ways to offer new and profitable services and to successfully meet operational challenges.

In short, I am now firmly convinced that the changing payments system offers virtually all banks—small as well as large—significant opportunities to serve their customers in the future in better and in more ways than they can at present. When I first articulated this viewpoint in a speech at the 1969 ABA convention, I found myself in a rather lonely posture. It has therefore been most gratifying in recent months to have a number of highly respected students of banking and the banking structure support this view, in its entirety, or at least in large part.

This is not to minimize that the smaller bank does indeed face a number of challenging problems. Successful participation in the changing payments system is undeniably one of these problems. In my judgment, however, the solution of this particular problem offers a vast opportunity for strengthening the small bank.

Successful participation by the smaller bank in the changed payments system should provide a number of salutary effects, among which will probably be an improved marketing effort, the availability and use of comprehensive management information, preparation of and adherence to long-range plans, an upgrading of the quality of staff, an increase in staff efficiency and broader and more effective

FIDELITY

NATIONAL BANK OF BATON ROUGE

CONSOLIDATED STATEMENT OF CONDITION

at the close of business June 30, 1970

RESOURCES

Cash and Due from Banks	$ 29,710,066.43
U. S. Government Securities (Less Reserve for Premium $1,250.00)	15,650,715.00
State and Municipal Securities (Less Reserve for Premium $92,541.81)	14,754,284.86
Federal Funds Sold	7,000,000.00
	$ 67,115,066.29
Loans and Discounts	$ 83,150,467.97
Federal Reserve Bank Stock	315,000.00
Bank Premises and Equipment	2,142,947.15
Parking Lot	1.00
Other Real Estate	145,425.86
Accrued Interest and Other Assets	1,355,275.86
Customers' Liability on Letters of Credit	117,370.00
TOTAL RESOURCES	$154,341,554.13

LIABILITIES

Capital	$ 3,412,500.00
Surplus	7,087,500.00
Undivided Profits	1,935,634.48
	$ 12,435,634.48
Reserve for Dividends Payable July 1, 1970	$ 102,375.00
Reserve for Interest, Taxes, etc.	706,071.77
Discount Collected, but Not Earned	774,565.05
Bank's Liability on Letters of Credit	117,370.00
Other Liabilities	2,799,327.60
Reserve for Possible Losses on Loans	1,486,646.48
TOTAL DEPOSITS	135,919,563.75
TOTAL LIABILITIES	$154,341,554.13

FIDELITY

NATIONAL BANK OF BATON ROUGE

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

customer services. Undeniably, these are highly desirable objectives for any small bank, but they will not be fully achieved unless the small bank begins now to set in motion those activities and those forces which are essential to its participation in the changed payments system of the future.

Much of my optimism with respect to the solution of payments system problems for small banks arises out of recent technological advances. For example, for the bank willing to expend time, talent and resources, there are now, or in the planning stage, equipment, systems and techniques which offer real promise. We are all aware of continuing developments in computer terminals; eventually there will probably be widespread use of individual input/output terminals at teller stations, as well as in various accounting departments, which will update directly the information at a remote central computer. Until such a direct system is economically feasible for small banks, an interim step will probably be an input/output device, including a check reader-sorter, interfaced to a small control computer, the magnetic-tape output of which will be transmitted over telephone wires to a remote processing computer. The processed output will be returned promptly over the same wires to the small bank's line printer.

Recent technological developments have favored the small bank dramatically in terms of the cost of utilizing such input/output devices. One prominent manufacturer has developed and announced a device that rents for approximately $1,000 per month, and others are purported to be ready to announce similar devices that promise to rent for amounts within the reach of virtually all small banks.

Another aspect of electronic linkage is the installation of a new electronic financial network for the Fed. This gives small member banks access to the same system that is available to larger banks. The Fed believes that, in time, all member banks will be linked into this ambitious system by low-cost terminal devices installed on their premises. The funds transfer system could therefore work as efficiently for the smaller bank as for any other bank of larger size. The ability of a smaller bank to optimize the employment of excess funds on a daily basis would be an additional motivation for linking to such a system.

I hope the foregoing remarks have convinced you that the future holds for all small banks some sort of an electronic linkage—be it either computer-to-computer or bank-to-computer—an electronic "umbilical cord"

STATEMENT OF CONDITION

FIRST PASADENA

State Bank

PASADENA, TEXAS

AT THE CLOSE OF BUSINESS JUNE 30, 1970

RESOURCES

Cash and Due from Banks	$10,115,355.43	
Securities	19,262,935.80	
		$29,378,291.23
Loans		41,773,084.21
Federal Funds Sold		1,500,000.00
Real Estate, Furniture and Fixtures		2,502,821.93
Other Resources		866,294.65
TOTAL		$76,020,492.02

LIABILITIES

Capital Stock	$ 2,000,000.00
Certified Surplus	2,250,000.00
Undivided Profits and Reserves	3,430,785.00
Deposits	68,339,707.02
TOTAL	$76,020,492.02

MRS. MARCELLA D. PERRY
Chairman of the Board

J. W. ANDERSON
Chairman of the Executive Committee and Vice Chairman of the Board

HOWARD T. TELLEPSEN
Vice Chairman of the Board

S. R. JONES, JR.
President

J. O. KIRK
Executive Vice President

Senior Vice Presidents

GENE ALEXANDER, JAMES B. CLARY, B. F. HOLCOMB, G. M. MAGEE, W. E. MARSH, WENDELL F. WALLACE

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

CONDENSED REPORT OF

First National Bank In Bartlesville, Okla.

At the close of business, June 30, 1970

RESOURCES

Loans and Discounts		$ 31,224,066.14
Overdrafts		237.34
Bank Building		674,307.00
Furniture and Fixtures		None
Customers Liability, Letter of Credit		10,000.00
Interest Earned—not collected		932,734.32
Other Assets		24,187.88
CASH RESOURCES		
U. S. Government Securities	$26,040,433.75	
Municipal Bonds	18,698,663.44	
Other Securities	150,001.00	
Federal Funds Sold	11,000,000.00	
Cash and Sight Exchange	23,330,455.80	79,219,553.99
		$112,085,086.67

LIABILITIES

Capital	$ 2,000,000.00	
Surplus	3,000,000.00	
Undivided Profits	6,701,982.68	
Capital Accounts		$ 11,701,982.68
Reservations		964,791.75
Letter of Credit Outstanding		10,000.00
Interest Collected—not earned		355,443.04
Other Liabilities		7,329,869.60
U. S. Treas. Tax & Loan Deposits	9,260,658.04	
All Other Deposits	82,462,341.56	
Total Deposits		91,722,999.60
		$112,085,086.67

Member Federal Deposit Insurance Corporation

OFFICERS

W. V. ALLISON
President

DONALD D. DOTY
Executive Vice President

HOYT HULING
Executive Vice President

BEN HARNED, JR.
Senior Vice Pres. & Cashier

R. W. BUTLER
Vice President

BARRY M. HUDSON
Vice President

EDWARD F. KELLER
Vice President

BRUCE E. OAKLEY
Vice President

NEAL T. SEIDLE
Vice Pres. & Trust Officer

CHARLES SPRUELL
Comptroller

FRED N. BROWN
Assistant Vice President

NELSON V. ROGERS
Assistant Vice President

RICHARD F. LEE
Auditor

CHARLES BRANNAN
Assistant Cashier

DENNIS O. CUBBAGE, JR.
Assistant Cashier

HAL B. HOPKINS
Assistant Cashier

JOHN SPANGENBURG, JR.
Assistant Cashier

KENNETH YOUNG
Assistant Cashier

ROBERT C. BEARD
Assistant Trust Officer

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

TIRED . . .

OF THE

SAME OLD STUFF!

TRY INTERNATIONAL GOLDENWARE
FOR YOUR NEXT PROMOTION
(Or Your First)

Name .... Title ....

Bank ....

Address ....

City ....

State .... Zip ......

Mail coupon to address below for further details

Jefco, Inc.

2800 VALLEY VIEW
DALLAS, TEXAS 75234

which, hackneyed as it may sound, can indeed nourish the small bank. At the other end of the cord may be a large correspondent bank, a servicing organization, or a processing center in the case of an independent bank; the principal bank, or principal regional bank in the case of a multi-bank holding company; or the main, or regional, operations center in the case of a branch system operating community-type branch offices. Whatever large entity is operating the computer at the far end of the cord, there can flow from that entity to the small bank significant opportunities for a broader and more effectively rendered package of customer services—if the small bank will take the steps necessary to take advantage of that potential.

A concrete example of how this linkage can work effectively is to be found in the bank charge-card area. The entry in virtually a three-year period of several thousand banks into charge-card programs, the inter-connection of those banks to centers providing national (and even international) credit authorization, the effective clearance of millions of sales drafts each month —what more dramatic proof does the commercial banking industry need to convince itself that its ingenuity, its need to broaden its service base and its requirement for increased revenues, will lead it to take advantage of the opportunities inherent in the changing payments system?

The adoption of the charge card has given an indication of yet another advantage the small bank will experience if it takes full advantage of the opportunities offered by the changing payment system. In the vast majority of banks around the nation, the introduction of the bank charge card generated great excitement among bank staffs; for perhaps the first time in many years there was a meaningful major new service which all staff members could sell with sincere enthusiasm.

I am convinced that the introduction of new banking services arising out of changes in the payments system can be met with similar reactions. Small banks will have an opportunity to expand their marketing over broader geographical areas, to offer virtually any retail banking service provided by the larger banks, to process the myriad of accounting transactions on a much more efficient and cost-effective basis, to gain better control instantly, to operate and plan on the basis of hitherto inaccessible or undreamed of information and to grow rapidly without significant operating problems. There is real promise that the beneficial effects experienced by

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

many small banks in the introduction of their own charge-card operations will be repeated many times as new and improved services evolve from the changing payments system.

In order for the smaller bank to effectively capitalize upon the opportunities to be offered it by the changed payment system, certain major internal programs must be effected. To suggest such means by which smaller banks might take advantage of these opportunities may seem presumptuous, especially since the details of the changed payment system are as yet in many cases somewhat theoretical. Nonetheless, the following suggestions are also basic to good bank management in any situation. In the future, as in the past, the problem is not with the small bank as such, but with the *inefficient* small bank. With banking moving increasingly from a high-margin to a low-margin business, inefficiency in the future will be even more of a liability for banks of all sizes than it has been in the past.

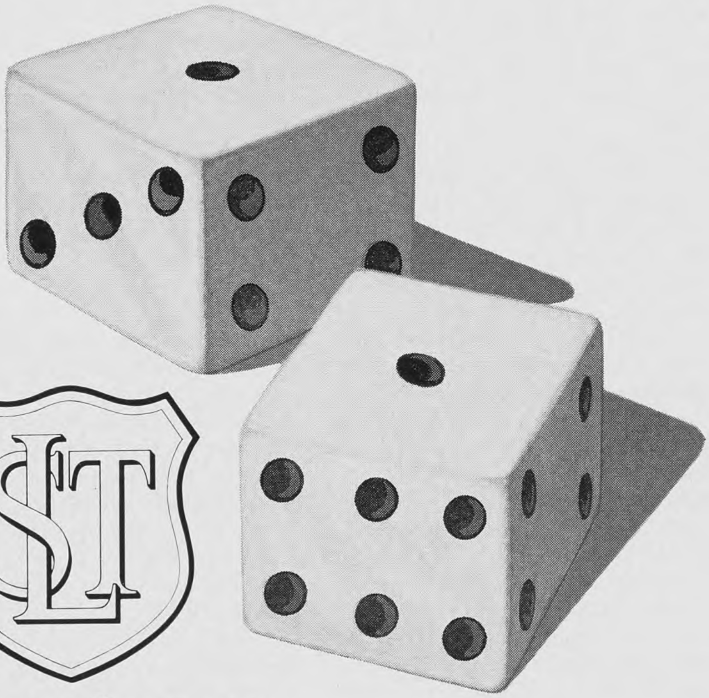
For the small bank to prepare for the challenges and opportunities of the changed payment system, I would suggest that internal programs be instituted, modified, or intensified in six areas:

First, automate as many routine accounting functions as can be economically justified, to freeze costs as much as possible and to increase staff familiarity with varying automated procedures and systems. For most small banks this will involve a relationship with a correspondent bank or with one of several forms of computer centers offering computerized accounting services for banks. Not only will familiarization result from such an arrangement, but possible future relationships more directly a part of payments systems service potentials can be tested.

Second, initiate a planning effort that recognizes the significant changes that will take place in banking, that develops goals and strategies for the bank and that identifies market opportunities and timetables for action. Even though a president of a small bank cannot do a great deal of planning in the technical sense, he can do two important things in this area: He can become planning-oriented, and he can outline an over-all long-term plan. Outside specialized assistance can then be obtained to fill in the details of that plan.

The bank must ask itself certain questions. What do we want to be? Where do we want to be, and when? How do we get there? What is the best way? What is the quickest way, the easiest, the most feasible way, without endangering our way to get

"Why gamble?"



SLT

warehouse receipts reduce risk.

There's nothing new about a warehouse receipt. The next time you accept inventory as collateral on loans, play it safe . . . insist on St. Louis Terminal Field Warehouse receipts.

SLT provides absolute security along with modern computerized accounting control.

Don't gamble on any type security . . . insist on SLT warehouse receipts . . . and be safe.

For more information call one of the offices listed below:

Atlanta, Ga.
Charlotte, N. C.
Chicago, Ill.
Cincinnati, Ohio
Dallas, Texas
Houston, Texas
Jacksonville, Fla.
Jackson, Miss.
Kansas City, Mo.
Little Rock, Ark.
Los Angeles, Calif.
Lubbock, Texas
Memphis, Tenn.
New Orleans, La.
New York, N. Y.
Omaha, Nebr.
Philadelphia, Pa.
St. Louis, Mo.
Seattle, Wash.
Tampa, Fla.
Toledo, Ohio
Tulsa, Okla.

SLT

ST. LOUIS TERMINAL FIELD WAREHOUSE CO.
P. O. Box 242, St. Louis, Missouri, 63166

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

where we want to be at some period later on? Do we want to be "number one," and if so, "number one" in what? Or is "number two" or "number three" sufficient, and as what? What is the future of banking, and where is the future business to come from? What share do we want, and can we reasonably expect? And what are we willing to spend or invest to secure that share?

Outside specialized service with respect to the bank's planning effort presently can come from various management services firms; but I expect, because of its importance, it will be offered increasingly—on a fee basis—in the future by correspondent banks, involving both their specialists and their computer capabilities. Further, it is probable that banking associations will soon prepare publications guiding banks of virtually all sizes in the various phases of planning.

Third, sharpen your bank's marketing skills and, through market research, its knowledge of its markets. The probabilities are that small banks will in the future concentrate somewhat more on marketing and less on operations and lending expertise; considering the new or improved services which will be the probable products of the changed payments system, a greatly increased marketing effort will be needed to exploit those services adequately.

Bank managements must be guided by comprehensive marketing plans, which are integral and living parts of their corporate plans. Each bank must be able to analyze itself, the banking industry, its services, its markets, its competition and its environment. Such analysis and research result in the corporate plan and the marketing plan, through the interaction of which the bank can develop a strategy to define the markets and to plan the services that can be profitably offered within those markets.

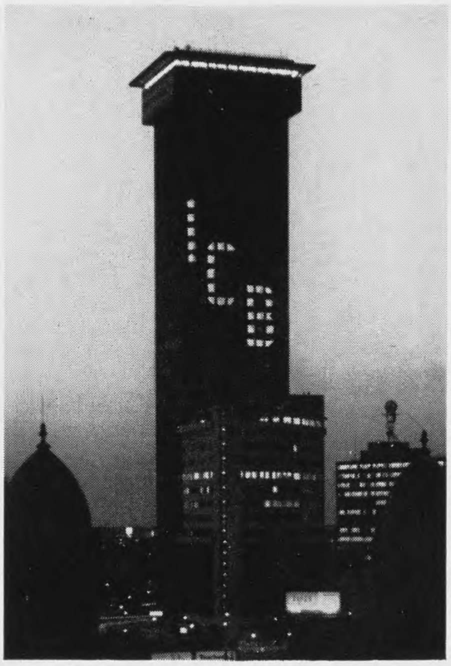
Fourth, upgrade the quality of your bank's staff through effective recruiting and training, with increased emphasis on marketing and selling. The increasing emphasis on technology within the banking industry will make necessary a staff of a higher level of expertise than at present. Higher salary scales and broadened fringe benefit programs may well be required in order to maintain a staff of the appropriate quality to market effectively the broadened array of new banking services that seem certain to be introduced in the years ahead.

Fifth, adhere to a rigorous, yet sensible, program to maximize revenues and to reduce expenses—consistent, of course, with sound banking principles. There is good reason to believe that during the early stages the entry of the small bank into the changed payment system would result in at least a modest drain on earnings. A corollary of this can be observed in the experience of many small banks that entered the charge card business and that have not as yet experienced all of the benefits—and especially the profits—which will accrue therefrom.

Sixth, become involved in community and/or area development programs in order to strengthen the economy in which your bank now operates and upon which its future vitality depends. Such involvement provides a more lucrative and promising market for a broadened inventory of future services.

In summary, we have noted that the nation's smaller banks very likely will experience increasingly adverse effects in the next few years from certain of their already evident problems. Among these are shortages of management-level personnel, a growth rate generally lower than that of larger banks, increasing difficulties in raising needed capital, inability to take advantage of the economies of scale and the gradual disappearance of that competitive advantage enjoyed by many smaller banks formerly more or less isolated in small communities or "insular" markets.

ICB tops the town!



New Plaza Tower Office now open at the tallest address in New Orleans.

In the 45-story Plaza Tower, ICB's newest office dominates the city's skyline. Since our 1966 founding, ICB has added a new office each year, evidence of the solid growth we've enjoyed. Already a $100,000,000 bank, ICB builds on banking innovations and fresh ideas that have drawn the attention of financial interests from around the world.
Come see us when you're in New Orleans. You'll find us as long on service as our new office is tall.

University Office
Freret at Jefferson Ave.

Carrollton Office
2331 S. Carrollton Ave.

ICB

West Bank Office
2140 Gen. De Gaulle Dr.

Plaza Tower Office
1001 Howard Ave.

MEMBER F.D.I.C.

INTERNATIONAL CITY BANK
AND TRUST COMPANY
321 ST. CHARLES AVE. NEW ORLEANS, LA. 70130

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The probabilities are, fortunately, that the evolution of the banking business into the changed payments system should not be yet another problem to be faced by the smaller bank. Participation by the aggressive and alert smaller bank should provide it with a number of salutary effects.

In order for the smaller bank to effectively capitalize upon the opportunities to be offered it by the changed payments system, certain internal programs must be effected, including those in the areas of automation familiarization, planning, marketing, increased staff quality and sophistication and maximized income and expense control.

The change in the payments system technology impels the smaller bank to look more objectively and realistically at its role with respect to certain external forces presently affecting banking, and to give meaningful support to changes liberalizing the banking structure in which it operates and the range of potential services that constitute the future business of banking.

As I remarked earlier, it is my belief that the changing payments system offers virtually all banks significant opportunities in the future to serve their customers better, and in more ways, than they can at present. It would be untrue if I were to say that I believe the small banks will not face serious problems in the days and years ahead; indeed certain of these have been identified in my earlier remarks. However, in my judgment, the changes in the payments system, certain of which we have already begun to experience, need not be a problem if the banks will begin now to take the steps which allow them not only to survive, but also to become more effective and stronger members of the commercial banking industry in the process. • •

Baby's Footprint in Capsule

Joseph C. Hauser (l.), president, Belleville (Ill.) National, holds scroll bearing footprint of the first baby born in 1970 in the Belleville area. The scroll will be signed by Belleville residents, capsulized and buried within the bank's new building now being constructed. Holding the 1970 baby are its parents Mr. and Mrs. Harry Hill.

Real Estate Investment Trust Begun at First of Memphis

MEMPHIS—First National Holding Corp., owner of First National, has announced sponsorship of a real estate investment trust. Proceedings have been started to register an initial public offering in the $30-million-to-$50-million range with the Securities & Exchange Commission.

A First National spokesman said it is the first bank or bank holding company in its five-state trade area to enter the growing field of real estate investment trusts.

A real estate investment trust, organized under an act passed by Congress in 1960, permits a trust of this character to supply funds for mortgage and equity financing and to avoid any tax at the corporate level, by paying out, each year, substantially all of its income to shareholders. A real estate investment trust invests the proceeds primarily in real estate equities or mortgages.

■ JAMES G. HARLOW JR. has been elected a director of Fidelity Bank, Oklahoma City. He recently was elected vice president and treasurer of Oklahoma Gas & Electric Co.

