MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

LOUISIANA AND TEXAS CONVENTION ISSUE **APRIL, 1973**

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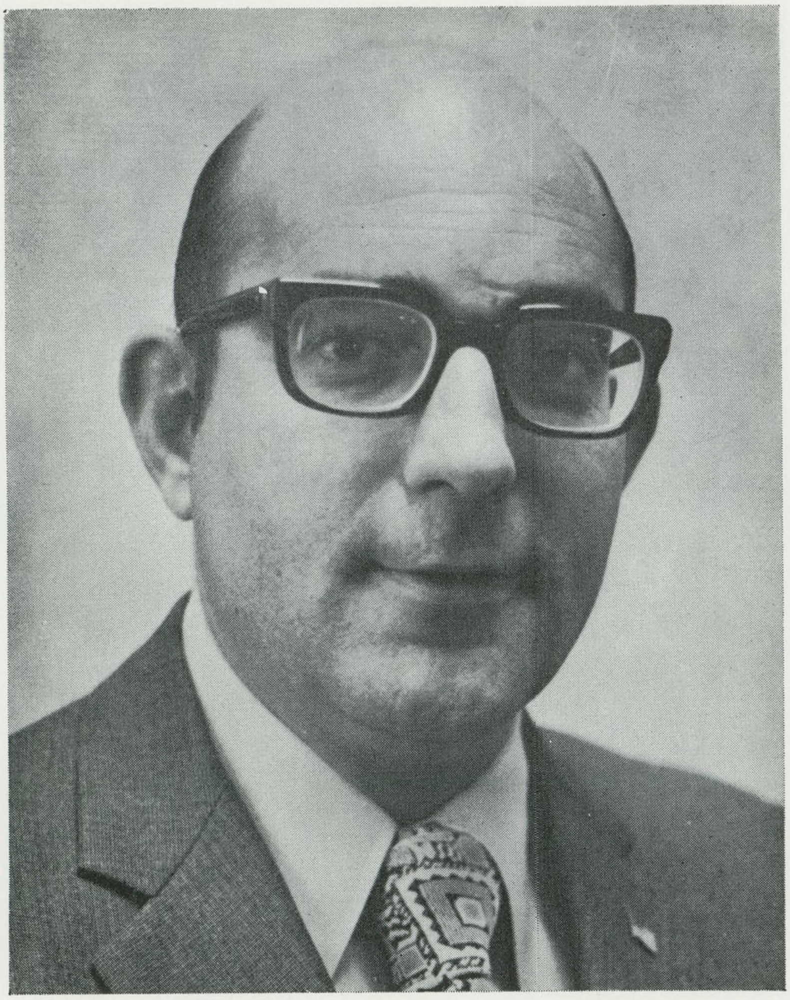

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James L. Kienholz
Assistant Vice President

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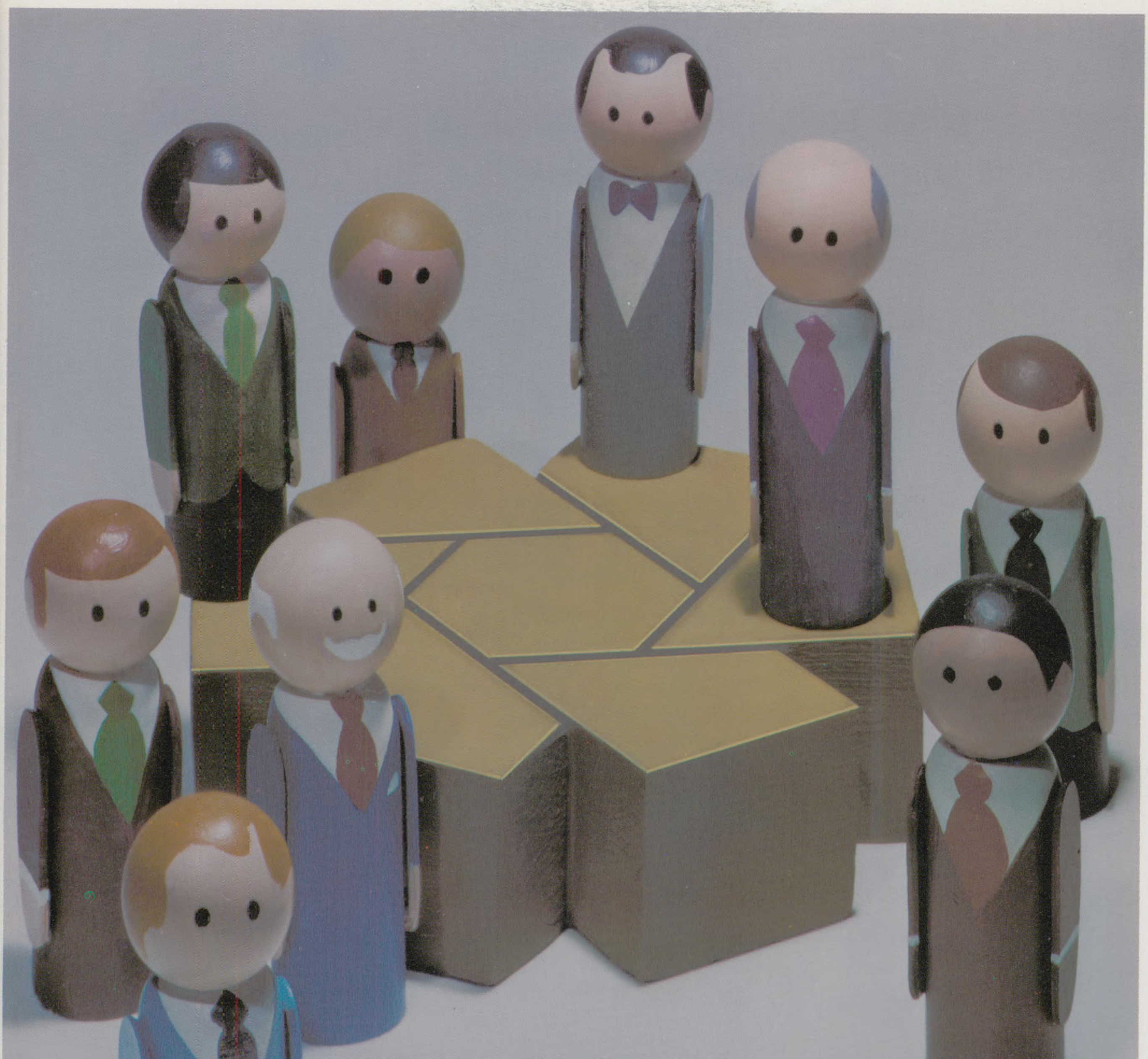

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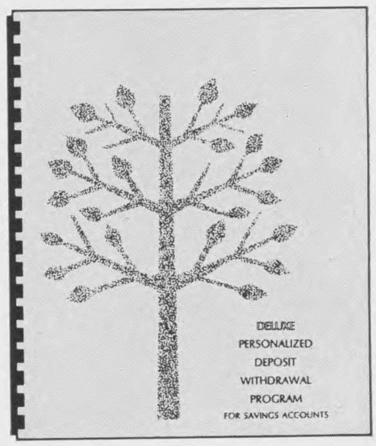

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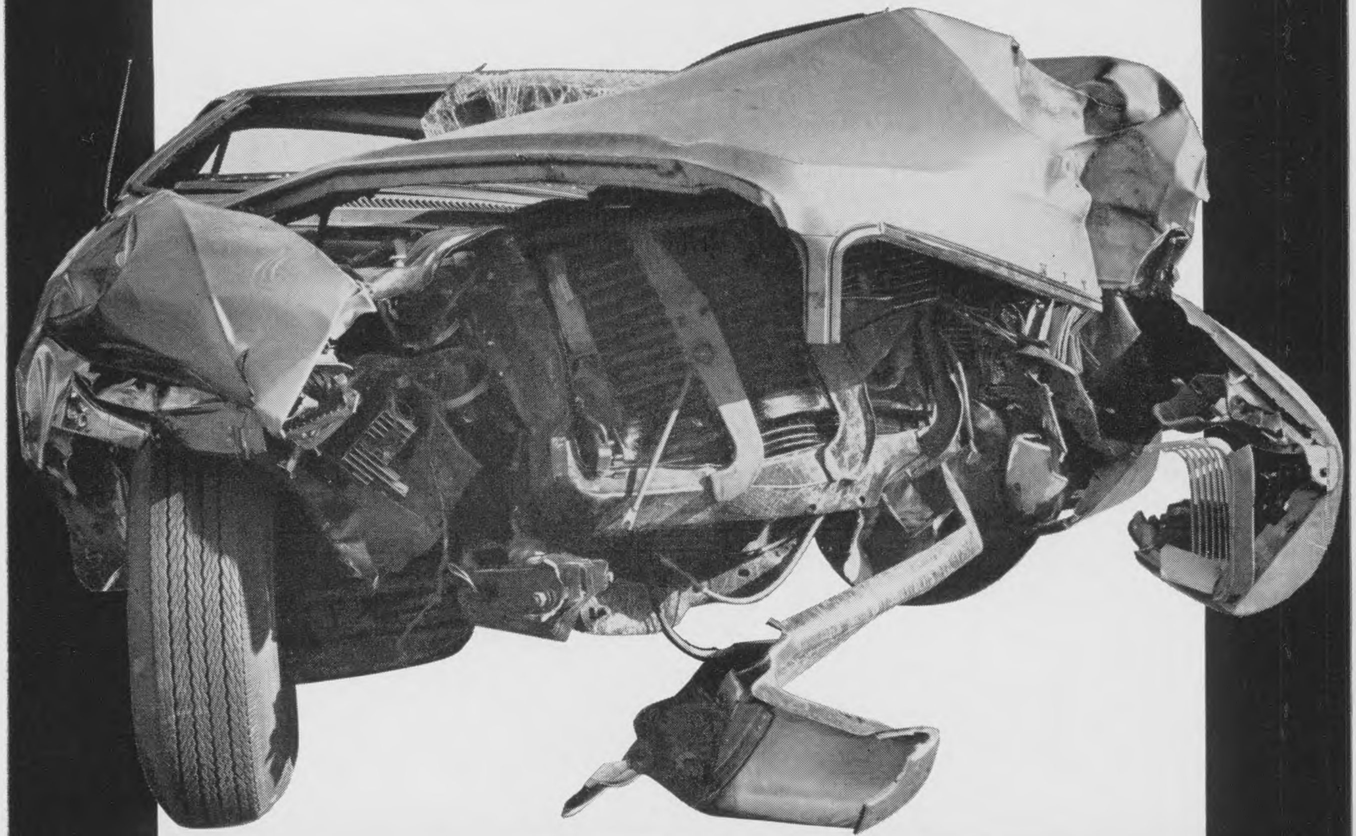

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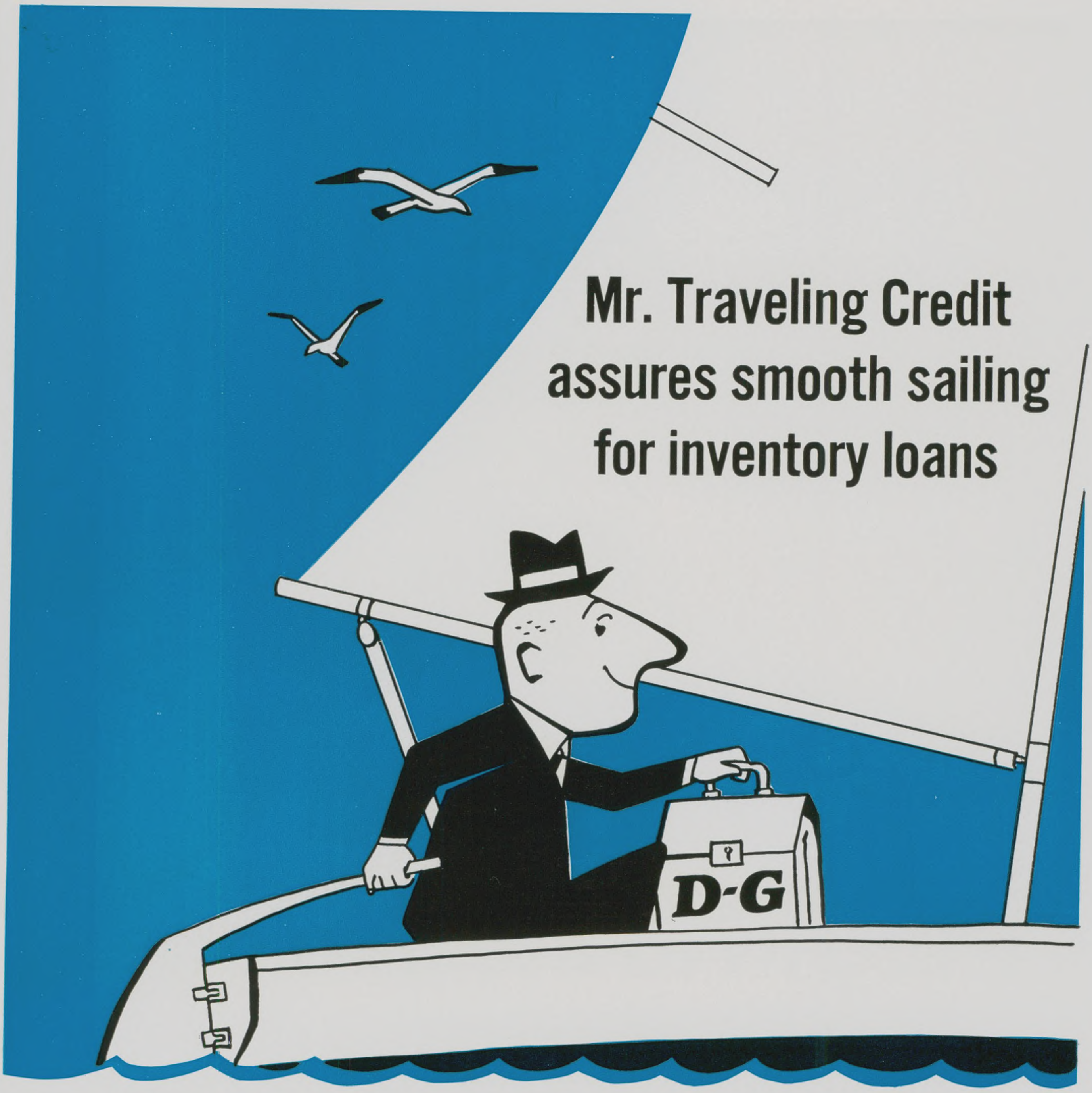

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Alabama, May 2-6, Bermuda, Southampton Princess Hotel
Arkansas, May 6-9, Hot Springs, Arlington Hotel
Illinois, May 23-25, Chicago, Palmer House Hotel
Indiana, June 13-14, French Lick, French Lick-Sheraton Hotel
Kansas, May 10-12, Wichita
Louisiana, May 5-8, New Orleans, Fairmont-Roosevelt Hotel
Mississippi, May 19-23, Biloxi, Buena Vista Hotel
Missouri, May 13-15, Kansas City, Muehlebach Hotel
New Mexico, May 31-June 2, Santa Fe, Hilton Inn
Oklahoma, May 8-10, Tulsa, Fairmont-Mayo Hotel
Tennessee, May 13-15, Memphis, Rivermont Inn
Texas, May 6-8, El Paso

NATIONAL

ABA, Oct. 6-10, Chicago
ABA Agricultural Conference, Nov. 11-14, Minneapolis, Leamington Hotel
ABA Charge Account Bankers Div. Annual Convention, Sept. 23-26, Los Angeles, Century Plaza
ABA Mid-Continent Trust Conference, Nov. 5-6, St. Louis, Stouffer's Riverfront Inn
ABA Mortgage Conference, May 7-9, San Francisco, St. Francis and Sir Francis Drake Hotels
ABA Operations and Automation Conference, June 3-6, Chicago, Palmer House
ABA Personnel Conference, Sept. 16-19, Philadelphia, Sheraton Hotel
ABA Southern Trust Conference, May 16-18, Louisville
AIB Convention, May 28-30, Dallas, Statler Hilton Hotel
Bank Administration Institute, Oct. 28-31, San Francisco
Bank Administration Institute Southern Regional Conference, April 15-17, St. Louis
Bank Marketing Association, Sept. 23-26, San Francisco
Bank Marketing Association's Essentials of Bank Marketing, May 27-June 1, Boulder, University of Colorado
Bank Marketing Association's Holding Company Marketing Workshop, Nov. 4-7, Phoenix, Mountain Shadows Resort
Bank Marketing Association's Marketing Planning Workshop, Aug. 12-15, Toronto, Canada, Royal York Hotel
Bank Marketing Association's Marketing Research Conference, April 1-4, Washington, D. C., Marriott Hotel
Bank Marketing Association's Midwest Regional Conference, April 30-May 2, Chicago, Bismarck Hotel
Bank Marketing Association's Southeast Regional Conference, Nov. 19-21, Atlanta, Executive Park Motor Hotel
Bank Marketing Association's Trust Marketing Workshop, Oct. 28-31, Phoenix, Mountain Shadows Resort
Robert Morris Associates Annual Fall Conference, Oct. 21-24, Phoenix, Del Webb's Townehouse
Robert Morris Associates Loan Management Seminar, April 29-May 4, Bloomington, Indiana University

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

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FEATURES

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THE BANKING SCENE

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

The Continued Evolution of Reserve Requirements

THE TERM "reserve requirements" in the United States refers to a portion of the deposits of a bank—as classified into demand and time deposits—which the appropriate banking authority requires be held by the bank as reserves.

In the case of banks that are members of the Federal Reserve System, the reserves are deposited with the district Federal Reserve bank, along with a portion of till cash, which is also part of the Fed requirement.

State-chartered bank reserve requirements vary according to the banking codes of the individual states and whether the bank is a commercial bank, a mutual savings bank or an industrial bank. Some state banking codes do not call for reserve requirements on deposits but, rather, for a relationship of investments.

The Hunt Commission has recommended that mutual savings banks, savings and loan associations and other financial intermediaries be permitted to provide additional services to their customers. These services, in most cases, would be competitive with commercial banking functions and would include the equivalent of checking or third-party-payment remission systems. Yet the lower implicit reserve requirements of these institutions would constitute a material competitive advantage over commercial banks.

'Goldsmith' Principle

The earliest banks had no legal reserve requirements. But like later banks, the Medici banks, which were merchant banks of an unincorporated nature, soon learned what was called the "goldsmith" principle and the de facto need for reserves. They had to have on hand an amount of specie or acceptable "money" to do business and to meet the draft requests of their customers. If they did not have these reserves, they were, in effect, bankrupt.

Observing this very early in the commercial history of the modern world, the sovereign or governing agency established reserve requirements primarily for the safety of bank depositors. Paradoxically, the very nature of legally requiring a reserve to be maintained when that reserve is not maintained places the banker and his bank in violation of the law and may accelerate a run on the bank.

The early history of banking in the U. S. is replete with instances in which the appropriate regulatory body called for reserves to be maintained. In this early period, the reserves were typically in specie or in government bonds. These, in turn, were subject to examination by the bank supervisory agency.

Monetary Policy Tool

While the early rationale for reserves was depositor safety, in the last several generations two concepts seem to have modified that view. One is the evolution of a monetary policy tool in which the regulatory authorities, by changes in reserve requirements, could ease or tighten credit. Increased reserve requirements were a signal that monetary policy was tighter and, conversely, if requirements were lowered, credit was eased.

While this is normally good classical theory, the history of the early 1930s indicates that banks had so many excess reserves that changing reserve requirements within any degree of reason was not effective monetary policy. The point is that the changing of reserves has not always followed the theory in practice.

For a number of years, reserve requirements were of fairly minimal concern in commercial banking. However, in the last year or two there has been a decided jump in interest in this area, caused by several things, some of which are partly related.

An example is the decision by the Fed to try to improve the existing monetary mechanism—the check clearing and fund remissions system that had been identified in recent years as leading to a substantial jump in float. The Fed has been criticized by congressional overseers and others for having created a giant float system that was a windfall to all bankers obtaining the float advantage. The Fed's answer was alteration of the deferred availability schedule and application of a requirement that funds be settled on the day of presentation rather than on a delayed basis.

This phenomenon caused a major upheaval in correspondent banking relationships because city correspondent bankers (who for the most part were members of the Fed) previously were able to provide their state-chartered nonmember country or respondent banks with what might be called immediate credit for items that such banks had deposited toward their reserve requirements, even though these same items had not cleared and contributed to the jump in Fed float.

With higher interest rates since 1965, the attractiveness of nonmembership in the Fed became increasingly apparent. More member banks were changing to nonmembership status.

Multi-Sided View

This situation can be viewed from several directions. One is the self-interest of a small country bank that finds its Fed membership is not worth the expense; and the concept of "dual" banking, which holds that states have the right to establish bank regulations and controls with the theory of providing competitive equality between national and state banks.

This is an area of difficult analysis since it does not mean that the two types of banks have equal reserve requirements or equal laws but, rather, a comparative equality.

It might be appropriate to mention that the speedup of the collection of checks caused by the Fed has resulted in the elimination of what might be

(Continued on page 108)

NEWS OF THE BANKING WORLD

• **T. Joseph Semrod** has been named president of Liberty National, Oklahoma City, to succeed Gerald R. Marshall, who resigned March 31 to become senior vice president of First National, Dallas (see following item).

SEMROD

Mr. Semrod was also elected to the bank's board. He was formerly executive vice president and an advisory director. He was also elected executive vice president of Liberty Financial Corp.

William M. Bell, president of Liberty Financial Corp., was elected to the additional office of executive vice president and a director of the bank. Both Messrs. Semrod and Bell will serve on the executive committees of the bank and Liberty National Corp., parent firm of the bank.

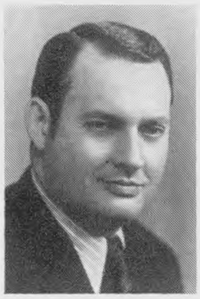
W. Kenneth Bonds, executive vice president and senior trust officer of the bank, was also named chairman of the bank's trust committee. Earl Sneed, president of Liberty National Corp., had been serving in that capacity and has become a member of the trust committee. He now is responsible for the newly formed general finance committee.

Mr. Marshall joined Liberty National in 1957, Mr. Semrod in 1963, Mr. Bell in 1965 and Mr. Bonds in 1951.

BONDS

BELL

• **Gerald R. Marshall** has resigned as president of Liberty National, Oklahoma City, to become senior vice president in charge of the special industries group at First National, Dallas. He will also serve as chairman of First Dallas Capital Corp., a subsidiary of First of Dallas.



MARSHALL

HOWER

Mr. Marshall had been with Liberty National for 16 years. His new duties include responsibility for the energy, direct leasing and special industries divisions.

• **Liberty National,** Louisville, has announced top-level changes, including the elevation of Frank B. Hower Jr. to chairman and CEO to succeed Innes W. Dobbins Jr., who has retired. Joseph W. Phelps was elevated from executive vice president to president and chief administrative officer. Thruston B. Morton will continue as vice chairman.

DOBBINS

PHELPS

Mr. Hower, who was formerly president, joined the bank in 1950. He was named an assistant vice president in 1957, vice president in 1958, director in 1966 and executive vice president in 1967. He assumed the presidency of the bank in 1971.

Mr. Phelps joined the bank's correspondent department in 1958, was named assistant vice president in 1959, vice president in charge of the division in 1967, senior vice president and executive committee member in 1968, director in 1970 and executive vice president in 1971. He is presently an ABA regional vice president.

Mr. Dobbins joined the bank in 1933. He was named vice president and manager of the mortgage loan department in 1935, a director in 1954, executive vice president in 1965, president in 1967 and chairman in 1971. He served as president of the Kentucky Bankers Association in 1970-71, is a member of the Reserve City Bankers Association and serves on the ABA's board of directors.

GRISSOM

RICE

• **Charles O. Rice** has joined National Bank of Tulsa as vice president and head of its correspondent bank department. He comes from Houston, where he was a vice president in the correspondent bank division of Texas Commerce Bank.

Mr. Rice entered banking part-time the summer prior to attending the University of Houston. He worked then in the trust department of Houston's First City National. After graduating from the university in 1956, he joined Texas Commerce Bank and was assigned to the correspondent bank division in 1965.

• **J. David Grissom** has been elected vice chairman and chief operating officer at Citizens Fidelity, Louisville. His primary duty will be exploration of acquisitions and expansion opportunities for the bank, with particular emphasis on holding company possibilities provided under new banking laws passed by the Kentucky Assembly in 1972.

Various management duties at the bank will be divided among President Charles J. Kane, Maurice D. S. Johnson, chairman and CEO, and Mr. Grissom. The latter, a director of the bank since 1970, is a Louisville attorney and executive vice president, Extendicare, Inc., a hospital firm that he and two other attorneys established in 1961. The firm is listed on the New York Stock Exchange.

Mr. Grissom is joining the bank ac-

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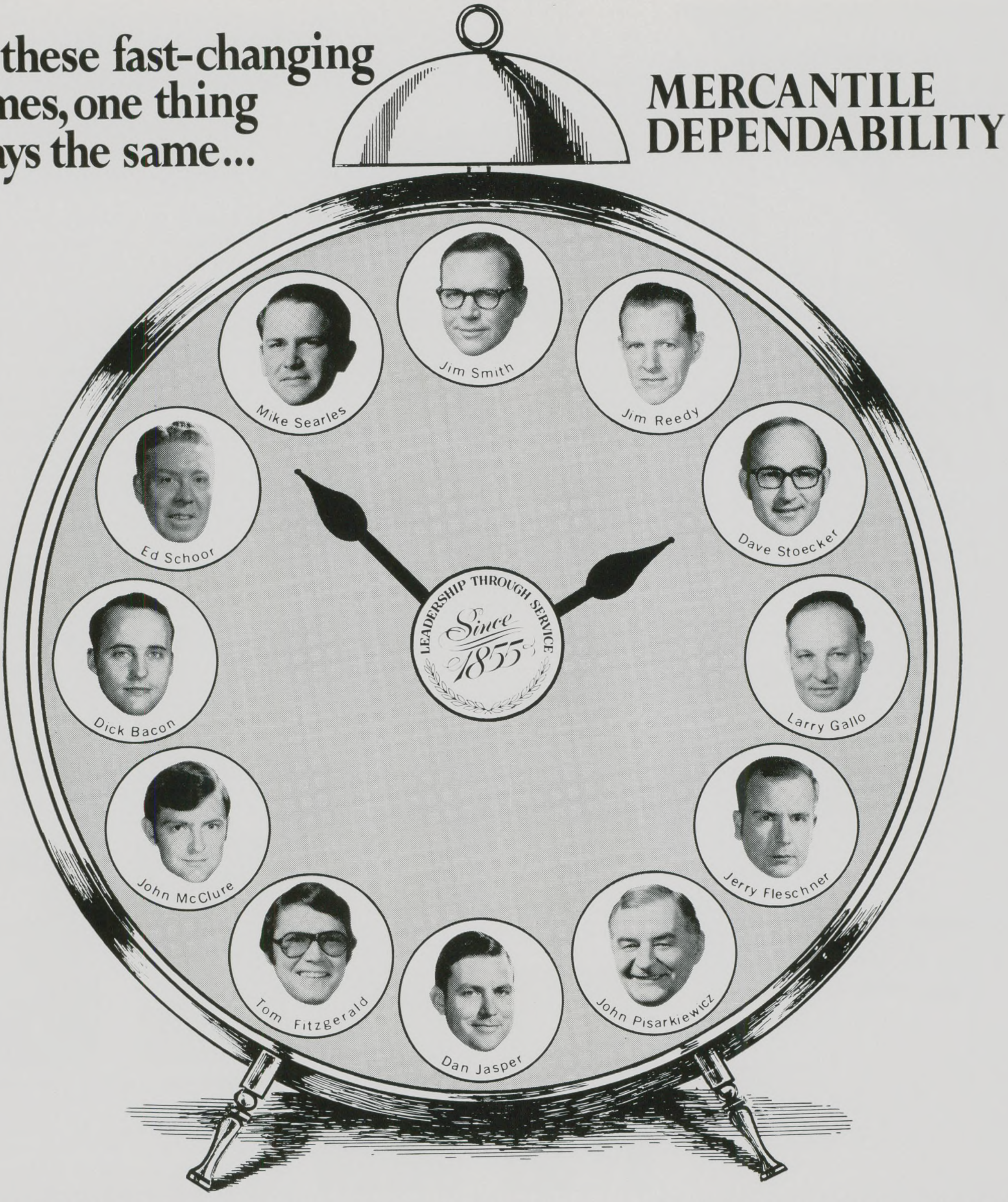

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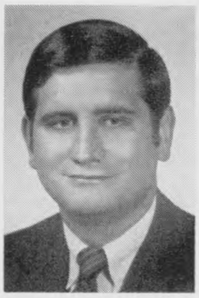
See story on page 43.

tively April 2 after retiring from the practice of law and from some of the several boards on which he has been serving.

• **John H. Yost** has been elected national banking officer at First National, Louisville. As part of the bank's national division, Mr. Yost will be dealing with bank business outside Kentucky.


WILCOX

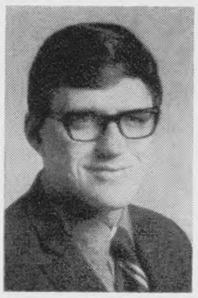

YOST

• **Clark R. Wilcox** has been elected a vice president in the national division of Manufacturers Hanover Trust, New York. He represents the bank in Arkansas, Kentucky and Tennessee.


GREINER


ERISMAN


KARRER


CALDWELL

• **Commerce Bank** of Kansas City has announced four changes in territorial assignments.

Elmer Erisman, vice president, has been named managing officer of Missouri. Frank Greiner, commercial banking officer, has been given responsibility for traveling northern Missouri. Gary Karrer, commercial banking officer, now covers southern Missouri. Ben Caldwell, vice president, also travels now in Oklahoma in addition to New Mexico, Texas, Arkansas and Colorado. Vice President Tom Cannon remains managing officer of the latter states, and John Messina, assistant vice president, continues to service the metropolitan Kansas City area.

Other officers' assignments remain the same.

• **United Missouri Bank** of Kansas City (formerly City National) has announced several promotions and appointments, including the election of Alan B. Collins, assistant manager, Master Charge credit card division, as vice president. Among others promoted were two members of the banks, bankers and corporate accounts division—Benjamin C. Adams III, a member of Division II, who travels in southern Missouri, and John S. Kreighbaum, a member of Division I, who travels in the Southwest. Both were made assistant vice presidents.


COLLINS

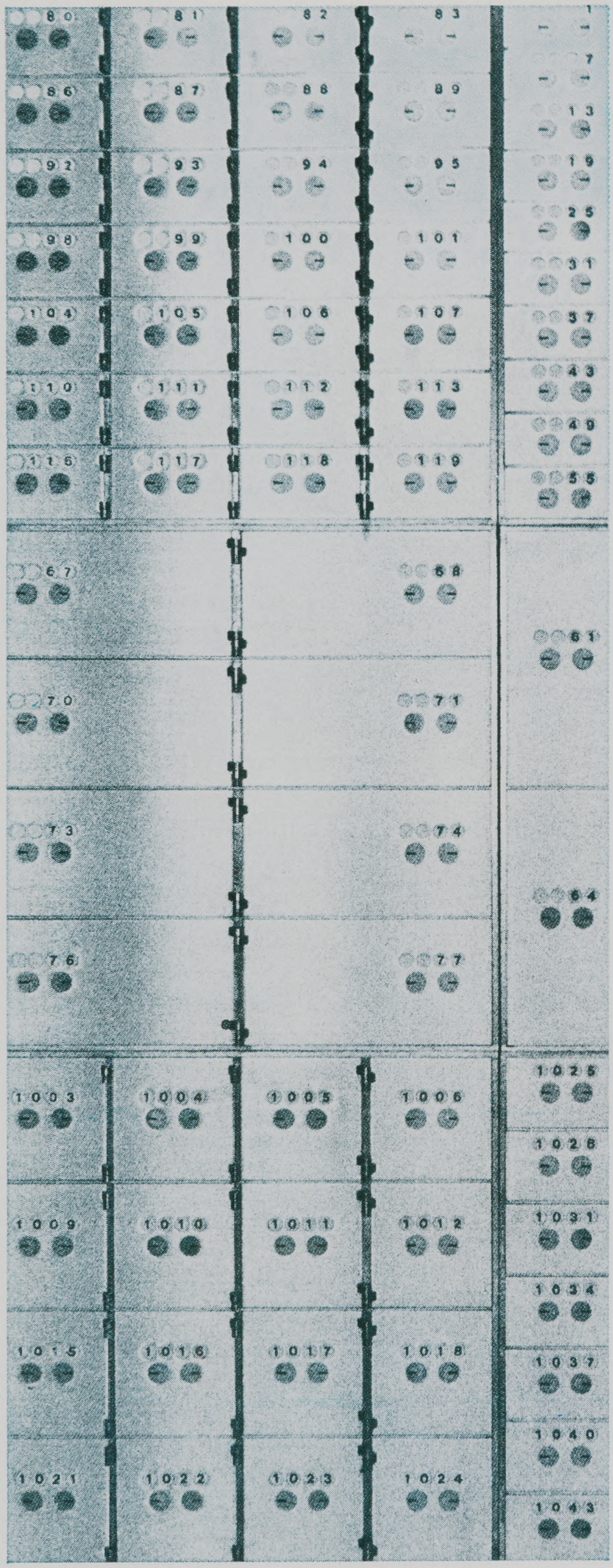

ADAMS


KREIGHBAUM


STINSON

In addition, Wade R. Stinson, former athletic director at the University of Kansas, Lawrence, has joined the bank as assistant vice president in Division II of the banks, bankers and corporate accounts. Mr. Stinson has been assigned to Kansas, Iowa, Colorado and Nebraska.