THE FEDERAL LAND BANK OF WICHITA

in Wichita, Kansas

Serving Kansas, Oklahoma, Colorado and New Mexico

Statement of Condition
June 30, 1970

ASSETS

Mortgage loans, purchase money mortgages, and contracts (unmatured balance)	$619,935,666.30	
Unmatured extensions, delinquent installments, etc.	936,289.00	
Accrued interest receivable on mortgage loans, purchase money mortgages, and contracts	18,951,746.14	
Total	639,823,701.44	
Less reserve for losses	5,084,156.35	$634,739,545.09
Cash		2,516,012.86
Loans in process of closing		55,396.00
Accounts receivable		5,822.72
Other securities		3,000,000.00
U. S. Government securities, at amortized cost (par $10,843,000.00)		10,761,958.25
Real estate owned	$ .00	
Loans called for foreclosure, judgments, etc.	191,869.59	
Total	191,869.59	
Less reserve	.00	191,869.59
Furniture, fixtures, and equipment	$ 200,082.58	
Less accumulated depreciation	143,305.21	56,777.37
Other assets		1,208,232.51
TOTAL ASSETS		$652,535,614.39

LIABILITIES

Unmatured consolidated Federal farm loan bonds outstanding	$569,800,000.00	
Less bonds owned	10,000,000.00	$559,800,000.00
Notes payable:		
Federal Land Bank Associations		5,764,966.20
Accrued interest payable		11,601,664.68
Future payment funds from borrowers and others		4,790,021.97
Trust accounts		803,050.84
Payments received on unmatured indebtedness		594,570.13
Other liabilities and deferred income		332,664.21
Capital stock owned by Federal Land Bank Associations		36,048,860.00
Legal reserve		17,432,850.00
Surplus reserve		14,000,000.00
Earned surplus		1,366,966.36
TOTAL LIABILITIES		$652,535,614.39

NOTES:

A. Of the mortgage loans $610,058,745.13 are assigned as collateral for unmatured consolidated Federal farm loan bonds; also, $28,999.36 are assigned as collateral for Individual farm loan bonds called (face amount) of this land bank.

B. The twelve land banks are jointly and severally liable for consolidated Federal farm loan bonds outstanding in the total amount of $6,316,366,000.00.

DIRECTORS

Leo Paulsen, Chairman, Concordia, Kansas
Wm. D. Lakey, Vice Chairman, Sayre, Oklahoma
Ben Swigart, Mooreland, Oklahoma
James R. Isleib, Shawnee Mission, Kansas
Lyle L. Hague, Cherokee, Oklahoma
Sherwood Culberson, Lordsburg, New Mexico
William A. Byers, Fruita, Colorado

OFFICERS

Wm. G. Plested, Jr., President
M. K. Mathews, Jr., Executive Vice President & Secretary

G. A. Wiles, Vice President & Treasurer
Wm. S. May, Vice President
Byron T. Rowell, Principal Attorney & Asst. Secretary
C. M. Smith, Chief Accountant & Asst. Treasurer
Orval R. Dill, Asst. Vice President
Harold B. Wolfe, Asst. Vice President
Robert F. Randle, Asst. Vice President

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

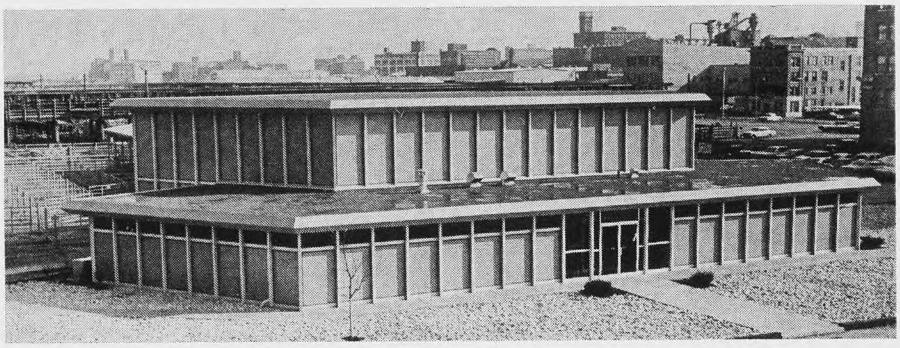
K.C. Livestock Exchange Center Opens With Ribbon-Cutting, Record Sales

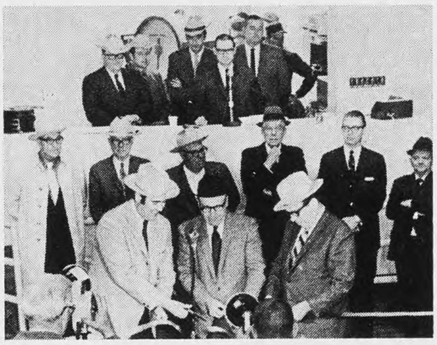
KANSAS CITY—Two records were set when the new home of the Kansas City Livestock Exchange Center opened here recently. The first record was set when opening day sales totaled in excess of $2 million, with an average of $212 per animal or $33.81 per hundredweight. The second record was the bid of $50.50 per hundredweight for 56 head of prime quality thin-steer calves.

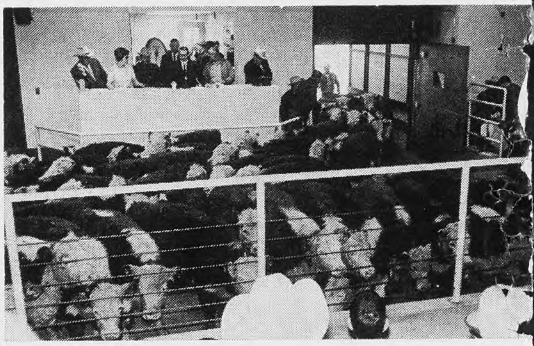
Opening day saw 5,000 buyers and spectators jamming the 500-seat steel-and-glass center. About 200 persons remained until the close of the sale which saw 9,714 stocker and feeder cattle sold in a 12-hour and 46-minute auction, handled by a team of five auctioneers.

The day-long auction was preceded by a breakfast attended by state government officials and livestock and agriculture leaders. A formal ribbon-cutting ceremony was held, with Missouri Lieutenant Governor William Morris and Kansas Lieutenant Governor James DeCoursey taking part. Frank McCall, president of the Kansas City Livestock Exchange, officiated.

The new building is testimony to the fact that the Center is ready for and adaptable to future growth. Advice was received from the U. S. Department of Agriculture regarding construction of the building. Leading construction people and architects also contributed advice.







LEFT: Cutting ribbon were (from l.) James DeCoursey, Kan. Lt. Gov.; Frank McCall, pres., Kansas City Livestock Exchange; and William Morris, Mo. Lt. Gov. RIGHT: Some of the record 9,714 stocker and feeder cattle sold on opening day.

THIS IS THE BANKERS BANK

The TEXARKANA NATIONAL Bank

CORRESPONDENT CENTER IN THE FOUR STATES AREA

Bankers Should Explore Three Areas Before Making Loans for Franchises

By **THOMAS H. MURPHY**
President
Continental Reports, Inc.
Denver

ONE of the major problems facing franchising today is that of finance, whether one is a franchisee or franchisor. Long-term financing was readily available in the first half of 1968; however, money tightened in the latter half of the year and continues to be tight through the present period. But I think the real problem is the matter of furnishing working capital or making business loans to franchisees in the areas of start-up funds and mortgage money for real estate and land.

There are three problem areas that must be analyzed in dealing with the franchise field:

1. What is the performance track record of the franchisor? Has he been

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The view from LaSalle & Monroe.

You'd be surprised at what Howard Beermann, Wayne Obrecht, Bob Norrish, Alan Meyer and Don Anderson see when they look out of the window.

Cornfields, Cattle, Soybeans.

Maybe you find it hard to believe that you could find a country banker in a great big city like Chicago.

But you will at Central National Bank.

For many of our men were born and raised on farms. Some are still actively associated with farming.

They understand Country banking.

They understand agriculture.

From integrated feedlot operations to capital expenditures for farm equipment, they understand—and talk—your customers' language.

So talk to Howard, and the rest of our agricultural banking group.

They understand your problems and needs, so they're great guys to exchange views with.

WE UNDERSTAND.

Central National Bank In Chicago
La Salle & Monroe
Member F.D.I.C.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

in business long enough to prove his expertise? Has his product been accepted by the marketplace, and what is his financial stability?.

2. What is the actual contractual relationship between the franchisee and franchisor? Is the contract assignable? Is the contract so written that the man is paying for the right to work, or is the contract designed so that there is freedom of choice for the franchisee? If he builds the business, can he sell it or are his hands tied with a restrictive option that makes his creativeness practically worthless?

3. Has the franchisor made full disclosure to you, the banker, and to the franchisee? Is there information that seems hidden and that you have not been able to pin down? Is the franchisor hard to investigate? In other words, have all of your inquiries fallen short of hitting the mark?

A franchisee's success depends on the franchisor's program. Therefore, the first thing that you, as a banker, want to investigate is the legitimacy of the program being sold. In the past several years, we have been able to review many franchise programs presented in the most professional manner; the systems have been so designed that they seemed foolproof. However, after closer scrutiny, we found there was a tremendous lack of expertise in the development of many franchised products and services. Kentucky Fried Chicken did not become a national institution by the presentation of Colonel Sanders' picture. The firm's fried chicken had to be a good product, and it had to be competitive in the marketplace. Nor did the golden arches make McDonald's a top firm; it developed a hamburger, spiced and seasoned, of a size and flavor that appealed to the young across the country. It is my opinion that, regardless of the gloss or the glamour attached to a franchisor's package, you can quickly determine his future success by making a check of the product he is to sell. His financial stability is fairly easy to determine through banks and credit agencies. But in the year 1968, there were many large companies, well financed, with a fine reputation, that had many problems in keeping their franchisees' doors open because of an inferior product or because of a product that has not kept tune with the public's demand.

I think that the second thing—the assignability or the tone of the contract between the franchisee and franchisor—is a most important question and, in many cases, eliminates the bankers' ability to do business with the franchisee-franchisor partnership.

Most franchise contracts today are being changed to give the franchisee a more acceptable, independent business stature and to make it easier for him to handle his financing. Many of the contracts are being changed because the courts are deciding against the franchisor who requires the franchisee to purchase all of his goods from the franchisor organization. The courts also are rendering decision after decision enjoining arbitrary terminations. However, many of the new franchisors, as well as many of the more successful ones, are trying to design a contract that is more befitting a partnership give-and-take proposition. In all fairness, a franchise contract is a highly specialized instrument, primarily because it must represent the cohesive catalyst that binds together a partnership for 15 or 20 years. It must comply with the law, which covers a wide spectrum. Aside from the normal draftsmanship of a legal document, the contract must comply with terms in the Robinson-Patman acts as they apply to the price structure of the products; with the Sherman and Clayton Antitrust acts, allowing freedom of competition; with the Federal Trade Commission Act;

2,200 New Accounts in 28 Days!

That's How
"THE SMALL CHANGE CLUB"
Developed Savings Accounts
for a Major California Bank!

But it wasn't exactly "small change"
Average size of account: $243 . . .
and new accounts are still coming in!

Here's a savings plan that will work for any bank in any community . . . practically guaranteed to open accounts where other plans won't. Simple to administer; no big inventory problem.

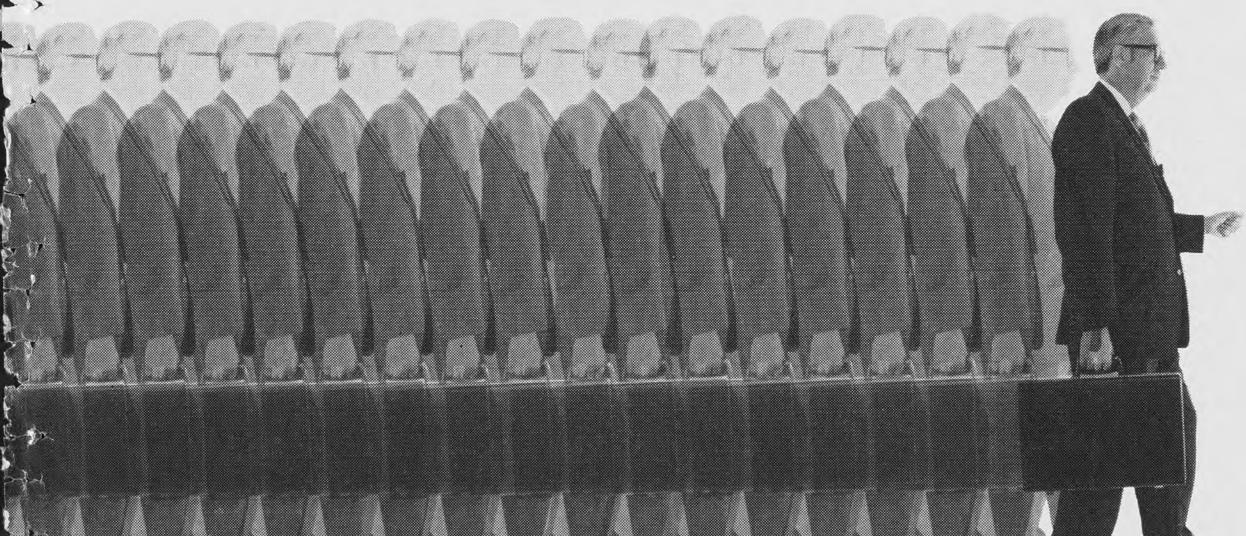
And here's a BIG PLUS . . . your employees will get behind this program with ENTHUSIASM. Customers literally flock to the bank. Californians even opened accounts in the names of their pets to qualify for membership in THE SMALL CHANGE CLUB.

We can bring THE SMALL CHANGE CLUB "know how" to your bank and help build new deposits and new friends in your community. Write, wire or phone for full details. (Or refer to page 38 of the June issue of MID-CONTINENT BANKER.)

WYATT, DUNAGAN and WILLIAMS, INC.

1901 Avenue of the Stars
Los Angeles, Calif. 90067
Telephone: 213/277-3011

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis



MEMBER F.D.I.C.

Robert Rowe is a busy man.

He's been busy for 31 years with Union National Bank of Little Rock.

Soon he'll be busy calling on you.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

with the Securities acts, both state and federal; and yet, at the same time, it must assure the franchisor sufficient control over the franchisee to protect his image, to insure quality of product and to guarantee a uniform presentation.

Even though the franchise contract is a complicated instrument, I believe the crux of the problem facing the banking industry is, specifically, the assignment clause in the contract. One of the country's leading antitrust lawyers and an expert in franchising contracts is Jerrald Van Cise of New York. In a dissertation on franchise contracts given to Boston College last year, Mr. Van Cise said a fair franchise agreement must have provisions for the freedom to transfer to any individual, provided the individual meets a franchisor's standards, which are specifically spelled out.

Mr. Van Cise said that notice requirements to the franchisor and provisions for a reasonable right of refusal by the franchisor on the same terms as a third party's bona fide offer are a reasonable provision. Mr. Van Cise further stated that arbitration should be provided for disputes involving assignments or terminations. In other words, a fair franchise contract should be written as a merchantable instrument. There are some contracts that are and some that are not. Some of the least merchantable assignment clauses we have encountered are the ones that state, "The interest of the licensee is personal and may not be assigned, transferred, encumbered, etc."; or the one that states, "The license is not assignable by licensee or any of his successors or assigns without the prior written consent of franchisor. The death of licensee gives the licensor the right or option of terminating this agreement." Of course, the licensors are generous in this statement by stating further that they will notify the personal representative of the licensee in case of his death, within 90 days, that the license has been canceled. However, if they fail to notify within 90 days, they deem this as a termination. In other words, there are contracts that say death is a default of a contractual agreement.

On the other side of the picture, some of the more liberal assignment clauses say that you will first offer to the franchisor the right to purchase upon the same terms as received from a fully disclosed third party in a bona fide written offer. In some instances, an additional formula is added to this assignment, i.e., if the franchisee decides to sell or for some reason decides to dispose of his business, he may offer his business to the franchisor on a predetermined formula of anywhere from two to 15 times earnings. Some of the contracts today are coming out with assignment clauses with established formulas for fair market value for sale. I object strongly to some of the options that give the franchisor the exclusive right to purchase the business on any formula; however, as a banker, you could basically place a value on such contracts even though you did not agree with the formula for resale.

The third thing I think is necessary in order to clarify the credit potential of franchisees with the American

THE FIRST NATIONAL BANK

Fort Smith, Arkansas

CONDENSED STATEMENT, JUNE 30, 1970

RESOURCES

Loans		$44,097,881.58
Stock in Federal Reserve Bank		90,000.00
Building		379,354.51
Other Real Estate		225,310.92
Furniture and Fixtures		1.00
Interest Earned, Not Collected		520,242.56
United States Bonds	$ 5,120,441.27	
Municipal and Ind. Bonds	6,230,891.38	
Cash and Sight Exchange	13,337,821.80	$24,689,154.45
TOTAL		$70,001,945.02

LIABILITIES

Capital Stock	$ 1,000,000.00	
Surplus	2,000,000.00	
Undivided Profits	4,492,008.64	$ 7,492,008.64
Reserve for Possible Loan Losses		923,971.50
Interest Collected, Not Earned		596,851.85
Accrued Taxes & Interest Payable		240,730.96
Deposits		$60,748,382.07
TOTAL		$70,001,945.02

OFFICERS

McLOUD SICARD	President	MACK COTHREN	Asst. Vice President
SAMUEL M. SICARD	Executive Vice Pres.	DONALD R. SWAIM	Asst. Vice President
S. B. STEVINSON	Vice Pres. & Trust Officer	PAUL QUOSS	Asst. Vice President
CARLE ROBBINS	Vice President	ZEALAND A. GUTENSOHN	Asst. Trust Officer
WM. A. BAKER	Vice President		
C. B. HERBERT	Vice Pres. & Cashier	J. W. JACOBS	Asst. Trust Officer
E. V. BRAUN	Vice President	JIM HANKS	Assistant Cashier
J. N. ADAMS, JR.	Vice President	JERRY FRISBY	Assistant Cashier
ALLEN GATTIS	Vice President	HILL ALEXANDER	Assistant Cashier
CHARLES A. BEASLEY	Vice Pres. & Trust Officer	BERT WRIGHT	Assistant Cashier
		J. C. McCOLLUM	Assistant Cashier
MONT S. ECHOLS, JR.	Vice President	DOYE BASHAM	Assistant Cashier
JAMES D. SPARKS	Vice President	GERALD GRUBB	Auditor
MILTON S. CRAWLEY	Asst. Vice President		

Member of Federal Deposit Insurance Corporation

MERCANTILE NATIONAL BANK OF INDIANA

Hammond, Indiana
Statement of Condition

June 30, 1970

RESOURCES

Cash and Due from Banks		$10,726,419.51
United States Government Securities		9,728,578.42
State and Municipal Bonds		20,219,187.42
Loans and Discounts		46,959,053.67
Federal Reserve Bank Stock		135,000.00
Banking Premises and Equipment		468,665.26
Interest Earned, But Not Collected		569,193.02
Other Resources		122,000.97
TOTAL RESOURCES		$88,928,098.27

LIABILITIES

Deposits:		
Demand	$38,771,018.37	
Time	40,427,459.07	$79,198,477.44
Reserves for Taxes and Interest, etc.		626,452.29
Interest Collected, But Not Earned		1,133,679.91
Bills Payable		1,000,000.00
Other Liabilities		73,644.00
Capital Funds:		
Capital Stock	$ 2,250,000.00	
Surplus	2,250,000.00	
Retained Earnings and Reserves	2,395,844.63	6,895,844.63
TOTAL LIABILITIES		$88,928,098.27

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

banking industry is for us to have a requirement, through either federal or state agencies, for full disclosure. I would like to set forth a recommendation I have made previously. At the outset, let me state that I do not believe franchises should be regulated by the Securities and Exchange Commission; but I do believe that a full disclosure requirement, similar to that required by the SEC for public stock sales, should be necessary along the following lines:

a) Full and complete financial data; a financial statement, including a balance sheet, profit-and-loss statement and a working capital schedule. If the company is more than three years old, then this data should cover the prior three years.

b) A biographical disclosure on each and every member of the board of directors. All officers must submit an employment history.

c) A filing of the franchise contract and a synopsis of the training program for franchisees.

d) A statement of the company's chronological development of its franchise program and statement setting forth its expertise in the field of its chosen operation.

e) All sales material, brochures, etc., should be filed.

f) If operational and profit projections are used to sell franchises, then this data should be filed with the sales material. However, a statement should accompany such data as to how it was compiled, such as: figures from a pilot operation, figures obtained through researching of a competitive, related and similar organization or a statement that projections are arbitrary.

g) If, after sustained operation, it is found that projections of profits used in sales material are substantially different from actual operational figures, then an amended schedule should be filed setting forth those changes.

h) Reports should be filed each year after the original filing and with all agencies of prior record.

i) If the franchisor company is a public company, then it should be exempt from these regulations, since it has filed a more complete disclosure with the Securities and Exchange Commission. However, duplicate information should be filed by a franchisor with the appropriate agency of jurisdiction.

j) A franchisor should be required to disclose to the prospective franchisee all of the foregoing information at the time he offers the franchise for sale. • •

THE FIRST NATIONAL BANK

JACKSON, TENNESSEE

Statement of Condition June 30, 1970

RESOURCES

Cash and Due from Banks	$ 5,982,020.24
U. S. Bonds and Securities	6,210,944.37
Other Bonds	3,860,814.47
Loans & Discounts	24,017,099.81
Stock in Fed. Reserve Bank	52,500.00
Midtown Branch	179,035.16
Banking House	370,270.04
Furniture & Fixtures	178,166.77
Interest Accrued—Not Collected	364,042.43
Other Assets	22,365.41
	$41,237,258.70

LIABILITIES

Capital Stock	$ 750,000.00
Surplus	1,000,000.00
Undivided Profits	1,797,810.09
Reserve for Loan Losses	463,549.06
Interest Collected but Not Earned	230,275.53
Accrued Payables	87,149.53
Dividend Payable July 1, 1970	30,000.00
Deposits	36,878,474.49
	$41,237,258.70

OFFICERS

HUGH W. HICKS
Chairman

WALTER BARNES
President

WILL H. FOSTER
Vice President & Cashier

W. E. TERRY
Vice Chairman & Senior Trust Officer

FRANK A. McKINNIE
Senior Vice President

LILLIAN J. CASON
Vice President & Trust Officer

Vice Presidents

J. HOUSTON COCHRAN BURNS L. HICKS EARL WILLIAMSON

Assistant Vice Presidents

JOE GOBELET FRANCES L. MEEKS WM. A. GUNTER, JR. ORA SUE YOUNG

Assistant Cashiers

JAMES FREEMAN
JOHN P. GAFFNEY
MARY LOUISE HAMILTON
JAMES RAY HIGHT
ANNIE LEE LASLEY
JESSIE H. MATHIS
MARGUERITE L. HOLDER
GEORGE R. SHELTON
J. BENJAMIN SHELTON, JR.
FLOYD T. WATKINS, JR.

WILLIAM P. MOSS
Attorney

JAMES L. ELLIS
Auditor

Member of Federal Deposit Insurance Corporation

BANK OF KENNETT

KENNETT, MISSOURI

Statement of Condition as of June 30, 1970

RESOURCES

Cash and Due from Banks		$ 1,447,286.92
Federal Funds Sold		600,000.00
U. S. Government Obligations	$1,587,687.09	
Obligations of U. S. Government Agencies	3,651,718.59	
Municipal Bonds and Other Obligations	3,873,223.89	
Other Bonds and Securities	355,120.51	9,467,750.08
Loans Insured or Guaranteed by a Federal Agency	1,866,929.47	
Conventional Real Estate First Mortgages	2,078,970.48	
Commercial and Finance Company Paper	390,238.82	
Other Loans to Corporations, Firms and Individuals	5,179,310.34	9,515,449.11
Overdrafts		6,893.81
Bank Buildings, Leases, Drive-In Facilities and Parking Lots		122,538.76
Furniture, Fixtures and Equipment		39,269.69
Other Real Estate		1.00
Accrued Interest Receivable		302,217.13
Prepaid Expenses		16,626.37
Other Assets		5,452.70
TOTAL RESOURCES		$21,523,485.57

LIABILITIES

Capital Stock	1,000,000.00	
Surplus	400,000.00	
Undivided Profits	443,403.10	1,843,403.10
Reserve for Interest Received in Advance		122,749.18
Other Reserves		386,918.54
Accrued Interest Payable, Taxes, Expense and Dividends		242,618.42
Other Liabilities		3,155.20
Deposits		18,924,641.13
TOTAL LIABILITIES		$21,523,485.57

OFFICERS

JOSEPH C. WELMAN	Chairman	ELMAN M. MERRITT	Vice President
A. L. DAVIDSON	Chairman, Exec. Comm.	LARRY D. SWINDLE	Asst. Vice President
W. F. SHELTON III	President & Trust Off.	CLYDE H. MATTHEWS	Asst. Vice President
JIM ROBISON	Executive Vice Pres.	VERNA HARRISON	Asst. Cashier
JOSEPH S. KERR	Vice Pres. & Ag. Rep.	WILLIAM W. MARSHALL	Asst. Cashier
LONNIE L. KINCHEN	Vice President	R. L. MITCHELL	Asst. Cashier
THOMAS H. KINSEY	Vice Pres. & Cashier	JANE TODD	Asst. Cashier

Member Federal Deposit Insurance Corporation

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

FREE

With New and Renewal Subscriptions to The BANK BOARD Letter

A Model Policy for a Bank's Board of Directors

This newly published 24-page booklet will be a valuable addition to your bank's library, for it contains a wealth of information that will aid your board and your top management in organizational problems.

Starting with an organizational chart that presents well-defined lines of authority and responsibilities, the Policy Manual presents sections on collection policy, credit standards and guidelines, expense accounts, policy on bank investments and loans, management philosophy, overdraft policy, plus many other topics.

And the Manual is FREE with any one-year, new or renewal subscription to The BANK BOARD Letter, the monthly newsletter prepared especially for bank directors and top bank officers. Now in its second year of publication, The BANK BOARD Letter has proved to be a valuable tool for bankers who want to keep ahead of the trends in the fast-changing financial world.

BANK BOARD Letter subscription rates: $25 per year for the first subscription . . . $10 per year for each additional subscription

(Attention current subscribers: Renew your subscription NOW and receive your Policy Manual by return mail.)

Send orders (with remittance) to:

The BANK BOARD Letter
408 OLIVE ST. (ROOM 505)
ST. LOUIS, MO. 63102

Comprehensive Topical 1969 Index Is Issued By Editors of 'The Bank Board Letter'

ST. LOUIS—A comprehensive index of topics covered in the 1969 issues of *The Bank Board Letter*, newsletter for bank directors and senior managers, is being offered at no cost to subscribers of the publication and to readers of MID-CONTINENT BANKER.

During its first year of publication, *The Bank Board Letter*'s monthly issues covered 170 topics of current interest to bank management, ranging from the consideration of alcoholics as executives to the provisions of Regulation Z. *The Bank Board Letter*, edited by Dr. Lewis E. Davids, professor of bank management at the University of Missouri, provides an analysis of current banking subjects to its nationwide subscription list on a monthly basis.

A sampling of topics discussed in 1969 includes advisory boards, bank control and ownership, conflicts of interest, delinquency rates, directors and officers liability insurance, establishment of pools of credit for inner city financing, functional cost analysis, etc. Subscribers periodically receive bonus issues that deal with a wide range of topics on an in-depth basis.

A reader desiring to review a report on functional cost analysis will be referred to the following by *The Bank Board Letter* index:

"*Functional cost analysis.* As a bank director, you should not usurp the management operation function. You should know whether your bank's costs are in line with those of banks of similar size and location.

"All Federal Reserve banks (except Kansas City) annually provide member banks with free functional cost analyses (member banks in the KC district can have an analysis done through some other Federal Reserve bank. such as Dallas). Many state bankers associations provide comparable services for members for reasonable fees. These can be contracted for with well-known CPA firms. The results are a valuable tool for cost evaluation of various bank functions.

"Extreme caution should be exercised by directors, especially those with a limited background in cost accounting, when applying the comparative data of any functional cost study. Functional costs are only one facet for analysis.

"Incremental or marginal costs are equally essential for full understanding. The FDIC has recognized this problem and assigned the solution to a leading research firm. Results to date, in the words of a leading FDIC executive—'a dry hole.'

"Directors should discuss with their CEOs the desirability of participating in the FCA program either through their FRB (if a member) or their state bankers association.

"Many side benefits accrue from participation, including an increased awareness of costs. The real benefit comes not in the first year but in the second, since comparison can then be made of the bank's own 'track record.'" (March, 1969, issue.)

Of the several references to directors and officers liability insurance, the following is from the April, 1969, issue:

"*Directors and officers liability insurance.* One of the often overlooked advantages of directors and officers liability insurance is the provision that the insurance company will legally defend the insured. In view of increasingly high attorney fees, this aspect is of major importance.

"A recent survey of banks in the central U. S. revealed that, of those that replied, 7% carry D&O liability, 52% carry personal liability coverage, 27% carry corporate umbrella liability coverage, 52% carry a bankers blanket bond with D&O legal expense coverage and 6% carry individual personal umbrella policies on officers and/or directors.

"Most common reasons why more banks did not carry D&O was that cost for coverage was too high or that banks simply had not investigated D&O.

"Underwriters report that sales of D&O have increased about 150% annually during the past two years. Rates have jumped from 20-100% in the last year, but insurers predict a leveling off."

An item under "one-bank holding companies" in the June, 1969, issue advised directors of 1-BHCs on how to make sure their banks do not appear to be discriminatory regarding the granting of loans. The item reads as follows:

"A problem is cropping up with the spread of one-bank holding companies that is causing concern among federal bank supervisory agencies. The problem involves discrimination in the granting of bank loans to competitors of conglomerate affiliates.

"Such a situation might result when a bank, which is a subsidiary of a conglomerate, is confronted with the ne-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

cessity of making a decision on a loan application from an insurance firm that is a competitor of a similar firm that is an affiliate of the conglomerate.

"When a tight-money situation prevails, the possibility of such a discriminatory antitrust policy becomes increasingly likely.

"Data on loan rejections by subsidiary banks of one-bank holding companies could become a matter of public record if loan applications of creditworthy commercial competitors are rejected while the bank makes loans to affiliated firms that are part of the conglomerate.

"Loan officers should be instructed to maintain records of loan inquiries to prove that the bank is not guilty of discriminatory policies." • •

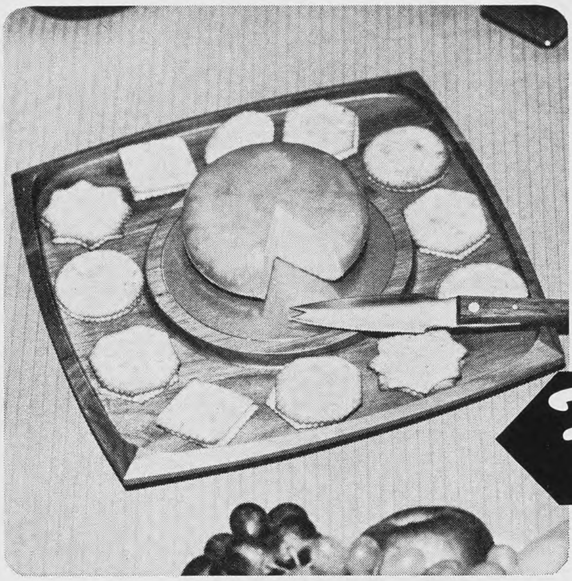
Bank Directors' Assembly Planned September 5-8

The ninth in the series of assemblies for bank directors will be held September 5-8 at the Broadmoor Hotel in Colorado Springs, Colo. The assemblies began in 1968.

Next month's assembly will include presentations on "The Director's Role," "Legal Responsibilities," "Managing Assets—Human and Financial," "The Changing Economic and Monetary Environment" and "Sound Credit Administration." Registrants also will hear discussions of these topics: "Trust Administration," "Trends in Banking and Bank Legislation," "What a Bank Supervisor Expects of a Director" and "Effective Bank Performance."

William W. Sherrill, governor, Federal Reserve System, Washington, D. C.; Eugene H. Adams, president, First National, Denver; Charles A. Agemian, chairman, Garden State National, Hackensack, N. J.; Gerald T. Dunne, vice president, Federal Reserve, St. Louis; and Ronald A. Terry, senior vice president, First National, Memphis, will be among the speakers.

The assembly will feature small discussion groups in which ideas and experiences are exchanged. Chairmen and counselors will include: Dr. Lewis E. Davids, Hill professor of bank management, University of Missouri, Columbia, and a regular contributor to MID-CONTINENT BANKER; Oran H. Kite, retired chairman, credit policy committee, Republic National, Dallas; P. J. Mills, vice president, Pioneer Bank, Shreveport, La.; E. Wayne Stewart, president, First National, Alamogordo, N. M.; Eugene L. Swearingen, president, National Bank of Tulsa; and Sam D. Young Jr., president, El Paso (Tex.) National. Also



new excitement in giftware *by*

Foley®

FLAIR

A completely new line of giftwares by the company that understands women. Elegant Solid American Walnut combined with brushed stainless steel in carousels, serving trays, snack and buffet sets and salt and peppers. In sculptured contemporary design, colorfully gift packaged. For illustrated folder write:

Foley Manufacturing Company, 3300 N.E. 5th Street • Minneapolis, Minnesota 55418

Exciting ideas in Premiums, Incentives, Self-Liquidators and Give-Aways

Guaranty of Alexandria

Your logical Louisiana correspondent

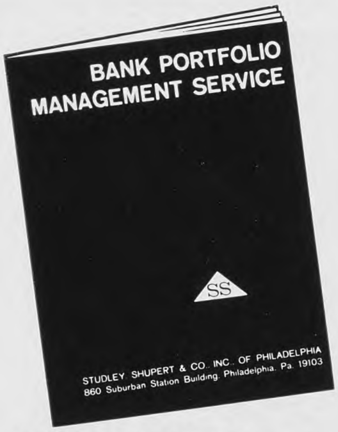
- ***Direct sendings to over 150 banks in Louisiana alone.***
- ***Located in the geographical center of the state.***
- ***Capacity and strength to fill every correspondent need.***
- ***Knowledge and experience gained in 74 uninterrupted years.***

Guaranty Bank and Trust Co.

Member Federal Deposit Insurance Corp

ALEXANDRIA, LOUISIANA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis



BANKS THAT ARE EMPLOYING THIS SERVICE ENJOY Adequate Liquidity
Increased Earnings
and
Greater
Investment Portfolio
Effectiveness

STUDLEY SHUPERT & CO., INC. OF PHILADELPHIA

Perhaps your bank could enjoy these same benefits.

Write for our explanatory brochure

STUDLEY, SHUPERT & CO., INC., of Philadelphia
860 Suburban Station Bldg. • Phila., Pa. 19103

Imaginative correspondent banking

FRANKLIN NATIONAL BANK
NATIONAL DIVISION
410 MADISON AVENUE at 48th St.
New York, N. Y. 10017
Member F.D.I.C.

participating as a counselor will be Robert W. Kneebone, chairman of the Foundation of the Southwestern Graduate School of Banking, sponsor of the assemblies. Mr. Kneebone is consulting vice president, Texas Commerce Bank, Houston.

Multi-Bank Holding Co.

(Continued from page 26)

stroyed and in its place Little Rock financial concerns would be completely dominant.

"Little Rock banks," he continued, "already hold a high proportion of the state's total bank deposits. They hold $758 million of the state's total of $3.2 billion. This leverage, coupled with a few acquisitions via the bank holding company route, would create an oligarchy in Arkansas banking. This would not serve the needs or convenience of the vast majority of the people of Arkansas. It would in fact financially benefit a few powerful individuals.

"In the long run," according to Mr. Vinson, "concentration of economic resources, including bank deposits, means less competition. In Arkansas, the first result would be that competition would shift from the smaller outlying banks to Little Rock, where it now exists. The small bank subsidiaries would be used primarily to furnish resources for this main battle.

"In my opinion," he argued, "this would result in even more concentration in Little Rock. This might not affect the Little Rock banks adversely, but it would certainly drain the smaller banks. Simply put, the incentive of the small banker to make a relatively small marginal profit loan to an individual would be gone forever."

The effects of increased competition through granting of the application also were discussed by Jack D. Walz, chief executive officer of Benton State of Benton, a community that lies between Little Rock and Hot Springs.

Protesting the application, Mr. Walz explained that Benton already competes strongly with Little Rock and Hot Springs for bank business. Newspapers from both cities circulate freely in Benton and the three-county area is served by the same television stations. His bank, he explained, could not compete on an advertising basis with a holding company organization and its much larger advertising budget.

"My competitor at Benton, the Union Bank," said Mr. Walz, "is supporting this application. It is logical to assume this bank would soon join the FABCO group. This would force us to join another chain. There would be no independent banking in the county," he argued, "as both Benton banks would be owned and controlled by Little Rock financial empires."

W. R. Pruett, chairman and president of the Union Bank of Benton, testified that although his bank already feels the impact of competition of Little Rock and Hot Springs banks, he could not foresee that granting of the application would alter this situation. Accordingly, he supported the application.

Support From Other Bankers

Support for the application also came from several bankers in other parts of the state.

Louis E. Hurley, president and chairman of the Exchange Bank of El Dorado, said: "In my opinion the bank holding company can be an important tool in meeting the challenge of the coming decade. It is not the only means of meeting our needs . . . participation between correspondent banks will always be important . . . but the fact remains it is a tool for meeting these needs. When a tool is available and needed, those who wish to use it should be allowed to do so."

John Ed Chambers, president of the Danville State Bank, cited a future need for $3.5 million to place chickens on feed for a planned hatchery and poultry and egg-processing plant in his town. "There is simply no way a bank like ours can generate the correspondent balances necessary to command this kind of assistance. Yet, our economic advancement is directly tied to our obtaining these funds.

"I believe that a holding company such as FABCO can mobilize the financial resources already in our state," he said, "and that these resources would be available to me as an independent country banker and a correspondent of that company's anchor bank."

Sam Bowman, president of McGehee Bank, suggested "that holding company banking offers an additional avenue by which the banks of Arkansas may move to serve the public."

Dudley Dowell, formerly president of New York Life Insurance Co., and now retired in his native state of Arkansas, testified that "Arkansas lacks a capital base adequate to fulfill the needs of business, industry and agriculture." This goal can be achieved, he said, through a "family of banks" joining hands in a common endeavor. He submitted letters from 10 Arkansas businessmen supporting the holding company concept.

Carter H. Golembe, a consultant from Washington, D. C., who has much experience with holding companies, sought in his testimony to allay fears that independent banking could not

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

exist side-by-side with holding company banking. Experience in Minnesota, he said, where holding company banking is quite strong, does not bear out this fear.

Whether a bank thrives, he said, depends on other factors, such as management, capital adequacy or the economic environment within which it does business. "Holding company banking holds out no threat to well-managed and well-capitalized independent banks," he concluded.

Testifying for opponents to the application was Dr. Robert D. Mettlen, assistant professor of finance at the University of Texas, Austin, who presented a voluminous paper in which he concluded that the correspondent banking system in Arkansas "has developed and been refined to the point that the public's need for banking service has been and is being adequately met."

His paper, supported by other studies, also aimed to prove that holding companies usually promise more benefits and greater efficiencies than they finally deliver. One such study, for example, showed that "holding company acquisitions do not seem to have affected the average rate of growth of total capital accounts of the banks involved in the cases studied."

Another protestant, Joe S. Hiatt, president and chief executive officer of American State in Charleston, summed up the opposition's argument that the creation of one holding company in Arkansas simply would spawn others.

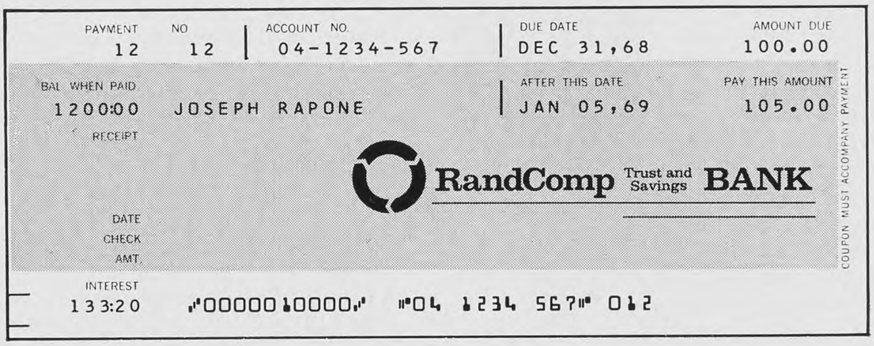
"The result would be," he said, "that nearly every small bank in Arkansas would become affiliated with a multi-bank holding company as a matter of self-defense. The bank that does not affiliate may not be allowed to participate in loans of the larger banks, nor to sell overlines to its correspondent. The small banks that do not become part of multi-bank holding companies," he argued, "would be at the mercy of these financial giants."

The Fed will act on all of these arguments, reportedly within 45 to 60 days from the date of the hearing. Arkansas awaits the decision. • •

Auto-Valet Service

The Clayton (Mo.) Bank not only offers free parking to customers; it provides a "valet" who parks customers' cars. The attendant meets the customer at the entrance to the bank's parking facility and gives him a parking check. When stamped in the bank, the check entitles the customer to 30-minutes free parking.

RandComp cuts the cost of coupon book preparation and eliminates errors.



Developed by the Bankers Division of Rand McNally, RandComp is a new, computerized, coupon turn-around system that delivers installment loan coupon books directly to your customers.

Whether your computer entry is on punch tape, magnetic tape or punch card, that entry becomes RandComp's immediate instruction to print the coupons, assemble the book (with your personalized cover), and mail it directly to your customer—automatically—within 48 hours.

Result: a high-speed, low-cost, error-free installment loan system . . . one that improves customer service and increases your installment loan profits.

Only Rand McNally, with its size, equipment, experience, and thorough understanding of modern banking, can assure this kind of service.