• **Fred H. McNeil** has been named president and a director of Bank of Montreal, Canada, succeeding the late J. Leonard Walker, who died in February. Mr. McNeil joined the bank in 1966 and was most recently executive vice president, general manager and chief operating officer. He is president of the Canadian Bankers Association.



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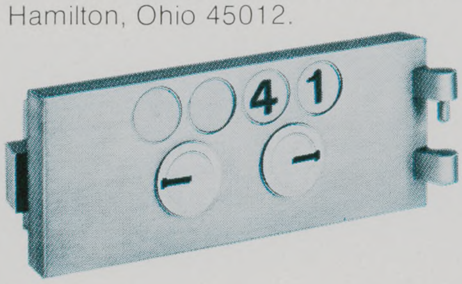

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Regulatory Agencies Escape Overhaul

No sweeping overhaul of federal bank regulatory agencies will be proposed by the Nixon Administration, despite a call for a major restructuring of the federal supervisory system by the Hunt Commission.

While most other major aspects of the Commissions' recommendations will be reflected in the Administration's legislative proposals, an overhaul of bank regulatory agencies is considered too ambitious and difficult a task, a Treasury official has said.

The Hunt Report had recommended that the FDIC, the Federal Savings & Loan Insurance Corp. and the insurance function of the National Credit Union Administration be merged into one new agency. It also recommended removing the Comptroller of the Currency from the Treasury and establishing an independent National Bank Administrator instead.

Details of the package of proposals stemming from the Hunt Report are expected shortly, although drafting of legislation is not expected to be finished until June.

One-Year 'Q' Renewal Asked

A one-year extension of the authority for Regulation Q has been recommended by the Treasury. The usual term for the authority is two years.

A Treasury spokesman said the one-year period should be used to consider a broad reorganization of financial institutions.

The Treasury is expected to announce this month its recommendations for restructuring financial institutions, based on the Hunt Commission recommendations.

Present authority for "Q" expires June 1.

ABA Supports 'A' Changes

The ABA has given its support to two proposed changes in the Fed's Regulation A governing the discount window. The changes would establish a seasonal borrowing privilege to help banks meet seasonally fluctuating borrowing demands and would broaden the types of paper acceptable as collateral for Fed loans.

According to the ABA, the changes would help member banks, particularly smaller rural banks, adjust to deposit and loan changes more readily.

The ABA endorsed the proposal to allow additional types of paper to be used as collateral for Fed loans and urged the Fed to consider further liberalization of eligibility requirements.

Thrifts Play Unfairly, Adams Says

The nation's thrift institutions are unfair in their quest to expand their powers while maintaining their privileges, says Eugene H. Adams, ABA president.

Although all types of financial institutions should be encouraged to broaden their services, he said, they must be willing to see special privilege disappear.

Mr. Adams, who is also president, First of Denver, said thrift institutions have grown weary of the limitations imposed by their creators. They want to broaden their lending activities and offer checking accounts and credit card services. He called for all participants offering similar services to operate under the same ground rules.

CofC Won't Appeal Travel Agency Issue

The Comptroller of the Currency has decided not to appeal an appeals court ruling that he cannot authorize national banks to operate full-scale travel agencies.

In announcing the decision, the Comptroller's office stated that the Solicitor General had concurred in the view that the impact of the appellate court's "carefully limited decision upon national banks would in all likelihood be inconsequential and that the case, accordingly, would be inappropriate for Supreme Court review."

The Comptroller said he plans to begin administrative proceedings to revise his ruling on the travel services a national bank can offer.

Nat'l Bank Tax Exemption Dies

An effort to restore the exemption of national banks from state taxation seems to have failed in the Senate, due to opposition from the Fed.

Senator Wallace Bennett (R.,Utah) introduced a bill in the Senate to take away states' rights to impose taxes on banks and thrift institutions' intangible property. Unlike earlier bills of this nature, the Bennett bill would have exempted both state and national banks from state intangible property taxes and, going even further, would have prohibited states from taxing income earned by out-of-state financial institutions.

This is what triggered the Fed to turn thumbs down on the bill. The Fed said these prohibitions were beyond what it had contemplated in its original recommendation.

The Fed supported a similar bill in the last session of Congress, but it died with the adjournment of Congress. The previous bill did not go as far as the recent bill did. Thus, it had the Fed's support.

Additional HC Controls Might Result From Fed's Desire to Prevent Failures

FURTHER controls on the operations of holding companies may be needed to protect the public against failures, despite the numerous benefits of the HC movement, Samuel B. Chase, assistant director of research and statistics for the Fed, said recently.

Holding companies are not being properly appraised and weighted for the risks they are taking in the nonbank field, Mr. Chase said.

The Fed official, speaking his own views and not those of the Fed, said that so far bank holding companies have been fortunate in that there has been no failure of a banking subsidiary of a HC. And such a failure seems remote, given current conditions.

Yet the HC movement is still in its infancy and "there may not be uniformly happy endings," Mr. Chase said.

While the managements of HCs have been expert and highly competent, there is a tendency for the same HC officers not to even "ponder the possibility that they may be wrong" in their decisions, he said.

"If I were running a bank HC," he said, "I would be concerned about the risks I am taking." Regulators are concerned, too, he said.

It may be necessary for the Fed to tighten controls on HCs "to police the risks" so that the banking subsidiaries are protected from mistakes made in the nonbank field, he said.

One suggestion has been for the Fed to impose capital requirements on bank HCs like those used on banks, "but make them simply more explicit," he said.

Another idea might be for the Fed to "ask for new powers," stating that a banking subsidiary cannot be used to bail out a failure of a nonbank subsidiary of the HC.

A third proposal might be for the Fed to create a new agency to regulate HCs or for the Fed to let the private market control nonbank HC activities. The Fed might say to the investor public, he suggested, that no longer is the central bank responsible for the debts incurred by the HC, but its only concern under law remains for the safety of the bank and the prevention of raids on the bank by the HC.

Mr. Chase also said he was troubled by the fact that managements of HCs "have been reluctant to have private bond rating agencies rate their bonds," adding that they "can't have it that way forever."

He said a number of recent Fed decisions on acquisitions by bank HCs have demonstrated recent Fed concern over the problem of regulating nonbank subsidiaries. The HCs themselves are "nervous about it" and so, apparently, is the Fed, he said.

"What bothers me most is that no one wants to look at these problems squarely in the eye," Mr. Chase said. But, he warned, if they are not examined and studied, "banking may be trying to work itself out of a mess." • •

Memphis Ban Denied

A motion by two Memphis banks to prohibit the establishment of a new national bank in Memphis has been denied by the Chancery Court of Shelby County. The new bank is being planned by First Amtenn Corp., Nashville-based HC.

The court also denied a motion by First Amtenn to dismiss separate suits brought by Memphis Bank and First American Bank to block the HC's proposed de novo entry into Memphis. The suits charge that the HC's establishment of a bank in Memphis would violate the state's countywide branching law.

• **Hamilton Bancshares, Inc.,** Chattanooga, has elected T. Wendell Holliday first executive vice president and James T. Vann executive vice president to direct the affiliated banks of the HC located outside Chattanooga.

Mr. Holliday has served as executive vice president of the HC since 1971. He joined Hamilton National Bank in 1947. Mr. Vann comes to the HC from Atlanta with 26 years of banking experience, specializing in correspondent and affiliate banking supervision.

The HC has announced Fed approval to open offices in Orlando, Fla.; Savannah and Columbus, Ga., for its subsidiary, Hamilton Mortgage Corp., headquartered in Atlanta. The subsidiary had earlier been authorized to open offices in Atlanta, Chattanooga, Knoxville, Nashville, Memphis and Macon, Ga.

• **Deposit Guaranty Corp.,** Jackson, Miss., has formed a de novo subsidiary, DGC Services Co. Its primary function is to provide management services to Deposit Guaranty Corp., Deposit Guaranty National Bank and other subsidiaries of the bank HC. Charles Sewell is president of the new firm. He has been senior vice president and head of corporate staff services for Deposit Guaranty Corp.

Roy Horton is the new firm's secretary. Key management personnel include Mr. Horton as manager for financial analysis; Thomas Hontzas as manager, economic analysis department; David Cullum as head, market research services, and Ronald Tew as manager, manpower-systems department.

In addition to its primary function, DGC Services Co. offers to bank customers and other clients a range of


HOLLIDAY


VANN


SEWELL

the ideal gift for any occasion. . .

MONEY IN A CAN

Now, your customers can give something everybody likes, nobody returns, and it's already "gift-wrapped" at your bank.

Your bank can attract additional lobby traffic year 'round with the new All-Occasion Can-O-Cash program.

Your bank will actually can crisp, new bills of any denomination right before your customers' eyes. Their Can-O-Cash gift is labeled in bright contemporary colors extending one of four special greetings.

The person receiving a Can-O-Cash gift will not know how much is inside until he opens the can with a can opener. It's fun . . . it's exclusive. All your customer pays for is the money and a small amount to self liquidate the can. Imagine the conversation created with all the people who will be exposed to your bank's name imprinted on every label.

See reverse side of this sheet for details, then mail this handy postage-paid card to reserve Can-O-Cash for your market.

can-o-cash®

advertising concepts, inc. 6572 e. central wichita, kansas 67206 telephone (316) 684-0461

Reserve the All-Occasion program for our market.

NAME ________________ PHONE ________________
BANK ________________ ADDRESS ________________
CITY ________________ STATE ________________
AUTHORIZING OFFICER ________________

Can-O-Cash is the gift idea that everybody likes, nobody returns; and the other banks in your area will wish they had.

CAN-O-CASH® for all-occasions

cost:

- 600 can labels (each imprinted with your banks name)
  150 Happy Birthday
  150 Happy Day
  150 Happy Anniversary
  150 Happy Graduation
- Newspaper Ads (2) (4 col. x 11")
- Radio Commercials (2)
- 300 cans and lids (Does not include can sealer)
- Desk Toppers (6)
- 1,000 colorful pressure-sensitive envelope "Sales Message" stickers.(Additional stickers available at $15.00 per thousand)

We provide all of the above for a total cost of **$185.00**. Banks currently using our *Christmas* Can-O-Cash program already have the can sealer device. Other banks can order the can sealer for $35.00.

all-occasion re-orders:

Labels:	300 minimum order (Per Design Imprinted)	$80.00
Cans:	100 minimum order (Includes Lids)	$25.00

exclusivity:

Existing Christmas Can-O-Cash banks have automatic exclusivity for purchasing the All-Occasion Can-O-Cash program. Banks in new markets may purchase only the All-Occasion program for $185.00 without exclusivity.

Purchase All-Occasion AND the Christmas Can-O-Cash program for total market exclusivity.

Christmas Can-O-Cash provides: 1,000 cans, lids, personalized Christmas labels, can sealer, newspaper ads, lobby posters, and radio commercials. Cost: $435.00

All prices F.O.B. Wichita, Kansas.

newspaper ads

radio commercials

envelope labels

desk toppers

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general economic services, general economic statistical forecasting and industry studies. Specific services include preparation of special reports on economic trends in specific geographic areas, surveys and counsel on developing patterns of future economic activity.

• **Gene C. Hooper,** who has been a vice president in Third National of Nashville's correspondent banking division since 1971, was elected vice president of the bank's HC, Third National Corp. R. Walter Hale III was elected assistant treasurer.

The HC also announced that closing papers completing the affiliation of Bank of Knoxville with the HC have been signed.

• **Ralph N. Killebrew** has been elected executive vice president and chief operating officer of United Tennessee Bancshares Corp., Memphis. Mr. Killebrew joined American National, Chattanooga, in 1956. Since last July, he has been vice president and chief implementation officer for the American National Corp., Chattanooga.

A special meeting of the board of United Tennessee Bancshares has resulted in ratification of an agreement to merge the HC with American National Corp.

United Tennessee Bancshares has also announced plans to acquire First National of McMinn County, Athens, Tenn.

• **Indiana National Corp.,** Indianapolis, has announced plans to acquire Credit Insurers of America, Inc., Coral Gables, Fla. The firm, which specializes in the origination and servicing of mobile home loans, would become a subsidiary of Indiana National Bank.

• **The Fed** has approved a proposal by U. N. Bancshares, Inc., Springfield, Mo., to engage de novo in mortgage banking through a newly formed subsidiary, Missouri Mortgage & Investment Co.

• **First Chicago Corp.** has announced plans to acquire Academic Financial Services Association, a Los Angeles-based servicer of student loans. The firm services a loan portfolio of approximately $150 million from 170 colleges and universities. It operates nationally, and performs all servicing requirements for student loans, including the national direct and federally insured student loan programs.

• **First International Bancshares, Inc.,** Dallas, plans to acquire First Hutchings-Sealy National, Galveston, the oldest national bank in Texas.

Insurance Affiliates OK'd

The Fed has agreed to permit two bank HCs to own subsidiaries engaged in underwriting credit life and accident and health insurance. These were the first such actions taken by the Fed since the activities were added to the list of permissible activities for bank HCs.

Industrial National Corp., Providence, R. I., would acquire Southern Discount Co., Atlanta, and two of its subsidiaries, Hensen Financial Corp. and Consumer Life Insurance Co., Inc., under the ruling.

Fourth Financial Corp., HC for Fourth National, Wichita, would be allowed to retain Fourth Financial Insurance Co., Phoenix, under the Fed ruling.

The Fed has said that it would approve this type of affiliation only when the applicant demonstrates that approval will benefit the consumer or result in other public benefits. It also said the underwriting must be directly related to extensions of credit by the bank HC system.

• **Robert L. Berner** has been named a vice president of First National City Corp., New York. Mr. Berner, who is in the Citicorp Subsidiary Group, will be responsible for developing retail and wholesale finance programs for mobile home dealers.

Robert S. Richards will become vice president and manager of Citicorp Investment Management, Inc., when the firm opens offices in San Francisco later this year. The subsidiary will serve the market for portfolio investment advisory services in California.

• **BankAmerica Corp.,** San Francisco, plans to open a mortgage banking subsidiary in Dallas in mid-April, pending clearance by the Fed. The new firm will be called BA Mortgage Co. of Texas, Inc., and David T. Skinner will be president. He was most recently a vice president of the Glenn Justice Mortgage Co., Inc., Dallas.

The new subsidiary, said BankAmerica Corp. President A. W. Clausen, will provide financing for construction and development of single- and multi-family dwellings and commercial and industrial real estate in Texas and surrounding states.

■ BUFFALO, N. Y.—Sebastian T. Galbo has been elected vice president in charge of operations at Marine Midland Banks, Inc., and Sebastian J. Paterniti has been made assistant vice president in the human resources department.

we worry about you.

We worry because floorplanning mobile homes can be a tough, tricky business. Tough, trying to keep all the loose ends tied together, and tricky, because it involves doing some things you usually don't have to worry about with your other loan programs.

But it's well worth the risks and the worry. Especially if someone else is doing all the worrying and taking most of the risks.

Someone like us.

If you're buying mobile home paper; wholesale or retail, we can reduce your risks to almost nothing. Our Lenders' Indemnity Program includes credit insurance, credit life, vendors' single interest, non-filing coverage insurance and wholesale fraud protection.

We can't guarantee to take all the risks out of mobile home lending. No one can. But with the proper planning and protection, mobile home loans will rank with the safest and surest paper in your portfolio. To see how to do it, send for our booklet: Lenders' Guide to Mobile Home Insurance.

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Forecast for Home-Improvement Loans: '1973 Should Be Best Ever'

EDITOR'S NOTE: The following article is based on information contained in a recent issue of a four-page monthly bulletin published by Insured Credit Services, Inc., Chicago, and is reprinted with the firm's permission.

THE OUTLOOK for 1973 promises to be the best ever for aggressive home-improvement lenders. The remodeling and repair industry estimates sales will exceed $20 billion this year, and marketing programs are being prepared in lending institutions throughout the country to capitalize on the sharp increase in home modernizing that will take place in the spring.

Within the past 30 days (of the publication of the bulletin), 25 ICS lenders, selected at random, were contacted for their viewpoints on the subject. The banks ranged in installment loan size from $15½ million outstanding to $100 million outstanding. Two multi-bank holding companies and two S&Ls also were included in the sample. *In every single case, increased emphasis will be put on home-improvement loans.* Four of the survey participants have budgeted more than 35% of their consumer credit advertising allocation to modernization loans, and nearly half plan to spend at least 20% of their 1973 advertising dollars in this area. Here's a summary of the reasons stated for the increased emphasis:

1. *Profits.* Cost analyses show a drop in yields on both auto and mobile home paper, but an increase in return on investment for home-improvement loans. Sixteen of the 25 lenders surveyed rated modernization loans No. 1 in yields. Annual percentage rates range from 12% to 15% in all sections of the country.

2. *Opportunity.* The prevailing feeling was that the consumer will be spending more than ever before in 1973, and much of the additional spending will be directed toward enhancing the livability of his surroundings. The point also was made that the makeup of the general population today—shorter working hours, more leisure time—is conducive to home-improvement lending.

3. *Diversification.* Several banks surveyed were "top-heavy" in auto loans and wanted to broaden the base of their installment loan portfolios. In three cases, this point came in the form of a directive from senior management.

4. *Orientation toward the retail banking concept.* The homeowner is the ideal prospect for other services a bank has to offer, and the modernization loan is a prime way to introduce the homeowner to the institution. Emphasis will be placed on the "bank where you borrow" theme, and concerted cross-selling efforts will be made.

In addition to providing added comfort and luxury, home modernization can be a bona fide investment for property owners. In many cases, home values increase by as much as or more than the cost of the improvement. For example, it has been demonstrated that the addition of a second full bath to a three-bedroom house with only one existing bathroom will increase the value of that home by roughly 125% of the cost of the bathroom addition. Better housing and better living are synonomous. The bank that promotes this theme is certain to earn the good will of the community it serves.

Not all improvements, however, add materially to the value of a house. Most people take a heating system for granted, and a new furnace will not change the appraisal value of a home.

No Over-Improvement

From a lending standpoint, it's important to make certain that over-improvement does not exist. A $3,000 siding job doesn't belong on a $10,000 house. Similarly, a man owning a $12,000 home is not the proper borrower for a $5,000 swimming pool loan.

There are ABCs of home-improvement lending in three areas—dealers, credits and collections. The following checklist is not intended to cover all facets of repair and modernization financing, but it can serve as a guideline.

DEALERS:

1. Before approval, do you obtain current financial statements? Operating statement? Credit Report? D&B report?
2. Do you check with other lenders who have handled dealer's business? Supply houses? Other trade references?
3. Do you visit dealer's place of business? Inquire as to sales methods? Prices? Guarantees?
4. After approval, do you maintain records showing purchases, rejects, charge-offs, complaints, results of complaint investigations?
5. Do you spot-check a reasonable number of completed jobs? Take photos? Interview borrower as to possibility of cash kick back? Debt consolidation?
6. Do you assure yourself as to dealer's continued solvency by obtaining annual financial statement and P&L statement?

CREDITS:

1. Do you insist on *complete* application, signed by borrower, for *all* loans?
2. Do you verify residence address, employment and income either through credit bureau or direct verification?
3. Do you verify status of mortgage or purchase contract?
4. Do you check out inquiries by other lenders as reported by credit bureau? Other trade references?
5. Do you require security on loans of above-average amounts?
6. Do you restrict your loan approvals to your normal trading area?

COLLECTIONS:

1. Do you restrict routine past-due notices to a maximum of two?
2. Do your delinquent loans receive personal attention at 15 to 20 days?
3. Does your outside adjustor take over at 30 days?
4. Do you require that the *reason* for default be determined when the borrower is interviewed?
5. Does your collection unit maintain a *legible* record of the results of all borrower contact?
6. Are the delinquency records periodically reviewed to spot chronic delinquents and those accounts marked for special handling?

Stability of Borrower. Stability is the essential characteristic you should look for in every loan applicant. To isolate this invisible ingredient, look for the signs of probable instability: (a) excessive debt in relation to net worth; (b) irregular employment; (c) deliberate misrepresentation of fact; (d) a poor credit history and (e) evidence of marital difficulty.

The installment banker not only can obtain an attractive yield from home-improvement financing, but through the medium of credit insurance, a loss-free portfolio can be assured. The program managed by Insured Credit Services, Inc., guarantees the bank against losses arising from bankruptcy, skips, marital problems, strikes, over-obligation and

(Continued on page 43)

• **Gerber Manufacturing Co., Inc.** This firm has entered the career apparel field with a collection of job clothes called the Argos Collection.

Gerber offers a line of mix-and-match jackets, vests, pants, skirts, blouses and dress ensembles for female employees and a line of blazers and slacks for men. All outfits are in doubleknit fabrics.

Write: Gerber Manufacturing Co., Harrison Road, Mishawaka, Ind. 46544.

Gerber career apparel line features reversible coordinate look.

• **Advertising Concepts, Inc.,** has expanded its "Can-o-Cash" program to include occasions other than Christmas, such as birthdays, anniversaries, graduation and just any special day.

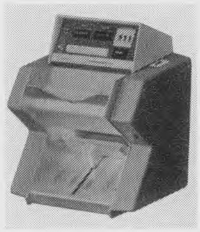
Can-o-Cash is a self-liquidating customer relations program that develops lobby traffic for the bank and solves customers' shopping problems with "canned money." More than 300,000 people received gift money in cans last Christmas, with the sponsoring bank's name imprinted on each can.

Banks can seal any amount of money the customer desires in the four-and-a-half-inch-tall cans. A can opener is the only way to reveal the contents.

Additional information is available from Advertising Concepts, Inc., 6572 East Central, Suite 204, Wichita, Kan. 67206.

New Products and Services

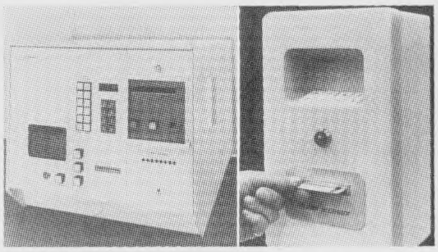
• **Brandt, Inc.** A new document endorser/canceler/counter has been introduced by Brandt, Inc., that will handle up to 1,000 units per minute. Checks, food stamps, coupons and other similar items can be endorsed or canceled at high speed with the machine which will also handle various sized documents—intermixed, if desired.



Two machines are available: Model 822 provides a continuous count and Model 824 offers a predetermined batch count setting in combination with the continuous count feature.

Write: Jack Erdmann, Brandt, Inc., Watertown, Wis. 53094.

• **Mosler.** A new system that automatically controls personnel access to restricted areas by means of magnetically coded ID cards is available from Mosler. Called "Accessor," the system consists of three primary units, a magnetically striped card, a card reader and a central processing unit (CPU). One CPU can control up to 16 card readers and as many as six access areas can be assigned per CPU, each covering one or a group of entrances.

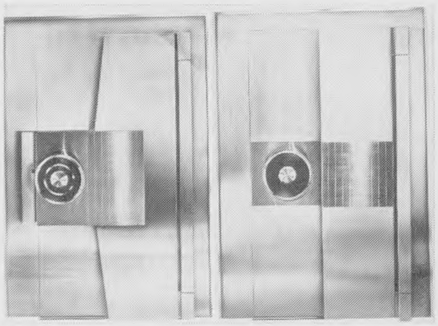


Mosler Accessor system includes central processing unit at left and card reader and magnetically striped card at right.

Write: Mosler, 1561 Grand Boulevard, Hamilton, O. 45012.

• **Security Corp.** Two new vault doors called Saturn II and International are available from Security Corp.

Saturn II is fabricated from open hearth steel plate and the entire door slab is reinforced with KT-55 monolithic metal inlay to resist explosion, torches and drills.

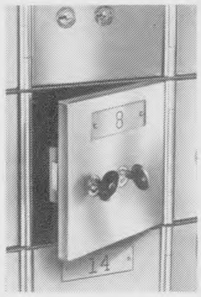


Saturn II (l.) and International vault doors are available from Security Corp.

The International door features stainless steel on all exposed metal surfaces to eliminate rust marks and corrosion on frequently touched door openings and jambs. This door, too, is reinforced with KT-55 monolithic protective metal inlay.

Write: Security Corp., 2055 S.E. Main Street, Irvine, Calif. 92705.

• **Meilink Bank Equipment.** A new safe deposit box features stainless steel doors without added cost. The doors will not tarnish or corrode and an optional bronze finish with a protective coating resists grease and scratching, according to the manufacturer.

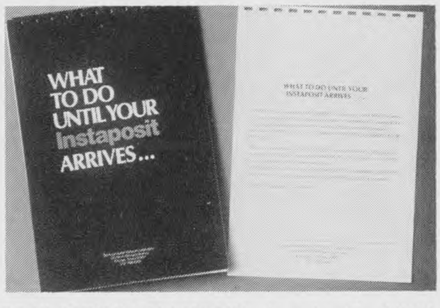


A new continuous low profile hinge design reduces maintenance, makes cleaning easier, according to the manufacturer. Interlocking hinges are anodized for color keying to lock noses.

Write: Meilink Bank Equipment, 3100 Hill Avenue, Toledo, O. 43607.

• **Bank Computer Network Corp.** A new marketing manual is available to participating Instaposit banks from Bank Computer Network Corp., Chicago. It's called "What to Do Until Your Instaposit Arrives," and covers a wide range of promotional suggestions and marketing ideas to develop customer acceptance of the Instaposit machine.

Write: Bank Computer Network Corp., 333 North Michigan Avenue, Chicago, Ill. 60601.



Our International isn't your average economy vault door. It offers so many top-of-the-line features, there's little need for options.

Even its good looks are functional. The satin finished stainless steel that covers the entire door is virtually maintenance-free. It extends to vestibule, door edges, jamb, daygate grill and the extra-wide door frame that eliminates the need for architraves.

Underneath all its lustre, you'll find solid protection in high grade, open-hearth steel. And the entire door slab, not just the combination lock area, is reinforced with KT-55, the monolithic metal that resists torches, drills and explosives. In your choice of door thickness: 3½", 7" or 10" with ratings from 6R to 10R.

And top security is built-in: a dual lock system with precision 120-hour timelock, emergency release and reset. Daytime safety detent lock. Snorkel emergency ventilation and alarm sensors. All concealed by smooth panels, and exceptionally good styling.

What's left are a few options. A tinted acrylic daygate. Matching plastic inserts for the operating wheel. Custom architraves. Even your institution's insignia.

For complete information, including our immediate delivery capability, write today.

The International is everything you'd expect. Except high-priced.

SECURITY CORPORATION
2055 S.E. Main Street
Irvine, California 92705
(714) 979-9000

Everything you'd expect from a high priced door. Except high price.

Clockwise from left, George C. Dudley, C. J. O'Connor, John E. O'Connor, Larry T. Pitts, John T. Fowler, Eugene B. Foncannon

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ABA's First Investments Conference Attracts Near-Overflow Audience

Tightly run program lives up to expectations

By JIM FABIAN

Associate Editor

IT WAS ALMOST a standing-room-only situation at the first annual Bank Investments Division conference of the ABA, held in St. Louis last month. More than 700 bankers attended the two-day meeting on the shore of the Mississippi River to hear a parade of bankers and economists take part in panels and general sessions.

Presiding over the conference was George W. McKinney Jr., chairman of the Bank Investments Division and senior vice president, Irving Trust, New York. Mr. McKinney introduced the first speaker, ABA President-Elect Rex J. Morthland, chairman, Peoples Bank, Selma, Ala.

Mr. Morthland told the bankers that the least unpleasant alternative to monetary controls is to delay changes in bank loan interest rates—but not to freeze them—and to document fully the changes in other money market rates and the cost of purchased funds. (A partial text of his remarks begins on page 32.)

Concurrent workshops on liquidity and allocation were led by T. Scott Fillebrown Jr., chairman of the division's communications committee, and president, First American National, Nashville (liquidity workshop), and D. Dean Kaylor, senior vice president, National Bank of Detroit (allocation workshop).

At the liquidity workshop, R. Duane Saunders, vice president, Chemical Bank, New York, stated that the prospective Federal Financing Bank stands an excellent chance of becoming law in this session of Congress.

Not only will it serve as a "stop" to the seemingly endless proliferation of federal agencies coming to the capital market, he said, but it also will probably put a "stop" on the tax-exempt debt issues financing urban renewal and public housing. If so, the impact will be on future and not past issues.

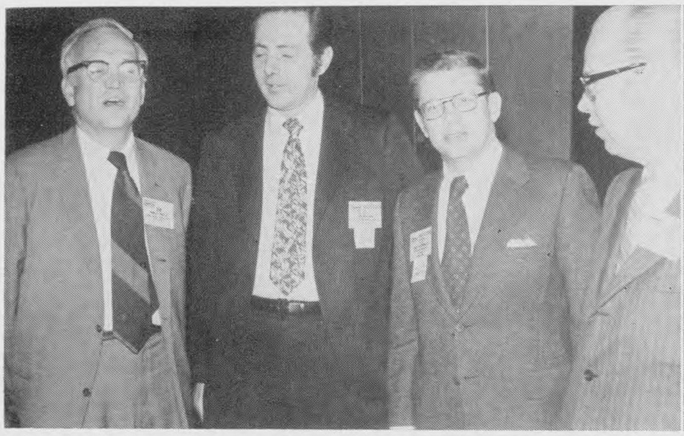
He said he was convinced that the new bank is not a Treasury plot to end tax exemption. Neither the bank nor subsidized taxable municipal bond proposals were intended to lead to the ending of the tax-exempt market, he said. Rather, they were designed to protect that market from excessive demands upon it and assist weak borrowers in having access to the capital market. Even when they are law, there will still be a large and active tax-exempt market, he said. (A partial text of his remarks begins on page 36.)

Arthur Levitt (r.), comptroller of New York state, spoke on municipal bond ratings at investments conference luncheon.

Also appearing on the liquidity workshop podium was Edward M. Roob, vice president, First National, Chicago, who spoke on tactics of portfolio management. He said that bankers must recognize that the one basic truth relative to marketable instruments is that all money market rates are related and the price or interest rate of one-day money is the Fed funds rate. For longer money it is the rate on a government security for a given maturity. All other rates revolve around these rates and fluctuate in a band, depending upon the supply, demand and expectable conditions in the market for that particular type of instrument, as well as the credit risk implicit in the instrument.

He presented four market axioms that he said he felt needed constant repetition.

- The opposite of an asset sale is a money purchase at the give-up rate



LEFT—Panelists on liquidity workshop at ABA investments conference included (from l.) Donald B. Rieffer, sr. v.p., Morgan Guaranty Trust, New York; Edward M. Roob, v.p., First Nat'l, Chicago; T. Scott Fillebrown Jr., pres., First American Nat'l, Nashville (moderator); and R. Duane Saunders, v.p., Chemical Bank, New York. RIGHT—Participants in allocation workshop at investments conference included (from l.) Edward R. McMillan, sr. v.p., Nat'l Bank of Commerce, Seattle; Preston T. Luney, sr. v.p., Harris Trust, Chicago; D. Dean Kaylor, sr. v.p., Nat'l Bank of Detroit (moderator); and John J. Larkin, sr. v.p., First Nat'l City Bank, New York.

of return.

- A profit is a profit, whether taken immediately or whether taken over time.
- The value of a security is its current market value and not your cost.
- Trading opens up opportunities for profit not otherwise available.

At the allocation workshop, Edward R. McMillan, senior vice president, National Bank of Commerce, Seattle, suggested that bankers follow the trend of money aggregates regularly to ascertain trends. He said that too long a period of excessive growth in M1 (demand deposits and currency in circulation), M2 (a deviation of M1 that includes a portion of time deposits), RPDs (reserves against private deposits) and the adjusted credit proxy is the tip-off that interest rates will be moving up (with a six-to-nine month time lag), once business resumes a new cycle and the GNP reaches its former peak.

If the Treasury has a large deficit to finance as well, he said, this reinforces the signal to start shortening up a portfolio. Of course, international currency flare-ups and prime-rate jawboning can upset a time-table occasionally. "But if anyone gets into this business with the idea of a tranquil existence, he deserves no better fate," he said.

Portion of head table at concluding luncheon at ABA investments conference shows (from l.) ABA Exec. V.P. Willis W. Alexander; Leland S. Prussia Jr., sr. v.p., Bank of America, San Francisco; and speaker Senator Wallace F. Bennett (R., Utah).

Preston T. Luney, senior vice president, Harris Trust, Chicago, spoke on portfolio constraints during the allocation workshop. He spoke of the efforts going on in many states to try to simplify pledging requirements.

One development is a format whereby an insurance firm will issue a surety bond that is acceptable as collateral in New York state. The individual wanting the surety bond puts in collateral, and for some percentage of the base value of the collateral the insurance firm issues a bond that is acceptable as collateral by public bodies.

Another development was an attempt in the U. S. Senate to enact a rider to a bill that would put the burden of collateralizing public deposits on the FDIC. The rider would have provided 100% insurance for deposits of public funds at all federally insured banks and S&Ls. However, the bill did not pass, Mr. Luney said. (A partial text of his remarks begins on page 44.)

Three concurrent panels on techniques of portfolio management featured a number of participants.

Edward B. Chapin, vice president, First National, St. Paul, spoke of the broad changes that have taken place in banking and made some predictions for the future regarding bond accounts.

He said bond portfolios will become a smaller percentage of total earning assets, that the municipal section of bond portfolios will continue to generate handsome interest income, that investment managers will have to remain alert to find opportunities to maximize the returns from their bond accounts and that investment managers will have to restructure the composition of their bond accounts if they are to contribute significantly to the earnings of their banks.

David J. Barry, senior vice president, Manufacturers Hanover Trust, New York, said that the changing asset mix appears to be placing somewhat greater emphasis on longer-term risks, especially in the areas of lease and real estate financing.