For a complete rundown on the RandComp system, or our wide variety of conventional coupon book styles, call your Rand McNally representative, or write:

RAND McNALLY
Bank Publications Division
Box 7600, Chicago, Ill. 60680
405 Park Ave., New York, N.Y. 10022
206 Sansome St. at Pine, San Francisco, Calif. 94104

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Illinois News

Pickford Retires After 40 Years With First National, Chicago

CHICAGO—H. Stanley Pickford, assistant vice president of First National, recently retired after almost 40 years with the bank.

PICKFORD

Mr. Pickford joined First National in 1931 and later entered the bank's bond department. In 1946 he was transferred to the commercial banking department's loan division F, where he was elected assistant cashier in 1951 and assistant vice president in 1961.

■ RITCHIE G. BARNETT, First National, Decatur, has been appointed assistant trust officer. He joined First National as assistant farm manager in 1965 after four years with an independent farm management firm. In 1969 he became farm manager.

First Nat'l Promotes Officers, Opens International Center

CHICAGO—First National recently opened a new multi-language international center on the bank's first floor. The center is staffed by personnel fluent in German, Chinese, Polish, Spanish and an Italian-speaking representative who will join the staff in September.

In other action at First National, William G. Curran Jr. was elected vice president and Cornelis H. Coppoolse was elected assistant vice president in international banking. Melvin W. Boldt and Perry Moore were promoted to assistant attorneys in the law division.

Appointed as trust officers were: Arthur M. Golub, investment division; Malcolm E. Schaus, operations and personnel division; and Charles M. Spear, retirement and endowment funds division.

Elected assistant cashiers were: Horst G. Krummel, retail banking department, BankAmericard division; Richard S. Palmer, commercial banking department, loan division I; Eugene F. Barth, vice president of First Capital Corp., Chicago; Christ Capra, administrative department, operations division; John B. D'Arcy, commercial banking department, loan division I; Toussaint L. Hale, administrative department, personnel division; Robert A. Huret, First Chicago Corp.; James B. Nicholson, international banking, London Branch; Jeffrey J. Sinclair, international banking, Chicago Office; and Joseph T. Tobin, commercial banking department, loan division I.

■ COUNTY BANK, Blue Island, has announced the appointments of Mrs. Carmella I. Carlson and Armand D'Ercole as personal loan officers. Mrs. Carlson joined the bank in 1963 as a loan servicing interviewer. Mr. D'Ercole was with Liberty Loan Corp. and Financial Management Associates before joining the bank last February.

Republic Realty Corp. Acquired by Conill

CHICAGO—Conill Corp. recently acquired Republic Realty Corp. in ceremonies at Continental Bank.

The merger with Conill, one-bank holding company parent of the bank, was approved by 97.5% of Republic shareholders. Republic shares will be exchanged for Conill common shares worth more than $3.4 million.

Donald M. Graham, Conill chairman, said that Republic, as a wholly owned Conill subsidiary, will continue to operate as a separate corporation under the direction of John W. McBrady, chairman, and A. G. Behnke, president.

Republic specializes in the financing of apartments, office buildings, shopping centers and other commercial and industrial properties. It operates throughout the Chicago area and has branches in Milwaukee and Clayton, Mo.

Roger E. Anderson, exec. v.p., Conill Corp., signs documents making Republic Realty Corp. a subsidiary of Conill. From left are John W. McBrady, Republic chairman; John C. Colman, Conill sr. v.p.; and A. G. Behnke, Republic pres.

Orion Bank Marks 80th Year

The State Bank of Orion recently celebrated its 80th anniversary. Participating in the ceremony were bank officers and 80-year old residents of the area. From left are: Mahlon Westerlund, bank director; his son, Marc Westerlund; E. A. South, a director; Miss Mina Kerr and Mrs. Eric Johnson, 80; Willard Kerr, bank president; and W. C. (Baby Doll) Jacobson, 80. Mr. Jacobson is a former major league baseball star.

Fourteen Receive Promotions At Northern Trust, Chicago

CHICAGO—Northern Trust recently announced the following promotions and appointments:

Kenneth A. Shelton was named vice president in the trust department. Promoted to second vice president was Miss Barbara Flint, and named assistant secretaries were Harold M. Bourden, Jerome E. Kusiak and Paul G. Schmitt.

Promoted to second vice president in the bond department was William A. Harding. Richard W. Morse was named an assistant manager in the New York Bond Representative Office.

In the operating department, Donald H. Choate was promoted to vice president. Ulrich W. Schliemann and Robert E. Sherwood were named second vice presidents. Patrick T. O'Brien and George A. Ralley were promoted to managers. Appointed assistant managers were Francis R. Driscoll and Bertrand W. Ellis.

Robert Jackson Named Pres. Of Installment Bankers Assn.

CHICAGO—Robert W. Jackson, vice president, Exchange National, recently was named president of the Installment Bankers Association of Chicago.

Other officers elected were: first vice president, Anthony J. Catalano, vice president, National Bank of Austin; second vice president, Gilbert L. Lewis, assistant vice president, Harris Trust; secretary-treasurer, Richard E. Davis, vice president, Illinois State; corresponding secretary, Miss Margaret R. Hadley, secretary for the Chicago district of the Illinois Bankers Association.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Six Receive Promotions At Central National

CHICAGO—Central National has promoted Alan M. Meyer from assistant cashier to second vice president and has appointed Kenneth J. Shorter and John P. Murphy assistant cashiers, all in the correspondent and agricultural banking department. Andrew J. Pach was promoted from assistant trust officer to trust officer.

MEYER

SHORTER

MURPHY

Also appointed assistant cashiers were: David R. Johnson, auditing department, and Curt D. Koch, information services department.

■ WILLIAM MARLOWE recently was appointed assistant cashier of the new Bank of North Aurora. The bank is scheduled to open in mid-August. Mr. Marlowe previously was assistant manager of the Miller Branch of Gary (Ind.) National.

Dillon, Glass Become VPs At American National

CHICAGO—American National has elected two group vice presidents in the trust department: William S. Dillon, who will be responsible for the personal trust, probate and trust new business departments, and Dennis F. Glass, who will head corporate trust, trust investment and investment research.

Named as trust officers were Robert C. Cellini, William T. McBride and J. Michael Whelan. Jack R. Jessen, who recently joined American National, was elected second vice president in the international division. Melvin L. Bayer and Robert F. Sherman were elected EDP operations officers.

William A. Buzick Jr., chairman and president of Consolidated Foods Corp., has been elected a director of American National and its parent, one-bank holding company, American National Corp.

National Boulevard Celebrates Three Festival Weeks To Promote Savings

CHICAGO—National Boulevard recently celebrated three widely advertised "festival weeks" to promote savings.

The Festival of Nations featured vacation savings. Hospitality booths were set up in the Wrigley Building Plaza for many of Chicago's consulates, who answered questions about their representative countries.

During the week of the Festival of Freedom, band concerts took place each day at noon in front of the Wrigley Building and lapel pins of the flag were handed out.

Chicago artists displayed their work, available for purchase, in the Wrigley Building mall during the Festival of Arts.

During the three weeks, bank customers received passport wallets, American flags and prints of Chicago landmarks with a savings deposit of $250.

■ THOMAS B. DONOVAN has been appointed trust officer of Pullman Bank, Chicago. He joined the bank in 1969.

DIRECTORS

George W. Bock — Melvin C. Lockard
H. C. Burke — R. A. Lumpkin, Jr.
J. I. Dilsaver — H. O. Phipps
J. Logan Gover — Joseph W. Schilling

Melvin C. Lockard
Chairman & President

LOANS AND INVESTMENTS
H. O. Phipps
Senior Vice President

Philip S. Weller
Vice President

TRUST DEPARTMENT
Clark W. Brogan
Vice President and Trust Officer

AUDITING
Melvin L. Hebert
Auditor

MARKETING
Donald S. Cason
Vice President

INSTALLMENT LOANS
Floyd E. Sell
Vice President & Manager

FARM DEPARTMENT
Edward J. Behm
Vice President & Director of Farm Services

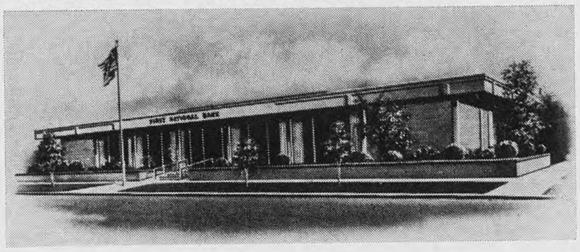
OPERATIONS AND PERSONNEL
Grant Fleenor
Vice President and Cashier

Dean Easton
Assistant Vice President

FIRST NATIONAL BANK
MATTOON, ILLINOIS

A FULL SERVICE BANK

SERVING MATTOON AND AREA SINCE 1865



CONDENSED REPORT OF CONDITION
AS OF JUNE 30, 1970

RESOURCES

Cash and Due from Banks	$ 6,386,812.92
U. S. Government Securities	6,485,145.56
Other Bonds and Securities	8,825,019.64
Loans and Discounts	14,665,014.28
Banking House, Furniture and Fixtures, etc.	853,896.93
Other Assets	518,825.78
	$37,734,715.11

LIABILITIES

Common Capital Stock	$ 600,000.00
Surplus	1,000,000.00
Undivided Profits	444,465.24
Reserves	1,027,456.85
Unearned Discount	362,565.94
Other Liabilities	588,131.64
DEPOSITS	33,712,095.44
	$37,734,715.11

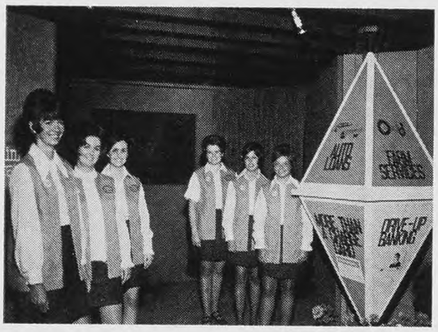
Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Indiana News

'Yes You Can' Get Service Is Fair Exhibit Theme Of Lafayette National

LAFAYETTE—A Lafayette National "mini-theater," six pretty hostesses and a color-sound film were the hit at a community fair recently in Lafayette. The exhibit's advertising theme was "Yes You Can" get service from Lafayette National.

Six bank officers said "yes they could" and designed and built the entire colorful exhibit themselves.



John K. Cherry, mortgage loan division, was chief architect for the construction crew. Before joining the bank he was a housing contractor. Working from his blueprints, the six men assembled lumber and hardware at an officer's home. Several bruised fingers and many hours later, the booth took its final 12-by-15-foot shape. Colors, taken from the bank's affiliation with BankAmericard, were blue and gold. A moving, lighted pylon at the front of the booth advertised the bank's services.

Gordon Kingma, marketing director, wrote a 12-minute script on the bank's services and facilities. Eighty photographs of bank personnel and building facilities made up the sound-slide program, which ran continuously in the theater.

Six girls from the bank's staff, wearing blue and gold uniforms, acted as hostesses. (See photo.) They distributed more than 10,000 lapel buttons carrying the message "Yes You Can."

■ JOHN J. NOONE recently was promoted to vice president in the governmental and public affairs division of American Fletcher National, Indianapolis. In 1955 he was elected vice president and manager of the bank's Madison Avenue Office. He was made regional vice president for AFNB banking centers in the south and west regions of the county in 1965.

Walsh Heads PR Division At Indiana National

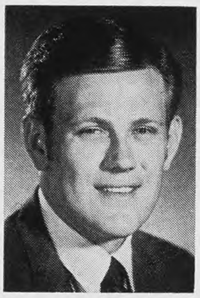
INDIANAPOLIS—John R. Walsh, vice president in charge of public relations, will head Indiana National's newly formed public relations and advertising division. He joined the bank in 1965 as vice president and previously was civic affairs director for the Indianapolis Chamber of Commerce.

WALSH

In other action at Indiana National, Patrick J. Quinn was named public relations officer. He joined the bank's public relations staff in 1965.

Nine Appointments Made at American Fletcher

INDIANAPOLIS—American Fletcher National has announced nine appointments, including Dan S. Dugan as Indiana division officer. The bank also has a new director, James L. Kittle Sr., president, Kittle's Home Furnishings Centers, Inc.



DUGAN

William K. McGowan Jr., who joined AFNB recently, and John C. Pierle, formerly assistant vice president, were made vice presidents. Named assistant vice presidents were Keith L. Gran, E. Michael Marmion and R. Stephen Thomas. Thomas L. Plimpton was made assistant vice president and trust officer, and Garrett W. Boss was named assistant vice president and investment officer. Stephen E. Brown was named Data Center officer.

Mr. Dugan joined AFNB's Indiana Division in 1968.

■ IRWIN UNION, Columbus, has announced the promotions of Robert E. Davis and Wayne L. Smith to assistant vice presidents and Richard D. Little to loan officer. Mr. Smith joined Irwin Union in 1969 as a loan officer following nine years with Clermont National, Milford, O., where he was vice president. Mr. Davis has been with the bank since 1968, when he was elected commercial loan officer. Previously, he was with National Bank, Logansport. Mr. Little joined Irwin Union in 1969 as a trainee and credit analyst in the commercial loan division.

Mod Design, Circus Theme Are Check Decorations of Columbus, Peru Banks

Two more Indiana banks have joined the trend toward fanciful decor in their checks.

Irwin Union Bank, Columbus, is offering a selection of three flower-like designs, each of which features two colors. They are blue and green, yellow and orange and two shades of buff.

Paul N. Dinkins, president, said the bank developed the "mod" checks in response to interest expressed by customers in the brightly designed checks available at banks elsewhere.

Wabash Valley Bank is located in Peru which, as every circus fan knows, is considered the circus capital of the world. To feature this heritage, the bank has introduced checks the background of which is lithographed with the town's Circus City Arena in light blue and pink. In the Arena each year amateur performers from among the city's citizens put on a 2½-hour circus as part of a week-long circus festival.

The Wabash Valley Bank has a circus background because it was founded in 1904 by Colonel Benjamin Wallace, circus entrepreneur and Peru businessman.

■ FIRST NATIONAL, Richmond, opened its new Southview Office last month.

Rice and Benke Promoted At Merchants National

INDIANAPOLIS—Kenneth H. Rice Jr. recently was named vice president at Merchants National. He has been a loan officer in the commercial loan department since 1962.

RICE

BENKE

Norman L. Benke, vice president, was named vice president and senior operations officer. Mr. Benke has been with Merchants National for four years in the operations division.

James D. Knotts and John J. Schludecker were named assistant vice presidents. Promoted from assistant trust officers to trust officers were Grace E. Mohler and Thomas E. Tobin. Denver Perkins was promoted to branch manager and assistant cashier of the Belmont Office. Named assistant cashiers were Norman S. Grauel, James I. Mackay and Michael P. Sweeney. R. Michael Ahern was named data processing officer.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

You deserve a medal . . . for keeping pace with the complexities of accounting functions. But, with the demands of increasing work loads and efficiency, more and more banks are letting electronics do the rote-work and freeing people for developing and handling more business. EDP gives more accurate, more complete and quicker information for management and customers. Our Financial Services Division can offer you one of the most complete lines of data processing services and perform accounting functions for your: Demand Deposits, Instalment Loans, Savings, Christmas Club, Certificates of Deposit, and/or Time Deposits. Look to the future now. Let your man from AFNB give you all the data.

Your men from AFNB help make things happen.

A FULL SERVICE BANK
AFNB
Indiana Division — 317-633-2106

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Kentucky News

Robert Scherer Becomes VP At Liberty National

LOUISVILLE—Liberty National recently announced the appointment of Robert G. Scherer as vice president and trust officer. His first assignment will be in trust business development.

SCHERER

Mr. Scherer comes to Liberty National from City National, Cleveland, where he was vice president and trust officer. He received his juris doctorate of law from the Cleveland Marshall School of Law and belongs to both the Cleveland and Ohio Bar associations.

Jordan, New Officers Elected At Corbin Deposit Bank

CORBIN—Richard D. Jordan recently was elected president, chief executive officer and trust officer of Corbin Deposit Bank. From 1962 to 1967 he was executive vice president and chief executive officer of First National, Carlisle. From 1967 to the present, he was with First National, Georgetown, as president and chief executive officer.

Mr. Jordan succeeds Dr. Keith P. Smith, who was promoted to chairman.

Howard Sallee was elected executive vice president and cashier. Jerry Hollifield and Miss Beulah Killinger, who were assistant cashiers, were promoted to assistant vice presidents. Miss Mitzi Lequire was named assistant cashier.

New directors include: Sam Cannon, attorney; Henry Martin, tax consultant; Al Florence, banker, and Messrs. Jordan and Sallee.

■ BRUCE MONTGOMERY, First National, Columbia, celebrates 65 years as a banker this year. He joined the bank in 1905 as a bookkeeper. In 1906 he became assistant cashier and in 1907 he was named cashier and assistant vice president. Mr. Montgomery has been First National president since 1941.

■ PADUCAH BANK has promoted Mrs. Lois F. Trice from assistant cashier to assistant vice president.

Petersburg Bank Closed; FDIC Begins Payouts

PETERSBURG—The Farmers Bank, a $1.4-million-deposit bank, was closed recently by E. G. Adams, Kentucky banking commissioner. The failure was attributed to a combination of faulty loans made with brokered deposits and generally "unsafe" banking practices.

The FDIC moved into the bank as receiver and began paying off depositors within a few days of the closing. All but about $25,000 of the bank's deposits were insured.

Of the six bank closings within the past year, four have occurred in 1970, and bad loans made with brokered funds contributed to all four failures. However, Irvine H. Sprage, FDIC director, said that the brokering practice itself is not the problem because many banks have brokered money. He pointed out that the trouble starts when banks begin tying brokered funds to dubious credits.

In the case of the Petersburg bank, the biggest loans extended on a linked-finance basis were made to a hamburger and roast beef chain in Florida, according to an FDIC spokesman. Loans also were made to an uninsured overseas banking institution.

Petersburg, which is now without a bank, is a rural community located 25 miles southwest of Cincinnati.

Several directors of the closed Petersburg bank also are on the board of the Citizens Deposit Bank of Grant, which is not affected by the Petersburg closing. Grant is located eight miles south of Petersburg.

■ LARRY R. MAYFIELD, Peoples Bank, Murray, recently was named vice president in charge of the consumer loan department. Mr. Mayfield joined the bank in 1964 as a junior officer trainee and has been junior commercial loan officer at the Main Office since March, 1969.

■ WESLEY C. BRANDON, First City, Hopkinsville, retired July 1 as executive chairman of the board and officer. He has served as president, first vice president and manager of the installment loan department.

■ BANK OF SOMERSET, a new state bank, is scheduled to open in Somerset before the first of the year. It will be Somerset's third bank.

■ CITIZENS BANK, Glasgow, has announced Douglas G. Atwell, assistant vice president, will be manager of the new Wall Street Office which recently opened. Mr. Atwell joined the bank in 1961.

■ CITIZENS FIDELITY, Louisville, has announced plans to boost capital from $8 million to $10 million through a 25% stock dividend. Surplus also is being increased—by $1 million—bringing that account to $25 million.

■ LOUIS COX recently was elected chairman of Farmers Bank, Frankfort. He replaces the late D. L. Hazelrigg. Ralph E. Mills was elected vice chairman. In other action, James H. Childers was elected assistant trust officer.

■ MRS. GRIFFIN FISK recently was promoted to manager of First National of Covington's Ritte's Corner Branch. Bank officials say she is the first woman in northern Kentucky to become a bank manager. Mrs. Fisk joined First National in 1957 after 11 years as a housewife. She succeeds Robert Detzel, who is now manager of the Latonia Shopping Center Branch.

Owensboro Promotions

OWENSBORO—Citizens State recently made three promotions. Named assistant vice presidents were: James G. Alvey, manager, Frederica Street Branch; Sam Martin, manager, Carter Road Branch; and Robert M. Proctor, manager, Triplett Street Branch.

Mr. Alvey joined the bank in 1963 and served as teller and assistant manager of the installment loan department before becoming branch manager. Mr. Martin joined the bank in 1956 and has served in every department as a branch teller, bookkeeping supervisor and installment loan collection manager. Mr. Proctor came to the bank in 1965 after several years in the consumer loan business.

■ HOWARD T. SALLEE recently was elected president of the Bank of Williamsburg. Previously he was executive vice president and director of Corbin Deposit Bank and executive vice president of the Bank of Danville.

■ TRIGG COUNTY FARMERS BANK, Cadiz, has announced a recapitalization plan to double capital to $400,000, providing the bank with total capital of $1¼ million. The bank also is constructing a new Main Office building.

Kentucky Deaths

DYKE L. HAZELRIGG, 88, attorney, and chairman, Farmers Bank, Frankfort.