These developments, he said, suggest that the stepped-up funding activity will continue to supplement the more traditional instruments employed in the art of liability management. He said that, in time, wider use of CD maturities well beyond the one-year range might develop and that banks will take greater advantage of their ability to act as guarantors of credit, assuming favorable treatment of working capital acceptances by the Fed.

Mr. Barry said it is unlikely that the highly competitive and innovative posture shown by commercial banks during the past 12 years will diminish in the future.

A case for written statements of bond portfolio management policies and procedures was made by two speakers—Donald R. Koessel, senior vice president, First National, Minneapolis, and Frank K. Spinner, senior vice president, First National, St. Louis. (Mr. Koessel's remarks appear on page 80.)

"Politics and the Public Bond Market" was the topic of Robert C. Brown, vice president, First National, Chicago. He spoke of the explosion of new federal agency issues and the effect they have on the American economy.

He said a disturbing factor of this development is the fact that agency financing is almost totally outside the budget of the U. S. "That means that agency financing is subject to minimal congressional scrutiny," he said. "Agency spending is beyond the pale of fiscal policy. Agency management is insulated from the checks and balances of the democratic process."

He spoke of the Federal Financing Bank as an attempt to impose order and discipline in the agency area, which would give the government greater control over its borrowings. (Mr. Brown's remarks appear on page 35.)

Arthur Levitt, comptroller of New York state, discussed municipal bond ratings. He told of the situation in his state when the state's credit rating was cut from AAA to AA and discussed the school district rating situation, which often is extremely low or non-existent.

"Bond ratings necessarily reflect the magnitude of debt and the extent of its burden on the borrower," he said. "This was cited as a major factor, at least, when the dent came in our rating in New York. This factor is seriously affecting other ratings across the nation."

Ideally, he said, ratings should serve all interested parties: investor, borrower, taxpayer. The present system of ratings directs itself primarily to assist the investor. "However," he said, "it does not necessarily follow that inadequacies in the present municipal bond credit practices favor the investor. Actually, the deficiencies in the credit practices of the municipal bond rating agencies have placed a greater tax burden on the public."

He said he was disturbed about the consequences of the excessive reliance on bond ratings by all participants in the municipal securities market—investors, underwriters, salesmen and traders. "This condition has produced a concentration of power in the hands of the rating agencies. Because of the fact that each day, underwriters and potential investors face a great array of opportunities in the tax-exempt market, the rating information cannot be suitably scrutinized by those who commit their capital to the tax-exempt market."

On the second day of the conference, two panels took place during the general session, covering economics and tax reform. (See page 33 for a review of the economics panel.)

Concluding speaker on the program was U. S. Senator Wallace F. Bennett (R.,Utah), who discussed the investment climate for 1973.

In explaining why the Administration entered into Phase Three of its economic controls, the senator said the move was not premature. He said continuation of Phase Two would have amounted to a form of economic drug addiction, which could not be allowed to deepen, no matter how difficult withdrawal pains might be.

He said there were several reasons why it was necessary to embark on Phase Three.

• Controls were already causing distortions of supply and demand in the market as well as in the values of the securities in which bankers deal.

• The existence of any controls inevitably breeds demand for more controls.

• Psychologically, controls soon take on all the characteristics of a security blanket. Consumers tend to think all increases are bad, and cling to any means of avoiding or postponing them.

• If controls were to be continued, at some point in the sequence they would inevitably break down, unless rationing was instituted.

Taking part at one of three "techniques of portfolio management" panels during investments conference were Frank K. Spinner, sr. v.p., First Nat'l, St. Louis; James R. Sheridan, sr. v.p., North Carolina Nat'l, Charlotte; Denton A. Fuller, pres., Liberty Trust, Cumberland, Md. (moderator); and Edward B. Chapin, v.p., First Nat'l, St. Paul.

• Once controls have been established, it is tempting to use them to further non-economic objectives also.

• Since price changes also reflect shifts in demand, continued price rigidity enforced through controls always freezes existing patterns of the use of resources and stifles innovation and adjustment.

• The longer controls last, the wider is the apparent gap between controlled prices and what they will be when controls are removed. Therefore it is easier to get out early than late.

Senator Bennett also discussed the question of tax-exempt and municipal bonds and how they would fare in the tax-writing committees of Congress.

He said he saw four possible programs that might be adopted. The first, and most likely, would be to do nothing, thus leaving the bonds with their tax exemption. Second would be the elimination of the tax exemption while trying to preserve their market position by giving issuing agencies a federal subsidy, which would theoretically deprive the bond buyer of his tax payment without increasing the interest cost to the issuer. Third would be to make the bonds subject to normal income taxes while giving the bond buyer a specific tax credit of, say, 30% to apply against his interest income from the bonds. Fourth would be to increase the attractiveness of such bonds to low and middle income individuals while preserving some incentive to higher income individuals who would, nevertheless, have to pay some income taxes on their bond interest.

Whenever these subsidies are suggested, he said, it is with the understanding that all state and local agencies would be permitted to continue to issue tax-exempt bonds if they wished.

Prior to the close of the conference, new officers were elected to take office in October at the ABA convention. New division chairman is T. Scott Fillebrown Jr., president, First American National, Nashville. Vice chairman is Karl M. Shelton, vice president, Seattle-First National.

Newly elected executive committee members include James A. Brickley, senior vice president, First National, Dallas; Robert Foley, president, Citizens State, Roseau, Minn.; R. C. Garraway, executive vice president, Deposit Guaranty National, Jackson, Miss.; Frank K. Spinner, senior vice president, First National, St. Louis; and Samuel B. Stare, senior vice president, Union Bank, Los Angeles. • •

Bank Investments Conference

Implications of Phase III for Banking

By REX J. MORTHLAND

President-Elect American Bankers Association and Chairman Peoples Bank & Trust Co. Selma, Ala.

THE DEGREE of success attained by the Administration in curbing inflation in Phase III is extremely important to bank investment officers. Obviously, the stability of prices and the general level of economic activity are important to all bankers. But, the course of the economy under Phase III also has a more parochial significance to those in investing a bank's own funds, as distinguished from trust department investments and bond dealer operations.

MORTHLAND

Phase III results will influence:

• The amount of funds available for investment by you. This in turn is determined by the total resources of your bank—with distinctions between demand deposits, conventional time deposits and "purchased funds," such as Fed funds, CDs, and Eurodollars—present and prospective size of your loan portfolio and the amount of securities needed for pledging purposes.

• The rates of interest at which these funds can be invested.

• The types of securities in which you invest them.

• The maturities selected for these new investments.

• Perish the thought, the possible need to sell some of your existing investments because of disintermediation or over-extension of loan commitments.

• The overall effect on your bank's profits.

We can use our time more profitably by discussing the implications of Phase III for all aspects of banking rather than considering such areas of special interest for a bank's own investments. Let us look at the nature of Phase III and the role of interest rate controls in it, the variables determining the effects on banking of Phase III, possible short-run courses of action by bankers and some suggestions for longer-run actions to reduce the possibility of a recurrence of our present inflationary problems which gave rise to Phases I, II and III.

And, let us discuss them in the broad terms of financial, economic, political and psychological or emotional factors.

Bankers, when talking to other bankers, have a tendency to talk in terms only of fiscal and monetary policies, and of these as if they were the sole determinants of the course of action to be taken. But, we are not completely and solely rational economic men, and our society is not run solely on such considerations. There also are economic factors other than those of fiscal and monetary policy. Then, political and psychological (or emotional) factors enter into our decisions, too.

Phase III relies upon voluntary compliance with guidelines for wages and prices in most industries. Mandatory controls are continued in the three areas of food, construction and health. No controls are provided for prices of raw agricultural products. The right to reintroduce mandatory controls has been retained and we have been assured that it will be used if necessary. The administration of these areas of Phase III has been transferred to the Cost-of-Living Council.

No changes were made in Phase III on interest and dividends. Such controls have been continued on a standby basis under the jurisdiction of the Committee on Interest and Dividends (CID). I need not point out that this committee has discussed frequently and forcefully the level of the prime interest rate. This discussion has affected that rate, at least temporarily. One by one the banks with "floating" primes have been forced off of their

(Continued on page 81)

Mr. Morthland made the remarks contained in this article during the ABA Bank Investment Conference, held recently in St. Louis.

Bank Investments Conference

Moderator Leland S. Prussia Jr. (l.), sr. v.p., Bank of America, San Francisco, chats with economists Dr. Albert J. Wojnilower, First Boston Corp.; Dr. Henry Kaufman, Salomon Brothers, Inc.; and Dr. Leonard J. Santow, Lehman Brothers, Inc., all of New York City.

ABA Panel of Economic Advisers Predicts Financial Squeeze

A PANEL of economists proved to be a highlight of the ABA Bank Investments Conference. Panelists predicted a painful money squeeze for 1973, rationing of credit, a reduction in short-term financing by local government agencies and the possibility of monetary policy intervention in bank lending practices by mid-year.

Panelists included Dr. Albert J. Wojnilower, vice president and economist, First Boston Corp.; Dr. Henry Kaufman, partner, Salomon Brothers, Inc.; and Dr. Leonard J. Santow, senior vice president and economist, Lehman Brothers, Inc., all of New York City.

Moderator was Leland S. Prussia Jr., senior vice president, Bank of America, San Francisco.

Dr. Wojnilower said that signs are visible everywhere that the U. S. is experiencing an old-fashioned demand-pull type of inflationary pressure. However, despite the fact that there is a tremendous economic upturn, no one is saying inflation is a good thing for profits. Rather, the fight against inflation has become the priority issue on the part of both the public and the Administration.

"The brunt of the fight against inflation must be borne by monetary policy at all times," he said. The current strong business upturn has raised short-term interest rates rapidly—200 basis points in the past year. Thus, under a policy that curbs excessive growth in monetary aggregates and credit, the Fed must make short-term interest rates rise faster than they would already be rising as a result of the upturn. Although the Fed has not gone that far yet, he said, it has acted much sooner and much more vigorously than during most previous business upswings.

When short-term interest rates rise sufficiently, he said, the public diverts its loan savings funds from savings institutions to open-market instruments. This causes mortgage-lending institutions to stop making mortgage commitments, which affects not only housing but consumer durables. As yet, he said, there is no evidence that this is happening. To bring this about, he said, interest rates on Treasuries will have to rise to 7%.

He said he believes there is no way to avoid a painful money squeeze this year. It will not be a credit squeeze, he said, which is much worse than a money squeeze, as it throws business firms into bankruptcy.

A money squeeze will force banks to sell securities to finance their loans, he said. "I think the choice they will have to make is whether they prefer to take a beating above the line by selling CDs at interest rates above their loan income, or below the line by selling lower-coupon Treasuries at substantial discounts."

Dr. Wojnilower said the international situation is not a plus-factor for our securities markets. He said, while it's true—in regard to the bill-markets specifically or other short-term governments—that funds are pouring in and rates are lower than they would otherwise be, the funds that are pouring into the bill market are the capital outflow from the whole range of all other dollar-denominated assets, a fact that has little effect on the over-all level of interest rates. He said the present situation differs from that of 1971, because there's a tremendous demand for capital here now, but when the Treasury absorbs much of the available money supply, this naturally raises rates.

He sees the evolution of a world-wide two-tier monetary system, somewhat resembling the one in France, in which there is a narrow fluctuating exchange rate for certificated trade transactions and other transactions insofar as they are permitted, with regulations constantly changing. These transactions will be channeled into a separate market in which the dollar is at a discount with the official rate, but the central bank will have no obligation to intervene to maintain any secure prices, he said.

He said this outcome is not one to be feared, but to be welcomed. Its early adoption—even 15 years ago—

would have avoided a great many troubles that have arisen in recent years.

Dr. Kaufman estimated total credit demand for 1973 at $170 billion, some two billion more than 1972's total. He predicted that the financing of credit demands this year will not be as easy as it was last year.

He predicted an extraordinarily large volume of mortgage financing for this year even though the influx of savings into deposit institutions is slowing.

He also said that state and local financing probably will moderate somewhat this year as a result of revenue sharing and the improved revenue inflows to the various state and local governments. "This will probably significantly reduce short-term financing by local governments and will only slightly reduce their long-term financing requirements," he said.

A Tightening Noose

Dr. Kaufman predicted that external financing needs of all sorts are going to grow in 1973. He expects that business financing can be largely conducted in the short-term sector, a factor that does not reflect the squeeze that is unfolding in the money market and is tightening the noose around the neck of the banking system.

"This squeeze in the commercial banking system may well accelerate the long-term financing requirements of business scheduled for 1974 into some part of calendar 1973," he said.

The combination of less inflow of funds into savings institutions and extraordinary credit demands made on commercial banks will force an increasing number of borrowers into the banking system, Dr. Kaufman said, which means that banks will have to begin rationing credit soon.

"At that point in time," he said, "those who do not have financing alternatives will be cut away. And those who do have financing alternatives will still be able to stay in banks." This may be an unacceptable solution from the viewpoint of national policy, he said, which poses the possibility of monetary policy intervention in bank lending. This intervention could take the form of formal guidelines by mid-year.

Dr. Kaufman said that 1973 will be another year when the mutual fund industry will be forced to liquidate its size rather than to expand. It will also be a year when the individual investor will play an important role as a direct investor in the marketplace. He predicted at least a $2- or $2½-billion expansion in new closed-end bond funds this year. The fact that the inflow of money to private pension funds is slowing and the inflow of assets into public retirement funds is rising will bring about a reassessment of the investment strategies of private pension funds, he said.

He also predicted that the international monetary uncertainty is going to contribute to the uncertainty and well-being of multinational corporations, a fact that will have an impact on the equity market that has not as yet been transmitted into prices.

"There is a strange financial well-being, even at this point in time, after interest rates in the money market area have risen so substantially," he said. "Who around the credit table wants to pull back?" he asked.

"Indeed, as you look around the credit table, you see, as announced, higher-yielding assets at mutual savings banks, higher-yielding assets at commercial banks; yet still they are willing to issue CDs. On the other hand, business corporations think they have improved liquidity and achieved better earnings at the present time, and all are willing to step up to the table and put in some more chips and bid up the market price—and bid up the interest-rate structure."

"So therefore, the liquidity input that still sits in the market place today . . . will have to be cut away by the central banker in order to redistribute the credit flows, and, at the same time, to pull somebody away from economic demands. That is still in front of us," he said, "and that also poses a problem to many commercial banks."

"In a period of credit-ease, it is very easy for regional and local banks to consider themselves as participants in the national and international money markets, because money is readily available; but we are going into a period of time where regional and local banks should be more circumspect than even national and international banks about their ability to bid for money. If there's one dollar left in the federal fund market tomorrow, ask yourself this: Who will be able to bid for that money?"

Dr. Santow commented that the deficit in the proposed federal budget, even though it might not reach the $10 billion predicted, is too high when the economy is overheated as ours is today. He said the international monetary situation will tend to reduce the government securities market for the foreseeable future.

Even though the government sector is down, he said, the agency sector is up, and picking up substantially. He predicted this market to be $30 billion gross for the next fiscal year, which will boil down to figures of $2.5 billion gross and $1 billion net in agency financing on a monthly basis. This increase in agency financing will result in home loan banks becoming heavy borrowers, he said. "When they borrow in the short or intermediate market, it has an effect in the intermediate corporate market, it has an effect on the government market and is also transmitted to the other areas of the market," he said.

Thin Market

Presently, he said, the market is very thin and is officially downgraded. Investors are sitting on their hands. Those having money do not want to play the market because they have no feel as to trend and they are confused in many cases. They feel that the market is officially dominated and that, if they do something, the Fed or overseas investors will do something that will cause them to be wrong. Consequently, these investors are going to sit back and wait. All are expecting a buying opportunity in governments and agencies by the end of the year.

Dr. Santow also said that, if he were running a portfolio at this time "there would be certain areas of the market where I would be long, based on the slope of the yield curve, and there would be other areas of the market where I would be short."

"I think a lot of people are playing this game at this point, and, let's face it, we are in that short position. I don't think anyone wants to get too short in this market, because anyone can get whiplashed by a scarcity situation

(Continued on page 70)

ABA Opposes SEC Rule

WASHINGTON—The ABA has charged that a proposed new Securities & Exchange Commission rule that would bring some banks under SEC supervision violates the policy and intent of Congress.

The rule would affect those banks providing investment advice to investment firms and would require all officers of a bank that serves as an investment adviser to report all securities transactions each quarter, even if there were none.

The ABA has recommended that banks be excluded from the proposed rule's provisions, basing the recommendation on the fact that banks have been excluded from SEC regulation since 1933. The ABA also noted that federal and state banking agencies provide adequate supervision of the investment advisory functions of bank trust departments.

The ABA also disagreed with a SEC proposal requiring banks to adopt codes of conduct, stating that such codes should be voluntary.

Bank Investments Conference

POLITICS

And the Public Bond Market

By ROBERT C. BROWN, Vice President, First National Bank, Chicago

OVER THE past few years, we have grown quite accustomed to uncertainty and change in the bond markets. I would like to discuss changes of a more substantive sort, changes which affect the nature and structure of the bond business.

BROWN

We have been moving away from the principles of federalism ever since 1865, but we should not abandon the philosophy without considering the costs as well as the benefits.

I sense that federalism is losing popular support. I say this in spite of President Nixon's heroic effort to turn the tide through the mechanism of revenue sharing. There are a whole lot of people who simply don't believe in local initiative, local control or local financing. Their feeling is not necessarily motivated by the tax exemption of local bonds, but that feature does tend to antagonize them.

Indeed, the antagonism to municipal tax exemption acts as a burr under the saddle of a number of congressional horses. Tax reform is in the wind again, and the tax-exempt status of municipal bonds is under challenge once more. It would be redundant for me to rehearse all the arguments in favor of tax exemption. You know that our position has roots which run deep in the Constitution. You know that a Mrs. Dodge has no investment goldmine if she gets $1 million of tax-free income from 3½% municipals. Wright Patman knows this, too, but he continues to believe that the present system is unjust and inequitable. So long as honest men are honestly outraged by this provision, the future of the tax-exempt bond will be in doubt, regardless of its historic legal position.

Our opponents have all the simplistic arguments with which to sway public opinion, and questions of law and equity aside, the issue hangs ultimately on the opinion of the public. When tax exemption came up in 1969, we won the day because local public officials sided with our cause. On Capitol Hill, the National League of Cities is regarded as "public" opinion; the ABA is not. So if we hope to win the fight this time around, we must have local political support.

I'm not sure our support from this quarter is as strong or as widely based as it was in 1969. Many municipal officials are reluctant to bite the hand that feeds them—revenue sharing. Others are looking at a new approach which they hope will permit them to have their cake and eat it, too. I refer to an approach suggested by Senator Proxmire in "A Bill to Expand the Market for Municipal Securities."

The Proxmire bill would provide states and municipalities with a choice between issuing conventional, tax-exempt municipals and issuing a new type of debt instrument: a taxable municipal bond on which the federal government would subsidize one-third of the interest cost. From the issuer's point of view, this proposal offers the advantage of complete freedom of choice between the two options. The Treasury Department likes the idea because it induces the issuance of municipal debt in taxable form and thus reduces the amount of income-avoiding taxation.

While I don't pretend to speak for all bond dealers or portfolio managers, I like the Proxmire bill for several reasons:

- It keeps the tax-exempt market alive and well, even if at reduced volumes.
- It keeps the entire municipal market—taxable as well as tax-exempt—in

(Continued on page 72)

This article is adapted from Mr. Brown's address to the ABA Bank Investments Conference, held recently in St. Louis. Mr. Brown appeared on one of the "Techniques of Portfolio Management" panels.

Bank
Investments
Conference

Learning to Understand the Outside Forces That Affect Portfolio Management and Liquidity

By R. DUANE SAUNDERS

Vice President
Bank Investment Division
Chemical Bank, New York

IT IS VITAL that you understand the outside forces that have an impact on the results of your investment decisions.

The most obvious of these include the federal budget, Federal Reserve operations, Treasury and federal agency financings, municipal financings, changes and prospective changes in federal and state legislation and changes in bank regulations and in regulations of competing financial institutions.

Then there are more peripheral forces that often are as important, such as an international financial crisis, an incomes policy—better termed as Phases I, II and III.

What these outside events can do to your best plans was sharply illustrated recently when Phase III was announced. Some portfolio men soon felt locked in, even on their 91-day bill positions, and those who took down the "dutch auction" six and three-quarters of '93 are probably still too much in a state of shock to say how they feel.

Size is one reason outside forces affect your decisions. Spending by the federal government at $250 billion per year doesn't seem to impress people—we get used to the idea of talking in billions. But that translates into a billion dollars each working day or, to make it more relevant, $1,000 million a day. If it was consistent on a day-by-day basis, there might be few distortions on your operations, but these daily expenditures vary in amount from $300 million to over $2,000 million.

Sometimes the amounts numb the senses. Each Monday at 1:30 p.m. the Treasury auctions $4.3 billion of Treasury bills in which a large proportion of the tenders are decided upon and submitted between 1:25 and 1:30. In the midst of this the fact that each recent weekly auction was raising an additional $200 million of new money, over a period of three months, seemed hardly worth a comment.

It is strange to me that, with a daily transaction volume of nearly $3 billion (nearly five times that of the New York Stock Exchange), so little about the government securities market appears in the local press. Similar examples could be cited for the financial flows of state and municipal governments, taxes collected through tax-and-loan accounts, federal funds, Eurodollars, and Federal Reserve transactions.

If these outside areas are important to your decisions, how do you go about understanding them and making reasonable guesses on what is likely to happen? You can try to master the problem yourself, but I can warn you that if you do, you will have little time remaining to do your portfolio management. You can also employ someone to do it for you, although your budget officer may be appalled at the cost of hiring the right man.

There is another route: Instead of working with the data sources yourself, there is a wealth of analysis and interpretation in the better daily financial newspapers; there are a number of good weekly releases by dealer firms; there are also several good weekly or biweekly bond letters you can buy. These sources do a lot of the work for you and are prepared by analysts working with the raw data or sophisticated financial reporters with good access to analysts both in government and the financial community.

Your problem, then, is to sort out those that you find most reliable—and there are a number of good ones. In fact, those of us who work with the raw data also read and talk with the other analysts and reporters. Many banks with portfolios up to $100 million in size may also find it useful and profitable to use the portfolio review

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Mr. Saunders' remarks were delivered at the Liquidity Workshop at the ABA Bank Investments Conference, held recently in St. Louis.

Now what do you do?

Ninth inning. Two out. Score's tied, and the winning run is caught between first and second. What do you do? Try to fake out the second baseman and steal? Cut back to first? Slide?

Business creates the same type of situation, too—unexpected tight spots when you'll need fast, competent action from your correspondent. It's the kind you'll get from the **Action Bank** of Tulsa . . . Fourth National.

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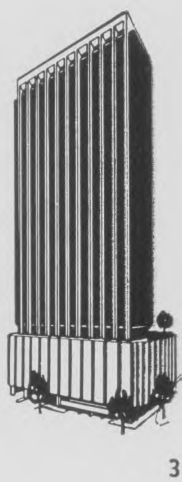

services offered by money-market banks such as the one I represent. This service provides guidance on using or restructuring your portfolio to meet your own objectives for liquidity and earnings.

Whether you play with your own do-it-yourself kit or rely on outside sources, a few specifics can be of aid in your understanding of the course of events:

Understand the differences between the various types of Treasury and agency securities—i.e., Treasury bills cannot be over a year in length, Treasury bonds are limited as to their interest rate, agency securities have varying degrees of federal backing and exemption from local taxation.

The practical result of these definitions is that the issuance of over seven-year Treasury debt is severely limited. The latter may not seem serious but it has been a primary factor in reducing the average length of the privately held marketable debt from 5¾ years in 1965 to the present three years. This has meant more frequent and larger financings, giving the appearance of a larger and growing Treasury indebtedness, whereas the actual increase in Treasury debt held by the private sector has increased only 26% since 1946 (or, including government-sponsored agencies, by about 50%) in contrast to increases of nine to 12 times for business corporations, individuals and state and local governments.

This restraint on long-term financings has led to increasing issues of short-term Treasury bills—in just the last five years from $45 billion in private holdings to $69 billion. Another recent mechanism has been the expansion of federal agency issues, mostly outside the federal budget, where there has been nearly a doubling of debt from $28 billion to $55½ billion.

How does this affect your operations? It gives you frequent opportunities to enter both the primary as well as the secondary market for Treasuries and agencies to meet your liquidity and earnings objectives. There are three- and six-month bills offered every week and 52-week bills every four weeks. In addition, every quarter, in February, May, August and November, there is a large refunding of coupon issues of over one year to maturity.

A recent innovation has been the regular offering of two-year notes at the end of each calendar quarter. Then there is also the offering of several new federal agency issues each month—with varying maturities. Your problem is not a lack of opportunities to restructure your portfolios, but which is your best choice or choices.

As banks with Treasury tax and loan accounts, you are also frequently faced with the opportunity to subscribe for Treasury issues and making payment by crediting the Treasury deposit account. This is usually an interesting game, especially when the Treasury issue is offered at auction. You have to guess the length of time before the deposit is called (variable for class A, B and C banks), the real value of the offered security, and the waiting strategy of nonbank investors and security dealers who are trying to share in part or all of your guess as to the value of the life of the tax-and-loan account.

There are some aspects of municipals on which I can comment. The prospective Federal Financing Bank stands an excellent chance of becoming law in this session of Congress. Not only will it serve as a "stop" to the seemingly endless proliferation of federal agencies coming to the capital market, but it will also probably put a "stop" on the tax-exempt debt issues financing urban renewal and public housing. If so, the impact will be on future and not past issues.

The question frequently raised is whether this is a Treasury plot to end tax exemption. Personally, I am convinced that is not the case. I have participated in many policy discussions on tax-exempt securities, and the concerns heard were not with the traditional economist's arguments.

There were three primary problems. The first had to do with a federal guarantee of tax-exempts. Treasury officials objected to the creation of securities, such as public housing issues, that they in effect backed but which, through tax exemption, were better than direct Treasury issues. The viewpoint may be somewhat parochial, but to me it is convincing.

The second problem with tax exempts was that officials were concerned over a growing array of federal programs dealing with pollution, mass transportation, etc., that probably would be financed through debt issues. Because the tax-exempt market is limited, there was concern that this market might be ruined for the more normal and traditional users by a large overlay of federal programs.

The third concern was to provide an access to market for weak or poor credit governmental units. Taxable municipal bonds with a federal subsidy and/or guarantee was the suggested solution.

Neither the Federal Financing Bank nor the subsidized taxable municipal bond proposals were intended to lead to the ending of the tax-exempt market. Rather they were designed to protect that market from excessive demands upon it and assist weak borrowers in having access to the capital market. Even when they are law—and the chances are they will be—there will still be a large and active tax-exempt market, and probably a sounder and better one.

The federal budget game has to be relevant to your operations. Certain refinements such as the definition of the budget—whether the old "administrative" or new "unified" concepts—and the annual debt limitation exercises are only for technicians. But the differences between authorizations and expenditures have to be clearly understood. Some of the authorizations are multi-year and would scare anyone, let alone a conservatively oriented portfolio man. A careful reading, however, can change the $10 billion of the headline story into $400 million of this year's expenditures. The $10 billion can affect market expectations in the short run but you can be prepared for the eventual realization of the current impact.

Another current facet of the budget is the $250 billion expenditure goal for fiscal 1973 and $269 billion for 1974. Lots of sound and fury is being generated. In all the confusion of "impoundments" and an Executive-Congress confrontation on the budget, it is becoming increasingly apparent that

Government Securities Guide

CHICAGO—A 106-page guide for portfolio managers and others dealing in U. S. government securities has been published by Harris Bank. It's titled "The U. S. Government Securities Market" and was authored by William A. Hawk, vice president of the bank's government bond division.

In its 11 chapters, the book provides an overview of techniques used by professional dealers to judge risks and develop profitable market strategies. The book aims at assisting portfolio managers to understand the intangible effects that large market participants can have in determining market directions.

Among topics covered are the organization of a primary dealer, operations of the Federal Reserve Open Market, marketability of government securities, investment policy, money market instruments and agencies of the U. S. government. Included are discussions of economic factors affecting the government securities market and commentary on the influence of foreign exchange and Eurodollar markets.

Harris Bank is one of 24 primary dealers in government securities in this country. Ten are banks.

GOOD NEWS TRAVELS!

Much-talked-about Bank Renovation in Neighboring State Leads First National Bank of Opp, Alabama, to

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That's why car dealers like Len Immke's Columbus, Ohio, Buick dealership have found that Maco "facia-wal" is the quick, economical answer. A beautiful, new facade, designed and sub-assembled by Maco, was easily installed over the old building front by local workmen. When the transformation was complete, it had put attractive youth into a sound, old structure, drawing new customers and matching the spirit and energy of the new car models on display.

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It's easy to see the advantages of Maco "facia-wal"! A crisp, sleek design has turned this aging facade into an attractive showpiece for this car dealer. And the unique Maco "facia-wal" system can work the same kind of magic on your building.

The Maco Corporation
Huntington, Indiana 46750

the Administration holds the best cards and for this time at least, you had better believe them.

Another current issue with an impact on your operations is the international monetary crisis. In times past this event had a perverse impact on interest rates. More recently a cynic could take the posture that an international monetary crisis is one of the easiest ways to finance a budget deficit. In the last three fiscal years, over three-quarters of the deficit has been financed by foreign and international accounts. More recently, the current crisis provided over \$5½ billion of funds to the Treasury and has significantly reduced the Treasury borrowing outlook for March and April.

Movements of funds into Treasury hands of \$3½ billion, such as occurred on February 14, are bound to have an impact on your investments. And some day the unwinding of a good part of the over \$60 billion now held by foreigners will have a reverse impact on your portfolios and you had better be watching for it. Unfortunately the data sources are not prominently displayed and you may have to dig around a bit.

Before getting too wound up on all the other potential issues ahead, I had better just list some of them. Mention certainly has to be made of the Hunt Commission Report, interest rate ceilings, Phase III and the Commission on Interest and Dividends, every future meeting of the FOMC, progress or lack of it on our trade balance and potentially the wild card called the international payments mechanism now being studied by the Group of 20. These can all have a major influence on your need for liquidity and earnings in your portfolios this year and the years ahead. • •

Tulsa's First Nat'l Tower To Cater to Handicapped

TULSA—Fourteen floors of the 41-story First National Tower will include special design features for handicapped persons, according to the project's architect.

Among the special features are easy accessibility from the existing First National Building, a curb cutout at the Main Street side of the tower, extra-wide elevators to accommodate wheelchairs, restrooms with elevated stools and enlarged toilet enclosures.

No high rise building in Tulsa and very few in America have given this amount of time and effort in preplanning and specialized design, the architect said.

Formal opening of the tower is set for October.

Bank Preserves American Heritage With Freedom Shrines in Schools

"REDISCOVER America" is the theme of a program intended to focus attention on America's heritage, sponsored by Granite City (Ill.) Trust.

The program features a number of Landmark of Freedom shrines, which are permanent collections of engraved plaques depicting scenes of well-known historical events. The shrines have been established in each of the 23 schools in the three communities in Granite City Trust's trade area.

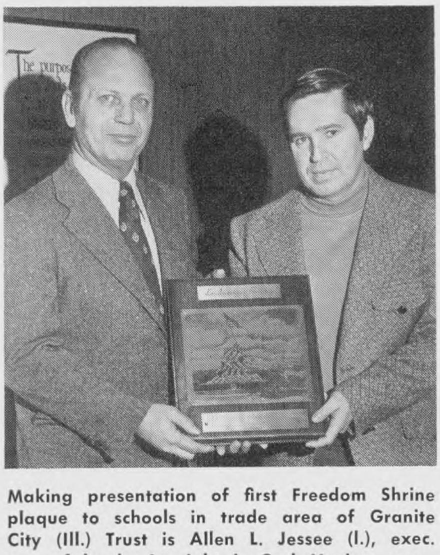
The first of what are termed "freedom landmarks" installed in the schools was a bronze plaque featuring the Iwo Jima Flag-Raising Memorial in Washington, D. C. The bank plans to add one plaque annually to each shrine.

Presentation of the selection that inaugurated the shrines was made by Ernest A. Karandjeff, president of Granite City Trust.

Prior to the installation, Mr. Karandjeff stated that "continuation of America as we have known it will be reflected in how well our youth are educated to know the values and background of America—which constitute our heritage. Therefore, the emphasis of the 'Rediscover America' program will be on faithfully reproducing and displaying the best inspirational material from America's history—its most famous and important freedom shrines."

In addition to the shrines, the "Rediscover America" program also incorporates a Freedom calendar designed especially for classroom use to supplement the heritage theme. Created by the St. Louis Calendar publishing firm of Gonterman & Associates, Inc., the calendar incorporates a lithograph reproduction of an original pencil sketch of the Iwo Jima Memorial. The bank's calendars have been of a patriotic nature for some time, and its collection of art is the same that earlier won recognition from the Freedoms Foundation at Valley Forge in bringing about a better understanding of the American way of life.

Future selections for the Landmark of Freedom shrines and calendars will feature other national memorials so that this Gonterman collection of America's freedom shrines will be permanently preserved and displayed in schools of Granite City Trust's trade area. • •



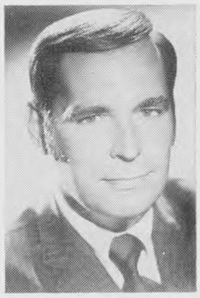
Making presentation of first Freedom Shrine plaque to schools in trade area of Granite City (Ill.) Trust is Allen L. Jessee (l.), exec. v.p. of bank. At right is Carl Macios, pres., Granite City School Board. Shrines have been established in 23 schools in Granite City and 12 schools in neighboring communities.

Home-Improvement Loans

(Continued from page 25)

all similar causes of default. In addition, there are no restrictions on rate: Credit life as well as accident and health may be included in the note.