EDWARD C. KLARE, 58, vice president and director, Dayton Branch, Ft. Thomas-Bellevue Bank. He was with the bank more than 30 years.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

CONDENSED STATEMENT JUNE 30, 1970

ASSETS	1970
Cash and Due from Banks	$140,871,751.78
U.S. Government Securities	42,602,362.91
Municipal Bonds	34,653,347.14
Other Securities	986,973.18
Federal Reserve Bank Stock	960,000.00
Bond Department Inventory	16,084,604.59
Federal Funds Sold	18,900,000.00
Loans	289,385,629.43
Banking Premises and Equipment	5,158,980.64
Investment in Subsidiary	75,000.00
Customers Liability—Letters of Credit	1,034,790.99
Interest Earned But Not Collected	3,229,508.90
Other Assets	1,569,136.82
TOTAL ASSETS	$555,512,086.38
LIABILITIES	
Deposits	$474,100,417.06
Federal Funds Purchased	15,993,403.41
Dividend Payable July 1, 1970	440,000.00
Reserved for Taxes, Interest and Expense	4,807,174.08
Interest Collected But Not Earned	6,135,209.93
Letters of Credit Issued	1,034,790.99
TOTAL LIABILITIES	$502,510,995.47
Reserve for Loan Losses	5,417,683.70
Capital Accounts	
Capital Stock	8,000,000.00
Surplus	24,000,000.00
Undivided Profits	11,912,558.32
General and Other Contingent Reserves	3,670,848.89
TOTAL CAPITAL ACCOUNTS	$ 47,583,407.21
TOTAL LIABILITIES, LOAN LOSS RESERVE AND CAPITAL ACCOUNTS	$555,512,086.38

Architect's sketch shows the new thirty-one story building to be constructed and owned as a joint development by Northwestern Mutual Life Insurance Company and Winmar Company, Incorporated. The building, scheduled for completion in 1971, will be known as the Citizens Fidelity Bank and Trust Company Building and the Bank will be the major tenant.

DIRECTORS

WILLIAM H. ABELL
Chairman of the Board & Chief Executive Officer, Commonwealth Life Insurance Co.

A. M. BRINKLEY, JR.
Chairman of the Board & Chief Executive Officer

THOMAS W. BULLITT
Tarrant, Combs, Blackwell & Bullitt

ALMOND COOKE
President, Almond Cooke Broadway Chevrolet Company, Inc.

WILLIAM S. CUTCHINS
Louisville, Kentucky

GEORGE E. EGGER
Louisville, Kentucky

J. DAVID GRISSOM
Greenebaum, Grissom, Barnett, Doll, Matthews & Boone

HENRY V. HEUSER
President, Henry Vogt Machine Co.

FREDERICK J. JOHNSON
President, Louisville Transit Co.

MAURICE D. S. JOHNSON
President

CHARLES J. KANE
Executive Vice President

WILLIAM H. KENDALL
President, Louisville & Nashville Railroad Company

DINWIDDIE LAMPTON, JR.
President, American Life & Accident Insurance of Kentucky

T. BALLARD MORTON, JR.
President, Orion Broadcasting Inc.

J. ALBERT PARADIS
Chairman of the Board, Brandeis Machinery & Supply Corporation

P. BOOKER ROBINSON
Vice Chairman

WILLIAM C. SMITH
Chairman of the Board, Standard Oil Company (Kentucky)

LEE B. THOMAS
Chairman of the Board, Thomas Industries, Inc.

FRANK B. THOMPSON, JR.
President, Glenmore Distilleries Company

WILLIAM VEENEMAN, JR.
President, Gould's, Inc.

KENNETH H. WILLIAMS
President, Stewart Dry Goods Co.

ADVISORY COMMITTEE

JOSEPH A. ENGELHARD

JOHN E. TARRANT
Tarrant, Combs, Blackwell & Bullitt

OFFICERS

A. M. BRINKLEY, JR.
Chairman of the Board and Chief Executive Officer

P. BOOKER ROBINSON
Vice Chairman

MAURICE D. S. JOHNSON
President

CHARLES J. KANE
Executive Vice President

JOHN T. C. LOW
Executive Vice President & Senior Trust Officer

JOE L. HAMILTON
First Vice President—Correspondent Banking

J. J. CROSS, JR.
Senior Vice President—Operations

EDWIN L. TOMPPERT
Senior Vice President—Banking

CITIZENS FIDELITY BANK
AND TRUST COMPANY

Member Federal Reserve System, Federal Deposit Insurance Corporation

Louisville, Kentucky

YOUR BANKAMERICARD BANK

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Tennessee News

Operations Restructured at First American Nat'l; Four Officers in New Posts

NASHVILLE—First American National has promoted four of its top officers in a restructuring of the bank's operations.

The changes are: Murray M. Nicholson, from vice president to vice president and senior loan officer; Steve Neely, vice president, placed in charge of the commercial division; J. L. (Sonny) Templeton Jr., vice president, placed in charge of a newly created national division; and Fred H. White, vice president, promoted from manager, 100 Oaks Branch, to director, branch administration division.

Mr. Nicholson has been a banker since 1925, when he joined a predecessor of First American. Mr. Neely and Mr. White went to First American in 1947, and Mr. Templeton has been there since 1949, although he began his career there at the age of 14 while in school.


NICHOLSON


NEELY

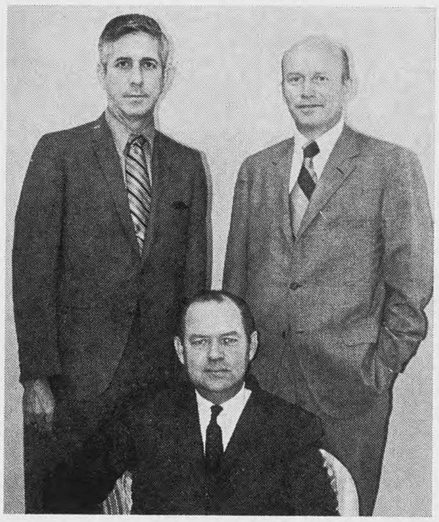

TEMPLETON


WHITE

■ GEORGE M. THOROGOOD, chairman, Bank of Cowan, recently celebrated his 91st birthday. He was honored at a luncheon given by his son, George W. Thorogood, chairman, Merchants Bank, Cleveland; his grandson, George W. Thorogood Jr., vice president, Merchants Bank; and his great-grandson, George W. (Jake) Thorogood III.

Hamilton Nat'l Officers Take Holding Co. Posts

CHATTANOOGA—B. Lamar Rankin and James L. Hipsher, senior vice presidents of Hamilton National, have been named assistant vice presidents of Hamilton National Associates, Inc., holding company.


Hamilton National Associates has promoted: seated, Paul Cobble, asst. sec. and asst. treas.; standing left, James L. Hipsher, a.v.p. and B. Lamar Rankin, a.v.p.

Paul R. Cobble, Hamilton National vice president and correspondent department head, was named assistant secretary and assistant treasurer of Hamilton National Associates.

Mr. Rankin joined Hamilton National in 1957.

Mr. Hipsher is a director of Hamilton Bank, Morristown, and First National, Loudon.

Prior to joining Hamilton National in 1957, Mr. Cobble served in the overseas division of First National City, New York City.

New Bristol Office Opened

BLOUNTVILLE—The Tri-City Bank has opened its new West State Street Office in Bristol. As Tri-City's fifth office, the new facility culminates a construction program of nearly two years.

Pope Resigns After 22 Years At NBC of Jackson


POPE

JACKSON—Winfield Pope recently resigned as president of the National Bank of Commerce. He was with the bank 22 years.

Mr. Pope was elected vice president and director in 1948. He later became executive vice president and in 1961 was elected president.

Troy Barron Named VP At First Nat'l, Memphis

MEMPHIS—First National recently promoted Troy Barron to vice president.


BARRON

Mr. Barron joined the bank in 1953 and served at the Crosstown Branch two years before being assigned to the time-pay department. In 1963 he became an officer.

Other promotions at the bank include Paul C. Graves, B. Mott Jones and Charles W. Ogilvie Jr., assistant vice presidents; James R. Foxall and Mrs. Frances Kothe, from staff positions to officer status.

■ HAMILTON NATIONAL, Chattanooga, has promoted to assistant cashiers: Elton Hulsey Jr., manager, Ridgedale Branch; Charles B. Barrontine, Ridgedale Branch; and Charles H. Myatt, Red Bank Branch.

Park Nat'l Begins Construction of 15-Story Office Structure

KNOXVILLE—Park National has begun construction of a 15-story, 215-foot building at the corner of Gay Street and Union Avenue. The $5.5-million structure will house new banking offices and nine floors of office rental space.

The new building will be equipped with seven elevators and three ground-floor entrances. A time-and-temperature sign, a trademark of Park National and its branches, will be erected atop the building.

This sketch shows what Park National's new 15-story building will look like after its completion.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

He decided to let us analyze his portfolio snorkeling.

So when our correspartner surfaced, he hurried to phone Chattanooga (615) 265-3581. He asked if we could meet him early Monday morning to go over his bank's investments.

That was the beginning of Mission: Maximum Return. Once we take on a portfolio, all investments are in for thorough scrutiny. Not just initially, but periodically. And every review aligns your specific requirements with the total investment scene.

If you're in over your head, just give us a call.

Hamilton of Chattanooga
makes good things happen

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Alabama News

Montgomery's 1st Nat'l Aids Production of TV Money Management Series

First National of Montgomery represented the Alabama Bankers Association in the production and planning of 10 television programs on money management recently produced at Auburn University and shown early this year by TV stations throughout the state.

Mrs. Jen Mooney, women's division officer of First National, assisted Auburn's Educational Television staff. She served as script writer for the moderator portions of the programs, appeared as moderator on all 10 programs and served as interviewer for the filmed question-and-answer parts.

Mrs. Jen Mooney (r.), women's division officer, First National of Montgomery, discusses with Dudley Williams, program director for Auburn University radio and TV, some of the problems involved in producing a series of TV programs on money management.

Reference materials and guides for money management were distributed to students viewing the programs. Mrs. Mooney's booklet, "Let's Talk About Money," recently published as a public relations service by First National, was part of the student materials.

Three other First National officers served as authorities during certain programs. Allen Reynolds, executive vice president, was the expert on estate planning. John Albritton, trust officer, was interviewed about wills. Charles Lanphier, senior vice president, advised about investments.

The National Association of Life Underwriters gave a grant of money to Auburn to produce the programs, and various state trade associations concerned with finance assisted in the financing and production of the programs.

■ CITY NATIONAL, Dothan, has been completely remodeled with the elegant look of the "old South." Gold and crystal chandeliers, a grandfather's clock and original oil paintings are now focal points of the bank's lobby.

■ FIRST NATIONAL, Montgomery, recently received a "Merit Award" certificate from *Financial World* in recognition of over-all excellence in content and design of the bank's 1969 annual report. The report is now eligible for an Oscar-of-Industry trophy that will be awarded in October.

Officers of F&M, Centre, Hold Many Outside Posts

CENTRE—Several officers of the Farmers & Merchants Bank have taken on outside activities in addition to their duties at the bank.

Mrs. Mary George Jordan Waite, president, has been appointed family economics chairman for the General Federation of Women's Clubs for 1970-71. In addition, Mrs. Waite—first vice president, Alabama Bankers Association—received the first honorary state farmers' degree ever bestowed on any woman. She was the recipient of the award from the Alabama Future Farmers of America.

Miss Elba Sewell, cashier of the bank, was chosen "woman of achievement" by the Pratt-Centre Business & Professional Women's Club.

Miss Nell Kilgore, assistant to F&M's president, will be finance chairman for the Alabama Federation of Women's Clubs in 1970-71.

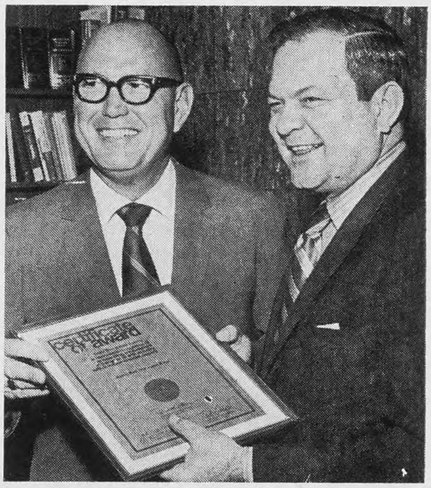
J. W. Hampton Sr., vice president, is president of the Cherokee County Babe Ruth League. In this post, he was active in preparations for the State Babe Ruth Baseball Tournament, which was held in Centre July 27-August 1.

M. G. Weaver, a director of the bank, is on the advisory council for the Alabama Mountain Lakes Association.

John Brignet Is Honored

John F. Brignet (l.), v.p., Birmingham Trust, recently was named the National Assn. of Credit Management's most outstanding member. Presenting the award is Bev Badger, v.p., NACM.

Central Bank Wins Design Award



C. B. Fulton Jr. (l.), pres., Birmingham division of Dillard Paper Co., presents Sr. V.P. Clyde N. Tate, Central Bank, Birmingham, with the Linweave Award for the design of Central's annual report. The award is one of four given nationwide by Brown Co., Holyoke, Mass.

New Wiregrass Bank Opens in Headland

HEADLAND—Wiregrass Bank & Trust Co., Headland's second bank, recently held its grand opening. The bank is owned by more than 75 stockholders.

Directors of the new bank are D. G. Halstead, chairman; Bill Parker, bank president; Billy Whiddon, Durell Whiddon, William A. Mitchell, Robert Hollis Jr., James A. Smith and Franck C. Martin Sr. David Knight is cashier.

■ CITY NATIONAL, Birmingham, recently opened a new branch in Roebuck. Manager of the office is Huel A. Mullinax.

■ FIRST NATIONAL, Anniston, recently announced the promotions of Paul Snider to cashier; Mrs. Margaret Stewart to assistant cashier; Larry Boyles to auditor; and Miss Gwen Bridges, Donald Bagley and Craig Helms to loan officers.

■ W. H. COBBLE JR. has been elected to the board of State National, Fort Payne. He is the president of Valley Steel, Inc.

■ N. B. WARE JR. has been elected chairman of State National, Tuscumbia. He is president of Consumer's Bagging Co.

■ ROBERT S. GADDIS, president, Peoples Bank, Montgomery, has been elected to the Young Presidents Organization. Mr. Gaddis was named president of the bank in 1966. Before joining Peoples Bank, he was vice president of First National, Atlanta.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Where do your old computers go when they die?

Twenty years ago your accounting staff had a couple or three sets of books, and that was about it.

Today they're compounding daily interest. Keeping accrual accounting up to date. Handling a lot more services, to a lot more customers. At a lot more cost to you.

Think about it. How much time and energy do your people expend on the kind of accounting that's required of them now? (Count the trips to the supply closet, and the pencil sharpener, and the slowdown in efficiency that's usually brought on by good old boredom.)

You could probably do the same job, for less, by computer. Our computer. We designed it with the capacity, speed, and flexibility to take care of your accounting needs, at the same time it takes care of ours.

Let us tell you how First National computer services can help you reduce operating costs, eliminate time-consuming manual computations, and simplify your whole banking operation.

And may your old computers rest in peace.

The First National Bank
of Birmingham
Member FDIC.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mississippi News

Foxworth Bank to Open In New Building in '71

The state banking board has granted a charter for the new Foxworth Bank near Columbia in rural Marion County. The bank will be opened in a new building early in 1971. It will have drive-in facilities and a night depository.

Incorporators of the new bank are: C. C. Poole and Lavern Pittman, Foxworth; Henry Thompson and Frank Fortenberry, Columbia; and George Sanders Jr. and Troy Sloan, Jackson.

■ ROBERT G. BARNETT, attorney, recently joined Deposit Guaranty National, Jackson. His duties will consist of special assignment work in various loan areas of the bank.

■ BRITTON & KOONTZ FIRST NATIONAL, Natchez, recently gave free replicas of historic money to its customers. The $100, $50 and 25-cent bills are typical of the type of exchange the bank used 125 years ago.

we do more

Think First!

FIRST national bank

IN MERIDIAN MISSISSIPPI MEMBER FDIC

■ JOHN M. CHRISTY has joined First State, Holly Springs, as an assistant cashier. He has been in the Air Force the past four years.

■ FIRST NATIONAL, Laurel, recently opened its new Westland Branch. John Openshaw, assistant vice president, is the new branch manager. He has been with the bank two years.

■ PEOPLES BANK, Ripley, is constructing a new addition, located behind the bank building. It will be used for the bookkeeping department.

■ FRED A. ANDERSON III has been named to the advisory board, Mechanics Bank, McComb. Mr. Anderson is an attorney and farmer in Gloster.

■ GRADY A. SMITH recently was elected vice president of the Bank of Mississippi, Tupelo. He has been a director of the bank for a number of years. Mr. Smith is completing a four-year appointment on the Mississippi State Banking Board representing the northern judicial district.

■ PEOPLES BANK, Meridian, recently elected Fred L. Gaddis a director. Mr. Gaddis has been mayor of the city of Forest since 1961. He is the president of Greater Business & Industrial Development Corp., owns Gaddis Industries and operates a cattle farming enterprise.

■ BANK OF BATESVILLE has opened its new drive-in, walk-in teller service bank. The subsidiary is to facilitate teller service. Other banking services will be handled from the Main Office.

■ F. E. BRASFIELD JR., vice president, Deposit Guaranty National, Jackson, recently was named "Boss of the Year" by the Magnolia Chapter, American Business Women's Association. Mr. Brasfield joined the bank in 1956 and in 1963 was named assistant cashier and manager of the Ellis Avenue Branch. He was promoted to assistant vice president in 1966 and to vice president in 1969. He is manager of the Raymond-Terry Road Branch.

■ DEPOSIT GUARANTY NATIONAL, Jackson, recently opened two new branches—the Five Points Branch and the North State Street Branch. Deposit Guaranty has 16 offices in the metropolitan Jackson area.

New Vicksburg Bank Denied

VICKSBURG—The Mississippi state banking board recently denied the application of a group seeking to organize a new bank here. The denial followed the filing of a suit by First National of Vicksburg opposing the bank.

The Mississippi Supreme Court, in an opinion by Justice Smith, supported the banking board's conclusion that ". . . existing institutions are financially sound, are providing adequate banking services . . . and a public necessity for a new bank had not been established."

Convention Dates Set

The Mississippi Bankers Association will hold its 1971 convention May 17-19 at the Buena Vista Hotel in Biloxi.

■ FARMERS & MERCHANTS BANK, Bruce, recently held its formal opening. Directors of the new bank include: W. W. Beckett, Mel W. Bray, B. Bowles, J. S. Bryant, Dr. O. B. Crocker Sr., Ottis B. Crocker Jr., C. C. Edwards and E. W. Quillen.

■ REX A. MORGAN recently was elected to the Leland advisory board of Commercial National, Greenville.

■ BANK OF MORTON recently announced the appointment of Lon E. Booker Jr. as vice president. Mr. Booker has been with First National, Butler, since 1966. Previously, he was with Britton & Koontz National, Natchez, for 19 years. Otis Ray Davis also has joined the Bank of Morton. He has been manager of Dial Finance Co., Jackson, for two years.

■ FIRST STATE, Waynesboro, recently elected C. Dewitt Brewer a director. Mr. Brewer is the owner of Lott Furniture Co. and is the owner and operator of Brewer Furniture Co.

■ FIRST NATIONAL, Vicksburg, has named Travis Wayne Vance loan officer. He has been with the bank a little over a year.

Mississippi Death

THOMAS ARTHUR McGAHEY JR., 57, director, National Bank of Commerce, Columbus. He was a partner in Columbus Marble Works.

GIVE ... so more will live HEART FUND

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

As the 70's rip along,
there's big money to be made
in the financing of construction
for sound real estate enterprises in
the Gulf-South. And we at NBC would
like to help you get your fair share of this
burgeoning industry. So, if you need help
with participations, or if you simply want some
professional advice, pick up the phone and give us a call.
We'll be glad to lend a hand.

NBC

THE NATIONAL BANK OF COMMERCE
IN NEW ORLEANS

The Businessman's Bank of the Gulf-South

Member FDIC

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Louisiana News

Bensabat Named Senior VP At National American

NEW ORLEANS—National American has named George D. Bensabat senior vice president. He will now be officer in charge of the loan portfolio.

BENSABAT

Mr. Bensabat joined National American in 1965 as assistant vice president and commercial loan officer. He also served as vice president and manager of the international banking division.

Before joining National American, he was with Mercantile Trust, St. Louis, in the national division.

Rehage Elected President Of New Orleans AIB

NEW ORLEANS—John A. Rehage, vice president of National Bank of Commerce, recently was installed as president of the New Orleans AIB Chapter.

REHAGE

Other newly elected AIB officers include, first vice president, Leo J. Cassou, vice president, Hibernia National; second vice president, George W. Frosch, assistant cashier, Whitney National; treasurer, Edwin G. Jewett Jr., vice president, National Bank of Commerce; secretary, Carroll V. Despaux, assistant manager of personnel, Federal Reserve Bank of Atlanta, New Orleans Branch; chairlady of women's committee, Mrs. Shirley Favalora, assistant manager of discount department, National Bank of Commerce, Jefferson Parish.

■ CENTRAL BANK, Monroe, recently elected as directors Guy Campbell Jr., Mack L. Owens Jr. and James W. Wade, M.D. Mr. Campbell, assigned to the bond and investment committee, is founder and president of Motor Supply Warehouse. Mr. Owens is senior vice president in charge of Central Bank's lending division and chairman of the executive committee. Dr. Wade, assigned to the trust committee, has been in the private practice of internal medicine and cardiology in Monroe since 1958.

■ ROBERT A. SCRIBER JR. recently was named manager of the Linwood Branch of Louisiana Bank, Shreveport. Mr. Scriber joined the bank in 1960 as a teller and is presently an assistant vice president.

■ FARMERSVILLE BANK recently began construction to enlarge the existing bank building. The new structure will provide 10,000 square feet of usable floor space.

■ BANK OF COUSHATTA'S controlling interest recently was purchased by H. K. Beebe, Alexandria, John H. Robert, Boyce, and Charles Gary, Shreveport. Bank officials say no changes in management or directors are expected.

Buel Humphreys Named VP Of Hibernia National

NEW ORLEANS—Buel H. Humphreys has been named vice president and manager of the oil and gas department of Hibernia National.

HUMPHREYS

Mr. Humphreys' background in petroleum and related industries includes such positions as pipeline agent, landman, district landman, exploration manager, lease broker, consultant and independent operator and area co-ordinator of North America in which marine construction work was performed worldwide.

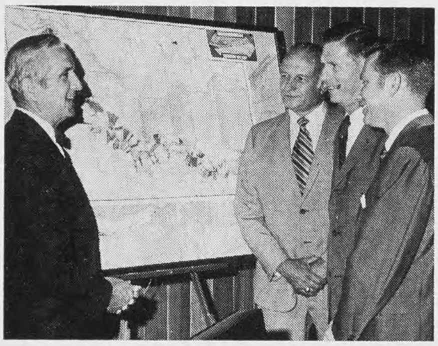
He is a past vice president of the Petroleum Landmans Association of New Orleans.

■ FIRST NATIONAL, Shreveport, has named James N. Fritze and Everett Rubenstein as directors. Mr. Fritze is president of Red River Motor Co., Inc. Mr. Rubenstein is president, Rubenstein's, Inc.

■ WAYNE ROBIDEAUX has been elected executive vice president of St. James Bank, Lutcher. Previously he was with Gulf National, Lake Charles. Other officers named were: Charest Thibaut, chairman; Remy Gross II, vice chairman; Dr. Clifford Comeaux, vice president and secretary; and J. A. Nobile, vice president and cashier.

■ NOEL P. HAMPTON has been promoted to assistant cashier and manager of the new Tulane-Pierce office of National American, New Orleans. Mr. Hampton joined National American in 1960 and has been assistant manager of the Parkchester Branch since 1963.

Jones Gets Industrial Post



James H. Jones (r.) looks over potential plant sites to which the new industrial development council of the Chamber of Commerce, New Orleans, hopes to attract new industry. Mr. Jones is pres., National Bank of Commerce, New Orleans, and recently was made chairman of the council.

■ CITIZENS NATIONAL, Hammond, recently promoted Mayson Foster from acting cashier to cashier and named Robert A. Maurin III assistant cashier. Mr. Foster joined the bank in 1969 and succeeds John T. Watkins, who has taken charge of public and customer relations. Mr. Maurin joined the bank in April.

■ PEOPLES NATIONAL, New Iberia, has named Edward T. Weeks III and Ronald M. Boudreaux directors. Mr. Boudreaux joined the bank in 1956 and is vice president and cashier. Mr. Weeks is part owner and operator of Lafco, Inc., Lafayette, and is secretary-treasurer of the company. He also is vice president of Lafayette, Inc.

■ LAURENS H. (LARRY) CROWELL JR. recently was elected vice president and trust officer of Calcasieu Marine National, Lake Charles. Previously, Mr. Crowell was with Commerce Union, Nashville, where he served as trust officer since 1968. He also has been assistant trust officer of Louisiana National, Baton Rouge, and trust assistant at Hancock Bank, Gulfport, Miss.

■ CHARLES E. COPELAND recently was appointed cashier of Olla State. Previously, he was manager of branch operations of a finance company in Oakdale. He has served in similar positions in Farmerville and Shreveport.

■ NATIONAL BANK OF COMMERCE, New Orleans, has announced six officer promotions. Those promoted and their new titles are: William A. White III and Ronald J. Jung, trust officers; Christopher B. Young and F. Alton Garrett, assistant vice presidents; Donald W. Corkern, auditor; and Jeffery D. Austin, assistant auditor.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Yes, you can

grow with BNO

New Orleans people say it:
"BNO is the 'growingest' bank in town."
We got that way by saying, "Yes, you can," to people all through this area—by helping other people—and other banks—GROW. We invite you to grow with BNO.

Statement of Condition, June 30, 1970

ASSETS	
Cash and Due from Banks	$ 38,379,417
U.S. Treasury Securities	16,621,215
Securities of Other U.S. Government Agencies	3,425,000
State and Municipal Bonds	18,520,218
Stock in Federal Reserve Bank	243,750
Loans Outstanding	105,959,260
Federal Funds Sold	11,550,000
Furniture, Fixtures and Equipment	668,782
Interest Earned but Not Collected	1,162,959
Customers' Liability on Acceptances	101,720
Other Assets	574,323
TOTAL ASSETS	$197,206,644
LIABILITIES	
Demand Deposits	$ 93,408,920
Savings Deposits	25,333,956
Time Deposits	50,316,863
TOTAL DEPOSITS	$169,059,739
Federal Funds Purchased	9,975,000
Accrued Taxes and Interest	1,857,159
Unearned Interest and Income Collected	2,660,417
Liability on Acceptances	101,720
Other Liabilities	17,055
TOTAL LIABILITIES	$183,671,090
RESERVES	
Provision for Possible Loan Losses	2,015,355
CAPITAL	
Capital Stock	2,684,500
Surplus	5,440,500
Undivided Profits	1,690,199
TOTAL CAPITAL ACCOUNTS	$ 9,815,199
Capital Notes	1,705,000
TOTAL CAPITAL FUNDS	11,520,199
TOTAL LIABILITIES, RESERVES AND CAPITAL	$197,206,644

Contingent Liability on Letter of Credit Issued but not Drawn Against—$1,139,815

MEMBER F.D.I.C., Federal Reserve System

BNO
THE BANK OF *Greater* **NEW ORLEANS** AND TRUST COMPANY
935 Common Street/New Orleans, Louisiana 70150

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Arkansas News

Palmer Is Asst. Cashier At Nat'l Stock Yards

NATIONAL CITY, ILL.—Thomas L. Palmer has been promoted to assistant cashier at National Stock Yards National and has been assigned to the correspondent division. His duties will include calling on and servicing correspondent matters for bankers in southern Missouri and Arkansas.

PALMER

Mr. Palmer has been with National Stock Yards National 14 years.

Mrs. Joy Greer Honored In Education Program

LITTLE ROCK—Mrs. Joy Greer, customer service officer, First National, recently was selected as the outstanding participant in the Economic Education Program. The program is sponsored by the Junior Bankers Section of the Arkansas Bankers Association.

Mrs. Greer received a $100 cash award for her efforts in educating primary and secondary students in banking. She spoke to 471 students in eight local public schools during the past year and conducted tours of First National for more than 600 students.

Mrs. Greer joined First National in 1954. She was previously with Grant County Bank, Sheridan; National Bank of Commerce, Pine Bluff; and First National, Jonesboro.

■ ERNEST H. ASHFORD recently was named a cashier in the operations department of Security Bank, Paragould. He also recently was graduated from the School of Banking of the South at Louisiana State University. Before joining Security Bank in January, Mr. Ashford was auditor and operations officer of First National, Jonesboro. He is currently president of the Northeast Arkansas Chapter of BAI.

Barry Crow Is Asst. Auditor At Simmons First National

CROW

PINE BLUFF—Barry L. Crow, a data processing specialist, has joined Simmons First National as an assistant auditor. Mr. Crow also will serve as a consultant on all future data processing systems to be installed at the bank.

Previously, he was manager of the Pine Bluff Data Center of Systematics, Inc.

Dierks Bank Is Proposed By Horatio Bankers

DIERKS—Application for a state charter for a proposed Peoples Bank of Dierks recently was filed with the state bank department. Organizers of the new bank are: Carl E. Hendrix Sr., chairman and president, Horatio State; Carl E. Hendrix Jr., executive vice president, Horatio State; Flynn Justus, vice president and manager, Dierks Tellers Window of Horatio State; James Hollis Dalrymple, owner of White's Automotive Store; and Fletcher Pinkerton, a farmer and retired school teacher.

The organizers listed these assets: paid-in capital, $100,000; surplus, $50,000; and undivided profits, $100,000.

Approval of the charter by the state bank commissioner and the FDIC is expected to take from two to four months. Dierks has been served by the Dierks Tellers Window of Horatio State since 1952.

Northeast Arkansas Chapter Added to BAI Roster

A new chapter has been organized by the Bank Administration Institute, bringing the number of BAI chapters to 232.

The new chapter, to be called the Northeast Arkansas Chapter, was organized through the auspices of Joseph Perez III, assistant vice president, Bank of New Orleans.

Officers of the new chapter include: president, Ernest Ashford, cashier, Security Bank, Paragould; vice president, Boyd Carpenter, vice president, Bank of Ash Flat; treasurer, Alfred Couch, assistant cashier, First National, Newport; and secretary, Charles Arnold, cashier, Citizens Bank, Batesville.

Directors, in addition to officers, are Gene Clayton, auditor, Citzens Bank, Jonesboro; James Hall, executive vice president, First National, Poinsett County, Trumann; Ed King, senior vice president, Mercantile Bank, Jonesboro.

THE FIRST NATIONAL BANK
EL DORADO, ARKANSAS
Condensed Statement of Condition June 30, 1970

OFFICERS

H. C. McKINNEY, JR.
President
W. D. MEACHAM
Exec. Vice-President
R. G. DUDLEY
Vice-Pres. & Cashier
JAMES Y. CAMERON
Vice-President
MISS U. TRICKETT
Vice-President
JOE W. MILLER
Vice-President
CHARLES HANKINS
Asst. Vice-President
E. PERRY SCHIEFFER
Auditor
CHARLES AINSWORTH
Assistant Cashier
ROBERT BLACKWOOD
Assistant Cashier
MILAS REYNOLDS
Assistant Cashier
PETER M. O'CONNOR
Assistant Cashier
TRUST DEPARTMENT
ARLEN WALDRUP
Vice-President & Trust Officer
ARLEY KNIGHT
Asst. Trust Officer
TIMEPAY DEPARTMENT
E. L. ADAMS, JR.
Vice-President & Manager
D. E. CANADY
Vice-President & Asst. Manager
BILL GIVENS
Asst. Vice President
DATA PROCESSING DEPT.
NORWOOD JONES. JR.
Data Processing Officer

RESOURCES

Cash on Hand and Due from Banks	$10,197,815.18	
United States Securities	7,478,143.75	
		$17,675,958.93
State, County and Municipal Bonds		6,403,769.10
Stock in Federal Reserve Bank		120,000.00
Loans and Discounts		22,518,084.25
Federal Funds Sold		1,250,000.00
Income Earned, Not Collected		377,602.44
Bank Premises and Equipment		607,940.43
Other Resources		73,761.29
TOTAL		$49,027,116.44

LIABILITIES AND CAPITAL

Deposits		
Demand	$29,407,050.77	
Savings and Time	13,452,632.22	
Total Deposits		$42,859,682.99
Reserve for Taxes, Interest, Etc.		787,782.56
Income Collected, Not Earned		256,364.90
LIABILITIES		$43,903,830.45
Capital Stock	$ 1,400,000.00	
Surplus	2,600,000.00	
Undivided Profits	923,285.99	
Reserve for Contingencies	200,000.00	
CAPITAL ACCOUNTS		$ 5,123,285.99
TOTAL		$49,027,116.44

Member of Federal Reserve System
Member of Federal Deposit Insurance Corporation

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

WORLD NEWS

A STATEMENT OF CONDITION FROM
THE NEW WORLD OF WORTHEN BANK

LITTLE ROCK

JUNE 30, 1970

RESOURCES:

	June 30, 1970	June 30, 1969
Cash and Due from Banks	$ 45,483,549.54	$ 43,842,910.74
United States Government Obligations	16,126,864.22	16,202,694.31
State and Municipal Obligations	13,232,975.14	13,276,201.50
United States Agency Obligations	8,203,858.77	3,520,502.76
Stock of Federal Reserve Bank	270,000.00	270,000.00
Federal Funds Sold	5,200,000.00	3,700,000.00
Loans	118,501,556.53	108,742,343.60
Bank Premises and Equipment	7,110,592.38	4,514,344.51
Cash Value Life Insurance	103,905.15	182,567.00
Other Resources	1,756,865.97	760,772.86
Total Resources	$215,990,167.70	$195,012,337.28

LIABILITIES:

	June 30, 1970	June 30, 1969
Deposits:		
Commercial, Individual and Other	$ 83,891,920.74	$ 77,882,876.06
Correspondent Banks	31,299,436.72	26,553,920.66
Savings and Time	71,473,629.06	68,138,263.24
Total Deposits	186,664,986.52	172,575,059.96
Federal Funds Purchased	3,250,000.00	3,700,000.00
Securities Sold Under Agreement to Repurchase	5,640,000.00	———
Reserve for Taxes and Other Expenses	759,334.08	735,728.51
Reserve for Unearned Interest	2,645,195.97	2,102,230.32
Total Liabilities	198,959,516.57	179,113,018.79

CAPITAL:

	June 30, 1970	June 30, 1969
Capital Stock	4,000,000.00	4,000,000.00
Surplus	5,000,000.00	5,000,000.00
Undivided Profits and Reserves	4,730,651.13	3,599,318.49
Capital Notes	3,300,000.00	3,300,000.00
Total Capital	17,030,651.13	15,899,318.49
Total Liabilities and Capital	$215,990,167.70	$195,012,337.28

WORTHEN
Bank & Trust Company
LITTLE ROCK, ARKANSAS
The Bank That Does More For You
Member FDIC, Federal Reserve System

DIRECTORS

*WILLIAM C. ALLSOPP
Investments

GUS BLASS, II
President, Capital Savings & Loan Association

W. N. BRANDON, JR.
President, Brandon Company

HOUSTON J. BURFORD
VP & Gen. Manager, Southwest Hotels, Inc.

ROBERT D. DOUBLEDAY
President, Leake Television, Inc.

*DUDLEY DOWELL
Corporate Director

JACK EAST, JR.
President, East, Cashion & East, Inc.

DAVE GRUNDFEST, JR.
Vice President, Sterling Stores Company, Inc.

JAMES S. HALL
Executive Vice President

WORTH JAMES
President, Worth James Construction Co.

ED D. LIGON, JR.
President, Orbit Valve Company

FRANK LYON
Chairman of the Board, Frank Lyon Company

GUY MARIS
Partner, Bird, Lange, Maris & Taylor

VERNON MARKHAM, JR.
President, Arkansas Furniture & Carpet Company

CHARLES T. MEYER, JR.
Chm., Exec. Comm., Meyer's Bakeries, Inc.

*DAN M. MURPHY
Retired

*GUS OTTENHEIMER
Industrialist

EDWARD M. PENICK
President & Chief Executive Officer

JAMES H. PENICK
Chairman of the Board

JAMES PENICK, JR.
Executive Vice President

A. DAN PHILLIPS
President, M. M. Cohn

JOHN A. RIGGS, JR.
President, J. A. Riggs Tractor Company

*ROBERT ROACH
Chairman of the Board, Roach Paper Company

*FRANK M. SILVERMAN
Investments

DABBS SULLIVAN
Vice Chairman of the Board

T. CHARLES TREADWAY, JR.
President, Treadway Electric Company

J. GASTON WILLIAMSON
Partner, Rose, Barron, Nash, Williamson, Carroll & Clay, Attorneys

BOOKER WORTHEN
Senior Vice President & Secretary

EDWARD L. WRIGHT
Partner, Wright, Lindsey & Jennings, Attorneys

**Advisory Board*

EXECUTIVE OFFICERS & DIVISION MANAGERS

JAMES H. PENICK,
Chairman of the Board

EDWARD M. PENICK,
President & Chief Executive Officer

DABBS SULLIVAN,
Vice Chairman of the Board

JAMES PENICK, JR.,
Executive Vice President

JAMES S. HALL,
Executive Vice President

Automated Services Division
J. DAVID FRANTZ,
Vice President, Manager

Bank Investments Division
RICHARD F. GATES,
Senior Vice President, Manager

Branch Administration Division
CHARLES E. WADE,
Vice President, Manager

Commercial Banking Division
R. J. WILLS,
Vice President, Manager

Consumer Banking Division
ALBERT F. OTTEN,
Vice President, Manager

Controller Division
LOUIS J. SCHAUFELE,
Controller, Manager

Correspondent Banking Division
BEVERLY J. LAMBERT, III,
Vice President, Manager

Marketing Division
D. EUGENE FORTSON,
Vice President, Manager

Money Management & Credit Division
BOOKER WORTHEN,
Senior Vice President & Secretary, Manager

Operations Division
EMMETT L. DARR,
Senior Vice President & Cashier, Manager

Personnel Division
KARL F. ZIMMERMANN,
Assistant Vice President, Manager

Planning & Development Division
ROBERT P. TAYLOR,
Vice President, Manager

Properties Management Division
CHARLES P. SULLIVAN,
Assistant Vice President, Manager

Trust Division
LAWRENCE B. BURROW,
Vice President & Trust Officer, Manager

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Texas News

Robert Stewart Is Appointed Texas Banking Commissioner

AUSTIN—Robert E. Stewart has been appointed state banking commissioner of Texas, beginning in September. He succeeds J. M. Falkner, who resigned because of ill health.

Mr. Stewart has been bank examiner, departmental examiner and deputy commissioner with the banking department. Previously, he was with Capital National, Austin.

■ RICHARDSON HEIGHTS BANK, Richardson, has announced the election of Dr. Terry Perkins as a director and Gus Hubbard as vice president. Dr. Perkins has been an active veterinarian for 10 years. Mr. Hubbard was formerly in the finance business.

■ FIRST NATIONAL, Brownsville, has announced the appointment of Miss Graciela Gutierrez as assistant vice president and manager of the international department. She joined the bank in 1965.

■ VICTORIA BANK will establish a new women's special services department. Mrs. Becky Thomason, assistant cashier, will head the department assisted by Mrs. Clara Simmons and Mrs. Lou Ann Overturf.

■ CARTER B. CHRISTIE recently was elected an assistant vice president in the commercial loan department of Houston Bank. Previously, Mr. Christie was associated with an Austin law firm. Immediately before joining Houston Bank, he served as general counsel for Commco, Inc., Austin.

■ NATIONAL BANK OF COMMERCE, Dallas, recently named Frederic Farlow assistant vice president of the commercial loan department. Carlton Fite was promoted to assistant cashier in the loan and discount department.

■ HERBERT H. HOLLOWAY recently was named president and director of Long Point National, Houston. Before joining Long Point National, Mr. Holloway was a vice president and senior representative of the business development department of Bank of the Southwest, Houston. He joined Bank of the Southwest in 1959 as a senior accountant.

Promotion, Civic Honors Go to Texarkana Bankers

TEXARKANA—One man has been promoted at Texarkana National, and he and another staff member have received outside honors.

DICKERT McCROSSEN

Harry J. McCrossen, with the bank since January, 1969, has been advanced to auditor. He also is on the bank's training committee in the employee development and training program.

Guy Dickert Jr., vice president and cashier of Texarkana National, has been named president of the Temple Memorial Treatment Center, Texarkana, Ark./Tex. He succeeded B. Stan Cook, the bank's executive vice president. Mr. McCrossen has been named treasurer of the treatment center, succeeding Mr. Dickert.

First Bank Controlling Interest Acquired by Bryan Residents

BRYAN—A group of local residents recently acquired controlling interest in First Bank.

More than 42,000 of the bank's 105,000 outstanding shares were purchased from the former owners in the transaction exceeding $2.5 million. According to an agreement among the controlling stockholders, only a limited number of shares may be owned or controlled by an individual or his family.

No changes will be made in the bank's management or personnel.

■ HOUSTON BANK has elected Donald B. Warshauer senior vice president and trust officer. He is responsible for the total operations of the trust department. Mr. Warshauer previously headed the trust division of Security Bank, Lincoln Park, Mich.

■ FORT WORTH NATIONAL recently promoted Robert F. Matlock from assistant auditor to auditor. Promoted from assistant cashiers to assistant vice presidents were J. F. Costello Jr., C. Brodie Hyde and Malcolm B. Street Jr. New officers appointed were: L. G. Cornish, assistant cashier; James H. Maddux, assistant auditor; and James R. Shelton, assistant trust officer.

■ SOUTHERN NATIONAL, Houston, recently promoted Joe H. De Kunder to installment loan officer. Mr. De Kunder has been with the bank since 1969 and has been in charge of the Master Charge program since February.