William Schumann, president of Insured Credit Services, Inc., stated, "The home-improvement loan market is virtually untapped and its potential for growth is unlimited. Nationally, one out of every five houses is in need of major, necessary improvements, and this doesn't even take into consideration the luxury improvement market. Marketing strategies geared to locking the consumer to all of the financial services a bank has to offer through vigorous and aggressive promotion of modernization loans is a sure and profitable way to help develop full service market potential." • •



SCHUMANN

Bank Investments Conference

Fundamental Portfolio Constraints

By PRESTON T. LUNEY

Senior Vice President
Harris Trust & Savings Bank
Chicago

KEEPING in mind the liquidity forecasting techniques that bankers choose to use, the basic question is, "What kinds and types of assets do we put into the investment portfolio?" The portfolio manager always has a basic drive to maximum income over a period of time. However, maximizing income must be weighed against another factor, which is minimizing risk. The ideal allocation of assets is to get the greatest possible return with the least amount of risk.

LUNEY

There are some fundamental constraints on every institution that apply to its choice of assets for the investment account. These are going to vary for each bank but they are common in a degree for every bank.

They are:

- Capital adequacy,
- Deposit composition and cost,
- The ratio of loans to deposits,
- Composition of the loan accounts,
- Collateral requirements,
- Tax bracket and the changes in tax laws

and finally, some miscellaneous constraints, some of which deal with accounting. Let's examine these now.

This article is based on Mr. Luney's presentation at the Allocation Workshop at the ABA Bank Investments Conference, held recently in St. Louis.

The first thing the portfolio manager must consider is the question of capital adequacy as it is related to the amount of risk assets that the portfolio can support. Actually, adequacy of the capital base is surely one of the most important factors to be considered in all of bank management. Bankers have always had to strike that right balance between enough capital to support the risks taken and an excess of capital which dilutes the return to the stockholders.

Over the years there have been a couple of measurements devised to try to measure capital adequacy. The first test that has been applied is one of total capital accounts to total deposits. During World War II this ratio was quite low, at around 7%, due mostly to the rapid deposit expansion during that war. By 1965 the ratio had moved to 9.5% and at the end of 1972 it was only slightly better, at 9.8%.

The second capital measure that has come into use is the ratio of capital to risk assets. This ratio attempts in a broad way to take into account the differences in the degree of risk in certain broad asset classes. It is rather loosely defined as total assets less cash and U. S. government securities. Immediately after World War II this ratio was about 25%, which reflected large bank holdings of government bonds. By 1965 the ratio had moved to around 12% and in mid-1972 it was at approximately 10%. This also is a broad ratio to measure things by and is simply a surface indication of strong or weak capitalization and then only against the relationship of other banks.

A lot of work has been done in trying to establish specific amounts of capital required to support the risk inherent in particular types of assets. A lot of these are based on the experience of assets during the depression. I don't know how satisfactory these are in the light of today's situation. These formulas assume that a particular category of assets could have a potential shrinkage of x%. For example: 0% on cash, 5% on liquid and minimum risk assets and 10% on other loans and investments. They also apply 100% reserve against all fixed assets. These formulas are currently in use as a tool by examiners from the regulatory agencies.

Just one more word on capital adequacy. It's a matter of judgment, and care should always be taken not to rely excessively on arbitrary formulas.

Another constraint that the investment account manager has to contemplate is the constraint placed on him due to the deposit composition and its cost. In talking about constraints because of deposit structure or loan structure, I'd like to make one thing clear. I am not confusing this with the constraints that liquidity forecasting puts on these things. Liquidity forecasting really addresses itself to the question of *how much*, whereas the constraints on portfolio on the subject of asset allocation address themselves to the question of *what kind*.

A bank with a greater percentage of demand deposits than the norm and its attendant costs over the mix of a bank with a heavier demand than time de-

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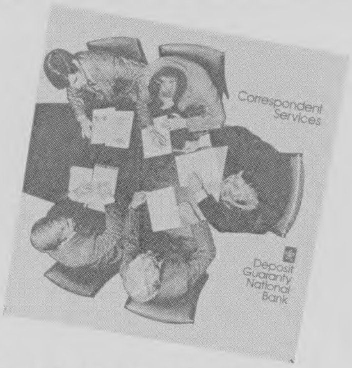

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posit mix will require securities with different maturity and different return. Depending on the size of the bank, this can get into the question of taxable and tax-exempt investment mix, which I will touch on.

The nature and composition of the loan account and its average maturity, together with the ratio of loans to deposits, is another important factor that should be considered in allocating assets to the investment account. These constraints will have quite a bearing on the average maturity and the quality and kind of bonds that are put into the investment account. For example, a bank with a high ratio of loans to deposits and capital may compensate for this by having an investment account with a relatively short average maturity. Similarly, a bank having a large volume of long-term loans might wish to carry a shorter maturity range.

Classically, the risk in banking should be taken in the loan account, not in the investment account, so that the general quality of the securities in the investment account should be very closely related to the basic composition of the loan account itself. Considering both deposit structure and loan account structure as a constraint on the investment account, the investment officer is ideally trying to balance off the nature and emphasis of the loan account in his choices for allocating assets to the investment account.

Another consideration bearing on choice of assets to allocate to the investment account is in the area of collateral requirements. Depending on its deposit mix and the character of mix of all its assets, each bank has some continuing need for funds to secure various assets. The differences between banks relating to collateral needs is probably as wide as in any of the subjects we have been working on so far. This simply is because the requirements in each state are so widely different. What is eligible to secure public deposits in one state may not be in another, or the same two securities may be accepted in different proportions, and so on.

I am sure every banker has had some experience in this area and that none of it has been terribly satisfactory. A good projection of collateral needs, future as well as present, ought to be on hand all the time so that the investment officer can avoid difficulties with the purchase and sale of his portfolio holdings along the way. One of the most frustrating things in the world is to see an opportunity for a good trade or move and on second thought see that it can't be accomplished because the bonds that are to be sold are badly needed to support some liability or other and the proposed trade cannot be substituted in collateral.

There are a number of efforts going on in many of the states to try to simplify pledging requirements and constant attempts in many quarters to correlate or compile the various pledging requirements of each of the states. I believe that anything that bankers can do on a continuing basis within their own states and others to simplify this question of pledging and collateral requirements would benefit us all.

There are a couple of new developments in this area in several states that may or may not help solve the problem. One of them is a format whereby an insurance company will issue a surety bond that is acceptable as collateral in New York State. The individual wanting the surety bond puts in collateral and for some percentage of the base value of the collateral, the insurance company then issues a bond which is acceptable as collateral by public bodies. I have been contacted by one of these concerns and I think they are making every attempt to broaden this coverage into other states.

Another development, which is temporarily sidetracked but will probably surface again, would put the burden of collateralizing public deposits on the FDIC. Last summer a rider was attached to Senate Bill 3652, which was to set uniform rules for state taxation of federally insured banks. This rider provided 100% insurance for deposits of public funds at all federally insured banks and S&Ls. The bill didn't pass, and needless to say, neither did the rider, which was introduced and pushed by Senator Proxmire.

Our friends in the S&L industry were interested in this bill because it would give them access to accepting public funds. However, their sponsorship of the legislation might nevertheless have some mixed blessings for us in the area of collateralizing public funds.

Another broad area that has to concern the investment account manager as he contemplates the allocation of assets is one of tax considerations. There is no question that taxes have had quite an impact on the bond market in the last few years, for a number of reasons. The first has to do with the mix of taxable and tax-exempt securities. This is a matter which has to affect every account manager. If a bank is not in the highest bracket because its income is below $25,000, it obviously has little incentive to hold tax-exempt municipal bonds. On the other hand, some of our largest money-center banks in recent years have had basic changes in their tax patterns and at the other end of the scale have had a diminishing value to them of tax-exempt bonds. That isn't to say they can't or won't buy municipal bonds, but you have to recognize that the value of the tax-exempt yield to them is not as high as it is to taxpayers at the maximum corporate rate.

Therefore, the account manager is going to have to determine for himself the real yield after tax of any particular security of the tax-exempt type. Members of our organization have reported consistently a growth in the numbers of banks throughout the country whose mix of taxable against tax-exempt income is changing and consequently are not in the market at this time for municipal bonds. *Much of this change in tax bracket has been brought on by new leasing operations and, in the case of the larger money center banks, a great increase in their sources of income from international operations.*

As we all remember, prior to July 12, 1969, federal income tax laws permitted commercial banks to deduct losses on securities sold from current income as an ordinary loss, provided there were no offsetting profits in the same year. At the same time, we were allowed to treat profits on securities sold and held for over six months and not offset by losses in the same year as capital gains. That is different now, since all capital gains are taxed at ordinary income rates.

Conceptually speaking, maybe that isn't all bad. The constraints which forced the portfolio manager to consider only the tax impact of investment decisions are gone now. Investment account managers now have an opportunity to maximize their return based on pure investment decisions without the sometimes inhibiting effect of tax considerations. This certainly ought to pro-

Comptroller Camp Resigns

Comptroller of the Currency William B. Camp has resigned, due to ill health. His resignation became effective March 23.

Mr. Camp was named Comptroller in late 1966 by President Johnson. He was reappointed to the post last year by President Nixon. His term was due to expire in March, 1977.

He had been with the Comptroller's office for 36 years. He succeeded James J. Saxon, whom he served as first deputy.

Justin T. Watson, first deputy under Mr. Camp, is serving as acting comptroller until a successor to Mr. Camp is named.

Mr. Camp was a firm believer in permitting national banks to move from the traditional role of money lender into allied financial fields.

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We invite our friends in commercial banking to inspect a list of the corporate and municipal underwritings handled by us during the last few years. After all, our interest is the same as yours— the growth of your depositors. An intimate knowledge of capital sources will serve this end. That's why Wall Street is spoken here.

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vide a better climate in which to make those kinds of decisions.

Another technical aspect of the tax consideration constraint on the allocation of assets is in the area of wash sales. When any security held for investment is sold at a loss, no deduction for the loss for tax purpose is allowed if the test of not purchasing substantially identical securities within 30 days is not met. All portfolio policies, therefore, ought to include established guidelines to avoid any conflict with this wash sale provision.

In looking at tax constraints, we have to look to the future. Legislation may soon be introduced to restore the capital gain feature on discount bonds. The relative attractiveness of municipal securities is largely dependent on tax law and there are several proposals which could order the nature and type of municipal financing. Senator Proxmire's proposal to permit the issuance of taxable bonds is an ongoing issue and any general subject of tax reform has to have us focusing on the treatment of tax-exempt bonds for corporations as well as individuals.

One last constraint that the investment officer has to consider in the allocation of assets to his investment portfolio is the one of accounting. The fact that banks must amortize the premium paid for securities over their life and the fact that they may set up accrual systems to handle the discount on securities purchased below par must be considered in determining the particular types of securities one wishes to buy.

The purchase of securities of relatively short maturity at quite a high premium and their subsequent sale at other market levels can produce book losses.

Accruing discounts can cause another set of considerations. If discount securities are purchased and then subsequently sold at other market levels, the bank that accrues discount can find itself with another situation where a book loss is involved in the sale. From a tax standpoint, a loss isn't involved at all; there is still a capital gain to the bank. Nevertheless, for accounting and reporting purposes, you have a book loss situation.

The investment considerations of any sales of either premium or discount bonds may be very sound, but I think you have to keep in mind that under present accounting and reporting systems the uninitiated might draw erroneous conclusions from the results. At present, it is the practice to report securities gains or losses in a special category below the net income or income before the "securities gains and losses" line. This is a convenient, common measurement but perhaps, for a number of the considerations I have just outlined, it might be a better measurement of total performance if everyone began to look at the net income figure after all types of entries.

There is some reason to believe that some moves are being made in this direction.

I have outlined, very briefly, some of the basic constraints and fundamental considerations that a portfolio manager has to contemplate in allocating assets to his investment account. These constraints will influence every bank in a different way. Hence, there is no common investment asset that is going to meet the needs of each person as he applies its values against each of the constraints I have mentioned. • •

VNB Offers Direct-Voice Authorization System

VALLEY National of Arizona, Phoenix, has begun a new system for Master Charge authorization inquiries in which merchants talk directly to the computer. They obtain a verbal verification from the computer in less than a minute.

Called Audio Response, the system is said to be the first of its kind in Arizona and among the first in the nation. The system offers an alternative to calling the Master Charge authorization center where an operator would call the bank's computer center, then relay the sales authorization to the merchant.

Valley Bank Master Charge department mgr. Charles Sweet (r.) checks on Audio Response system used at Ford dealer in Glendale, Ariz. Primary use of the authorization system is made by the auto dealership's automobile rental and leasing division, according to Don Fisher (c.), the firm's office mgr. Dorothy Duke tries out the system.

The only information available to the merchant regarding the customers' account is whether the sale is authorized or declined.

"In 45 seconds or less," says Charles C. Sweet, manager of the Valley National Master Charge department, "the merchant can dial into our computer operation center and get an authorization on a Master Charge card submitted for payment. This new system substantially reduces the time required to obtain an authorization."

The only equipment needed by the merchant is a touchtone telephone or a touchtone pad that can be adapted to a dial telephone at little cost.

■ SAN FRANCISCO—Carl C. Trondhjem, assistant manager, credit card department, Wells Fargo Bank, has been made a vice president. He was an assistant vice president.

Bank 'Moves' St. Pat's Day

A full-page newspaper advertisement in Decatur, Ill., newspapers last month proclaimed that St. Patrick's Day would fall on March 16 this year, instead of the usual March 17.

The ad was sponsored by Decatur's Millikin National, which is known as "O'Millikin National" each year when St. Patrick's Day approaches.

Since the bank is closed on Saturdays, it moved its annual St. Patrick's Day celebration up one day. The ad invited people to drop into the bank for refreshments of hot coffee and corned beef. They could also receive free four-leaf clovers and enjoy a musical program by the "O'Millikin University Chamber Singers" and the "O'Millikin Strollin' Band."

Of course, no one would prevent people from turning their "green into gold" by opening golden passport accounts at the bank!

Bank officials said 600 people "dropped by" during the lunch hour to partake of the bank's hospitality.

Characteristics of a Good Bank Director Include Dedication, Interest, Responsibility

By EDWARD E. TILLMON
President
Bank of Finance
Los Angeles

A PERSON of good standing within the community is usually selected to play the role of a bank director. There is a tendency to publicize the names of a bank's board quite broadly. Banks seem to follow this practice more than any other industry.

Webster's definition for the word "director" is: "A member of a board, chosen to direct the affairs of a corporation or institution." Another definition is: "Businessmen and other prominent community figures who serve as bank directors, allowing the use of their names as an assurance to the public that they supervise or direct the policies and activities of the financial institution."

A director has the full responsibility of utilizing his knowledge, wisdom and skill toward the proper and successful operation of his bank. The key word for a director is "direct," the first six letters of the word "director." A director must be able to direct. The role a director plays when making operational decisions will vary according to the size of the institution and other prevailing circumstances.

Directors should and do delegate supervision of functions and activities to bank officers, but they cannot legally delegate their responsibility for developing policies for the proper conduct of bank affairs. The "buck" cannot pass beyond the directors because they have the ultimate responsibility to promote the objectives of the bank, the industry and the community; to safeguard the assets and rights of the bank; and to account to the depositors and the shareholders.

It is extremely important that the directors and officers of a bank define their individual responsibilities so that delegated duties will be performed by the officers and that the policy-making function, together with proper review, will be performed by the board. Directors should delegate the active management of the bank to the executive officers.

Duties of the directors are:

- Use reasonable care and prudence in selecting officers.
- Supervise, in a general sense, the affairs of the bank.
- Have a general knowledge of the conduct of the bank's business.

Using the letters of the word "direct," I have prepared a partial image of the successful director.

"D"—Dedicated and loyal. The director is dedicated in providing a profitable, well organized and operated bank that will provide the community with services of high quality. The director is loyal to his bank through the use of banking services to the utmost extent.

"I"—Informative and interested. The director is the eyes and ears of his bank and must be alert to business opportunities that are beneficial to the bank's progress. The director should possess community awareness and act as one additional liaison between the bank and the community. The director should also be interested in bank affairs other than the scheduled board meetings.

"R"—Responsible and responsive. The director has the fiduciary responsibility for developing policies and guidelines consistent with banking laws that are necessary for successfully operating a bank. The director should be responsive to the needs of the bank and the community and also be especially aware of the needs of the economic trade area.

"E"—Effective. The director, as a member of the bank's board, can properly and constructively challenge management to help assure the financial success and growth of the bank. He should be able to assist in translating ideas into policies that will increase the "bottom-line" figures at the end of the year.

"C"—Character. A director is a person who is socially, morally and to some extent legally responsible for the satisfactory operation of his bank.

"T"—Together. A director should express unity of purpose, or a sense of togetherness with the other members of his board.

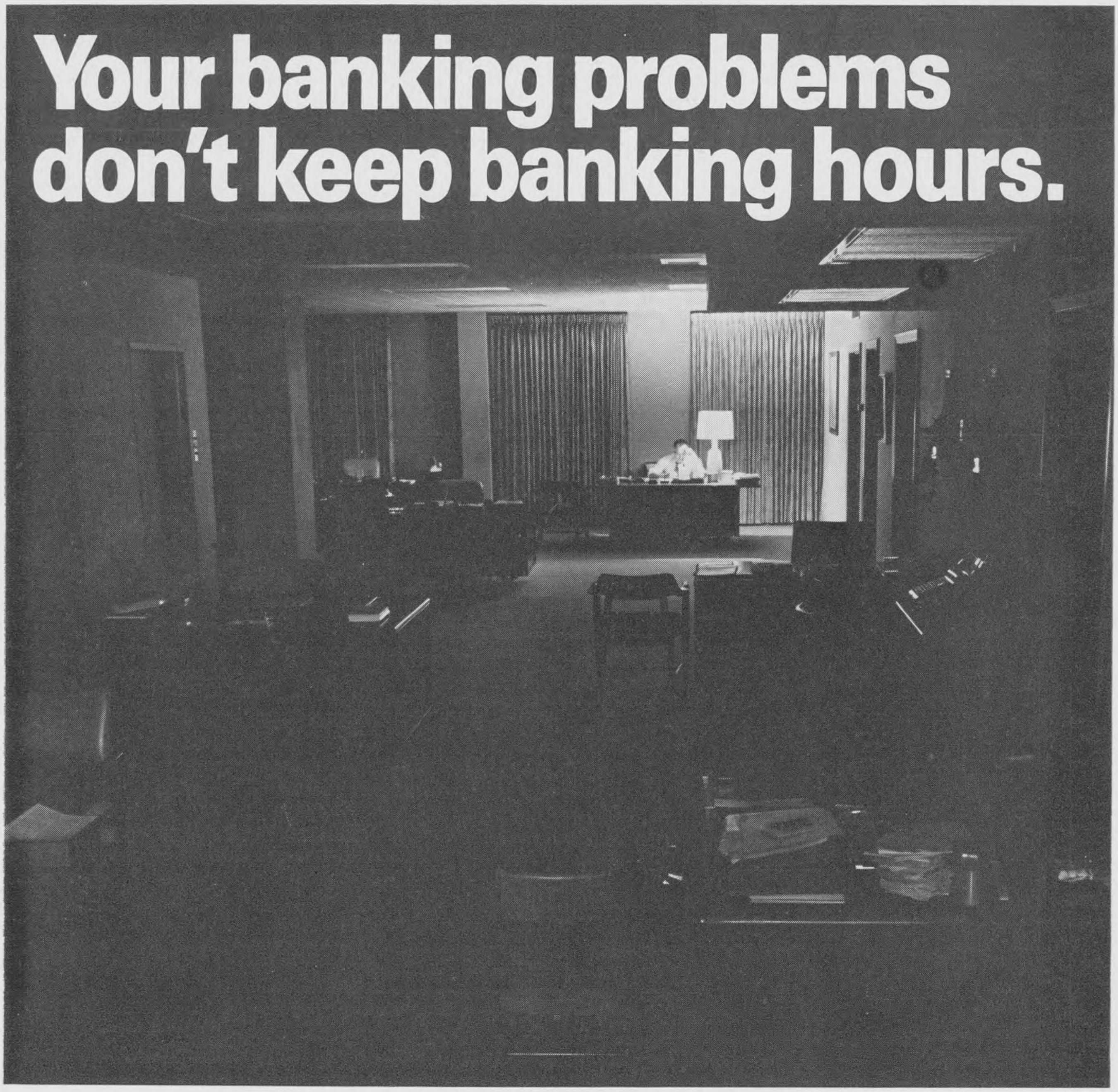
To sum it all up, a director should "direct," while bank management should "manage" the bank's daily affairs. To use a football analogy, the directors must make sure management carries the ball. They must also make sure they are providing good blocking so management has an open field down which to carry the ball. • •

Customer 'Concern Center' Established by Bank

JEFFERSONVILLE, IND.—Citizens Bank has established a customer concern center, which is designed to improve communication between the consumer public and bank management.

The center will be headed by a coordinator of customer service, who will report directly to senior management. The center will give prompt action to all customer complaints, meaningful consideration of customer suggestions and ideas for improved services. The center will also seek to give clear explanations of bank policies and information on bank services.

Customer inquiries will be received by telephone through a special number. Callers are assured of responses to their requests within 24 hours.



It would be great if your banking problems ended when your last customer walked out the door. But they don't. Banking problems last through the night. They can occur any time. Over the weekend. During holidays. That's why you need someone you can rely on for help — for as long as you need it. At First American, the men in our Correspondent Bank Division will work to solve your problems 7 days a week for as long as you need them. Whether you need assistance in servicing a large loan, portfolio analysis, data processing, industrial development, international banking, leasing, or help in designing your new bank building.

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(Front row) H. B. Martin, Jr., Assistant Vice President, Regional Sales Manager East; J. Wayne Williard, Jr., Assistant Vice President, Assistant Department Manager; William M. Nicholson, Territory Manager; Robert B. Johnston,Territory Manager, J. Thomas Bunton, II, Territory Representative; (Back row) E. Bruce Tarleton, Territory Manager; Ray M. Shore, Territory Representative; M. D. Britt, Vice President, Department Manager; James E. Hollingsworth, Territory Manager; Truman I. Myers, Jr., Regional Sales Manager West; H. Lester Morris, Jr., Agency Supervisor; Joe B. Bass, Territory Representative.

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3 RAINBOW COIN WRAPPER
Color coded for quick, easy identification. Red for pennies . . . blue for nickels . . . green for dimes . . . to indicate quantity and denominations . . . eliminates mistakes. Tapered edges.

4 DUZITALL COIN WRAPPER
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5 OLD STYLE COIN WRAPPER
Basic coin wrapper in extra strong kraft stock. Printed in 6 different standard colors to differentiate denominations. Triple designation through colors, printing and letters. Tapered edges.

6 KWARTET COIN WRAPPER
Wraps 4 denominations in half size packages. A miniature of the popular "Automatic Wrapper" . . . 25c in pennies, $1.00 in nickels, $2.50 in dimes, $5.00 in quarters.

7 FEDERAL BILL STRAP
Package contents clearly identified on faces and edges by color coded panels with inverted and reverse figures. Made of extra strong stock to assure unbroken deliveries. Only pure dextrine gumming used.

8 COLORED BILL STRAP
Entire strap is color coded to identify denomination. Printed amount appears on top and bottom of package. Extra wide for marking and stamping. Extra strong stock for safe delivery and storage. Pure dextrine gumming.

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Ideal for packing currency, deposit tickets, checks, etc. . . . do not break or deteriorate with age. Size 10 x ⅞ inches and made of strong brown Kraft stock with gummed end for ease of sealing. Packed 1000 to a carton.

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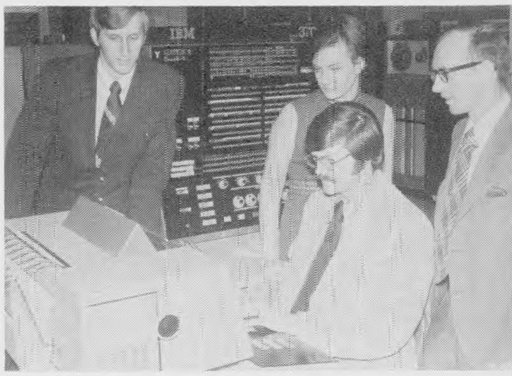
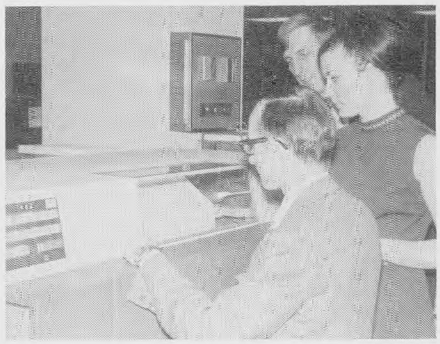
Internal Bank Auditors Write Own EDP Programs At First of St. Louis





AN AUDITING DEPARTMENT of a bank, by its very definition, is supposed to check the bank's financial records and to verify or authenticate their correctness. In other words, it is to be the bank's "watchdog."

However, as computerized equipment has been increasingly utilized by banks to process their records and as such equipment has become more and more sophisticated, auditing departments of automated banks were presented with a problem. How could they continue to make independent audits of the bank's various records when they did not know how to program a computer to "tell" it what information they needed? In the past, internal auditors, because they suffered from a lack of technical knowledge of automation, relied on the EDP department to write computer programs to produce reports which would be used in their audit functions.

Now, thanks to new software packages, bank auditing departments can maintain their independence by writing their own programs, thus using the computer as an audit tool and using the concept of auditing "through the computer" instead of around it. A typical example is St. Louis' First National Bank, which began leasing a software package from Simplimation, Inc., last November. Simplimation is a 2½-year-old St. Louis-based software company, and its "Interrogator" program was the subject of a feature article in the July, 1972, issue of MID-CONTINENT BANKER. The article described how "Interrogator" is being used by the Missouri Division of Finance to allow its examiners to make independent examinations of banks whose records are processed by computers. In fact, one of the field tests the division made on "Interrogator" before adopting it was run at St. Louis' First National, which processes records for some of the state-chartered banks that the Missouri Division of Finance examines.

"Interrogator," according to Allen J. Smith, president of Simplimation, was designed specifically for use by non-technically trained persons. It provides them with a tool they can use to "interrogate" computerized files. In other words, everyday English is used instead of "computerese" to write programs to "instruct" the computers to produce the results desired by the auditing department. With this package a member of an auditing department can write his own program, specifying the information he needs, take the program directly to the computer department, watch as

TOP: Coding is the first step in producing an "Interrogator" program. S. R. "Sam" Anselmo (l.), assistant auditor in charge of EDP auditing at First National Bank, watches as Judy Davies and James Werner of his staff prepare an "Interrogator" program on demand-deposit overdraft accounts. One advantage of "Interrogator" is that EDP auditors can "instruct" computers themselves instead of having to rely on EDP programing personnel to do it.

SECOND FROM TOP: Mr. Anselmo (r.), Mrs. Davies and Mr. Werner (l.) watch as Pat Morrison, First National's computer system specialist, loads an "Interrogator" program into the computer. To maintain good auditing procedures, the bank's EDP auditor or member of his staff must be physically present in the computer room when any "Interrogator" program is run.

THIRD FROM TOP: Mr. Anselmo, Mrs. Davies and Mr. Werner watch as information on demand-deposit overdraft accounts they had "requested" from the computer is printed. It took just 15 minutes to run this particular "Interrogator" program. Usually, informational reports produced by "Interrogator" can be obtained within 24 hours, whereas manually it could take an undetermined number of days to obtain the same information.

BOTTOM: Frank W. Gresoski (seated), auditor of First National Bank, and Mr. Anselmo review the list of demand-deposit overdraft accounts produced via the "Interrogator" program.

the program is run and then take the information produced by the program back to his department for examination.

At First of St. Louis, S. R. "Sam" Anselmo, assistant auditor in charge of EDP auditing, is enthusiastic about the prospects of EDP auditing and the usage of this software package in conjunction with them. "The ability to think logically is the primary criterion of anyone using 'Interrogator,'" he said. It was Mr. Anselmo's assignment to find a software package that his department could use in its audit endeavors. He evaluated a number of software packages before choosing Simplimation's package, which he had become acquainted with through the Division of Finance's field test at his bank. He began evaluating "Interrogator" last June, and the lease agreement was signed in November. Mr. Anselmo said he chose "Interrogator" because it offered five valuable assets.

It is versatile. Everything from producing a simple report to simulating portions of production programs can be done. It is flexible. Changes can be made to existing audit programs with a minimal amount of effort. Complex problems that involve extensive calculations can be solved. It is simple to learn how to use this package, and it does not require that a person learning it have a great deal of technical knowledge. In fact, relatively little if any technical knowledge or formal program training is needed to write programs using this software package. The technical knowledge required to communicate with a computer has been built into it. Lastly, because of the ease and speed with which programs can be written, First National's department has a very fast turnaround time. A simple program requires no more than 24 hours from the time that it is written until the results are received. Even complex programs usually require no more than three days' turnaround time.

"In addition," he said, "Simplimation can tailor its package to fit each client's particular requirements and can make changes to his package as needed after it has been implemented."

Working with Mr. Anselmo are Judy Davies and James Werner. One or another of these three is on all five of First National's EDP committees, four of which have to do with implementing new automated systems and one of which establishes and reviews EDP standards.

First National uses "Interrogator" on its two IBM/370, model 155, computers. One of these computers has a core storage capacity of over 500,000 characters, and the other system has a core storage capacity of over 1,000,000 characters. All the bank's programs are now being run under IBM's operating system (OS).

The auditing department has written audit programs for most systems that are automated. In addition, it plans to use "Interrogator" during the conversion of an existing system to an automated system to check and verify the accuracy of the information converted and to balance predetermined control totals. The upcoming systems for which audit programs will be written are the central information file, commercial loan, bond securities and financial control systems.

At First National, there are four purposes for which "Interrogator" is used, said Mr. Anselmo.

1. Report generation.

Any information contained on any type of computer file can be extracted and printed in any desired format with a minimum amount of coding.

2. Auditing by exception.

Specific information regarding accounts or transactions which are exceptions to general rules can be extracted from computer files based on any selection criteria established by the auditing department. Thus, auditors do not have to wade through voluminous, cumbersome reports to obtain exception information needed in their audits. For instance, on a printout of demand deposit overdraft accounts, First National prints the following information: account numbers, names and addresses, current balances, number of days overdrawn, number of times each account has been overdrawn in the current year and in the previous year. Also on this report there are subtotal breaks by category of accounts, final totals representing number of overdraft accounts and their overdraft amounts and file totals for all of the bank's demand deposit accounts and their dollar volume. This report also can be used to determine whether the number of accounts and dollar volume involved are decreasing or increasing.

Thus, a complete list of overdraft accounts which are not interspersed with other types of accounts is available for the auditors to review and analyze. Manually, to obtain such a list, they would have had to go through the bank's entire trial balance of demand deposit accounts to pull out those that were overdrawn.

3. Ability to perform calculations.

Calculations, such as calculation of interest accruals on certificates of deposit, are easily coded and are used to check and verify formulas that are part of the computer programs written by the EDP staff.

4. A comprehensive confirmation program.

As an example of how "Interrogator" has helped streamline First National's audit confirmation procedures, Mr. Anselmo cited the bank's new installment loan confirmation method. Installment loan customers are provided with more comprehensive information than formerly. For instance, the new program can ask the customer to confirm the number of extensions on a loan, late charges, current due date, collateral, co-maker, amount of regular installment, number of remaining payments, balance of loan, dealer number and account number. There also is room on the confirmation form for extraneous comments from borrowers regarding discrepancies. Previously, Mr. Anselmo continued, bank confirmation requests were not very useful because the information contained on the confirmations was very basic and usually dealt only with account numbers and balances. Someone in the installment loan department, by means of file maintenance entries, or someone in the computer departments, by means of program changes, could conceivably perpetrate a fraud through manipulation of any of the above-cited information. By confirming this type of data, the auditor uses the assistance of the bank's customers in determining the accuracy of the data being maintained on the installment loan master files. Mr. Anselmo maintains that since the auditing department codes its own programs and controls the processing and printing of these confirmations, the possibility of fraud is decreased substantially.

Also, he said, before "Interrogator" the bank printed both the first and second confirmation requests at the same time on a two-up form. Thus, second requests were printed for all accounts confirmed even though there was no necessity to do so. Now the bank prints the first confirmation request at the same time as it prints a confirmation control report. This information is written onto a tape file. An IBM card is punched for each confirmation request received from the customer. These cards are processed against the first confirmation tape file, and all information pertaining to unmatched accounts is used to produce the second confirmation request. Once again, manual effort is reduced.

The time-saving element of "Interrogator" was pointed out by Mr. Anselmo, who said it takes 50% to 60% less time to audit a department with the aid of a software package than it does to audit it manually. Usually, he continued, informational reports produced by "Interrogator," from the inception of program coding to the printing of the reports, can be obtained within 24 hours, whereas manually it could take an undetermined period of days. Of course, he added, this 24-hour turnaround time does depend on how many other computer programs are scheduled for production on any given day in the computer department.

To illustrate for MID-CONTINENT BANKER the speed with which an "Interrogator" program can be run, Mr. Anselmo, Mrs. Davies and Mr. Werner "instructed" the computer to produce a list of demand deposit overdraft accounts. This information was in their hands within 15 minutes!

The "Interrogator" program is activated by a series of parameter cards which specify what is to be done by the computer. These cards are punched and arranged behind the actual "Interrogator" program. This "Interrogator" program card deck is always kept under lock in the auditing department; it is never left in the computer area. The computer is loaded from this card deck and the information required by the auditing department is produced on printed reports. This same information also can be stored on an output device such as a magnetic tape or disk file.

To maintain good auditing procedures, First National's EDP auditor or a member of his staff must be *physically* present in the computer room when an "Interrogator" program is run. Before and after the programs are run, tapes used in the processing of the runs are sealed with auditors' seals which cannot be broken without the authorization of a member of the EDP audit staff.

Mr. Anselmo pointed out that if the "Interrogator" program was changed by someone without his knowledge or authorization, he would be able to detect this change because the program would not function properly. The program is written in such a way that he is assured of the security and independence he requires as an auditor.

At First National, the program parameter cards, coding sheets and descriptions of every audit computer program written are kept as documentation. The auditing department follows First National's EDP programing standards as established by the EDP standards committee.

One reason for the success of "Interrogator" at First National is the cooperation the auditing department receives from the EDP departments. Mr. Anselmo said that his department and the EDP departments work smoothly together not only in scheduling and running programs, but in assisting one another in attaining the objectives established by the management of First National. • •

Banks Set Up Communications System To Fight Bad-Check Artists

BAD-CHECK ARTISTS are being given a "bad time" in San Antonio, Tex., thanks to a private-line teletypewriter system installed in 20 banks in that city. The system, commissioned by the San Antonio Security Officers Association, permits member financial institutions to exchange security information quickly and accurately. Those involved in the system admit that it can never take the place of police protection, but they do look on it as a first reliable step toward fraud prevention.

Bill Parish, president of the Security Officers Association and comptroller, Union State, described the purpose of the system:

"Our common cause was to protect our customers as well as our individual banks. Chances are that if a bad-check artist operates in one bank, he will go to another in the same town. Therefore, if we can communicate certain mutually beneficial information, such as types of accounts, color of checks, amounts and individuals' names, our chances of apprehending criminals are greatly enhanced."

The system, designed and installed by the Southwestern Bell Telephone Co., works like this: Teletypewriter machines are installed at each member bank with a control room established at Union State in downtown San Antonio. These machines are capable of sending online or punched paper tape messages at speeds of 60 words per minute.

In addition, the teletypewriter at the control point, where Mr. Parish is available to make decisions, also can store messages on paper tape for transmission at fixed intervals. For example, every morning a routine test message is transmitted to all participating members to determine whether their facilities are operating properly.

Of the almost 40 banks in San Antonio, 20 already are part of the system, and Mr. Parish expects that figure to climb until, eventually, all the banks become members. As each bank joins, it becomes part of the private, secured circuit designed to communicate security information.

The service is billed at a fixed rate. As additional banks become part of the system, the actual cost to individual members will be reduced because each participating member pays a pro rata share of the bill.

Skillful planning enables the association to go beyond the mere exchange of information about bad checks. A variety of local as well as federal agencies were asked and agreed to become part of the communications system. This means that while a professional criminal is trying to defraud a bank, the district attorney's office can be making out a warrant for his arrest at the same time. Advance information also is supplied by the FBI from a direct line to Washington. The postal inspector of San Antonio belongs to the circuit and, in turn, shares his unit with the local secret service.

The system had its beginning in the fall of 1969, when the security officers of San Antonio banks and S&Ls met to form the Security Officers Association. This group investigated the need for an organized communications system as encouraged by the Bank Protection Act of 1968. Although Texas law prohibits branch banking, the subject of security necessitated closer cooperation among competing banks.

To meet the new association's needs, a variety of systems were tested. During the early part of 1972, Mr. Parish appointed a committee to investigate various systems for speed and reliability. A communications consultant from the telephone company was invited to join in the discussion. A Bell System private line teletypewriter service emerged as the fast, reliable solution that satisfied all association members.

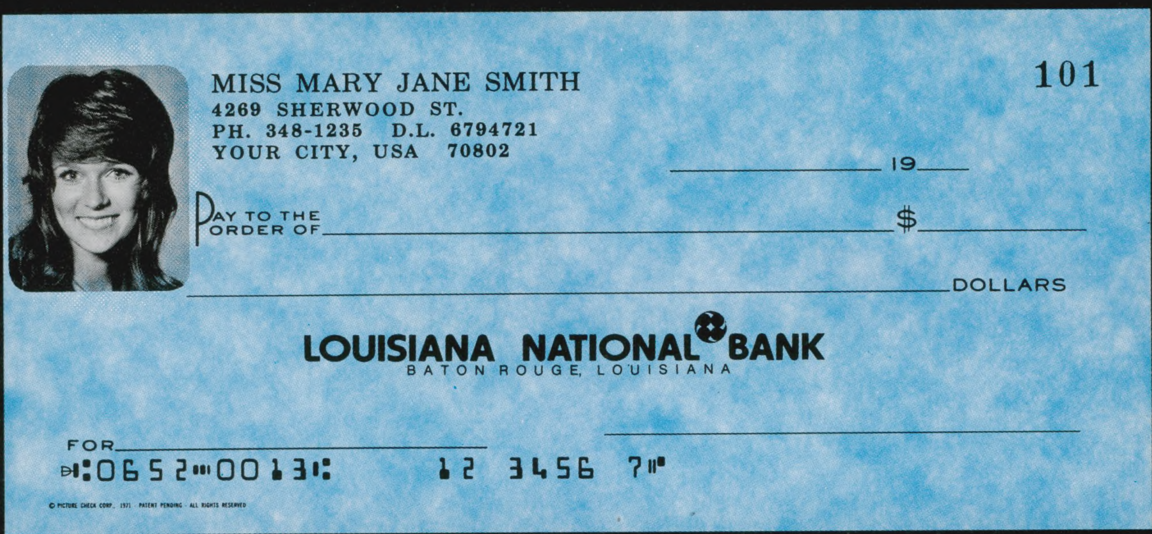
Association members expressed immediate satisfaction with the new system. James Templin, vice president, Bexar County National, likes its flexibility. He noted that by adding sets or moving existing ones, the service can be located at any convenient location. Sets can be placed at a teller's station or with a security officer. At larger banks, a teletypewriter can be installed in the credit card department.

Since the system was initiated, two banks had no losses for a two-month period. William Steubing, vice president, San Antonio Loan & Trust Co., believes his firm's investment in the security system is well worth it "when you realize that the average loss to our bank is about $200 to $400 a month." He also described the system as "a well-rounded information network." • •

TOP: Control unit of San Antonio's private-line teletypewriter system is operated by Miss Ruth Ann Hartman, bookkeeper at Union State, which is system's control point. Control unit is capable of sending punched tape messages that also can be stored and used for transmission at fixed intervals.

BOTTOM: Bill Parish, comptroller, Union State, is president, Security Officers Association of San Antonio, which—under his administration—made private line teletypewriter system a reality. Its objective is to keep bad-check artists from operating successfully at San Antonio financial institutions.

How to promote checking without giving it away.



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First Nat'l of Birmingham Turns 100 After Starting as 'Linn's Folly'

A BANK that had such bleak prospects it was called "Linn's folly" is observing its 100th-anniversary year. First National of Birmingham, Ala., held centennial celebrations February 27 and 28 and March 1 with cake cuttings at all 30 of its offices. Mints baked into the cakes were redeemed for silver dollars by thousands of customers at the Main Office and the 29 branches.

First National published a centennial edition of its bank newspaper, *First National News,* which contained many articles about and pictures of events in the bank's history.

In addition, the bank is offering special "century of service" checks to customers. The scenic checks feature such city views as the airport, University of Alabama Medical Center, Birmingham Botanical Gardens, downtown Birmingham and a ladle, representing the iron and steel industry, basis of the city's first economy. The bank also prepared a month-long exhibit of old photos, documents and mementos from its archives. The display was shown in the main lobby of the Main Office.

First National, just a year younger than the city it has served for a century, was organized in the Elyton Land Co. offices in October, 1872, received its charter the next month and opened for business the following January 2 as the National Bank of Birmingham. Its first location was a three-story brick building. The moving spirit behind the bank's organization was Captain Charles Linn, Finnish-born former seaman. At that time, people didn't share his enthusiasm either for his adopted city or the new bank and were aghast to learn the bank building cost $4,000. Thus, the description of the bank and its building as "Linn's folly."

The year 1873 saw some setbacks for Captain Linn by producing a cholera epidemic that summer and a national economic recession. However, his enthusiasm paid off, and the bank grew. Two mergers helped—first with City Bank in 1884, when the National Bank of Birmingham adopted its present name, and then with American-Traders National in 1930.

First National's 29 branches had their beginnings in 1935, when the Alabama Legislature passed an act permitting branching in Jefferson County. Last year saw the organization of the state's largest bank holding company, Alabama Bancorp., of which First National is the leading bank. The bank also is in the mortgage banking and servicing field, having acquired Engel Mortgage Co. in 1971.

The bank, which began its life in a three-story building that overshadowed everything in sight at that time, moved in 1971 into its 30-story headquarters building, called First National-Southern Natural Building, in downtown Birmingham. Its former quarters, now the John A. Hand Branch, had been its home since 1940.

Planning and overseeing construction of the new headquarters building were done by John A. Hand, who retired January 1 as chairman of the executive committee after 44 years' service to First National. Mr. Hand was president from 1956-68 and CEO from 1958 to last July. Robert H. Woodrow Jr. is now CEO and chairman, and M. Eugene Moor Jr., is president. • •

Kathy McPherson, employee of First of Birmingham, cuts slice of bank's 100th-anniversary cake for customer. Thousands of visitors went to Main Office and 29 branches for cake, some pieces of which contained mints that could be redeemed for silver dollars.

LEFT: Bank employee at visual display terminal inquires into Central Trust's customer information file while Warner P. Baumer, a.v.p. in the data processing department, looks on. RIGHT: In foreground are manually maintained card files that are being replaced by Central Trust's computer-managed online customer information file. Visual display terminals in background are used to access the CIF for retrieval of customer information.

Customer Relationships Strengthened By Computer at Central Trust

WHILE it is true that the computer is frequently viewed as a briskly efficient, but remote and impersonal business machine, not too often is it seen as a support tool that can strengthen and reinforce the human element in financial dealings. Yet, the latter is precisely the case at Central Trust, Cincinnati, where a sophisticated computer technique is being applied to help cement solid personal relationships between the bank and its customers.

Contributing in a real sense to the personal touch in banking at Central Trust is a computer-managed, instantly accessible data base of customer information that brings together all of a customer's banking records in one place. Bank employees can draw upon the data base for an up-to-date profile of any customer's total relationship with the bank. The result is greater responsiveness to the individual customer's personal banking needs, according to bank officials.

The Cincinnati-based bank, with assets of over $700 million and 29 branch offices in Hamilton County, was the first bank in the country to implement IBM's customer information file (CIF), a field-developed program. CIF is designed to organize and interrelate thousands of records so that any customer may be quickly matched with each of the various account relationships he or she maintains with the bank. The file record can be accessed by customer name, by a CIF key developed from the customer name, or by account number. Online terminals can be used to instantly retrieve and display record information that is needed for reference or verification purposes.

"The CIF approach is especially useful at Central Trust because of the heavy emphasis we place on personalized banking services," Oliver W. Birckhead, president and CEO, points out. "We believe it is important to have as much business information as possible about each of our customers so that we can consider the total customer relationship, rather than only a particular account relationship. This approach facilitates better, more personalized service to the customer. It also supports more efficient and, again, more personalized marketing of our diversified banking services.

The data base Central Trust has created to support the CIF system consists of two separate, but interrelated, types of master records. The customer information file contains data relating specifically to an individual customer. Right now, this is name and address, but the record can be expanded to include other pertinent information. The file is sequenced by the CIF key, a unique identifier developed from the customer name. Associated with the CIF key is a set of "pointers" that identify the customer's specific account relationships.

Account-related records are stored in application indexing files (AIF), one for each type of account that is integrated into the system. To date, this includes demand deposit accounts, savings accounts, installment loans and Master Charge. AIF records also contain "pointers" for customer records in the other account files, providing for complete cross-referencing. Thus, when a customer information file record is accessed either by customer name or CIF key, the pointers to the AIF records make available information that shows the customer's total dealings with the bank. Similarly, an individual ac-

count number can be used to access the application indexing file record, which "points" in turn to the CIF record.

The control computer for Central Trust's CIF system is an IBM System/370 Model 145 located in the bank's data processing center. Cross-indexed records are stored on magnetic disk units which are kept continually online to the central computer. Four IBM 2260 visual display terminals are used to initiate data update and data retrieval transactions with the CIF system. Currently, the system averages several hundred transactions a day.

When bank personnel telephone requests for customer information or verification of account status, the terminal operator simply enters the inquiry into the system and obtains a display of the master file record on the terminal's TV-like screen. Prior to CIF, this type of inquiry often required a time-consuming manual search of separate record files.

A customer applying for a new banking service needs only to give his name, and a terminal operator can quickly obtain full information about the individual's existing relationships with the bank. Quite often, this information alone is sufficient to authorize a new service, completing the transaction with a minimum of delay and inconvenience to the customer, and building both goodwill and additional business for the bank.

The ability to immediately obtain a customer's banking profile is especially valuable to the bank's Consumer Finance Division, where installment loan and Master Charge transactions must be handled quickly and efficiently. The CIF system will reduce the credit search requirement for a customer whose credit status already is known elsewhere in the bank. It will also eliminate much of the time-consuming paperwork involved in processing loan applications, because of the ability to retrieve basic information already on file. Further, since the information obtained by the loan officer is more complete, the bank's credit risk is reduced.

Change information, such as a new customer address, is expedited with the CIF system because the change notice needs to be entered only once to update all affected record files. This saves the customer time since he no longer has to notify each department with which he does business, and it saves the bank the expense of duplicate transaction processing. The CIF file will also expedite retrieval of customer account information for use with the bank's new automatic teller service.

Better service to the customer is primary, but it is not the only advantage of the new CIF system, according to Central Trust officials. The customer information file is an effective tool for more selective marketing of Central Trust's many banking services. Following the established theory that the best prospects for a new service are the bank's existing customers, the system can rapidly search the central file records to identify credit-worthy and likely candidates for a new offering.

Pinpoint prospect selectivity in the promotion of services not only pays off in more desirable new business, according to Central Trust management, it also can safeguard against wasted time and a possible loss of goodwill in the marketplace. In the past, when a general prospect list was used, costly promotional mailings offering a particular service sometimes were made to customers who already were using the service.

On a broader marketing scale, computer analysis of CIF data can help bank management determine the optimal location for a new branch office. Once a new branch location is selected, computer scanning of the file records can help identify customers who should be informed of the new branch opening. Information in the computer's files can be easily sorted and summarized in a variety of ways helpful to Central Trust management and marketing people. Business trends, for instance, can be analyzed by geographical area. The system can be used to help evaluate the profitability of individual customers, as well as particular groups of customers, with respect to their overall bank relationships.

The concept of a centralized and integrated source of customer information was identified as an important project by Central Trust management, and installation of the CIF system began early in 1972. The system includes the programs needed to develop, maintain and use the online data base of customer information.

And it has proved to be a support tool that can strengthen and reinforce the human element in financial dealings.

R. F. Ford Is Exec. VP At First of St. Louis

ST. LOUIS—Richard F. Ford has been advanced from senior vice president to executive vice president of First National. In his new post, he is responsible for the commercial banking divisions, international and retail banking and the marketing and advertising department.

FORD

Mr. Ford joined the bank in 1969 as vice president in national accounts. He became head of the eastern division for national accounts in 1971 and was placed in charge of Division III of the commercial banking division in October of that year. He was promoted to senior vice president April 12, 1972.

Before going to the bank, Mr. Ford was manager of institutional and corporate business development with Merrill Lynch, Pierce, Fenner & Smith, Inc., St. Louis, where he worked from 1961-69.

Third Nat'l Names Staff Counsel, Promotes 9 to Officer Status

NASHVILLE—Third National has named James L. Roberts vice president and staff counsel. Mr. Roberts is a former assistant U. S. attorney for Nashville and has been engaged in the private practice of law since 1955.

Nine staff members were elevated to officer status as administrative assistants. They are Joseph H. (Jody) Bowman IV, Gary L. Foutch, Daniel R. Hawkins, James E. Hicks, Robert David Rawls, Mrs. Pearl Adams Sanders, Lloyd F. Smith, John Spain and Ernest A. Valentine.

New Money Order Program Offered by American Express

LOUISVILLE—Liberty National is offering a new money order program designed for over-the-counter sales in banks. The program is available from American Express.

The new money order system was established to relieve banking organizations of some of their accumulating paper work burdens. It offers the bank a complete "package" bank customer service featuring a gold money order form with a $250 issue limit.

The plan offers banks an established and personalized money order service without the administrative burdens and one which the bank can be assured accommodates its customers in the manner to which they have been accustomed, said spokesmen for American Express and Liberty National.

■ CITIZENS FIDELITY, Louisville, elected Doug Howell and Michael P. Currier assistant cashiers. Mr. Howell joined the bank in 1971 and is responsible for salary administration, fringe benefit programs and research. Mr. Currier, with the bank since 1970, is in the marketing department.

SBA OPERATIONS

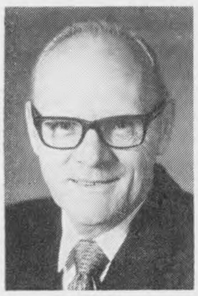
Banking Is Integral Part

THOMAS S. KLEPPE

Administrator
Small Business
Administration
Washington, D. C.

WHILE IT exercises every effort to be totally responsive to the needs of small businesses, the Small Business Administration at the same time keeps a focus on banking's needs.

Because of the size of the small business community's external credit requirements, estimated to be at least $16 billion a year, a major portion of these funds must be provided by the private sector. Small businesses and the SBA need banking's help to provide the necessary credit.



KLEPPE

The rate of federal financial assistance to small businesses has grown spectacularly since the SBA's founding in 1953. Growth in the last few years has been particularly dramatic. A new record has been set every year since 1969. The tally for fiscal year 1972 follows:

• More than $1.5 billion loaned to small businesses. This was 40% more than in 1971, more than double that of 1969.

• The SBA's total portfolio reached more than $3.7 billion, almost double that of 1969.

• Six hundred thirty-nine projects costing $147 million were funded through the Community Development Program, 43% more than in the previous year. Two-thirds of these projects were located in rural areas or small communities of less than 10,000 population.

• A total of 274 Small Business Investment companies reported private capitalization of $340 million, a 5% gain over 1971. The companies' financing activity was $168 million, a gain of 8%. These figures reversed previous decreases in the venture-capital industry.

Private-sector participation in SBA loan-making has undergone similar upward progress. Investment by banks in the agency's business-loan programs now amounts to 86% of total funds disbursed, compared to 50% in FY 1968. Two out of three commercial banks have SBA-guaranteed loans in their portfolios.

Bank-SBA Seminars

HUTCHINSON, KAN.—Hutchinson National, in cooperation with the Small Business Administration, sponsored a series of "Business Management" seminars for area businessmen in January and February. The free seminars were held on Monday and Wednesday nights at a motor hotel.

Subjects discussed included profit planning, business record keeping, marketing, business loans, occupational health and safety standards, leasing and buying equipment, credit and collections and estate planning.

Hutchinson National also invited other banks in the surrounding area to invite their local businessmen to take advantage of the seminars.

The ratio of numbers of bank dollars to SBA dollars put into business loans tells an astonishing story. In 1961, for every dollar the SBA put into the business loan program, the nation's banks put up 25 cents, or a ratio of four to one. In FY 1970, this ratio had reversed itself, one to four. For every SBA dollar, banks were putting up $4. Currently, for every SBA dollar, $13 is leveraged from the private sector for America's small businessmen. This represents a 5,100% increase in private-sector participation in 10 years.

Contributing factors to this increase have been the SBA's efforts to ascertain that every eligible small business has the opportunity to secure advantageous credit terms and to make an intensive solicitation of banks to help provide the necessary credit.

In pursuit of bank participation, the SBA took a long, hard look at itself and resolved to make the agency more businesslike, with a minimum of government red tape. For example, numbers of forms were reduced—note forms from 11 to one, guaranty agreements from six to two, applications from seven to one and internal processing forms from 42 to 18. Time lags were reduced and loan programs simplified.

In addition, a fluctuating interest rate on SBA-guaranteed loans was introduced. The policy works two ways: First, it permits banks to obtain a higher rate of interest when interest rates go up; and second, it permits the small business borrower to gain the benefit of a lower interest rate when rates go down. If agreed on by the borrower and the bank at the time the loan is

approved, these fluctuations are permitted twice a year.

The guaranteed portion of SBA loans has many banking uses. These monies can be used as collateral for treasury tax and loan accounts; they are eligible collateral for advances by Federal Reserve banks and collateral security for uninvested trust fund accounts; they can be sold with an obligation to repurchase and not be included in computing the bank's total borrowing limitation, and they can be sold to investors.

In FY 1972, the SBA made and guaranteed 19,881—7(a) business loans for a total of over $1.3 billion, with the dollars provided primarily by banks under the guarantee program. In addition, the SBA made economic-opportunity loans totaling $91.6 million and local development company loans of over $81 million. Loans of all categories to minorities totaled over $258 million. Of the total SBA loans of close to $1.6 billion, over $1.3 billion came from private-sector participation. This year, fiscal 1973, the SBA anticipates guaranteeing $2 billion in business loans.

With expanding ability to reach more small businesses, the SBA continuously pursues new avenues of approach. In January, 1971, the revolving-line-of-credit program was started.

(Continued on page 70)

Community Economic Development Program Offered by SBA

IN FIVE YEARS, where will your community be in terms of business opportunities, new jobs and bank deposits?

Every community needs a long-term plan, and many alert, perceptive bankers help shape their communities' economic development with the help of the Small Business Administration's Community Economic Development Program. This program perhaps is better known as the "502" loan.

The SBA's "502" loan program is designed to encourage a city's economic growth and prosperity by making available long-term loans to local development firms for purchases of land, building construction, expansion or remodeling and purchases of operating machinery and equipment for use therein by small businessmen.

According to C. I. Moyer, SBA regional director in Kansas City, one of his region's most successful projects is the commercial feedlot. The feedlot has provided employment in rural out-migration areas and a market for farmers' products, including wet and damaged crops, eliminated freight both ways and led to eventual spinoff industries, i.e., packing houses and rendering operations. Furthermore, he continued, the feedlot benefits from low shipping costs to the packing house and virtually no weight losses or damages to the animals.

Among the most unusual and successful manufacturing businesses helped by local development companies are: garment, plastics, athletic uniforms, flavored toothpicks, charcoal, electronics, gloves, furniture, artificial flowers, dog and cat food and mobile homes. Equally successful "502" loans have been made to assist local businesses publish yearbooks and build a professional building, clinic or medical center, nursing home or motel.

Ideally, to ensure maximum success, the small business concern being assisted should be a needed community service or function. Ineligible businesses are those tending to create monopolies, investment or lending institutions and businesses deriving income from gambling. Newspapers, radio and TV stations and magazines are ineligible, but printing plants are eligible.

According to Jim French, regional chief, Community Economic Development Division, it's best to help a local established business that wants to expand because the need for the business already has been proved.

How to Organize

How is a local development firm organized for a "502" loan? Set a date with the SBA Community Economic Development specialist to meet with a group of interested citizens from your town. This group should include at least one banker and must spend a couple of hours honestly discussing the community's objectives and aspirations. The SBA will tell the group what it can do and how it can do it. In this first informal meeting, the SBA advises, there should be a free exchange of ideas, problems and solutions. At that time, the community representatives will decide if they want to go the SBA route and identify the small business to be assisted.

Before the SBA accepts the application, the development firm must be familiar with SBA requirements for bank participation as well as other financial institutions' involvement. The most successful formula is for two or more banks, plus an S&L, to become involved.

A two-part application form provides a section to be completed by the local development company and one by the small business. A thorough analysis of the complete project is made and a decision reached in about 30 days. At this point, it's not necessary to have a formal chartered local development corporation. Temporary officers normally are elected at first to perfect its organization.

If a building is to be constructed or an existing structure purchased and modernized or machinery and/or equipment to be acquired, all such planning is under the local development firm's control.

All this must have the complete approval of the proposed small business and is subject to SBA approval as contained in the loan authorization.

What are the advantages of a "502" loan? According to the SBA, they are:

1. The community makes available the building and/or equipment for a viable small business and relieves the small business of raising equity capital for fixed assets, permitting use of capital for operating the business.

2. The small business benefits from the support of a local group of citizens desirous of its success. LDC members have a vested interest to see that the local business is a success.

3. The community gains a taxpayer and all the economic fringe benefits of the business being helped, such as employment for its people, etc.

Start New Project

The SBA said that when the project is well on its way, the community then should start work on another project. It's not unusual, according to the SBA, for communities—particularly progressive ones—to have additional loan requests pending. Subsequently, spinoff industries may move into a community as a result of the first "502" loan, and a second and even third expansion loan may result from the original small business.

For those worried about such a program being a federal giveaway, the SBA pointed out that the total federal income tax revenue generated by a small business firm's employees in a "502" loan would be equivalent to the amount needed to pay off the average "502" loan in 2½ years. • •

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Kan. Development Credit Corp. Announces Expansion Program Of Loans to Small Businesses

TOPEKA—The Kansas Development Credit Corp., which makes loans to small businesses throughout the state, announced it will expand its loan policy to further its "Kansas Funds Promote Kansas Jobs" program in 1973.

George Doak, executive vice president, said the KDCC loan field will be extended to include all commercial and industrial lending, instead of primarily to manufacturing and processing firms as in the past.

Mr. Doak said, "We broadened our loan policy in order to be a more effective tool to all Kansas banks, which provide the basic lending pool. It should improve the economy by creating more new jobs or sustaining present jobs."

Two years ago, KDCC promoted the "Kansas Funds Promote Kansas Jobs" program, involving a secondary money market whereby the Small Business Administration guarantees a portion of loans made by banks and sold to KDCC, thus releasing more lending funds for banks.

"This program has exceeded expectations, with approximately $7 million in these loans being purchased by KDCC at the end of 1972. Additional funds have been committed and estimates indicate 1973 lending activity will exceed that of 1972," according to Mr. Doak.

Larry J. High has been added to the KDCC staff as a fieldman to assist banks and borrowers in working with KDCC programs. Previously, he was administrative assistant to Mid-America, Inc., an industrial development organization headquartered in Parsons, serving southeast Kansas.

SBA Operations

(Continued from page 68)

To assist small construction contractors in the San Francisco area, the SBA guaranteed up to 90% of each line of credit eligible for approval.

The SBA guaranty is provided only under the blanket line-of-credit-guaranty program to a bank. The lender is permitted to use its own note form. The SBA may guarantee up to $350,000 or 90% of the line of credit, whichever is less. However, if it is an application under the economic-opportunity-loan program, the limit would be $50,000 or 90% of the line of credit, whichever is less. The amount of the line of credit cannot exceed a reasonable estimate of the contractor's current cash requirements needed to finance the work that he has the capacity to perform and can reasonably be expected to generate under firm contracts.

Funds advanced by the lender under this program cannot be used to repay existing obligations or to purchase fixed assets, but are to be used solely for labor and material on specific contracts. Proceeds of the specific contracts are to be assigned to assure repayment. As additional contracts are assigned, additional advances may be made, provided the total outstanding balance at any one time does not exceed the amount of the line of credit and all contracts on which advances are made are completed within the terms of the line of credit or agreed-on extensions necessary for contract completion.

This is the first SBA program that utilizes private-sector procedures and forms after the initial agreement has been executed. The program has been expanded to include manufacturing and service industries as well as construction contractors.

The cumbersome system of collecting guarantee fees also has been simplified. Effective January 1, 1973, a one-time payment plan was introduced. The one-time fee is set at 1% of the amount of the authorized guaranteed portion of the loan and is payable at first disbursement by the participating bank.

Banks holding existing loans will have an opportunity to convert them to a one-time payment basis between mid-February and May 31, 1973, thus eliminating the substantial paper work required under original arrangements. Participating banks will be contacted directly by SBA servicing offices concerning conversion actions.

The SBA also has gone into a number of programs to aid community development. The lease-guarantee program was developed to enable a small businessman to qualify as a "prime" tenant under circumstances that would prevent his occupancy without such a rating. Through participating insurance carriers, and under certain circumstances, on a direct basis, the SBA will guarantee that a qualifying small business will pay its rent over the term of a lease.

In cooperation with companies that initiate small business development in their areas, the SBA can provide loans up to $350,000, to provide operating facilities for a term not to exceed 25 years plus construction time. The loans must be so secured as reasonably to assure repayment, and the development company usually must inject the first 20% of the costs of the project. The SBA, with private-sector participation, made over $81 million worth of loans in this program in FY 1972, and the program is expected to continue to expand.

Briefly, the goal set by the SBA for 1973 is to better fulfill its total commitment and assistance to the small business community in accordance with the definition of responsibilities of the Small Business Act. Three specific areas of attention are called for in the act: financial assistance, management and technical assistance and procurement assistance.

The SBA is concentrating on getting more cooperation and participation from the private sector, on decentralizing its operations, on getting more productivity from its employees and on educating and advising the small business community as to what the SBA programs are and how they can be helped.

The banking industry is not only an integral part of SBA operations; it's the key that makes it all possible. Small business growth and community growth depend on banks. • •

ABA Panel

(Continued from page 34)

where the Fed might come in and buy in an area in which you are short, or because of the operations of foreign central banks. The important point is that you should stay very close to shore if you have the opportunity and to play the yield curve in respect to long and short positions."

He also said that if he were running a government portfolio he would have it at absolute minimum levels. He said, that, despite 180-degree turns in liability management and loan technique, investment officers have yet to become more dynamic and moving.

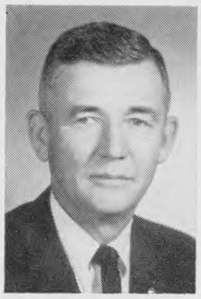
He advised holding a minimum amount of governments and said that investment officers should "look at each day as a new day," and not be timid when it comes to trading securities that don't look as good today as they did yesterday. "You ought to reexamine your portfolio every day with the possibility of a swap or a movement from one area of the market to another area of the market," he said.

He forecast that interest rates will rise to 7½%, and that, within a short time, some sort of disintermediation will occur because banks will be at the Q ceiling. He said money rates will peak in the third quarter and that there will be a buying opportunity in both the debt and equity markets before the end of this year. • •

Two Named Executive V.P.s At Merchants of Mobile

MOBILE—Merchants National has named Garet V. Aldridge executive vice president and trust officer and S. Bernard Burch executive vice president and cashier.

Mr. Aldridge joined the bank in 1935 and was named assistant trust officer in 1941. His most recent title was senior vice president and trust officer, which he has held since 1969.



ALDRIDGE

BURCH

Mr. Burch joined the bank in 1934 and became an officer in 1953.

Named new vice presidents were Sam L. Armistead, Melvin R. Coxwell, John J. Lynch Jr., Anthony F. Patrick and E. Hugh Smith Jr.

Named assistant vice presidents were Frederick W. Clarke Jr., Robert H. Massey and Robert G. Myers.

New assistant cashiers include Margaret C. Jacob, Thomas S. Lott, Lawrence L. Merrihew and Frederick W. Taul. Cecile G. Busbee was elected assistant auditor.

New assistant trust officers are Benjamin T. Lanham III, John Day Peake Jr., Lee B. Sledge III and Stewart Thames Jr.

Donald H. Smith and William L. McDonough were elected to the board.

■ NEW YORK CITY—Four new vice presidents have been named at First National City—Richard C. Kane and Richard J. Matteis, operating group; and John M. Beeman and James J. Byrnes, corporate banking.

Politics

(Continued from page 35)

the realm of local finance, subject to control by the local community.

• It broadens the market for state and municipal securities to include investors for whom tax exemption has no appeal.

• By permitting overloads of supply to flow into the taxable bond market, it should encourage more stable pricing in tax exempts.

• Taxpayers in the maximum bracket enjoy maximum advantage from tax exempts. The Proxmire bill should lower tax-exempt rates relative to taxable rates. This would reduce the advantage in the maximum bracket and stifle the criticism that tax exemption is a windfall to the wealthy.

• It should obviate the need for more new federal agencies purporting to assist local financing needs.

I recognize that the Proxmire bill could be a Trojan Horse. I would dearly love to leave things just as they are, but I am afraid the outside world won't let us live with the status quo. A large segment of the public, acting through its elected representatives, has determined that the present system of local financing is all wrong. They think the tax-exempt privilege costs the Treasury more in lost revenues than it saves the cities in interest cost. They believe that tax exemption provides an unfair tax shelter for the rich.

Obviously, I do not agree with this reasoning. Neither do you. There are several things we can do about it. We can close our eyes and hope it goes away, we can ready our political and legal defenses for a real fight on the issue or we can make a constructive response to the criticisms of the present system.

We could stand and fight. That strategy has worked before, but I don't think it will work this time. We have lost too much support among elected local officials and there are not enough municipal bondholders to make the Congress listen. If we fight to maintain the status quo, we will probably wind up with municipal bond income subjected to the minimum income tax.

I am not interested in losing battles, but I am willing to fight for what is important. I am willing to compromise to maintain the vital parts of the present system. Tax exemption is a vital part of the present system. Local control is a vital part of that system. To retain those features, I am prepared to lose a part of the market to the taxable sector. I am prepared to pay higher prices for tax-exempt bonds and I am ready to suffer the confusion of a market place that offers both taxable and tax-exempt municipals.

It is imperative that we make this kind of positive response to the challenge now facing us. The Proxmire bill represents a monumental change in the industry, but a change which enables us to safeguard what is essential while satisfying the critics of the present system. This proposition deserves your support, and you must get involved right now. We, the players in this game, must be a part of changes in its rules. Since Senator Proxmire's original proposal, others have offered legislation which is similar but with important differences. Senator Muskie's bill would fix the subsidy rate at 50% instead of 33⅓%. At that level, the issuer would have no real choice but to sell taxable bonds and tax exemption would be phased out of existence.