■ BANK OF THE SOUTHWEST, Houston, recently promoted one and named six new officers. Jadwin R. Hubbard, manager, item processing department, was promoted to assistant vice president. Mrs. Lula L. Peschke and Mrs. M. Doylene Evans were named customer services officers. Appointed operations officers were Mrs. Erna W. Doll, closing and shipping supervisor, real estate loan department, and Richard C. Armbruster, lobby operations department. Daniel G. Moreland, personal trust administrator, was appointed assistant trust officer, and Stanley V. Grisham, credit department operations supervisor, was appointed credit officer.

Joe Cavness Is President Of Gulf Coast BAI Chapter

HOUSTON—Joe R. Cavness, vice president, Western National, recently was elected president of the Gulf Coast Chapter of the Bank Administration Institute. He previously served as first vice president.

Other officers elected for the coming year include John A. Puffer, vice president and cashier, Deer Park Bank, who will serve as chapter first vice president. Eugene R. Oncken, vice president and comptroller, First City National, was elected second vice president. Secretary-treasurer is Charles L. Franks, auditor, Bank of the Southwest.

■ FIRST NATIONAL, Fort Worth, recently promoted four officers to assistant vice presidents. They are James Cox, head of the Master Charge department; Floyd Samuel, manager of the bookkeeping department; Dudley Deen, bond department; and James Ballard, manager of the market research department.

■ AUSTIN NATIONAL recently announced these promotions: John Shivers, vice president; William Neal Powers, trust administration officer; David Davenport and Bruce J. Knierim, assistant vice presidents; and Lee Arbon and Bart Tabor, assistant cashiers.

■ JAMES L. HEMMINGSON, vice president, Republic National, Dallas, was recently named director of the public relations division. He joined the bank in 1947 and has served as a commercial lending officer and as manager of the bank's business development administration.

■ HAROLD R. LILLEY has been elected a director of Exchange Bank, Dallas. Mr. Lilley is president and chief executive officer of Frito-Lay, Inc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

FORT WORTH NATIONAL BANK

A FULL SERVICE BANK

FORT WORTH, TEXAS • AN EQUAL OPPORTUNITY EMPLOYER • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

STATEMENT OF CONDITION

ASSETS	At June 30 1970	At June 30 1969
Cash and due from banks	**$ 86,407,055**	$ 92,047,987
Securities:		
United States Government	**55,578,416**	55,051,904
State, county and municipal	**67,709,218**	75,708,570
Other investment securities	**937,200**	1,265,000
Trading account securities	**1,798,791**	1,720,380
	126,023,625	133,745,854
Federal funds sold	**6,700,000**	2,500,000
Loans and discounts less reserve for possible losses (1970—$6,611,444, 1969—$5,806,919)	**242,638,711**	264,956,350
Land, buildings and equipment—undepreciated balance	**7,730,055**	7,126,596
Customers' liability under acceptances and letters of credit	**11,096,967**	4,590,007
Other assets	**5,155,397**	5,397,973
	$485,751,810	$510,364,767

LIABILITIES AND CAPITAL FUNDS	1970	1969
Demand deposits	**$232,294,669**	$220,024,393
Time deposits	**151,530,590**	197,730,077
TOTAL DEPOSITS	**383,825,259**	417,754,470
Federal funds purchased and securities sold under repurchase agreement	**37,040,000**	35,510,000
Acceptances and letters of credit	**11,096,967**	4,590,007
Unearned income and other liabilities	**7,254,363**	6,063,447
TOTAL LIABILITIES	**439,216,589**	463,917,924
Capital funds:		
5⅝% Capital Notes, due 1992	**10,000,000**	10,000,000
Stockholders' equity:		
Common Stock, par value $10 a share	**12,671,120**	11,519,200
Capital surplus	**17,568,880**	16,480,800
Retained earnings	**6,295,221**	8,446,843
TOTAL STOCKHOLDERS' EQUITY	**36,535,221**	36,446,843
TOTAL CAPITAL FUNDS	**46,535,221**	46,446,843
	$485,751,810	$510,364,767

DIRECTORS and Advisory Directors*

W. HOYT BAIRD
Chairman of the Executive Committee Mrs. Baird's Bakeries, Inc.

PERRY R. BASS*
Oil

LEWIS H. BOND
President

DR. COLEMAN CARTER, JR.*
Investments

LESTER CLARK
Chairman of the Board Petroleum Corporation of Texas

WILLIAM C. CONNER
President Alcon Laboratories, Inc.

CULLEN DAVIS
President Stratoflex, Inc.

E. F. FREEMAN
Investments

W. M. FULLER
Oil and Ranching

H. B. FUQUA
Chairman of the Board

JAMES S. GARVEY
Chairman of the Board Garvey Elevators, Inc.

RAYMOND C. GEE*
Honorary Chairman of the Board

GASTON HALLAM
President Ben E. Keith Co.

JOE B. HOGSETT*
Investments

JOHN S. JUSTIN, JR.
President First Worth Corporation and H. J. Justin & Sons, Inc.

PORTER KING
Investments

MARVIN LEONARD*
Investments

PAUL LEONARD
Chairman of the Board Leonards Department Stores

LOUIS J. LEVY, M. D.
Surgeon

WEB MADDOX*
President, Maddox Properties

ROY M. MAYS*
Vice President and General Manager Ponca City Activities Continental Oil Company

JACK W. MELCHER
Vice President Corporate Long Range Planning Lennox Industries Inc.

ORAN F. NEEDHAM
Chairman of the Board The Millers Mutual Fire Insurance Company of Texas

J. C. PACE, JR.
President Buddies Super Markets

L. F. PETERSON
Petroleum Consultant

W. H. PETERSON
Executive Vice President

GUY PRICE*
Ranching

A. L. SCOTT
President, Kimbell, Inc.

ELLIS L. SIMMONS
President Fort Worth & Denver Railway Company

ROBERT F. SNAKARD
Stone, Tilley, Parker, Snakard, Law & Brown, Attorneys

CHARLES D. TANDY
Chairman of the Board Tandy Corporation

GLEN TURBEVILLE
Chairman of the Board Morrison Supply Company

SAM P. WOODSON, JR.
Executive Vice President Fort Worth Coca-Cola Bottling Company

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

New Mexico News

Finance Board Asks for Bids On Acting as Fiscal Agent

SANTA FE—All banks in New Mexico were given the opportunity of submitting bids to act as the state's fiscal agent as a result of a decision reached by the Board of Finance at its meeting early in July. Bids were to be considered at the August 4 meeting.

At the July meeting, W. A. Clarke, president, Bank of New Mexico, Albuquerque, told the board that his bank deserved to continue as fiscal agent because of the way in which state funds had been handled. The bank earned $1,600,000 for the state in 30 months through overnight investment of idle funds.

In addition, it asked an average collected demand deposit of only $2,600,000 compared with balances ranging from $11,400,000 to $6,600,000 formerly insisted on by other banks.

Robert Mead, director of the state investment council, and Governor David E. Cargo supported Mr. Clarke, but Dan Burrows, finance board member from Albuquerque, took a strong stand for competitive bidding and swung other members to his viewpoint.

C. K. (Tim) Skinner Jr., president First National, Santa Fe, and W. G. (Buddy) Ragley, president, Bank of Santa Fe, urged that the fiscal agent appointment be based on competitive bidding.

All three of the bank presidents indicated their banks would bid.

Emmons Invents Golf Cart For the Physically Fit

ALBUQUERQUE—What can a golfer do when he likes the convenience of a golf cart and yet still wants to get his exercise? Glenn L. Emmons has solved the problem by inventing a "cycle cart."

Mr. Emmons recently was issued a patent for the cart, which looks like any other electric golf cart, except that it has two sets of bicycle pedals for the operator and passenger. With the flick of a switch, the pedals on the driver's side can control the speed of the vehicle. The faster the operator pumps, the faster the cart goes. Braking involves simply pedaling in the opposite direction.

If the driver gets tired, another flick of a switch enables him to regulate speed in the normal way—with an accelerator pedal. The bicycle pedals on the passenger side provide riders with their own option to exercise, although they are not connected to the motor. The tension on both sets of pedals can be adjusted to provide the golfers with as much resistance as they want.

Glenn L. Emmons, adviser, First State, Gallup, prepares to pedal down the fairway in his new invention—a combination golf cart and exercising machine.

Mr. Emmons got the idea for the golf cart when he began to develop circulation trouble in his leg some time ago and his doctor told him to do a leg exercise similar to the pumping motion required on a bicycle.

Besides being an inventor, Mr. Emmons is on the board of advisers, First State, Gallup, where he was formerly an officer, and is a former president of the New Mexico Bankers Association, former ABA treasurer and former U. S. commissioner of Indian Affairs.

Seventh Commercial Bank Planned for Albuquerque

ALBUQUERQUE—Ten local businessmen recently announced their intention to establish a new bank, the Bank of Albuquerque. It would be the city's seventh commercial bank.

If permission is granted by the banking commissioner and the FDIC, the bank will open with capital, surplus and reserves totaling $600,000 and $2 million in assets.

A spokesman said the organizers of the bank are proposing a consumer-oriented suburban bank to serve, primarily, installment lending needs.

■ JACK F. COWEN JR. has been promoted to vice president, First National, Santa Fe. He has been transferred from the trust department to the commercial loan department. Before joining the bank in 1969, Mr. Cowen worked in trust administration and business development for National Bank of Commerce, Memphis. Charles D. Batts recently joined First National as trust officer. He was associated with a Santa Fe law firm and holds a law degree from Colorado University Law School, Boulder. Previously, he was vice president and trust officer at the Bank of Santa Fe.

Santa Fe Nat'l Begins Series of Ads Boosting New Mexico

SANTA FE—Santa Fe National believes that New Mexico has much to be proud of and to emphasize this belief, the bank has begun publishing a series of "booster" ads. The ads are running in several daily newspapers in the state, as well as in the *Wall Street Journal* and the Denver *Post*.

The first ad spotlighted the Museum of New Mexico (see illustration); the second discussed New Mexico's state park system, and the others feature the Santa Fe Opera, the Game and Fish Department, the New Mexico Amigos and other institutions. All institutions featured in the ads were consulted and their approval obtained on copy and layouts.

William H. Vernon, chairman and chief executive officer of the bank, said the bank is not trying to compete with the state's Department of Development, nor is it hoping to establish any records in tourism and industrial development. Rather, he continued, Santa Fe National is trying to bring dignity and recognition to a state in which "we are proud to be doing business."

The idea for the program originated when it was noted that many people accentuate the negative today while programs and institutions that emphasize the positive go unnoticed or are taken for granted.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Morgan Guaranty Trust Company

OF NEW YORK

Consolidated statement of condition

June 30, 1970

Assets	
Cash and due from banks	$ 3,515,532,768
U. S. Treasury securities	503,721,917
Obligations of U. S. government agencies .	65,398,820
Obligations of states and political subdivisions	634,833,917
Other investment securities	131,301,198
Trading account securities	209,370,863
Federal funds sold and securities purchased under agreements to resell .	23,656,000
Loans	5,296,854,267
Bank premises and equipment	69,449,643
Investments in subsidiaries not consolidated	5,945,244
Customers' acceptance liability	419,276,600
Other assets	495,201,567
Total assets	$11,370,542,804
Liabilities	
Demand deposits	$ 4,812,180,523
Time deposits	1,064,544,556
Foreign branch deposits	3,129,793,911
Total deposits	9,006,518,990
Federal funds purchased and securities sold under agreements to repurchase . .	342,605,347
Other liabilities for borrowed money . .	85,882,999
Accrued taxes and expenses	116,822,837
Liability on acceptances	429,988,359
Dividend payable	11,860,420
Mortgage payable	17,786,039
Other liabilities	417,376,926
Total liabilities	$10,428,841,917
Reserve	
For possible loan losses	$ 115,297,061
Capital accounts	
Capital notes (5%, due 1992)	$ 97,000,000
Equity capital:	
Capital stock, $25 par value (9,123,400 shares)	228,085,000
Surplus	336,500,000
Undivided profits	164,818,826
Total equity capital	729,403,826
Total capital accounts	826,403,826
Total liabilities, reserve, and capital accounts	$11,370,542,804

Assets carried at $852,353,545 in the above statement were pledged as collateral for borrowings, to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member, Federal Reserve System, Federal Deposit Insurance Corp.

Main office 23 Wall Street

Midtown offices *Fifth Avenue at 44th Street*
Madison Avenue at 58th Street
40 Rockefeller Plaza
Park Avenue at 48th Street

Offices abroad *London, Paris, Brussels, Antwerp, Frankfurt, Milan and Rome (Banca Morgan Vonwiller), Zurich, Tokyo*
**Madrid, Beirut, Hong Kong, Caracas, São Paulo*

** Representative offices*

Directors

JOHN M. MEYER JR.
Chairman of the Board

ELLMORE C. PATTERSON
President

J. PAUL AUSTIN
Chairman and President
The Coca-Cola Company

R. MANNING BROWN JR.
President, New York Life Insurance Company

CARTER L. BURGESS
Chairman, National Corporation for Housing Partnerships

FRANK T. CARY
Senior Vice President
International Business Machines Corporation

W. GRAHAM CLAYTOR JR.
President, Southern Railway System

EMILIO G. COLLADO
Executive Vice President
Standard Oil Company (New Jersey)

CHARLES D. DICKEY JR.
President, Scott Paper Company

JOHN T. DORRANCE JR.
Chairman of the Board
Campbell Soup Company

THOMAS S. GATES
Chairman of the Executive Committee

CRAWFORD H. GREENEWALT
Chairman, Finance Committee
E. I. du Pont de Nemours & Company

LONGSTREET HINTON
Chairman, Committee on Trust Matters

DONALD P. KIRCHER
President, The Singer Company

RALPH F. LEACH
Vice Chairman of the Board

EDMUND F. MARTIN
Chairman, Bethlehem Steel Corporation

L. F. McCOLLUM
Chairman of the Board
Continental Oil Company

HOWARD J. MORGENS
President, The Procter & Gamble Company

WALTER H. PAGE
Vice Chairman of the Board

THOMAS L. PERKINS
Chairman of the Trustees
The Duke Endowment

DALE E. SHARP

OLCOTT D. SMITH
Chairman, Aetna Life & Casualty Insurance Companies

HENRY S. WINGATE
Chairman of the Board
The International Nickel Company of Canada, Limited

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Oklahoma News

Budd, Netherland Promoted At First National, Tulsa

TULSA—First National recently promoted Merle Budd and O'Neal Netherland from vice presidents to senior vice presidents.

Mr. Budd joined the bank in 1949 and was elected assistant vice president in 1960. He was made vice president in charge of the real estate loan division in 1963.

Mr. Netherland heads First National's administrative services division with responsibility for the controllers, data processing, operations and employee relations divisions.

FREE

With New and Renewal Subscriptions to The BANK BOARD Letter

"A Model Policy for a Bank's Board of Directors"

This newly published 24-page booklet will be a valuable addition to your bank's library, for it contains a wealth of information that will aid your board and your top management in organizational problems.

Starting with an organizational chart that presents well-defined lines of authority and responsibilities, the Policy Manual presents sections on collection policy, credit standards and guidelines, expense accounts, policy on bank investments and loans, management philosophy, overdraft policy, plus many other topics.

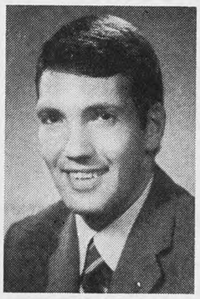
And the Manual is FREE with any one-year, new or renewal subscription to The BANK BOARD Letter, the monthly newsletter prepared especially for bank directors and top bank officers.

BANK BOARD Letter subscription rates: $25 per year for the first subscription . . . $10 per year for each additional subscription

The BANK BOARD Letter
408 OLIVE ST. (ROOM 505)
ST. LOUIS, MO. 63102

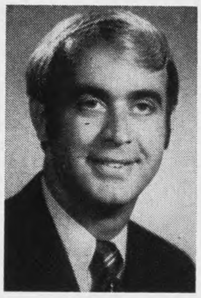
Municipal Bond Dept. Formed at NBT; 2 Appointments Made

TULSA—National Bank of Tulsa has announced appointments of a new correspondent man and manager of its advertising and public relations department and formation of a new municipal bond department.



COOK

S. Curt Cook, who was senior credit analyst, has been transferred to NBT's correspondent bank department as special representative. He joined the bank last November.



HUBBY

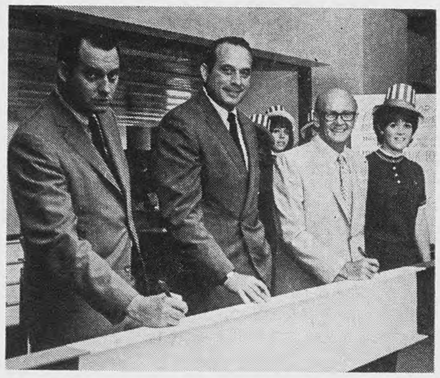
RAINEY

Charles O. (Lee) Hubby is now manager of the advertising and public relations department, succeeding Bill Nash. Mr. Nash, assistant vice president, has been transferred to the real estate department. Mr. Hubby joined NBT in 1967 and had been in the business development department.

The new municipal bond department is headed by Robert M. Rainey III, who joined NBT August 1 as vice president. The department, which deals exclusively with the underwriting and sale of municipal bonds, will make a primary and secondary market in Oklahoma bonds and selected general market names. The department also provides complete service for individual buyers of tax-free municipals.

Mr. Rainey began his career as an executive trainee of First National in his native Oklahoma City. He was assigned to the bank's municpal bond department in 1963. In 1967 he joined the Chicago office of Weeden & Co. as an institutional sales representative in the municipal bond department.

Bank Officials Sign Beam



An 18-foot, red, white and blue steel beam which will top the new Liberty National Bank Tower, Oklahoma City, was displayed in the lobby of Liberty National. Customers and employees were invited to sign it, and a "Miss Liberty" bank page girl provided the pens. Those signing are: (from l.) Gerald Marshall, exec. v.p.; J. W. McLean, pres.; and Earl Sneed, exec, v.p.

Fidelity National Changes Name

OKLAHOMA CITY—Fidelity National's name has been changed to Fidelity Bank, National Association, effective July 1. The change does not affect the bank's status as a national bank, its trust facilities and other services.

■ FRED CONNER recently was named a vice president, First National, Guymon. He is with the loan department. Before joining the bank, Mr. Conner was with First National, Plainview, Tex.

■ FOUR OKLAHOMA FIRMS have received merit awards for their 1969 annual reports from *Financial World* magazine. They are: NBT Corp. and First Tulsa Bancorporation, both of Tulsa, and Liberty National and First Oklahoma Bancorporation, both of Oklahoma City. An unusual feature of NBT Corp.'s report was inclusion of a recording with an economic message from the firm's president.

■ FOURTH NATIONAL, Tulsa, recently elected Perry D. Inhofe Jr. a director. He is chairman and president of Mid-Continent Casualty Co. and Oklahoma Surety Co. Mr. Inhofe also is vice chairman and executive vice president of Quaker Life Insurance Co.

■ DR. MELVIN D. JONES and I. Jack Stephens recently were elected directors of City National, Oklahoma City. Dr. Jones is president of Life Corp. of America and vice president of Casualty Corp. of America. Mr. Stephens is president of Capital, Inc., and of Mecca Computer Systems, Inc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Need a Bread Basket Correspondent?

Go Forth with Tulsa

...grain market of the seventies!

The bread basket of the nation is located in north central Oklahoma and western Kansas. And beginning in late 1970, the nearest exit to a hungry world will be the Tulsa Port of Catoosa—bringing low-cost water transportation to the very doorstep of the wheat fields.

Commodity financing know-how is *already* in Tulsa. Long before the post-war industrial boom came to Oklahoma, this bright young city on the banks of the Arkansas had been a thriving agricultural center for many years.

If you need a big city bank that knows agriculture, or any other facet of the mid-American economy, turn your eyes toward Tulsa. (You can't miss Fourth National . . . it's the tallest bank in town!) Call Glenn "Red" Ward or any of our other experienced officers for the complete story on terrific Tulsa's amazing financial community.

FOURTH
NATIONAL BANK
TULSA, OKLAHOMA

MEMBER F.D.I.C.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Kansas News

Five Are Promoted At Security National

KANSAS CITY—Security National has elected Edward F. Abersold vice president, continuing as head of the installment loan department. He joined Security National in 1941 after 10 years with First National, St. Joseph, Mo.

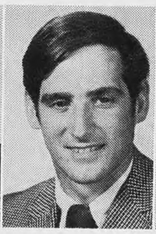
John J. Macleod has been promoted to assistant vice president. He joined Riverview State in 1956 and Security National in 1962 when the two banks merged. He is responsible for all Federal fund transactions.

Elected assistant cashiers were: Jay Breidenthal, general banking department; Douglas Haynes, head of the real estate department; and Martin G. Istock, operations department. Mr. Breidenthal, the third generation of his family to be in banking, is the grandson of the late Maurice L. Breidenthal Sr., long-time president and chairman of Security National and its predecessors.