If we do not *participate* in this change, a good idea might be disfigured into something unbearable. We must get involved. Your congressman wants and needs your professional opinion. Bankers are reluctant to get involved in politics, but if we sit on the sidelines, we have no right to carp about changes that occur.

Someone said: "We do not say that a man who takes no interest in politics is a man who minds his own business; we say that he has no business here at all." That someone was Pericles, a Greek statesman in the fifth century B.C. His message could hardly be more appropriate to American bankers today. • •

Four New Vice Presidents Elected at Indiana Nat'l

INDIANAPOLIS—Indiana National promoted four assistant vice presidents to vice presidents: Chester L. Boram, David L. Smith, Philip A. Woods and William R. Miller, all in the branch banks division. In addition, the bank elected a new officer, Stephen R. Alexander, who was named Indiana division officer in the correspondent division.

Mr. Boram, Mr. Smith and Mr. Woods each has supervision for about 15 of the bank's domestic branches, and Mr. Miller has charge of operations for INB's branch system.

ABA Correspondent Conference Scheduled for Nov. 4-6

The ABA's second national Correspondent Banking Division conference will be held November 4-6 at San Francisco's Fairmont Hotel. Victor H. Winfrey, vice chairman, United California Bank, Los Angeles, is chairman of the division. Roger A. Lyon, executive vice president, Chase Manhattan Bank, New York City, has been named conference chairman. He also is chairman of the division's government relations committee.

LYON

WINFREY

The theme of the 1973 conference —"Correspondent Banking: Building on Our Strengths"—is a logical outgrowth of last year's conference, which examined the challenges facing correspondent banking, said Mr. Winfrey. It will focus on credits, bank capital, services and competitive environment.

Capital Management Service Offered by Bank of America

SAN FRANCISCO—Bank of America has entered a new phase of the investment advisory field with Capital Management Service (CMS), designed to accommodate large individual and medium-sized profit sharing/pension accounts.

The service is offered by the bank's trust department and seeks to attract portfolios in the $500,000 to $10 million range. It will provide the same guidance and supervision given the large individual and corporate clients of the bank.

CMS is a companion program to the bank's Personalized Portfolio Advisory Service for the medium-sized investor with portfolios worth $50,000 to $500,000.

County-Wide Branching Passed in Arkansas

COUNTY-WIDE branching has come to Arkansas with passage of HB 150 by the Arkansas General Assembly.

The act authorizes banks, subject to approval of supervisory authority, to establish full-service branches in the municipalities in which their main offices are located and in communities in the same county in which their main offices are located. The bill also authorizes banks to operate existing teller's windows as full-service branches. (The Arkansas Bankers Association estimates the latter authorization will affect 192 teller's windows and drive-in installations.)

According to William H. Kennedy Jr., chairman of the Ark.BA's legislative committee, and president, National Bank of Commerce, Pine Bluff, the law loosens placement requirements so that many more branches will be established in the state. Any size bank can have a branch, providing regulatory authority approval is given.

Mr. Kennedy says the law authorizes banks to establish full-service branches in the same community in which the bank's main office is located as long as the branch is not closer than 300 feet to the main office or branch of another bank.

Should a bank relocate its main office, it can maintain the former main office as a branch, providing banking service is not interrupted.

Banks can also establish branches in any incorporated community with a population of 250 or more, provided the community is located in the same county as the bank's main office.

Mr. Kennedy says separate legislation was enacted to exempt the city of Hot Springs from branching activity for a period of three years in order to permit the newly opened Grand National Bank of Hot Springs to become established.

HB 150 also provides that a branch located in a community that has no main office of another bank will be able to continue operations should another bank establish a main office in that community. However, should applications for both a branch and a new bank be pending in the same city at the same time, the new bank's application will be given preference.

Three other bills affecting banking have been passed by the Arkansas General Assembly.

The first of these bills places banks under the same taxing provisions as corporations in the state. According to H. C. "Bo" Carvill, executive manager, Ark.BA, this means that no bank can be taxed more or less than corporations. Mr. Carvill said the issue received nationwide attention, particularly from those states whose banks have been required to pay municipal and intangible taxes.

The second bill climaxes a 10-year battle with the Arkansas Savings & Loan League and has resulted in a compromise both S&Ls and banks can live with, Mr. Carvill said. The bill allows banks' and S&Ls' participations in long-term public funds at the state level and S&Ls' participations in invested funds at the state level. The bill bases participations on capitalization of institutions on a formula basis.

Mr. Carvill said this compromise doesn't allow S&Ls to participate in local or county funds, such as sewer, library, etc.

A third bill provides for lowering reserve requirements of state banks to enable them to compete with national banks.

A bill to eliminate nonpar banking in Arkansas has not passed.

According to B. Finley Vinson, Ark.BA president, and chairman, First National, Little Rock, the passage of these bills has climaxed years of study by the association. Many regional meetings were held, at which all banks could make themselves heard on the issues. This resulted in unanimity among the state's banks; therefore, no bank objected to or fought the bills.

Passage of the bills also is a major milestone in the association's recodification program that began in 1967. HB 150 represented the 61st bill successfully sponsored by Ark.BA under this program.

Mr. Carvill said that a controversial issue—multi-bank HCs—will come up at the 1975 General Assembly. He also said that the association has gone on record to study this issue, as it has other issues, and that it will report back to the 1975 General Assembly on the subject. • •

Indiana HC Authorization Bill Appears Dead

ALTHOUGH no action had been taken at press time on the controversial bill to allow multibank HCs in Indiana, the chairman of the Senate subcommittee on financial institutions has declared the bill to be dead for the current session.

The chairman, Representative Gene Snowden, said his mail was running heavily against the bill, which is sponsored by the League for Economic Development. He added that he would not take a vote of his committee to send the measure to the full public policy committee "since there is no chance of it ever getting out of the public policy committee."

Mr. Snowden contended that opposition to the bill rests on a belief by the public that it would provide economic and political concentration of power in the hands of a few large financial interests.

Robert W. Renner, president of the League for Economic Development, and president, Citizens State, Hartford City, said his organization is not giving up its legislative fight.

A bill that would have levied taxes against the tangible personal property of banks has been amended. It now provides that only the tangible personal property owned by a bank but leased to another person or firm will be taxed.

A bill that provided branches (among other things) for industrial

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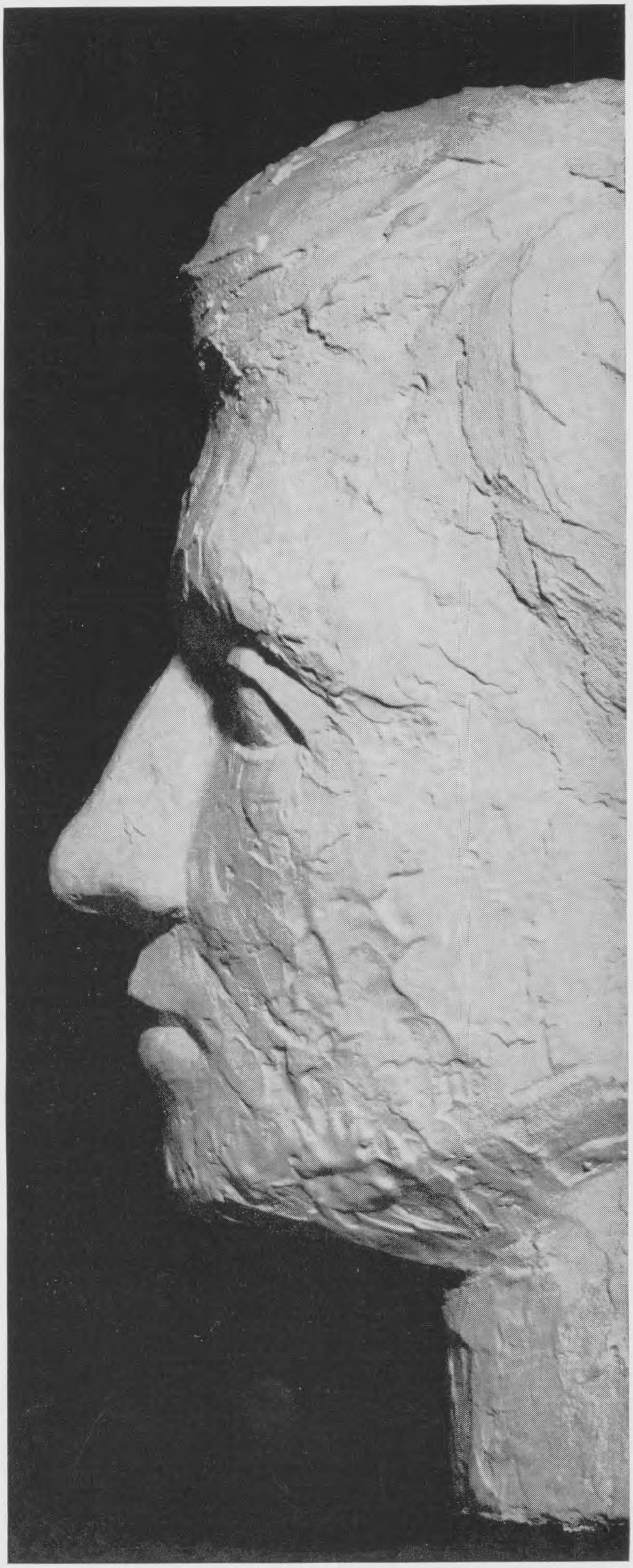

loan and investment firms within 100 miles of their home offices has been amended to eliminate expanded branching. The Indiana Bankers Association opposed the branching portion of the bill. • •

that local units of government be permitted to continue negotiating rates with individual banks. The KBA supports the uniform rate.

Branch Loan Authorization Passes Missouri Senate

A BILL authorizing loans in bank facilities has been passed by the Missouri Senate and has been sent to the House.

A bill to increase the interest rate in Missouri from 8% to 10% has been amended in the state Senate. The 10% figure has been reduced to 9%.

A new facility bill has been introduced in the House that would permit banks in fourth-class counties to have a facility in a town that does not have banking service and increases the distance the facility can be located from the main office from 10 to 15 miles.

Although the Missouri Bankers Association supports the first two bills, it is taking no action on the new facility bill. • •

Action on Bank Bills Imminent in Kansas

FINAL DISPOSITION of the Detached Facilities Bill is expected momentarily by the Kansas legislature.

The state Senate recently reduced the number of additional detached facilities Kansas banks could establish through this bill from two to one. However, the House amended the bill to reinstate the number of additional attached facilities to two. The House also inserted a clause that no bank could establish a detached facility within 2,600 feet of a new bank for three years from the date of that bank's charter.

These amendments brought the bill into conformity with the wishes of the Kansas Bankers Association.

Disposition is also imminent on the Uniform Public Funds Investment Act, which includes a stipulation making the rate banks pay the state apply uniformly to all other local units of government. Opponents of the bill prefer

In Illinois

Multi-Unit Controversy Results in Formation Of Two Opposing Groups

THE CONTINUING battle over multi-unit banking in Illinois has sparked the formation of two new organizations, one to lift the state's branching ban, the other to perpetuate it.

The pro-branching group is called the Association for Modern Banking in Illinois. It is the successor to the Association for Full-Service Group Banking, organized in 1968 by approximately 80 Illinois bankers favoring multi-bank firms.

At a recent meeting of the Association for Modern Banking, its board of directors was enlarged to 100 persons and provision was made for an executive committee of 17, according to Henry E. Seyfarth, Chicago attorney and chairman of First National, Blue Island.

Mr. Seyfarth was elected president of the association and Walter Charlton, president, First Trust & Savings, Kankakee, was elected executive committee chairman. The charter and by-laws of the old association were broadened to encompass all forms of multi-unit banking.

According to Mr. Seyfarth, the forces in Illinois that advocate branching, holding companies and any other forms of multi-unit banking "have effectively joined hands and henceforth will operate cooperatively under the banner of the new association." He said that association members would be predominantly from downstate Illinois, which has traditionally been the stronghold against multi-unit banking.

Mr. Seyfarth said the association expects to sponsor legislation to permit multi-bank operations in the current session of the Illinois legislature.

The second group is called the Committee for Majority Representation. Chief organizer is Wayne A. O'Neal, president, First National, Gibson City.

The committee's immediate aim is to elect a substitute slate of officers to head the Illinois Bankers Association for the coming year. The committee has announced its choices for IBA officers and hopes to elect them at the IBA convention in Chicago May 23-25.

The slate includes two bankers supported by the IBA nominating committee—James Ghligheri, president, Citizens National, Toluca, who is in line to become IBA president in May; and George H. Schanzle, president, White County Bank, Carmi, the IBA's nominee for treasurer.

The committee's other two candidates are John H. Beaulieu, president, Glenview State, for first vice president; and Ben H. Ryan Jr., president, State Bank, East Moline, for second vice president. The IBA's candidates for these officers are William F. Kurtz, president, Metropolitan Bank, Chicago; and Arthur F. Busboom, president, Gifford State.

(It was learned at press time that the substitute slate has been withdrawn. *Ed.*)

Mr. O'Neal has said that the committee's goal is not to disrupt the IBA convention but to bring the association's leadership more closely in line with views of the majority of its members.

He referred to the recent defeat of the IBA's recommendations for limited multi-bank operations in Illinois as a "mandate for support of the unit banking system."

"Our goal is not to police the association, but we feel that we would be more secure if there were bankers among IBA officers who are dedicated to unit banking," Mr. O'Neal said.

The committee also expects to receive most of its support from downstate bankers.

Bukowski Chairs Interbank

NEW YORK—Robert H. Bukowski has been elected chairman of the board of Interbank Card Association, licenser of Master Charge. Mr. Bukowksi is senior vice president, Continental Illinois National, Chicago.

Mr. Bukowski served as vice chairman last year. The new vice chairman is Neil F. Roberts, vice chairman, United Bank, Denver.

Among the new board members of Interbank is William Elder, vice president, Albuquerque National.

■ BANK OF LOUISVILLE has announced the following promotions: from senior vice president to first vice president, Isadore Klein; from senior vice president and trust officer to executive vice president and trust officer, Edward W. Sturgeon; from vice presidents to senior vice presidents, Stanley L. Atlas, Bateman O. Hauss Jr., Charles R. Schmitt and Paul E. Henry; and from assistant vice president to vice president, Clyde W. Jackson.

■ CHARLES M. FUGITT, senior vice president, First National, Fort Worth, has been named chairman of the 1973 Community Pride Campaign, conducted annually by the Arts Council of Greater Fort Worth.

A Case for Written Statements of Policy For Portfolio Management Procedures

By DONALD R. KOESSEL

Senior Vice President
First National Bank
Minneapolis

ALTHOUGH it may not be a technique in the truest meaning of the word, one practice that can improve the chances of success in managing a portfolio is drafting, adopting and following statements of portfolio management policies and portfolio management procedures. Portfolios have no doubt been successfully managed without such written statements, but I have found them most helpful in my own experience.

Making explicit the objectives of the portfolio management function and the policies which will be employed to achieve those objectives forces decisions on basic portfolio questions and should make clear to the portfolio manager what is expected of him. Existence of such a statement also forms the basis for portfolio management performance evaluation. Clearly stated objectives provide the standards against which performance can be judged.

In addition to expressing objectives, a statement of portfolio policy ought to deal with questions such as the size, the mix and the maturity distribution of the portfolio, the quality of the municipal portfolio and the degree to which the portfolio is to be traded.

Objectives of individual banks will vary and the style in which objectives are expressed will differ greatly. I would only urge that objectives be stated specifically enough to provide real guidance for the portfolio manager. If providing liquidity is to be the overriding objective of the portfolio management function, this should be stated, but with more precision than in such general terms. For instance, a liquidity objective might be stated as follows: "The primary objective of portfolio management is to provide fully for seasonal and cyclical liquidity needs arising from the combined negative effect of changes in deposits and loans. This objective is to be pursued even at the sacrifice of income earning opportunities."

At the other end of the spectrum, a portfolio objective might be expressed in these terms: "In managing the bank's bond portfolio, the primary objective is to earn an after-tax rate of return which will average X% over the marginal cost of funds after adjusting interest income for security gains and losses." For most banks a statement of portfolio objectives would be expressed in terms compromising to some degree the objectives of liquidity and income.

A policy statement ought to say something about how the size of the portfolio is to be determined. One example of how size might be determined is the residual approach: capital plus deposits less cash, balances due from banks, float, loans and fixed assets equals portfolio size. Another approach to size would fix the minimum at the amount needed to collateralize public funds deposits, and the maximum portfolio size at the amount which could be funded profitably without a disparity between the maturity of the sources of funds and the maturity of the uses of funds which would involve an undue risk.

Statements about mix in the policy document could be expressed in simple percentage terms, such as X% of total holdings in governments, X% in agencies and X% in municipals. Alternatively, the statement might stipulate that collateral requirements should determine mix. For instance, it might be stated that after providing governments in the amount necessary to meet the requirements of public funds accounts for which only governments qualify as collateral, the remainder of the investment portfolio may be invested in those securities which provide the highest after-tax return.

In determining the maturity distribution of the portfolio, the policy statement should probably direct the portfolio manager to use one of three basic techniques: the laddered approach of roughly equal amounts maturing over the maturity cycle; position taking in expectation of interest rate changes; or concentrating maturities at the bends in yield curves. Possibly different approaches might be specified for different segments of the portfolio.

In dealing with the question of municipal portfolio quality, the policy statement might simply limit the manager to the purchase of bonds with ratings of A or better, or require that

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Mr. Koessel's remarks are taken from his presentation as a member of one of the "Techniques of Portfolio Management" panels at the ABA Bank Investments Conference, held recently in St. Louis.

no more than X% of holdings be Baa rated, or specify that X% of the total portfolio be in Baa-rated bonds, X% in A-rated bonds and so forth. Alternatively the statement might express quality standards in terms of quantitative measures, such as minimum community size, maximum debt per capita, minimum assessed or actual value per capita, minimum coverage of debt service (in the case of revenue bonds), or in terms of any number of other quantitative measures.

Finally, the policy statement should give some guidance to the manager in trading the portfolio. The guidelines given will probably be directly related to the statement's position on maturity distribution. If a laddered approach is stipulated, required trading will probably be minimal, involving largely the roll-over of maturing securities. If the policy statement specifies a position-taking or yield-curve approach to maturity distribution, the portfolio manager would be required to trade the portfolio actively.

Equally as important as a statement of portfolio policy is a statement of portfolio procedures. This statement should specify where portfolio management responsibility lies: with the bank's board, its chief executive officer, an investment committee, an individual portfolio manager, or with some combination of these authorities. In my view, responsibility should be assigned to an individual portfolio manager operating within the framework of the portfolio policy statement. • •

Morthland

(Continued from page 32)

formulae when those formulae would have called for increases in the prime rate.

Other banks have been restrained from increasing the rate at times when they thought such increases were warranted. Finally, all four banks which increased prime to 6¼% early in February rolled the rates back to 6% after the CID asked for a report on marginal costs of money, current profits and any other factors that might explain the need for such an increase. However, a return to the 6¼% rate has been permitted. *(Mr. Morthland was speaking as of March 1—Editor.)*

Concurrently with the introduction of Phase III, the Administration initiated related actions in the fields of fiscal and other economic policies as a means of removing or dampening the causes of inflation. These actions speak loudly to me because we have seen so few of them in the last decade or so. The Administration has announced its determination to limit federal expenditures to just under 20 billion for the current fiscal year, which ends June 30. The recent budget message proposed expenditures of $268.7 billion in fiscal year 1974.

The Administration also has proposed to increase food supplies (and hopefully to hold down prices) by reducing the acreage of land set aside under agricultural support programs, by granting permission to use the smaller "set aside" acreage for grazing in order to increase meat supplies and by removal of import quotas on foodstuffs, primarily meat. It also has sought to reduce price pressures on some industrial raw materials—such as petroleum—by reducing import quotas on them, too. These fiscal and other economic actions should reduce the pressures on monetary policy to counter inflation at a time when resources are being used relatively fully. This in turn should help lessen upward pressures on interest rates.

As bankers, we may feel that our hearts are pure and our cause is just. Why, then, should standby controls on interest rates be continued, especially when we know that they are set by competitive forces in the market place? For proof of this statement we can point to the fact that interest rates (the costs of capital) move down as well as up and with greater fluctuations in both directions than do the prices of the other factors of production (labor, land and the entrepreneur).

As persuasive as this reasoning is to us, we must recognize that there are two other players in the game in addition to businessmen and the Administration. They are Congress and the people. Many voters and some members of Congress appear to believe that interest rates (prices) can be set and the economy controlled—not just affected—by statute or regulation. Other members of Congress follow the views of their constituents, even if they don't share those views, because they desire to be re-elected.

A second reason given by the Administration for continuing standby controls on interest rates is the fact that other prices, primarily wages, remain under standby controls. The Administration quite evidently believes that continuation of standby controls on interest rates is important to the attainment of moderate wage settlements as new labor contracts are negotiated in the next few months. It also believes such controls are important to the extension by Congress of the Economic Stabilization Act when it expires in a few months.

The CID has paid particular attention to three types of interest rates which it believes to be politically sensitive. They are the rates on home mortgages, consumer installment loans and the prime rate. No large increases have occurred in the first two, but they have occurred recently in the prime rate. The nature and role of this rate may not be fully understood by the people and Congress, but it is widely quoted and is highly visible.

The CID has identified four possible courses of action by Congress when urging bankers to exercise moderation and restraint in increasing the prime rate.

- Actual or standby controls on interest rates could be removed entirely.
- The present standby controls could be continued.
- Mandatory controls under the CID or some other agency could be instituted.
- Profit control measures, either in the form of margins or aggregates, could be applied to banks.

We cannot take lightly the political implications of high interest rates, whether those rates are economically justifiable or not, when we evaluate the desirability of the continuance of standby controls (together with the exercise of moderation and restraint in increasing the prime rate) against the other three alternatives.

We need go back only three years to the 1969-70 period when the prime rate ranged from 7% to 8½%. Do you think that popular and congressional reaction to these rates had anything to do with the provisions of the amendments to the Bank Holding Company Act which were passed by the House (although not by the Senate) and to the provisions relating to banks in the Tax Reform Act of 1969?

In another economic area, what do you believe will be the influence of high food prices on the reduction of agricultural support programs?

Thus the scene is set, and we move on to consider the significant variables influencing the possible effects on banking of Phase III.

The relationship between Congress and the Administration is one of the most important factors. Will the Congress approve and implement the policies proposed by the Administration in the fiscal and other economic areas? The Administration reflects its determination to carry them out. If Congress does approve and implements the recommendations, inflationary pressures will be reduced. We should note, however, that such a reduction will take place only with a significant lag.

The second significant question is whether labor and businessmen will observe voluntarily the suggested guidelines while these other actions designed to correct some of the basic causes of inflation have time to take effect. Statements by Mr. Meany commenting on the 5½% wage guidelines and emphasizing rising food prices are significant to this question.

Nevertheless, working men and businessmen would be encouraged to "hang on" without large price increases in the short run in the interest of promoting a sound economy in the longer run if they see action by Congress and the Administration in these other areas and if they believe such actions can be effective.

Forecasting a more rapid rise in prices if Congress and the Administration do not take actions in these fields of fiscal and other economic policies is not difficult. Such a statement is not necessarily a reflection that workers and businessmen will not comply voluntarily with the guidelines. The probability is that the inflation rate would have increased even if Phase II had been continued. Even then the goal of reducing inflation to the 3% level would have been too optimistic, because we currently have fewer unemployed resources than we did when Phase II began and because the controls would have been in place longer.

The size of the Gross National Product is another variable having significance for possible changes in prices. The Council of Economic Advisers had predicted a 10% rise this year to $1,267 billion, the product of an increase in real Gross National Product of a little under 7% and an increase in price level of approximately 3%. This should increase demands for additional capital, whether borrowed or equity, for additional investment in plant and equipment. Combine this with continued federal deficits, even if at a lower scale, and we have additional pressures on the credit market and continued upward pressures on interest rates.

Two other variables of great importance are actions of the Fed Board of Governors relating to the money supply and the whole gamut of actions by the Board and other government units (including Congress) influencing our balance of payments and the accumulation of dollar balances in other countries.

What do we do as bankers in such a case? There is no happy solution, so let's look for the least unpleasant alternative.

One alternative is an answer based solely on economic grounds. That would be to raise interest rates on bank loans as demand for borrowed funds intensifies, as interest rates in the competing unregulated segment of the money market rise and as costs of funds purchased by ranks rise. Such an answer brings the possibility of reactions on the part of people (many of whom do not understand the workings of the money market) and on the part of Congress.

The other alternative is to delay changes in bank loan interest rates—but not to freeze them—and to document fully changes in other money market rates and the cost of purchased funds to banks before increasing rates. The unhappy consequence of this in the short run is reduced earnings.

In the long run there may be another even more unfortunate consequence. That is the fostering of the view that prices can be controlled—not just affected—by statutory or regulatory fiat. This would be a severe setback to an understanding of the operating of the economic system. It is difficult to overestimate the havoc such a false view could have on our future.

Recently the Committee on Interest and Dividends demonstrated some flexibility in its views on the prime rate. It stated that data submitted by the Girard Bank indicated increases in costs of funds to it are outrunning the return on loans. Consequently, it did not object to an increase of the prime to 6¼%. In an accompanying statement, it explicitly set forth three criteria, other than the exercise of "moderation and restraint," which should be observed in setting interest rates on business loans.

- If increases in the prime rate occur, they should be decidedly less than for related open-market interest rates because institutions operate with certain relatively stable costs that can be spread over a rising volume of business.
- Such adjustments should be delayed until it becomes clear that the increase in open market rates is not a temporary phenomenon.
- If any rise in the prime rate occurs, special moderation should be observed in any adjustments of interest rates on small business and agricultural loans as well as on home mortgage and consumer loans.

Admittedly, any program other than that of prompt changes in interest rates to equate changes in supply or demand for borrowed funds would result in some distortion in the allocation of capital funds and a reduction in bank profits. Such a program of delay and documentation may be preferable, however, to the alternative of compulsory rate regulation, with all of its disruptions, or the control of profits, either as margins or as aggregates.

Three longer-run courses of action may help keep us out of such situations in the future. The most important is to press for removal of the causes of inflation in the areas of fiscal policy, monetary policy and other economic policies—and to exercise diligence to see that they do not recur.

Secondly, we can encourage the Fed to continue implementing the recommendations of the Discount Window Study made for it several years ago. Opening up the window on even a limited regular basis would give clear indications of trends in credit conditions, and more frequent changes in the discount rate could keep it more closely in tune with existing money market rates and restore it as an instrument of monetary policy.

The third long-run course of action sounds like a counsel of perfection, but it is basic and perhaps the most important of all. That is to develop and import to the people and Congress a clear view of the operations of our economic system, and particularly the financial sector of it. Such an understanding should include the interrelationships of the prices of all factors of production, the impossibility of maintaining effective controls of prices over all such factors for any length of time through statutory or regulatory fiat and the distortions which could result when only selected segments are "controlled" for even a short time.

Let us not point a finger at the people and Congress alone, for many of us bankers need this basic understanding also. Once we understand it ourselves, we then will need to talk to people in general, nontechnical terms that they understand.

In summary, the implications of Phase III for banking are not crystal clear and fixed. A number of factors, many of which are intangible, will influence the results. Many, but not all, of them focus directly on the level of the prime interest rate. Current events are showing us bankers that this rate is influenced by political and economic factors other than those of fiscal and monetary policy.

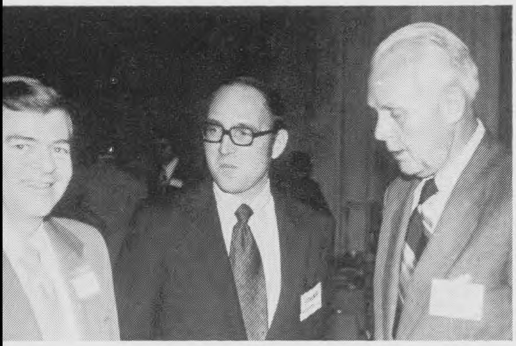
There is no happy short-run solution of the problem of curbing inflation while holding down interest rates at the same time. There is only a least unsatisfactory one, but we share this unpleasantness with other factors of production.

On the other hand, satisfactory long run solution is possible even if difficult. The two principal parts of such a solution are (1) the removal of the causes of inflation (through fiscal, monetary and other economic actions) and (2) a more widespread knowledge among bankers, legislators and the people of the organization and operation of our economic system. • •

At head table were (from l.) James E. Brown, pres., Mercantile Bancorp.; James A. Smith, head of Merc's corres. dept.; and Donald E. Lasater, Merc ch. All three were on program of Junior Executives Seminar.

Mercantile Trust Hosts Jr. Executives For Seminar and Tour of Premises

MORE THAN 200 young bankers attended the Junior Executives Seminar and Bank Tour sponsored by Mercantile Trust, St. Louis, recently. The bankers were provided with current information on bank marketing, investments, Regulation J, new money transfer techniques and the Fed's involvement in changing the money transfer system.



Earl Pendergrass (l.), First Nat'l, Tuscola, Ill., discusses point with David Stoecker, seminar ch., and Thomas Ray, seminar speaker during Junior Executives event.

Mercantile Trust officers provided the information for the most part. These included Leigh Doxsee, vice president; Thomas L. Ray, senior vice president; William A. Brady, vice president; and James E. Brown, president, Mercantile Bancorp.

Luncheon speaker was Donald E. Lasater, chairman, who gave an illustrated talk on the New Mercantile Center project for downtown St. Louis.

Mr. Doxsee, speaking on marketing bank services, stressed that banks should not consider themselves as in the business of marketing their services; rather, they should see themselves as satisfying the needs of their customers by means of helpful bank services.

He said a good advertising agency would seek out the needs of a client's customers, then design or modify services to meet those needs. In the process, he added, banks should make every effort to dispense with marginal bank services.

Mr. Ray predicted that Congress will enact some sort of subsidy of the interest paid if municipalities will issue taxable rather than tax-exempt securities. Subsidies being discussed range from one-third to one-half percent. The long-range implication of this certainly moves toward the elimination of all or most tax-exempt securities in the future, he said. He predicted that interest rates for this present period could peak out by sometime in the fall of 1973.

Mr. Brady, discussing Regulation J and RCPCs, explained the effect the speedup of check clearing had on country banks. These banks had to come up with an entire day's payment one day earlier than previous, and this amount had a tremendous impact on the assets of many of these banks. He said that demand deposit totals were declining because of sophisticated practices on the part of corporate treasurers to reduce float.

Mr. Brown described new methods being used to handle charge-card credit verifications on a nationwide basis. He also said that unmanned teller machines have as yet proved to be unprofitable for banks. He discussed the legality of off-premise unmanned machines and described how jointly maintained machines could be installed in public places with each participating bank paying a portion of the costs.

Following luncheon, the junior executives were divided into eight groups for tours of Mercantile's premises.

Chairman of the event was David T. Stoecker, assistant vice president in the correspondent banking department. James A. Smith, vice president and head of the correspondent banking department, was host. • •

James A. Smith (l.), head of corres. dept. at Mercantile Trust, chats with John Maillet, Guaranty Bank, Alexandria, La.; Steve Leverette, Exchange Bank, El Dorado, Ark.; and William Bryant, Guaranty Bank, Alexandria, La., at Mercantile Junior Executives Seminar.

JEFFERSON NATIONAL-1964 JEFFERSON NATIONAL-TODAY

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A graphic example of our assistance is Jefferson National. Chartered in 1964, its rapid growth soon demanded additional capital funds and working space. Through our debenture program, the bank was able to maintain its growth pattern, double the size of its building, and add a layer of debt capital to its capital structure.

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FDIC Revises Procedures on Applications For Deposit Insurance, De Novo Branches

CHANGES in the rules and regulations relating to application procedures for deposit insurance, *de novo* branches and office relocations have been announced by the FDIC. The changes were effective April 1.

The changes formalize the procedures by which applications are processed, require that notice be given to the public generally of the filing of an application, establish a public file on each such application and allow interested persons full opportunity to make their views known on particular applications, according to FDIC Chairman Frank Wille.

The changes are designed to satisfy developing judicial standards of due process and to insure that the FDIC does not overlook any information relevant to its consideration of an application prior to final action, according to Mr. Wille.

The changes, among other things, will provide the public and interested persons with opportunities to register comments and make objections to applications and should also assist applicant banks in establishing the merits of their applications before the FDIC acts on them.

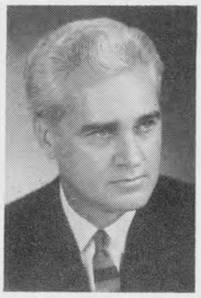
In brief, applicants now are required to publish notice that they have filed one of the designated types of application with the FDIC. Those interested in commenting or in having the FDIC hold a hearing on an application will be required to make their position known promptly.

The changes call for the FDIC to establish a public file, to be maintained at its regional offices, of material submitted on the applications, withholding only limited confidential information from the file. The public file will also contain those sections of the FDIC field reports that deal with future earnings prospects and convenience and needs of the community to be served.

If the FDIC decides to hold a hearing either pursuant to the request of an interested party or on its own motion, the amendment specifies the kind of hearing that may be held and the details as to how it will be conducted. Provision is also made for the continuation of informal proceedings when a full-scale hearing is not held. • •

Jones Succeeds Landry In Capital Bank Post

BATON ROUGE—Dr. Jack R. Jones has been elected chairman of Capital Bank. He succeeded Jules F. Landry, who has become chairman emeritus. H. Hamric Holloway Jr. has been named vice chairman and Milton J. Womack secretary. Allison R. Kolb remains chairman of the executive committee.


JONES


LANDRY


HOLLOWAY

Mr. Landry retired in accordance with the bank's mandatory retirement policy. He was chairman of the organizing committee when the bank was founded in 1955 and has been chairman since then. Mr. Landry also is president and chairman, Bank of Commerce, St. Francisville, and heads several other corporations in the Baton Rouge area. He owns the Beech Grove Plantation Farm at Wakefield in West Feliciana Parish.

Dr. Jones, a founding director of the bank, is a physician. He and his wife own the Richland Plantation in East Feliciana Parish.

Mr. Holloway also is one of the organizing directors of Capital Bank. He is president of various family-owned firms that include ready-mix concrete, concrete pipe, pre-stressed concrete, manufacture of asphalt and trucking.

Mr. Womack, a director of the bank since 1968, heads his own construction firm.

In other action, the bank's shareholders voted a 5% stock dividend.

■ NEW YORK CITY—Richard H. Pinney and Gerald D. Gunning have been elected vice presidents at Chase Manhattan.

Princess Receives Medals

Princess Anne of England receives a set of 39 medals marking the American Revolution from Britain's Postmaster General Lord Eccles (l.). Looking on is Howard L. Clark, chairman, American Express Co., which, in collaboration with the Royal Mint, produced the medals. The series will be distributed in the U.S. and worldwide by American Express.

Two Officers, 10 Employees Promoted at Whitney Nat'l

NEW ORLEANS—Whitney National has promoted two officers and advanced 10 employees to officer status.


HART

Richard C. Hart, who was assistant vice president and manager, 1100 Tulane Avenue branch, was promoted to vice president and reassigned to the Main Office. August B. Reinhard, assistant cashier and assistant manager of the branch, moved up to assistant vice president and manager.

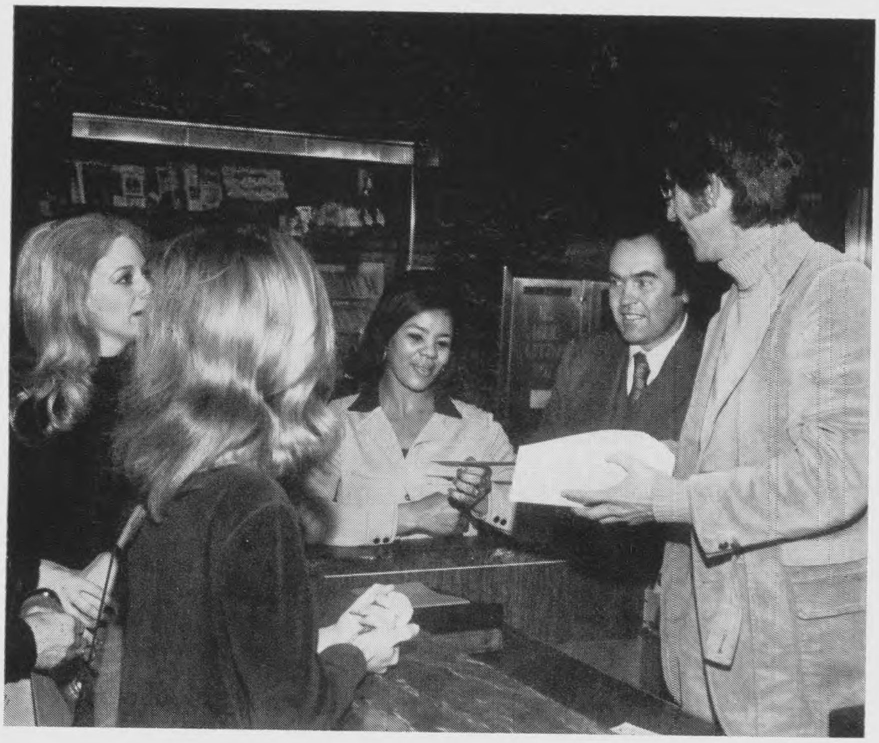
Newly elected assistant cashiers are: Miss Helen M. Alphonse, Terry J. Cedotal Sr., Miss Argie Chryssoverges, Robert A. Duffourc, Joseph X. Hymel, Peter A. Pellegrini, Herbert F. Steckler Jr. and Mrs. Dorothy D. Story. F. Joseph Beverung and Michel A. Hardouin were elected assistant auditors.

American Nat'l Promotes Four

CHATTANOOGA—American National has elevated four officers. William A. Burnett, James L. Ensign Jr. and John P. Greene were raised to vice presidents and Frederick O. Newman, currently a vice president and trust officer, was promoted to vice president and senior trust officer.

Mr. Burnett also serves as comptroller, Mr. Ensign is also auditor and Mr. Greene is in the retail division.

Mr. Burnett joined the bank in 1969, Messrs. Ensign and Greene in 1957 and Mr. Newman in 1968.



BROADCASTER AWARDS 'GROUND HOGS' IN BANK LOBBY

WHAT better way could be found to celebrate February 2—Ground Hog Day—than by giving away free ground hogs? That's what Tulsa radio personality Fred Campbell (far r.) did on February 2, 1973, and he did it in the lobby of First National, Tulsa! Mr. Campbell announced on his program that anyone desiring free ground hogs could get same by asking him—but they had to find him in the downtown Tulsa area first. Many did find him at the bank and were presented with gift certificates good for two pounds of sausage—ground hogs! Lindsay L. Alexander (2nd from r.), bank's vice president of marketing, looks on.

idea page

LADIES HONORED BY BANK ON VALENTINE'S DAY

"LADIES, we salute you!" was the greeting employees of Olympia Bank, Chicago Heights, Ill., gave women customers on Valentine's Day, 1973. Employees signed their names to large valentine in lobby. The bank also gave free boxes of candy to all women entering the bank lobby or using the drive-in.

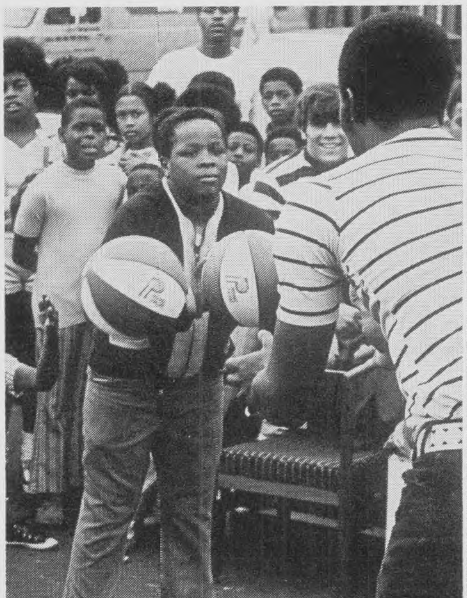
idea page

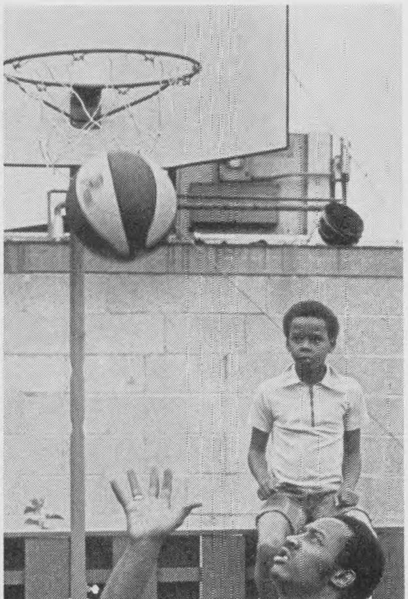
FRONT-PAGE CELEBRATION FOR BANK

A DISPLAY of 75 newspaper front page facsimiles of historical interest highlighted the observance of the 20th anniversary of First National, Arlington, Tex., recently.

A favorite of the facsimiles was the front page of the Arlington *Journal* of December 7, 1951, carrying a headline proclaiming "Local Men Reveal Plans for New Bank," which was the first public announcement of the founding of the bank. Pictured is Marvin M. Stetler, bank president, holding the facsimile.

The celebration also featured a gigantic birthday cake baked in the shape of the bank's new building, completed within the past year.





BASKETBALL PLAYER STARS AT OPENING

INDIANA Pacer basketball star George McGinnis attracted nearly 300 neighborhood children and parents to the opening of the Northwestern Banking Center of American Fletcher National, Indianapolis, recently. The star demonstrated proper techniques and practice drills for the boys and girls. Each child was given special refreshments and an autographed photo of the player. A basket-shooting contest determined the winners of official Pacer prizes. Works of a local artist were shown during the opening, attracting a large number of visitors.

'New Approaches' in Banking Services at Bankers Trust

AN ELECTRONIC information center and "sit down" teller and circular conference modules are new approaches to customer information, service and privacy at two new Bankers Trust offices in midtown New York City.

The two offices, located at One Penn Plaza and 1114 Avenue of the Americas in the Grace Building, reflect the adaptation of customer servicing needs into their architectural elements, according to the bank.

The information center at One Penn Plaza is an extension of the classic kiosk. It contains not only a continuous slide presentation on three screens but also a specially trained staff member who answers questions relating to the services Bankers Trust offers. A variety of printed material is also available at the center.

Thomas J. Eichler, vice president in charge at One Penn Plaza, said that the information center's visual display program conveys information on the various services offered by Bankers Trust and how they can apply to customer's needs.

Mr. Eichler also pointed out that tourist information is available to assist the great number of visitors attracted to the nearby Madison Square Garden complex.

Another innovation at One Penn Plaza is the "sit down" teller station, or customer service desk. Mr. Eichler said that the customer service desk is unique because "it combines some teller functions with those usually handled by an account officer. As a result, a person need go to only one place to purchase travelers checks, open an account, buy savings bonds, get a cash advance or do any of a number of other things that formerly required separate stops.

Customer adds up deposit on one of adding machines installed on check writing desks at new One Penn Plaza and 1114 Avenue of the Americas offices of Bankers Trust, New York.

"Our objective in installing the customer service desk is to shorten the time a customer must spend in doing his banking business," Mr. Eichler said.

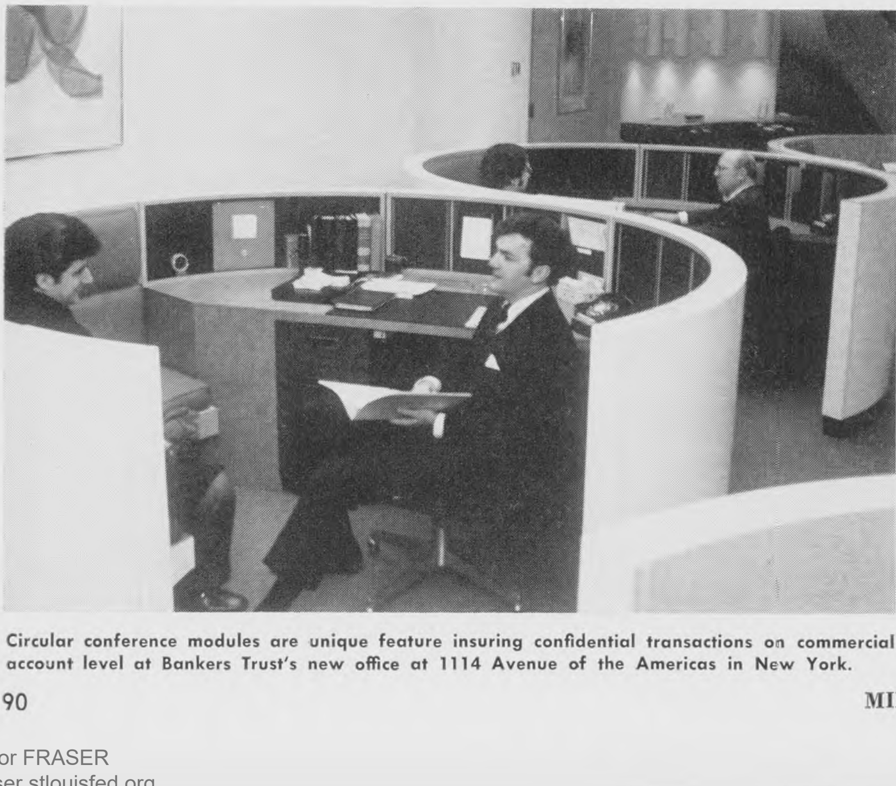
Another way in which the customer can shorten his banking time is through the use of the adding machines that have been placed on the check desks in both offices.

The 1114 Avenue of the Americas Office reflects the bank's increased effort to serve the banking needs of the individual. It is the bank's first multilevel office with personal banking on the street level and commercial banking on the lower level.

According to James C. McBride, assistant vice president in charge of the office, there was a dual reason for this arrangement.

"We felt that the personal banking area should be as convenient and as accessible to the public as possible. On the other hand, we felt that the very nature of commercial accounts dictated that some degree of privacy be afforded. We believe we have accommodated both needs in our new office," he said.

Privacy is achieved on the commercial level through the use of circular conference modules that contain both a desk and customer seating area as integral parts of the unit. The entire office, designed by Van Summern & Weigold, AIA, of New York City, is of a futuristic design with a color scheme basically of white with splashes of red.



Circular conference modules are unique feature insuring confidential transactions on commercial account level at Bankers Trust's new office at 1114 Avenue of the Americas in New York.

Willis Gets Correspondent Duties At Fidelity of Baton Rouge

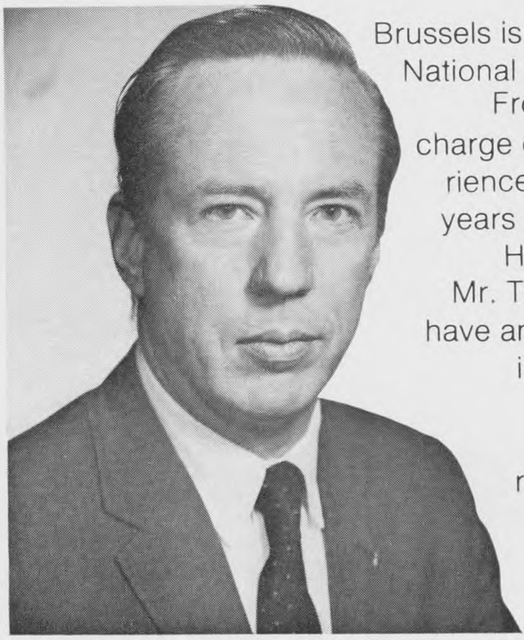
BATON ROUGE—Pat F. Willis has joined Fidelity National as vice president with duties primarily in commercial loans and correspondent banking. He is a former president of the Louisiana Bankers Association.

WILLIS

Mr. Willis entered banking in 1940 with Peoples Bank, Natchitoches, and joined the new American Bank, Opelousas, in 1958 as executive vice president, CEO and director. He became president in 1969.

In addition to having served as treasurer, vice president and president of the LBA, Mr. Willis worked on various association educational and legislative committees. He also has been president, Southwest Louisiana BAI Chapter.

Presenting the Ambassador to Europe. From the Republic. Of Texas.



Brussels is the site of the newest representative office of The Republic National Bank of Dallas, Texas.

From Brussels, Thomas L. Tweedale, vice president, will be in charge of Republic's office on the Continent. Mr. Tweedale's experience in overseas banking is very broad, spanning more than 10 years in South America as well as the nations of Western Europe. He is an alumnus of Cornell and New York University.

Mr. Tweedale represents an International Division whose officers have amassed a total of 314 years in international banking, including 168 years on foreign assignments.

The Republic National Bank's Brussels office brings to the Continent important financial representation for the rapidly-expanding Southwestern region of the United States, in which it is the largest bank. Indeed, Republic is the third-largest unit bank in the United States, with resources in excess of $3.6 billion.

Our "ambassador" is at your service. Please feel free to call upon him for attention to your requirements.

Republic National Bank of Dallas

21/22 Avenue des Arts, 1040 Brussels, Belgium/Telephone: 11-87-55
Branch Offices: London, Nassau
Representative Offices: Mexico City, São Paulo, Singapore, Tokyo, Brussels

Bienvenidos amigos.
Welcome to El Paso del Norte.
Welcome to the gateway to Mexico.

Felicidades!

StateNational
A PanNational Bank

One State National Plaza El Paso, Texas 79901

President

STONE

Leon Stone, TBA pres., is pres., Austin Nat'l, and director, First State, Burnet, and Lockhart State. He also is on the board of the San Antonio Branch of the Dallas Fed.

Vice President

SMITH

C. Truett Smith, TBA v.p., is pres., First State, Wylie, which he helped organize. He entered banking in 1942 at First Nat'l, Garland. He owns and publishes a weekly newspaper, "The Wylie News."

Treasurer

BELL

Jeff Bell Jr., TBA treas., is pres., Portland State, which he helped organize. He became its pres. in 1962. Active in civic affairs, Mr. Bell is pres.-elect of the Portland Rotary Club.

Texas Convention

El Paso, May 6-8

SCHEDULE OF EVENTS

SUNDAY, MAY 6

10-11 a.m.—TBA Committee Meetings, Convention Center.

10 a.m.-6 p.m.—Registration, Convention Center.

6:30-11 p.m.—Western Roundup and Barbeque by the Odessa Chuckwagon Gang.

MONDAY, MAY 7

9 a.m.-5 p.m.—Registration, Convention Center.

9:30 a.m.—Business Session, Convention Center.

10:30 a.m.-2 p.m.—Ladies' Tour and Luncheon.

Noon—Men's Reception, Convention Center.

12:30 p.m.—Luncheon, Convention Center.

2 p.m.—National and State Bank Division Meetings, Convention Center.

6-7:15 p.m.—Reception, Convention Center.

7:30 p.m.—Dinner and Entertainment, Convention Center.

TUESDAY, MAY 8

9:30 a.m.—Business Session, Convention Center.

Noon—Reception and Luncheon, Convention Center.

GUEST SPEAKERS

(Confirmed at Press Time)

EUGENE H. ADAMS, President, American Bankers Association, and President, First National Bank, Denver.

FRED T. BROOKS, President, Independent Bankers Association of America, and President, Merchants State Bank, Dallas.

Young Is Gen'l Chairman Of TBA Convention

EL PASO—General chairman of the TBA convention this year is Sam D. Young Jr., president, El Paso National, and president, El Paso Clearing House Association.

Serving with Mr. Young are the following committee chairmen:

Reservations—Thomas A. Ewers, president, Valley Bank; *registration*—Robert P. Crowther, vice president, El Paso National; *arrangements*—Mike R. Moses, vice president, State National; *finance*—Kenneth C. Dean, president and trust officer, First State, and Jack R. Young, president, Northgate National; *entertainment*—James W. Turnage, executive vice president, El Paso National; *publicity*—Bob Hanson, El Paso National; and *transportation*—Granville M. Green, senior vice president, Southwest National.

Co-chairing the ladies committee are Mrs. R. J. Rogers, whose husband is president, Border City Bank, and Mrs. Robert P. Crowther, whose husband is vice president, El Paso National. All are from El Paso.

Smith Chairs Planning Com. For El Paso Convention

EL PASO—Chairman of the TBA planning committee for this year's convention is C. Truett Smith, TBA vice president, and president, First State, Wylie.

Serving on the committee are J. W. Lander Jr., chairman, Southern State, South Houston; Charles Cheever Jr., president, Broadway National, San Antonio; Monroe Hannes, president, First National, Giddings; Jack Elam, chairman and president, First National, Evant; E. R. Gregg Jr., president, Texas Bank, Jacksonville; Gus D. Chesney, executive vice president, City National, Colorado City; W. C. Orr Jr., chairman, First State, Denton; and Jeff Carlile, executive vice president, Hereford State.

Plans Announced for 25-Story Austin Nat'l Tower; Its Completion Is Set for Early in 1975

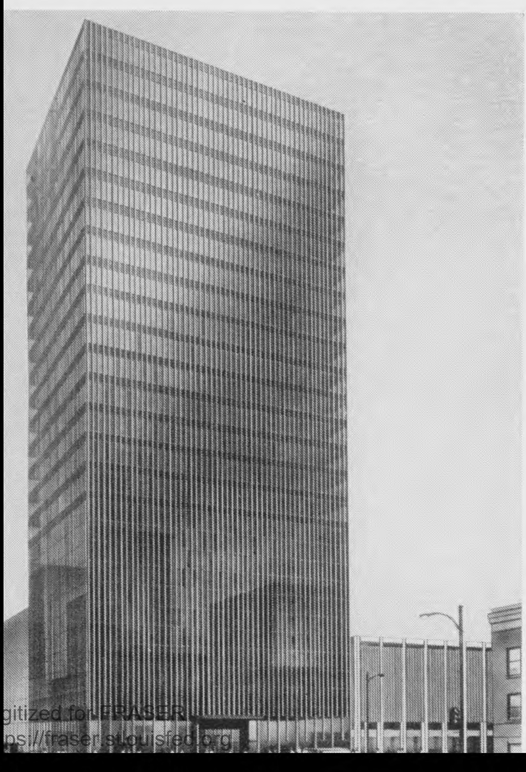
AUSTIN—Austin National will begin construction this summer on a 25-story, 430,000-square-foot building that will be known as the Austin National Bank Tower. The structure, which reportedly will be the tallest in the city, will be a joint venture of the bank and Gerald D. Hines Interests. The latter is an investment building firm headquartered in Houston.

The new structure will be erected on a 22,080-square-foot site on Congress Avenue at Sixth Street, just north of the bank's present location. The bank will take approximately 60,000 square feet on four floors—nine through 12—expanding from its present quarters. Remaining space will be leased as executive offices.

The Austin National Bank Tower will be clad in a bronze glass curtain wall and framed in bronze aluminum. The curtain wall will be flush to ground level to emphasize the verticality of the building, which will be harmonious with the existing bank structure. A 30-foot-wide canopy will extend over the sidewalk on Congress Avenue to mark the entrance proper. The lobby area will feature a 20-foot ceiling.

The building, scheduled for completion early in 1975, will have one floor below ground level for storage. In addition to commercial facilities at street level, the lobby area will contain entrances and exits to parking facilities. Parking for 350 cars will be provided on seven floors—the second through eighth—and office facilities will begin at the ninth-floor level.

The new building will become the fourth home for Austin National, which opened June 16, 1890. Allan Shivers, former Texas governor, is chairman of the bank, and Leon Stone, current president of the Texas Bankers Association, is the bank's president.



This is artist's sketch of future home of Austin Nat'l. Construction will begin this summer, with completion set for early in 1975. Bank's present building is low, modernistic structure at right of tower.

■ FRANK HATHORN has been named senior vice president in charge of commercial loans at Fidelity Bank, Houston. Mr. Hathorn has been an officer in the Houston banking community since 1962. He is a graduate of the Southwestern Graduate School of Banking.

Texas Commerce Names Williams Head of Correspondent Division

HOUSTON—Kenneth M. Williams, vice president of Texas Commerce Bank, has been promoted to manager of the correspondent bank division. He replaces J. Grant Byus, senior vice president, who has joined the staff of Texas Commerce Bancshares, Inc., the bank's parent company.

WILLIAMS

Mr. Williams joined the bank in 1966 to market data processing services. Most recently, he was assigned to the national division and called on banks and companies on the West Coast. He has been a vice president since 1970.

Other recent appointments included: Will Dalferes, assistant vice president, trust department; Tudor F. Morris, foreign exchange manager; Donald F. Rogers, branch operations manager of the bank's London Branch; Paula W. Bonnell and Albert M. Cariker, corporate trust officers; and Wynne L. Creekmore Jr., loan officer.

■ WALTER A. "Tack" Browning Jr. has left Texas Bank, Dallas, and is now senior vice president at First National, Boulder, Colo.

Officers, Directors Elected At American National Bank

BEAUMONT—Terry Kelly has been named senior vice president and manager of the commercial loan division of American National. Charles B. Childress was promoted from loan officer to assistant vice president.

In other action, shareholders elected Robert J. Robertson and Thomas B. McDade to the bank's board. Thomas E. Polk was elected an advisory director.

Mr. Robertson is a partner in I. D. Robertson & Co. and Mr. McDade is executive vice president of Texas Commerce Bancshares, Inc., Houston, HC that controls American National. Mr. Polk is an account executive with E. F. Hutton & Co.

THE Texas Bank Road Show

(or why 360 correspondent banks keep us on the go)

They use us because of people like Charlie and Rex, Dan and Newell. Each man is a top man in his specialty. Collectively they are a powerhouse sweep of total banking expertise. And together with other Texas Bank specialists, they cover pension and profit sharing analysis and planning, transit, international, bond, data processing and loan participations. They use us because its all here at THE Texas Bank in One Main Place... the professionalism, the manpower, the computers and, above all, the desire to keep you growing with us in today's fast changing world of modern banking.

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1. CHARLIE BAKER
   — 25 years in operations and correspondent banking
2. REX HOUSE
   — 25 years loan and correspondents
3. NEWELL JOHNSTON
   — 15 years credit and correspondent bank loans
4. DAN FLYNN
   — 12 years bank examiner and commercial banking

THE Texas Bank One Main Place

Dallas

MEMBER F.D.I.C.

Daytime view of El Paso illustrates city's southwestern flavor, with cactus and chaparral in foreground and majestic mountains in the distance.

El Paso Awaits TBA Convention

EL PASO, whose colorful history dates from the time of the Spanish conquistadores, will be host to the annual Texas Bankers Association convention for the first time since 1927. The convention will be held May 6-8.

It's particularly appropriate that 1973 be the year for the association to return to El Paso because it marks the city's centennial. In fact, a special anniversary observance—"Anniversario del Paso"—will follow on the heels of the TBA convention. The schedule is as follows: May 10—Merchants' Day; May 11—Arts and Humanities Day; May 12—Youth Day; May 13—Faith of Our Fathers Day; May 14—Mexican-American Heritage Day; May 15—Westward Ho Day; May 16—Ladies' Day; May 17—Founders' Day and May 18-19—Dias de los Conquistadores (Armed Forces Day). In addition, the story of El Paso in song, dance and drama, entitled "I Sing the Song El Paso," will be presented in the Sun Bowl May 10-19 with a local cast of more than 800. Anniversario del Paso Carnival also will be held every day of the 10 days at the Civic Center Plaza.

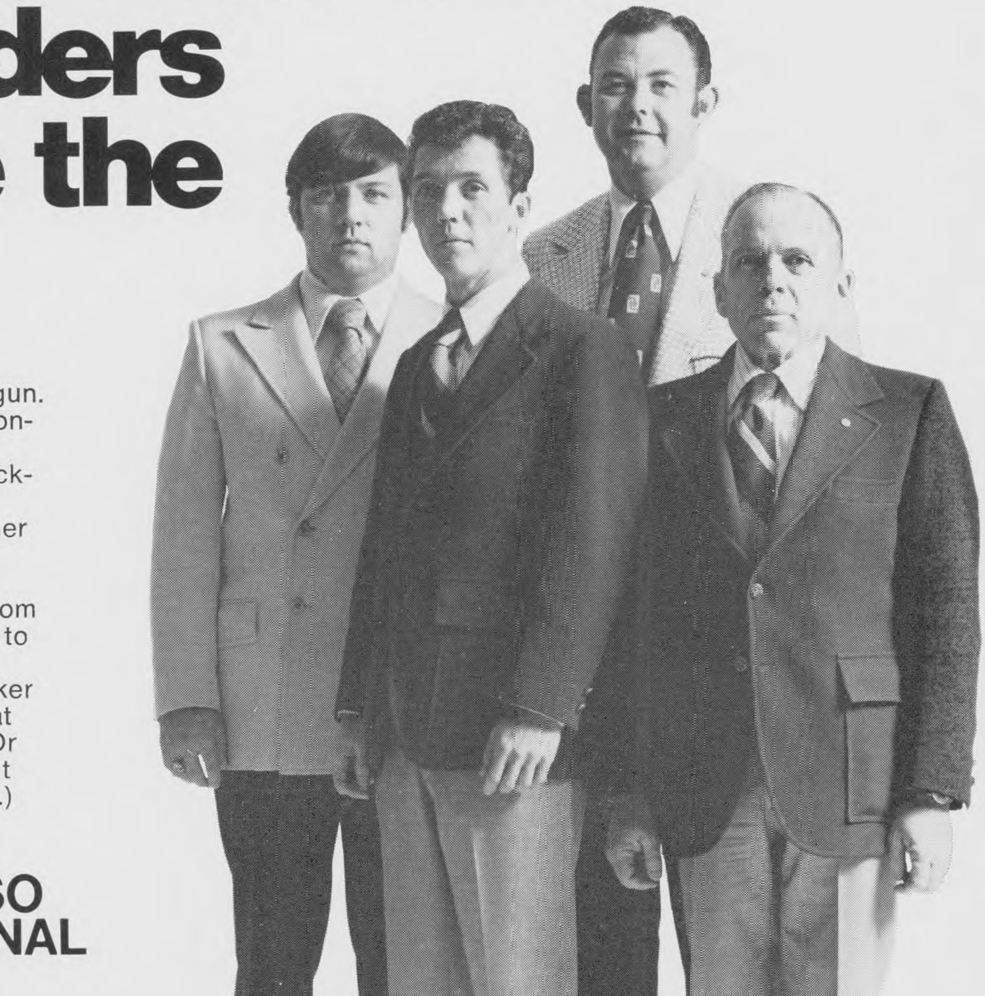
The TBA will hold its convention in the exhibition hall of the city's new $20-million Civic and Convention Center. The hall, containing 100,000 square feet, is designed for spectator events, exhibitions and a full range of convention activities from informal meetings to formal banquets. Many functions can be carried on simultaneously.

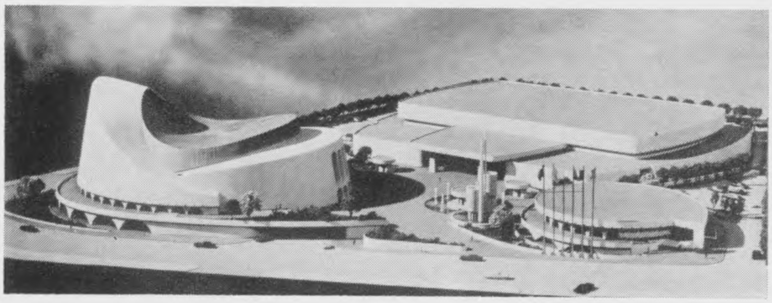
The main hall includes 60,000 square feet of clear-span space with a clear ceiling height of 28 feet that can be used for exhibit booths or an assembly where tiered seating and portable stages are required. Dividing the hall into two large rooms that are visually and acoustically separate also is possible. There are 12 dock spaces four feet in height with access to the hall through overhead doors 28 feet wide and 16 feet high. Maximum assembly seating capacity is 6,000, using portable staging and tiered seating platforms, and up to 4,000 persons can be seated for banquets. Kitchen space is for food serving and dishwashing, with food prepared off-site.

The lobby includes space for portable convention information and registration area, ticket box offices, concessions, lounges and public telephones.

The assembly-exhibition hall also has a room for board meetings, VIP receptions, convention executive meetings, etc. It has direct access to the reception-lounge and news media facility. All news media functions are provided for in the administrative area of the main lobby. A separate room is set aside for clerical requirements of conventions, and telephone service, typewriters, adding machines and other

COVER PHOTO: Ebbing rays of a magnificent sunset form a dazzling backdrop for the everchanging skyline of downtown El Paso, site of the 1973 Texas Bankers Association convention. Silhouetted in the background are the Sierra Madre mountains in Mexico, which form the southern boundary for the Pass of the North from which El Paso received its name.





El Paso's new Civic Center will be setting for 1973 TBA convention. Bankers will meet in assembly-exhibition hall (building in right background). In front of structure is Chamber of Commerce quarters. At left is auditorium-theater, which has not yet been completed.

equipment are provided.

Parking is provided in an underground space that accommodates 1,000 cars and a coordinated surface area for 500 additional vehicles.

In addition to the assembly-exhibition hall, the Civic Center has a Chamber of Commerce Building and an unusually shaped theater, the latter not yet completed.

Although the city itself is just 100 years old, it actually had its beginning in 1536, when Cabeza de Vaca and his party crossed the Rio Grande at El Paso del Norte (the Pass of the North). In 1659, the first European settlement was established in the El Paso Valley, and the Mission of Guadalupe was erected. The mission still stands on the central square of Juarez, Mexico, across the Rio Grande from El Paso. In 1680, Spanish colonists, driven out of New Mexico and accompanied by Tigua Indian refugees, settled in Ysleta within the present El Paso city limits. A trading post was erected in central El Paso in 1848, and in the same year a U. S. military post—that was to become Fort Bliss—was established. The first railroad trains arrived in the city in 1881.

Being located so close to Mexico, El Paso saw first-hand a turbulent era in Mexico's history—1910-20. During this decade, there was constant war and upheaval in the country south of the border, and names such as Francisco "Pancho" Villa, Porfirio Diaz and Francisco Madero helped change its history. In fact, El Paso had a ringside seat for a 1911 battle that took place in Juarez. El Pasoans stood on rooftops and hills to watch, and five of them were killed and 15 wounded by stray bullets from across the river. By 1916, the U. S. had a large part of its regular army along the Mexican border to keep the fighting from overflowing into this country. That same year, Pancho Villa's troops rode over a barbed-wire fence that served as the border between the U. S. and Mexico and attacked and burned the small New Mexican town of Columbus. Ten days later, 5,000 American troops led by General John J. Pershing moved into Mexico with orders to capture Villa. However, the elusive Villa managed to evade capture, and the Mexican government became incensed at General Pershing's move into its country. Negotiations were arranged in El Paso for a peaceful settlement, and General Pershing and his troops returned to the U. S. in 1917.

The troubles in Mexico added many thousands of Mexican refugees to El Paso's population.

El Paso dates back to the 1500s, but its location near the White Sands (N. M.) Missile Range provides the city with an eye on tomorrow. The range, known as the "birthplace of America's missile and space activity," is the largest land-area military reservation in this country. It is 100 miles long and 40 miles wide, encompassing more land than Delaware, Rhode Island and the District of Columbia combined. White Sands Missile Range was the site of the world's first atomic explosion on July 16, 1945. Modern optical and electronic data gathering instruments and communications systems make the range one of the best instrumented test centers in the world. Such missiles as the Army's Pershing and Lance, the Air Force's Athena and SRAM and the Navy's Talos and Aerobee are under constant test and development.

At an elevation of 3,700 feet, El Paso is the lowest all-weather pass through the Rocky Mountains. It proudly proclaims that its average daily high temperature in January is 60 degrees, and the average nightly low temperature in July is 70. According to the Chamber of Commerce, for 3,773 days between 1961 and January 31, 1972, the sun failed to shine only 11 days. The city receives small amounts of snow, but it seldom remains on the ground more than a few hours.

El Paso hasn't been the scene of a TBA convention for 46 years, but now it's all dressed up with a new civic center and is waiting to play host to the 1973 meeting. • •

Juarez, El Paso's Sister City, Offers Many Attractions for Tourists

JUAREZ, sister city to El Paso and located across the Rio Grande in Mexico, is the largest Mexican city on the border, with a population of 456,722. (El Paso has 322,261 residents.)

In Juarez, tourists may visit the old city market or street markets stacked high with produce, crafts, pottery, weaving and clothing, or they may prefer the new ProNaf shops and the Arts and Crafts Center.

Shops offer leather goods, silver, souvenirs or imported perfumes. Tacos are sold by street vendors, and there are fashionable restaurants. Glass-blowers and woodcarvers demonstrate their trades to the public, and at night bright Mexican cabarets feature Mexican and American entertainment. Bullfights are held almost every Sunday afternoon in the spring and summer, and dog races are held at Juarez Race Track.

Juarez has a plaza on 16th of Septiembre Street, on which is situated the mission of Our Lady of Guadalupe, founded by the Franciscan fathers in 1659.

Numerous guided tours of Juarez are offered by various travel agencies and bus lines in El Paso. To get from the latter city to Juarez, one has the choice of two bridges—the Santa Fe Bridge in the downtown area or the Cordova Bridge near the Chamizal Zone and Park. The cement channel of the Rio Grande may be crossed by car, on foot or—in the downtown area—by street car. No visa or passport is needed. • •

TEXAS BANKERS ASSOCIATION CONVENTION

EL PASO, TEXAS MAY 6, 7 AND 8, 1973

The bank to know in growing, dynamic El Paso.
Stanton at Main
544-1700

Southwest National Bank

At the District Meetings—

Development of HCs in Texas Termed 'Major Revolution'

Leon Stone (r.), TBA pres., poses with First District officials, Jack W. Lander (l.), member of the TBA administrative council and ch., Southern State, South Houston, and Lovett Baker, pres. of the Houston Clearing House Assn. and pres., Capital Nat'l, Houston.

By LAWRENCE W. COLBERT
Assistant to the Publisher

THE SERIES of eight district meetings of the Texas Bankers Association got underway February 18-19 with the traditional big crowd in Fort Worth for the District Seven meeting. At the time this issue went to press, six of the eight meetings had been held.

Leon Stone, TBA president and president of Austin National, spoke at each of the six meetings. In an excellent address, he told District Seven bankers that the development of multi-bank holding companies in Texas represents a "major revolution" in banking, with much more to come.

Mr. Stone spoke candidly to District Seven bankers:

"Just recently, Dr. Phillip Coldwell, president of the Federal Reserve Bank of Dallas, told a group of bank directors that we have had a major revolution (in banking) in some states. He cited Texas as one of those states that has had such a revolution, and one that is still going on. He then went on to suggest that what has happened so far may be only mild compared to changes that lie ahead. He implied that more changes are apt to come sooner rather than later, and those he mentioned are apt to affect the daily lives of most Americans, certainly all those who have any contact with the banking system. Among other things, he pointed out that there were 105 banks in Texas with more than $50 million in deposits each at the end of the year 1972. Forty-six of those banks have already committed themselves to the holding company organization. Another five have announced their intention to go that route, and 17 of the remainder are in serious negotiations.

Prepare for Change

"We know that there are over 1,200 banks in Texas, altogether, and of those, 100-odd big ones have $21 billion in domestic deposits or about 60% of all the state's deposits, which means that the other 1,000 banks account for only 40% of the deposits between them. Dr. Coldwell said at this rate of change we are likely to see another doubling by 1973, certainly by the end of 1974. And while he said that's not to say that the holding company is the 'be-all' and the 'end-all' of banking, he did suggest that bankers look ahead and plan for their bank's role in the changing structure.

Bitter Words

"I know that these words are bitter in the mouths of some of you. I know that others like the trend. I know that some of you have said, 'Let's stop the movement,' and in reply to those words that have reached me this year, I have to answer that the 'stop-the-movement' came too late. The ball was already more than halfway down the hill when most of us saw it rolling. It is my personal opinion that the holding company movement can be good for our state and the business in it and around us, without being harmful to our total banking picture. We are still a country-city duality and will remain so. Most smaller banks will continue to function in the same manner that they have for generations. They have not changed their attitudes, and a great majority of them will probably continue as individual operations in spite of the fact that the greatest portion of the money market itself will be controlled by holding companies. At that juncture, I feel very strongly the necessity to remind all of us that with the two systems working it is incumbent upon all concerned to give the very best possible service that can be contrived by each. Such is the type of product that will be demanded by the customers, and with our movable population, if it can't be had in one place it will be had in another," Mr. Stone said.

Also speaking at the District Seven meeting was James W. McGrew, executive director of the Texas Research League. Mr. McGrew described his organization as a private, nonprofit corporation supported entirely by volun-

Leon Stone (l.) and C. Truett Smith, TBA v.p. and pres., First State, Wylie, confer on some association matters at the Seventh District meeting in Ft. Worth.

McGREW

McLEAN

J. W. "Bill" McLean (r.), ch. Liberty Nat'l, Oklahoma City, and featured speaker at the Fifth District meeting in Dallas, poses with district chairman, Jon B. Ruff, pres., First State, Hallsville.

District Meetings (Continued)

tary contributions from business and individuals, and specializing in state and local government research in Texas.

"While we are interested in saving money, that is not the sole criteria for evaluation of the effect of the league's work. What we really seek is the soundest possible use of the taxpayers' dollars in order to produce a maximum return in services rendered. Sometimes this means more rather than less spending; the establishment of new programs rather than the elimination of existing programs," Mr. McGrew said.

"So, while we are proud of the savings that have resulted from league studies, we are even prouder of other accomplishments in which the league has played a major role:

"The shifting of emphasis in the mental health field from 'warehousing' inmates to the treatment of patients;

"The establishment of a respectable retirement system for state employees to replace a woefully inadequate system;

"The revitalization of our state park system;

"The active involvement of the state in water planning and development;

"The inauguration of the nation's first system of state aid for regional planning organizations; and

"The reorganization of several major state agencies aimed primarily at effective administration, although, incidentally, sometimes also achieving operating economies," Mr. McGrew explained.

Optimistic Outlook

Dr. Albert H. Cox, executive vice president and chief economist for Lionel D. Edie Co., New York, addressed the District One meeting in Houston March 3, where 2,100 were registered (a new high for District One).

Dr. Cox projected a rather optimistic outlook for the economy. He stated that we are in the third year of business expansion. He foresaw a modest slowdown in the rate of growth of the economy; no recession in the offing; and interest rates remaining at near current levels. He also predicted corporate profits would average 12% to 15% this year.

In a speech to more than 1,300 District Five bankers meeting in Dallas March 24, J. W. McLean, chairman of Liberty National Bank and Trust Company of Oklahoma City, asked each member of District Five if he was really ready for a tough committee of each bank's directors, "salted with three or four members of your local Ralph Nader Fan Club" to ask you questions like these:

Are your fees for checking accounts fair?

Do fees based upon deposit balances discriminate against small depositors?

Does your savings advertising allow the customer to make an easy comparison with competitive savings plans?

Do your installment loan customers understand "the rule of 78" for computing rebates?

Should a credit card customer have the right to refuse payment to your bank if the merchandise bought is unsatisfactory?

Are your banking hours set for your convenience—or your customers?

Let's Talk Business

Earlier in his address, entitled "Let's Talk Business," Mr. McLean outlined a three-phase public information campaign his bank launched in December to reduce "economic illiteracy" in Oklahoma. (A full explanation of the program appeared in the January, 1973, issue of Mid-Continent Banker.) Forty banks and the state's leading corporations are supporting the program, which is primarily directed at the myths shared by young people concerning the role of profits in a free economic system.

TBA Nominations Announced

Leon Stone, TBA president, announced the following nominations for TBA positions at the Fifth District Meeting in Dallas March 24:

For vice president—Gene Edwards, president, First National, Amarillo

For treasurer—Bookman Peters, president, City National, Bryan

At the 1st District Meeting . . .

Robert G. Greer (l.) ch. of the First District and pres., Cullen Center Bank, Houston, visits with Jack W. Lander, TBA administrative council member for the First District, and ch., Southern State, South Houston.

"Later in the year," Mr. McLean said, "the program will be made available on a 'below cost basis' to a large number of banks outside of Oklahoma which have asked to join in this effort to win the race between better economic education and creeping economic disaster."

New Officers

Officers elected at the six meetings held before press time were as follows:

District One—chairman, Pitser Garrison, chairman and president, Lufkin National; administrative council member, John J. Faubion Jr., president, First State, Port Lavaca.

District Two—chairman, Harry O. Curnutt, president, Highland Park State, San Antonio; administrative council member, C. W. Jones, chairman and president, Mercantile National, and chairman, Gulfway National, Corpus Christi.

District Three—chairman, Weldon D. Mays, executive vice president, First State, Smithville; administrative council member, Cecil Long, chairman, First National, Bastrop.

District Four—chairman, Harold J. Nussbaum, vice president, Farmers State, Mexia; administrative council member, S. R. Greenwood, president, Temple National.

District Five—chairman, C. Glynn Lowe, president, First National, Paris; administrative council member, Charles L. Childers, executive vice president and cashier, Tyler Bank & Trust Co.

District Seven—chairman, Warren P. Duren, president, Mills County State, Goldthwaite; administrative council member, John A. Wright, president, First State, Abilene.

Information on the meetings and new officers for Districts Six and Eight will appear in the May 1 issue of Mid-Continent Banker. • •

Your growth could correspond with ours.

Ask Milton Black or Stephen Stone.

Cullen Center Bank & Trust is one of Houston's fastest growing banks. In just 3½ short years, we've become a $160 million financial force with one of the Southwest's most respected Correspondent Banking and Bond departments. If you want to go places in a big hurry, write Milton Black or Stephen Stone at Cullen Center Bank & Trust. They can help put together the financial package, whether it involves correspondent services, bonds, cash management or investment advisory services. And that could very well make your growth correspond with ours.

CORRESPONDENT DEPARTMENT   BOND DEPARTMENT

Cullen Center Bank & Trust

Houston's dynamic financial center
Smith and Jefferson
713/224-0778 FDIC

NABW Plans Convention For Sept. 30 in Dallas

SLEDGE

COLLIER

DALLAS—Mrs. Clara Sledge, vice president, Fair Park National, is general chairman of the 51st annual convention of the National Association of Bank-Women Inc. The convention will be held at the Fairmont Hotel here September 30 to October 4. Assisting as co-chairman is Mrs. Anna Belle Collier, vice president, Park Cities Bank.

Other women named to chair various convention committees are: Mrs. Mary Scallorn, vice president, East Dallas Bank—arrangements committee; Miss Juanita Everitt, assistant cashier, National Bank of Commerce—finance; Mrs. Lee Crump, assistant cashier, Texas Bank—entertainment; Mrs. Beth Campbell, assistant cashier, Texas Bank—registration; Mrs. Mary Cahill, assistant cashier, Texas Bank—costume; Mrs. Pat Patterson, vice president, Exchange Bank—hospitality; Mrs. Sue Hammond, vice president, Merchants State—tours; and Miss Lucile Johnston, trust officer, Republic National—publicity.

Miss Jean Stewart, assistant vice president, Preston State, is convention secretary and Mrs. Wanda Beasley, vice president, First National, Mesquite, heads the decorations committee. Mrs. Virginia P. Lewis, senior vice president, Seagoville State, is chairman of the program committee.

Arrangements also are underway for NABW's second annual trade show, to be held September 30 to October 3 at the Fairmont in conjunction with the convention. The trade show is for NABW members who have responsibility for handling major purchases for their banks in areas ranging from premiums and career apparel to office machines, furniture and computers.

Floyd D. Samuel Promoted At First of Fort Worth

FORT WORTH—Floyd D. Samuel has been promoted to vice president of First National. He was formerly an assistant vice president and manager of the check processing department.

SAMUEL

He joined the bank in 1951 as a file clerk in the bookkeeping department, became manager of the department and was elected an assistant cashier in 1967 and was named assistant vice president in 1970.

Republic National, Dallas, Announces New Promotions

DALLAS—A number of promotions were announced recently by Republic National.

Keith A. Schmidt was advanced from assistant vice president to vice president, Frederick W. Bowman rose from banking officer to assistant vice president and Clayton D. Pledger was advanced from administrative officer to managing officer.

Frank P. Ganucheau III and Chris Najork were advanced from trust investment officers to trust officers and W. Humphrey Bogart and James P. Barrow rose from trust officers to assistant vice presidents and trust officers.

Southwest Nat'l Promotes 11, Elects New Board Member

EL PASO, TEX.—Promotions of officers and the election of a new director have been announced by Southwest National.

Elected to the board was Arthur L. Gonzales, executive vice president. Stanley Jarmiolowski and Rocco Pope were named vice presidents and Lorene V. Davis was elected executive secretary.

Newly elected assistant cashiers include Marlene Banks, Margaret Crenshaw, Elva Maddox, Jacintho S. Medeiros, Mary Romero, William C. Scurry Jr., Gary E. Wood and Priscilla Yutz.

Mr. Gonzales joined the bank last December. Mr. Jarmiolowski has been with the bank since 1967, Mr. Pope since 1964 and Mrs. Davis since 1954.

■ KLINE McGEE has retired as chairman of Southern National, Houston, and as president of Southern National Corp. He will continue to serve as director of both organizations.

■ HOUSTON NATIONAL has elected A. Schlick Boettcher and William E. Carroll vice presidents and named James S. Kiening assistant trust officer, Gordon Purvis accounting officer and Travis Scaife loan recovery officer.

■ STONE FORT NATIONAL, Nacogdoches, recently celebrated its 70th anniversary. Refreshments were served in the community room during the celebration and carnations were distributed to all women entering the bank lobby.

■ CORPUS CHRISTI BANK has elected Jack Ryan and James C. Storm to its board. Mr. Ryan is president of a brick and lumber firm and Mr. Storm is president of a marine drilling firm.

First of Waco Elevates 8

WACO—First National has elected two new officers, promoted six officers and elected a new director.

Elected vice presidents were Robert H. Hawkins, Billy S. Mitchell, John Wm. Post and Jerry D. Thornton. Garland Dulock has been elected cashier and Mrs. Hollie Hahn, David N. Jones and Billy Muesse have been elected assistant vice presidents.

Messrs. Mitchell and Jones are with the bank's correspondent banking department.

The new director is Ed Burleson Jr., president, Texas Coffin Co.

■ FIRST NATIONAL, Temple, has named Walter R. Gibson vice president and trust officer, elevated Jamie P. Bonner Jr. to trust officer and elected Dr. Richard D. Haines a director.

■ HOUSTON CITIZENS has elected Britt D. Davis senior vice president and senior trust officer and Roger P. Bell vice president and trust investment officer. Karen J. Cole was promoted to vice president and trust officer and William L. Askey was elected trust administrative officer and assistant cashier.

■ THOMAS A. DINKEL has been elected vice president at Southwest National, El Paso. Mr. Dinkel was formerly with Central Bank, Denver, and served as national president of AIB in 1971.

■ KLEBERG FIRST NATIONAL, Kingsville, promoted Joseph Henkel to assistant vice president, Scott Dodds to comptroller and Mrs. Cecilia Giese and Mrs. Mary Barrera to assistant cashiers. Dr. Pat L. Hubert, veterinarian, was elected a director.

■ TEXARKANA NATIONAL has promoted N. Gordon Huddleston to senior vice president, Thomas E. Propes Jr. to vice president and Betty Jean Jordan and William Earl Schirmer to assistant cashiers.

■ STEPHEN E. BEST III has been appointed vice president for advertising and marketing by Austin National.

Promotions, New Elections At Texas Bank of Dallas

DALLAS—Several promotions and new appointments have been announced by Texas Bank. Advanced from assistant vice presidents to vice presidents were: Timothy L. Weston, manager of banking services; Juanita Beasley, manager of operations, and Fred M. Allen, manager of sales, BankAmericard division.

Elected assistant vice presidents were: John S. Parten, manager of BankAmericard accounting; H. LaGrand Smith, manager of data control activities; and Evelyn M. Richardson, manager of advertising and public relations.

New assistant cashiers are: Norman Webster, manager of BankAmericard collections; Faye Hainley, office manager of BankAmericard sales; Donald Jackson, bond department; and Larry Burns and Winston Brown, check processing.

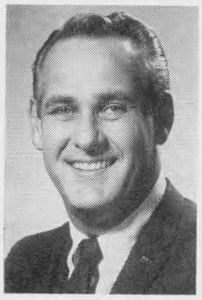
David J. Fisher was named trust officer in charge of personal trust operations and Barry G. Beall was elected associate trust officer in the employee benefit division of the trust department.

■ NORTHPARK National, Dallas, will move into its new building in NorthPark Center in June. The bank will occupy all of a two-story, 24,000-square-foot facility.

■ NATIONAL BANK of Commerce, San Antonio, has promoted Richard J. Petitt and F. Nelson Finch II to assistant vice presidents. Mr. Finch formerly served as correspondent banking officer for the bank.

Sledge Is New President Of Frost Bank, San Antonio

SAN ANTONIO—C. Linden Sledge has been named president of Frost National, succeeding the late D. W. Garrett, who died February 3. Mr. Sledge is the bank's seventh president and was formerly vice chairman of the board. He joined Frost National in 1956 and has been head of the administrative and trust groups. He is also president and a director of Frost Realty Co., an affiliate of the bank.



SLEDGE

Other changes include the naming of Clyde C. Crews as a director and secretary, R. E. Fawcett Jr. as a member of the management committee and Kenneth A. Trapp as senior vice president and member of the management committee.

Messrs. Crews and Fawcett joined the bank in 1957, Mr. Trapp in 1968.

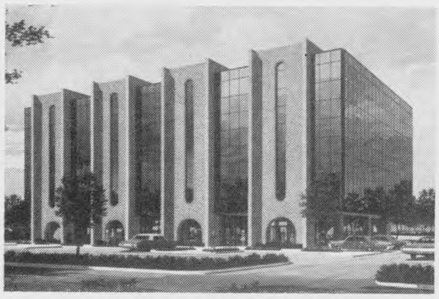
In other action, the bank promoted Carey Deckard to assistant vice president. He joined the bank in 1969 and has served as director of advertising. He will continue to supervise the bank's advertising and public relations and will be involved with marketing activities.

Dallas County State, Carrollton, Completes New Quarters

CARROLLTON—Dallas County State recently held the dedication and grand opening of its new five-story building. The bank occupies the first two floors of the 66,000-square-foot structure.

The building, of light brown sandy-faced brick and reflective solar bronze glass, has six drive-in TV teller stations. The first floor features a reception area and new accounts department, teller and loan payment windows, installment loan department, safe deposit area and bookkeeping and credit departments. Executive offices, commercial loan department, employee lounge and TV tellers control stations all are located on the second floor.

In other action, Dallas County State directors approved plans to merge with First International Bancshares, Inc., Dallas-based bank holding company. The action is pending approval of shareholders and state and federal regulatory agencies.



Dallas County State, Carrollton, recently opened a new building of light brown sandy-faced brick and reflective solar bronze glass.

Dupree Named Exec. Com. Ch.

FORT WORTH—Robert P. Dupree has been elected chairman of the executive committee of Continental National. He has been with the bank since 1964.

In other action, the bank elected Dick Lose, president of American Quasar Petroleum Co., to its board.

Organizers File Application For New Bank in Dallas

DALLAS—Application for a new national bank here has been filed with the Regional Director of National Banks. The new bank, tentatively named Peoples National, would have capital of $200,000, surplus of $200,000 and initial undivided profits of $100,000.

Organizers of the new bank include three officers of Northeast National, North Richland Hills. They are Charles Brinkley, chairman and president, Ernest Truman, executive vice president, and C. E. Steddum, senior vice president. Mr. Steddum is the proposed president of the new bank. Other organizers are Dr. William L. Anderson, veterinarian, and Dr. Charles Crane, physician, both of Dallas.

Ft. Worth Nat'l Names Lobingier Head of Correspondent Dept.

FORT WORTH—Jack G. Lobingier, vice president of Fort Worth National, has been named manager of the correspondent bank department.

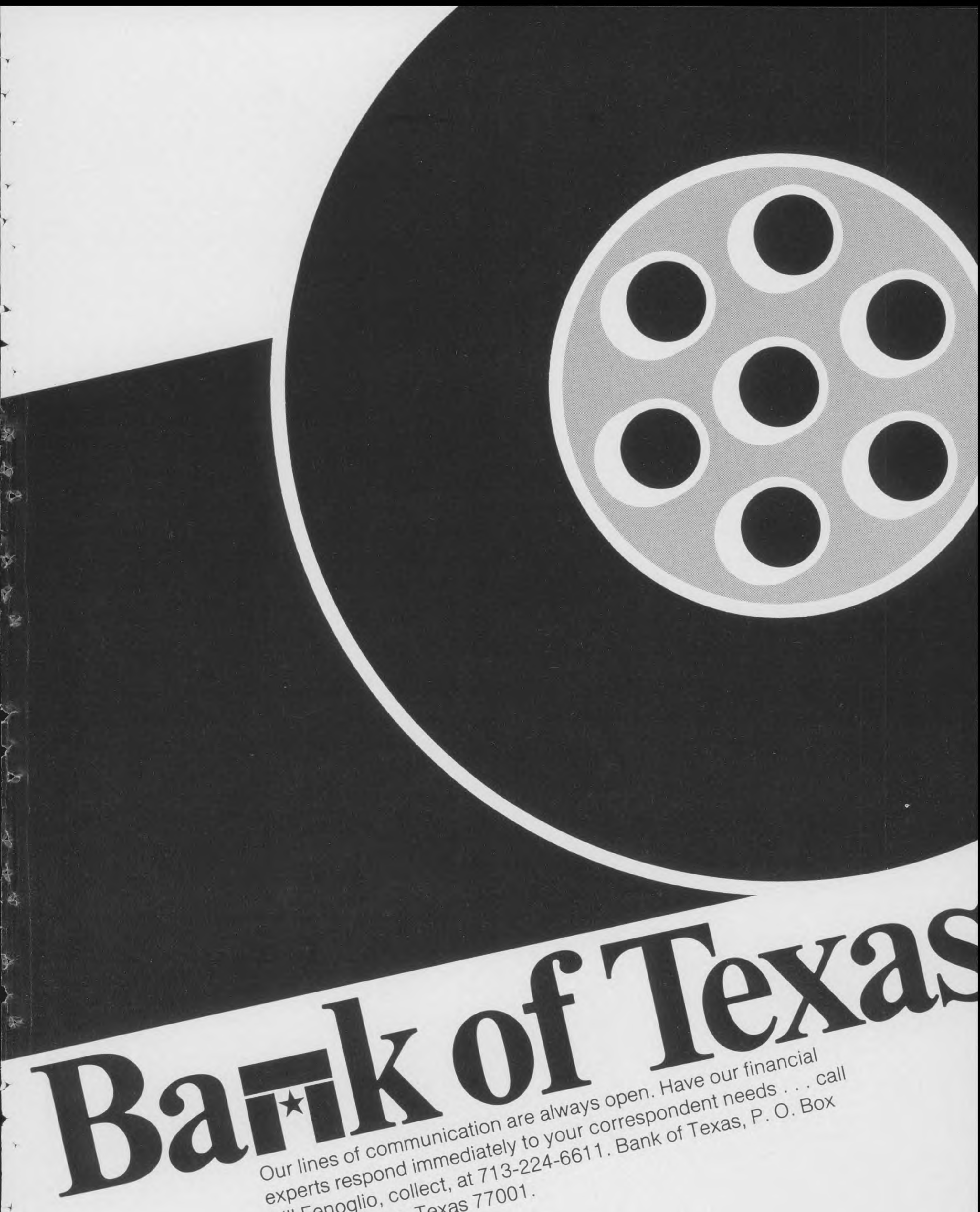
LOBINGIER

Mr. Lobingier, who has been with the bank for more than 19 years, has been a commercial loan officer since 1968. He will retain certain commercial loan responsibilities, in addition to his new duties. Before joining the commercial loan department, Mr. Lobingier was manager of the installment loan department.

John F. Goodwin, vice president and former manager of the correspondent bank department, is assuming full-time responsibilities as a correspondent bank officer.

'Teller of the Year'

James W. Keay, pres., Republic Nat'l, Dallas, presents a bouquet of red roses to Mrs. Sadie Bellamy, the bank's "teller of the year 1972." For the past two years, Republic Nat'l has recognized the teller with the best performance record each month by designating her "teller of the month" and presenting her with a trophy to display at her window. Mrs. Bellamy's outstanding record of accuracy for the entire year earned the first "teller of the year" award for her.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Benson Appointed President Of Houston Intercontinental


BENSON

HOUSTON—Carl W. Benson has been elected president of Houston Intercontinental National. The bank recently merged with Southwest Bancshares, Inc., multi-bank holding company.

Mr. Benson joined Houston Intercontinental in 1972, coming from Bank of the Southwest, where he was assistant cashier and correspondent bank representative. He had been with Bank of the Southwest since 1963.

Preston State Promotes 2

DALLAS—Preston State has named H. C. Arnold executive vice president and cashier. He was previously vice president and cashier.


ANGEL ARNOLD

The bank also promoted Charles A. Angel Jr. from vice president to executive vice president.

Mr. Arnold joined the bank in 1960. He is a director and vice chairman of the board of Southwestern States Bankcard Association.

Mr. Angel joined the bank in 1970.

Reserve Requirements

(Continued from page 13)

called "phantom" reserves for many state nonmember banks. These "phantom" reserves had been created by the billions of dollars of float that, to a large extent, have been removed. This action encouraged a number of state legislatures to propose amending their state banking codes to permit state-chartered banks to use other assets as reserve requirements.

While several states in the past did permit utilization of non-cash items as legal reserves, that is, investments (which frequently were U. S. government bonds or state obligations), more states, especially in the Midwest, have now been considering switching to this type of legal reserve.

In effect, state-chartered banks would stop allocating their present required reserves as a portion of time and demand deposits. Instead, they would revert to the function of an investment that's a portion of their time and demand deposits or other liabilities. Obviously, if this comes about, bankers should be aware of the contingencies.

There is a likelihood that small country state-chartered banks would look favorably on this switch. Existing Federal Reserve member banks would then find it attractive to drop their membership in the Fed.

From the Fed's position this would be most undesirable. The Fed points out that the efficacy of monetary policy would diminish in proportion to the number of reserve dollars outside the system, due to banks dropping out. Monetary policy would be weakened, the Fed says.

It is with this in mind that a future evolution in reserve requirements may be considered. And this should be viewed in terms of the increasing complexity of certain banking concepts. For example, what is a deposit? What is a time deposit? A savings deposit? What is a certificate of deposit? What is the subordinated debenture as a transferred item from a time deposit or a negotiated order?

FHLBB Willingness

It's important to consider them in terms of the changing structure of financial institutions. Such things as the Federal Home Loan Bank Board now indicate willingness for savings and loan associations under their supervision to switch from mutual to stock status. Along with this comes broader powers for S&Ls to issue credit cards and to sell vouchers that are closely identified with checks and third-payment party systems or gyro systems.

There are a small, but influential, number of people in Washington who are calling for the Fed to, in effect, pay interest on reserve requirements. This reflects the position that reserve requirements are deposits by banks with the regional Federal Reserve banks—deposits that are required to be locked in over a period of time. Are these not time deposits? And thus, logically, should not the Fed reimburse the banks for these deposits? This is most intriguing and acceptable to bankers because it would provide them with an earning asset they haven't had in the past.

From the Fed's point of view, it would mean a substantial drain on earnings. However, it has substantial earnings which each year are transferred to the U. S. Treasury. For this reason, the Treasury is probably more concerned with the implications of the proposal than the Fed, since it is confronted with the task of devising some system that would make Fed membership more attractive and result in fewer dropouts from the system.

A number of years ago, Dr. Watrous Irons, then president of the Dallas Fed, commented on such a proposal. It was his position that Congress has, in effect, been designated by the Constitution to have control over the creation of money.

In this context, since we have a multiple expansion of currency via the fractional reserve requirements of banks, it may be that the proposal calling for the Fed to pay interest on time deposits may appear to be a short-term profitable situation for banks. Washington probably would consider it as a windfall for banks (and, incidentally, other financial institutions offering similar services) and propose that the tax loophole be closed.

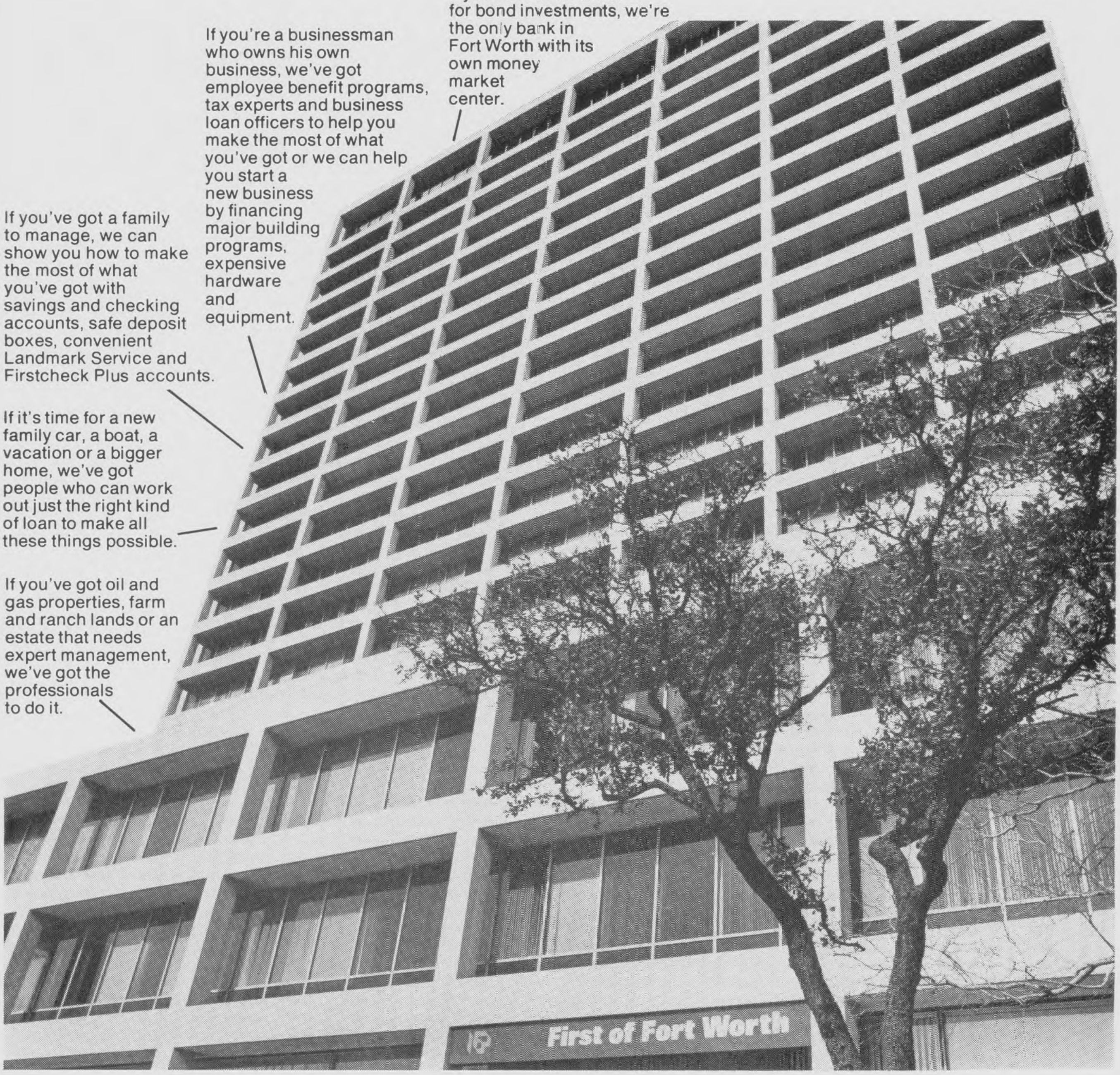
With interest being paid on reserve requirements, it would be wasteful for banks not to hold their reserves in the Federal Reserve system. But would we have a preservation of what is called the dual-banking structure—that is, the dual-chartering system, in which state-chartered banks would still be subjected to state-chartered banking regulations, except in the reserve requirement area?

It is difficult to know what the status of anything in banking will be in the days ahead. But one area where there is likely to be considerable interest in regulation and in the evolution of financial institutions is in the provision of competitive equality in such areas as reserve requirements. In this instance, it would not be limited only to Fed-member banks and state-chartered nonmember banks. But it also would encompass mutuals and S&Ls to the extent they wish to perform functions of commercial banks. • •

Austin Nat'l Opens Drive-in

Austin National recently held ribbon cutting ceremonies for its new drive-in. Pictured from left, are bank President Leon Stone (also president of the Texas Bankers Association), Chamber of Commerce President J. Neils Thompson, Mayor Roy Butler, Councilman Lowell Lebermann and bank Chairman Allan Shivers, former governor of Texas. Austin National now has three drive-in installations.

Make the most of what you've got