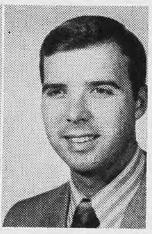
MACLEOD

ABERSOLD

ISTOCK



BREIDENTHAL



HAYNES

■ FARMERS STATE, Bucklin, recently withdrew its membership in the Federal Reserve System and joined the FDIC.

Central State, Hutchinson, Opens New Drive-In Facilities

Central State, Hutchinson, recently opened new drive-in facilities, part of a four-fold $150,000 improvement program begun last winter. The opening became official when drivers of a gold Cadillac, a modern racing car and a foreign model racer made the first deposits at the Diebold visual auto teller system stations. The cars then were driven over the drive-through lanes to break ribbons at the far end. The cars used in the opening, as well as a Model-T Ford (at left), are shown above. The installation, called Bankwik, also has walk-in facilities. Building materials of Arizona leadstone and brick were used to match the architecture of the existing bank building.

Lloyd Olson Is Vice President Of Olathe First National

OLATHE—First National recently appointed Lloyd Olson as vice president. Mr. Olson entered banking in 1958 as a national bank examiner. He joined Commerce Bank, Kansas City, in 1965 as an assistant vice president and was made a vice president in February.

Mr. Olson traveled in Kansas for the correspondent department of Commerce Bank and in St. Louis, Chicago, Milwaukee and out-state Illinois and Indiana for the national accounts department.

At Olathe, he succeeds Al Schierling as executive in charge of commercial and real estate loans. Mr. Schierling has resigned to conduct real estate operations for Great Plains Equities.

Merger Completed

KANSAS CITY—Commercial National recently completed a merger with Exchange State. The new bank will be called the Commercial National Bank and will operate under Commercial National's charter. The merger organization will be located in Commercial National's present facilities.

Bank officials said total resources of the consolidated bank are in excess of $115 million.

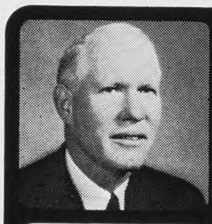
John Mertes Promoted At Fourth National

WICHITA—Fourth National recently announced that John J. Mertes, vice president, will serve as commercial loan officer in the general credit division. He moved from an administrative post in the consumer credit division. Mr. Mertes joined the bank in 1955 and was elected vice president in 1967.

MERTES

Other bank promotions include: C. W. Barber, operations officer, consumer credit division; Paul Stephenson, discount officer; Thomas Robison, credit officer; William Gibbs, consumer loan officer; Terry Gutschenritter, assistant manager, credit department.

■ SECURITY STATE, Great Bend, has appointed Dave O'Neill, president of O'Neill Tank Co. of Great Bend and Hoisington, as a member of the board. He was chosen "Oil Man of the Year" in Great Bend in 1961 and is a past president of Great Bend Industrial Development Corp.



BERNARD RUYSSER
President

NOW THERE'S A NEW PROFESSIONAL PARTNERSHIP TO SERVE YOU BETTER THAN EVER!

COMMERCIAL NATIONAL BANK

6th & Minnesota Avenue 371-0035 Kansas City, Kansas Member F.D.I.C.

HENRY G. BLANCHARD
Chmn. Board Directors

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

the little advice dept.

Our little advice department has been in operation since the middle of April, and best estimates indicate that our 550-plus staff members have already helped 35,000 people with a little advice; 10,000 with considerable advice; 4,000 with big advice, and turned away three misguided persons who were seeking someone named Landers! The little advice department has been a project of awareness, turning Kansas' largest commercial bank into a unified "let us help you" effort. It's a great experience. If you need a little advice, call 316 268-4441 and ask for Tom Potter, Mott Randle, or Joe Stout. They're our little advice department to our correspondent banking friends.

THE FOURTH

NATIONAL BANK & TRUST COMPANY
WICHITA, KANSAS
MEMBER FDIC

STATEMENT OF CONDITION / JUNE 30, 1970

ASSETS

Cash and Due From Banks	$ 49,405,955.35
U. S. Government Securities	20,467,732.97
Public Housing Authority Securities	4,495,533.22
Municipal Securities	29,564,149.34
Trading Account and Other Securities	13,050,140.23
Stock in Federal Reserve Bank	645,000.00
Securities Purchased Under Agreements to Resell	4,800,000.00
Federal Funds Sold	10,000,000.00
Loans and Discounts	144,098,095.24
Credit Card Receivables	6,965,552.10
Bank Premises and Equipment	4,997,443.81
Other Assets	577,741.56
Total Assets	$289,067,343.82

LIABILITIES

Demand Deposits	$160,416,145.56
Time Deposits	90,956,640.86
Total Deposits	$251,372,786.42
Federal Funds Purchased	2,925,000.00
Securities Sold Under Agreements to Repurchase	3,970,932.14
Reserve for Taxes, Interest, etc.	1,658,727.81
Income Received — Unearned	767,768.33
Total Liabilities	$260,695,214.70

RESERVES

Reserve for Loan Losses	$ 2,405,782.16

CAPITAL ACCOUNTS

Capital Stock — $5.00 Par Value 2,500,000 Shares Authorized 2,100,000 Shares Issued	$ 10,500,000.00
Surplus	11,000,000.00
Undivided Profits	4,466,346.96
Total Capital Accounts	$ 25,966,346.96
Total Liabilities, Reserves, and Capital Accounts	$289,067,343.82

EXECUTIVE OFFICERS: A. DWIGHT BUTTON, Chairman of the Board / JORDAN L. HAINES, President
SENIOR VICE PRESIDENTS: JAMES R. BOYD / CHARLES C. RODD / GLENN E. RUSSELL / J. W. SHANE

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Missouri News

Smith Succeeds Burton in Correspondent Post at 1st of St. Louis

ST. LOUIS—Carroll F. Burton, who has headed the correspondent department of First National since 1962, retired July 31 to become a special consultant to First Union, Inc., holding company for First National and St. Louis Union Trust. He will maintain an office in the bank.


BURTON

Harry L. Smith, vice president, has been named head of the correspondent department succeeding Mr. Burton.


ROSS


SMITH

Paul M. Ross, vice president in the national accounts division, has been named to succeed Mr. Smith as assistant head of the correspondent department.

Mr. Burton, who was vice president of United Bank, St. Louis, prior to joining First National in 1948, began his banking career at National Stock Yards (Ill.) National. He served the correspondent departments of all three banks. He is a past president of the Missouri Bankers Association and has served on a number of committees of the American Bankers Association.

Mr. Smith, the new head of the correspondent department, joined First National in 1923 and has worked in various departments of the bank. He became assistant cashier in 1947, assistant vice president in 1950 and vice president in the correspondent department in 1954.

Mr. Ross joined First National in 1959 as a member of the correspondent department. He was named assistant cashier in 1962, assistant vice president in 1964 and vice president in the national accounts division in 1968.

First Nat'l Charter Names Gish to Post

KANSAS CITY—Norville R. Gish has joined First National Charter Corp. as vice president. He was formerly senior vice president of Financial Publications, Inc., and editor of *Bank News*, a regional banking journal.


GISH

Mr. Gish also has been elected a vice president of First National of Kansas City, largest of the banks affiliated with the holding company. At First National, he will be officer in charge of the advertising and public relations functions.

Mr. Gish had been with Financial Publications and *Bank News* nearly 15 years. Earlier, he was with the Federal Reserve, Kansas City, and was on the journalism faculty at Oregon State University, Corvallis. He holds a bachelor's degree in journalism from Kansas State University, Manhattan, and a master's degree in agricultural economics from Oregon State University.

Market Day Set for Sept. 9 by First Stock Yards Bank

SOUTH ST. JOSEPH—First Stock Yards Bank will hold its 14th annual market day September 9, beginning with registration and visitation at 9 a.m. in the bank lobby.

The morning program will consist of a talk by Ben Kilgore, area livestock specialist for Buchanan, DeKalb and Andrew counties. He will discuss "Genetics and Economy in Beef Cattle Production." Two purebred breeders will give a cow and calf demonstration.

The afternoon program will start at 2 o'clock at the St. Joseph Country Club. Dale Engler, manager, Ramsey Ranch, El Dorado, Kan., will speak on "Livestock Profits Through Performance." A panel discussion of present and future livestock trends will follow, and the day will end with a social hour at 4:30 and a steak dinner at 6 o'clock.

■ ARTHUR BARNER, auditor, Citizens Bank, Springfield, has been appointed to a two-year term as state director of Missouri by the Bank Administration Institute. Mr. Barner is a former president and is presently a director of the BAI's Southwest Missouri Chapter. He has been with Citizens Bank for 23 years and has served as auditor since 1960.

C. W. Culley Improved

JEFFERSON CITY—C. W. Culley, commissioner of finance, has returned to work on a part-time basis after suffering a mild heart attack late in June. He was in Memorial Hospital here for a while.

■ BANK OF SIKESTON has elected William S. Corrigan as chairman and Charles Davis Matthews IV as president. Mr. Corrigan joined the bank in 1937 and served as president since 1965. Mr. Matthews was employed at the bank from 1957 to 1961 and was with Third National, Nashville, from 1961 to 1964. During the past six years, he has been engaged in the practice of law and has been an assistant prosecuting attorney and a special assistant attorney general.

Three St. Louis-Area Banks Plan Holding Company

Three St. Louis County banks would become subsidiaries of a proposed holding company that would be called First State Bancshares Corp. The banks are State Bank, Wellston; First North County Bank, Jennings; and First Northwest Bank, St. Ann. All three are controlled by Joe Simpkins and Frank Chervitz. An application to form the holding company was filed with the Federal Reserve last month.

Mr. Simpkins would be chairman and president of the holding company. He is chairman of the three banks and president, Tiffany Industries, Inc., Clayton. Mr. Chervitz is president of State Bank and would be vice chairman of the holding company. Other officers of the holding company would be Leon Neuman, first vice president; Carmen Smith, a director; Robert C. Schulte, treasurer and assistant secretary; Charles Sunderman, secretary and assistant treasurer; and Joel D. Seigel, comptroller. Mr. Neuman is president and Mr. Schulte senior vice president, First North County Bank; Mr. Smith is president, First Northwest Bank; and Messrs. Sunderman and Seigel senior vice president and vice president, respectively, of State Bank.

Ballwin Acquisition Planned

ST. LOUIS—Boatmen's Bancshares, Inc., has announced plans to acquire the Manchester Community Bank in suburban Ballwin as a subsidiary. Boatmen's Bancshares also owns Boatmen's National.

Boatmen's Bancshares has made application to become a registered bank holding company and recently announced plans to acquire the Bank of Concord Village.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

COMMERCE BANK

has a world of experience internationally.

Commerce Bank has the most experienced International Department in this area.

We conduct Agency and Account Relationships with more than 450 foreign banks. Our International personnel travel all over the world to maintain these banking contacts and establish new ones.

The Commerce can reach any place on earth, including Iron Curtain countries, to exchange currency, present letters of introduction, or secure the latest marketing information. We translate in ten different languages, and the Commerce can often transfer funds overseas as fast as it can be done within the United States.

When you have business abroad, let our International Department be your International Department. Commerce Bank has a world of experience all over the world.

THE WONDERFUL WORLD OF BANKING **COMMERCE BANK** *of Kansas City,*
Kansas City, Missouri

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Staff Changes, 50th Anniversary at Commerce Bank of Kirkwood

KIRKWOOD—Commerce Bank celebrated its 50th anniversary last month and also announced several top-echelon changes.


M. RIEMEIER

Marion O. Riemeier was elected president and chief executive officer. N. W. Riemeier, president since 1949, was elected chairman of the board, succeeding C. W. Rauscher, who was made chairman of the executive committee. Mr. Rauscher is president, Rauscher Chevrolet. In other changes, Joseph P. Haupt, formerly vice president, moved up to executive vice president, and Karl E. Saboe and Tuscan Boaz were promoted from assistant vice presidents to vice presidents. Mr. Boaz also was made cashier, succeeding the late C. W. Moeller.

The bank observed its golden anniversary with a week-long "birthday party," at which bank customers and visitors were served free coffee, Coke, cookies and doughnuts. On the final day of the observance, the bank gave away a portable color TV set, an AM-FM stereo radio and an electric clock.

The bank was opened July 10, 1920, as the Kirkwood Bank. Last year, it became an affiliate of Commerce Bancshares, Inc., Kansas City, and its name was changed to Commerce Bank of Kirkwood.

Registered Bank Holding Company to Be Formed in St. Joseph

ST. JOSEPH—American National and Belt National have announced plans to form a registered bank holding company, Ameribanc, Inc., to be based here. The holding company would be formed through mergers, with two new national banks to be organized as subsidiaries. Organizers of the proposed holding company hoped to have an application before the Federal Reserve early this month.

The firm will begin operations following approval of regulatory authorities and the Internal Revenue Service.

Promotions, Changes Announced At K.C. Bank, Holding Company

KANSAS CITY—F. M. Rogers has been promoted from assistant vice president to vice president of Commerce Bank and has been assigned to the Personal Banking Center. He joined the bank in 1930.

In other action, Commerce Bank promoted Ralph L. Lampton from assistant cashier to assistant vice president and named William L. DeMoss and J. David Snyder assistant cashiers, Roger L. Good and John J. Skowronski operations officers and John E. Wilson systems officer.

James H. Linn, who was vice president and a senior loan officer at Commerce Bank, has joined Commerce Bancshares, Inc., as vice president and commercial loan coordinator. Commerce Bancshares is a registered bank holding company with which Commerce Bank is affiliated. Mr. Linn joined Commerce Bank in 1948.

Appointment, Acquisitions Announced at First Union

ST. LOUIS—First Union, Inc., has announced appointment of Maurice J. Swords as vice president-administration and plans to acquire Rolla State and Bank of Springfield as affiliates.


SWORDS

Mr. Swords comes from Kansas City, where he was vice president in charge of bank examination at the Federal Reserve. In addition to his administrative duties at First Union, Mr. Swords also is responsible for coordination of activities of all bank subsidiaries and also will help negotiate acquisitions of banks by First Union. The latter, a holding company, owns substantially all the stock of First of St. Louis and St. Louis Union Trust. In addition, it operates a data processing firm, First-Union Automation Services, Inc.

St. Louis BAI Chapter Elects New Officers

ST. LOUIS—John E. Tethers, vice president and auditor, Citizens National, recently was appointed president of the St. Louis chapter of the Bank Administration Institute. Mr. Tethers has been a BAI member for nine years.


TETHERS

Other officers of the St. Louis chapter include: first vice president, Edward Jezik, vice president and auditor, North Side Bank, Jennings; second vice president, Frank W. Gresoski, auditor, First National; treasurer, Cyril A. Niehoff, vice president and cashier, Florissant Bank; and secretary, Ernest J. Brundick, auditor, Manufacturers Bank.

■ RALPH T. HAYNES has advanced from executive vice president to president of Carroll County Trust, Carrollton. He succeeded the late Dr. R. V. Cowherd.

Commerce Bank, Univ. City, Names Thomas to Post


THOMAS

G. Wayne Thomas has joined Commerce Bank of University City as assistant vice president and business development officer. He comes from St. Louis' Tower Grove Bank, where he was an assistant vice president in the correspondent bank department.

Before going to Tower Grove Bank last year, Mr. Thomas was in the correspondent bank department of First National, St. Louis, which he joined in 1961. He is vice chairman of the Junior Bankers Section of the Missouri Bankers Association.

Union Nat'l Presents Lectures To Educate Personnel

SPRINGFIELD—Union National recently completed a series of guest lectures for in-bank motivational and institutional programs designed to keep Union National personnel up to date on departmental services and procedures. The 10 one-hour sessions were attended by about 200 employees.

Jim Buckner, general agent, Equitable of Iowa Insurance Co., was speaker for the first sessions. "Key Services" was the topic of the mid-July session.

Premiums Promoted

When the Commerce Bank of Kirkwood began offering Danish stainless tableware to savings depositors, the bank promoted the offer with the help of the two young ladies pictured here. They dressed in Danish costumes, distributed literature on the tableware and invited lobby visitors to partake of cookies and coffee. The tableware was sculpted in Denmark by award-winner Erick Neilsen and has a satin finish of Swedish steel that is said never to need polishing. At Commerce Bank of Kirkwood, a deposit of $25 to any new or existing savings account entitles the depositor to a free five-piece place setting. Every additional $25 deposit entitles the saver to buy a five-piece place setting at minimum cost. A depositor is entitled to the eighth setting free after receiving the first one at no cost and then purchasing six more sets. With additional $25 deposits, a depositor may buy Danish stainless accessories if he wants the entire 65-piece set with chest. The bank reported that the program was well received.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

To speed up check clearing and cut collection time to a minimum...

count on Mercantile

To our Proof and Transit people time is money. *Your* money. They work around the clock to clear transit items *fast* and efficiently.

Recently, after a study by Mercantile operations specialists, a Man from Mercantile was able to show an Illinois correspondent how to substantially reduce his float on deposited items. The result: increased profit potential.

For something "extra"... for faster and more profitable check clearing . . . count on your Man from Mercantile!

You can reach him at 314/231-3500.

MERCANTILE TRUST COMPANY
ST. LOUIS, MO.
MEMBER F.D.I.C.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Ozark-Area Bank Holds Grand Opening

Security Bank, Branson, Mo., recently held grand opening ceremonies at its new building. Principals taking part included John Ridgeway (at microphone), assistant commissioner of finance for Missouri, and Security Bank President Foster Plummer (standing to Mr. Ridgeway's left). More than 2,000 people attended the opening, including numerous bankers, who were given a special tour of the new building.

Banker Retires After 34 Years With First Nat'l, Birmingham

BIRMINGHAM—Major General Leon L. Mathews, USAR (ret.), vice president, First National, and manager of its Bessemer Branch, has retired after more than 34 years. He was made a vice president in 1957 and became manager of the Bessemer Branch in 1961.

MATHEWS DUFFEY

Leonard E. Duffey, vice president and assistant branch manager at Bessemer, will succeed General Mathews. Mr. Duffey joined First National in 1953, became assistant manager in 1968 and was elected vice president in 1969.

Howard T. Lanier and James N. Herrin, assistant cashiers and assistant managers, Bessemer Branch, have been named assistant vice presidents and assistant managers.

New assistant cashiers at the bank are Robert M. Gandy, assistant manager, Roebuck Branch, and Mrs. Peggy K. Goodwin, assistant manager, West End Branch.

Promoted to assistant managers were: David R. Pruet Jr., Southside Branch, and George D. Sulzby, Tarrant Branch.

Changes in Houston

HOUSTON—Texas Commerce recently elected Kenneth M. Williams a vice president in the national division. Promoted to assistant vice presidents were: Kenneth W. Clevenger, loan officer in the family banking center; H. Michael Tyson, director of personnel; and Barry D. Lynch, assistant manager of data services. Sigman M. Byrd and George J. Beust Jr. were promoted to data service officers. David B. Moulton was named a loan officer and Norman W. Nolen was named an international banking officer.

• Index to Advertisers •

Classified Ads

Want New Deposits!

Twenty-four-page premium booklet describes how banks have successfully used premiums in deposit-building programs, as credit card activators and in employee incentive programs. Send $1 to Mid-Continent Banker, 408 Olive Street, St. Louis, Mo. 63102.

ADVERTISING HELPS

for the agricultural banker—ads, mats, editorials and newsletters that sell full service banking to farmers. Samples available—Farm Business Council, Inc., P.O. Box F, Urbana, Illinois 61801.

WOMELDORFF & LINDSEY
1030 TOWER BLDG. LITTLE ROCK
PARTNERS:
J. E. WOMELDORFF R. P. LINDSEY

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

WHEELS

All of the hard-driving, traveling officers of Stock Yards bank, like Bob De Rousse, have to roll up some 25,000 miles a year to keep abreast of varying local conditions and individual bankers' needs.

They, too, have to be knowledgeable in every phase of banking as well as specialists in the broad range of correspondent services.

Because of their talents and experience, they are the wheels that keep S.Y.B's record as the number 1 banker's bank year-after-year, (with due-to-bank deposits in relation to total deposits well over 85%). They are the wheels big enough to retain their authority to make decisions.

Mighty good reasons, aren't they, to wheel that dial around to 618-271-6633?

"YOUR BANKER'S BANK" . . .

Just across the river from St. Louis

THE NATIONAL STOCK YARDS NATIONAL BANK
OF NATIONAL CITY

Member Federal Deposit Insurance Corp.

NATIONAL STOCK YARDS, ILL.
A Reserve City

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

We're still perfecting the world's first computer.

It uses very little electricity, programs itself and never needs oil.

Its only drawback is thinking for itself.

We can't stop it from doing that.

So we improve the knowledge that makes for good thinking.

We also improve the training.

And the experience.

As it turns out, thoughts with this kind of background are an asset.

Especially if your correspondent needs call for creative thinking instead of just dropping statistics and facts.

Just about anyone can process your problems through a cold, calculating EDP system. Including us.

But we'll also give you a bit more.

Give us a call at (314) 421-2000.

We'll send you a good and creative computer in person.

We've never thought we were perfect.
So we've never stopped perfecting.

1
FIRST
NATIONAL
BANK
IN ST. LOUIS

MEMBER F.D.I.C.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis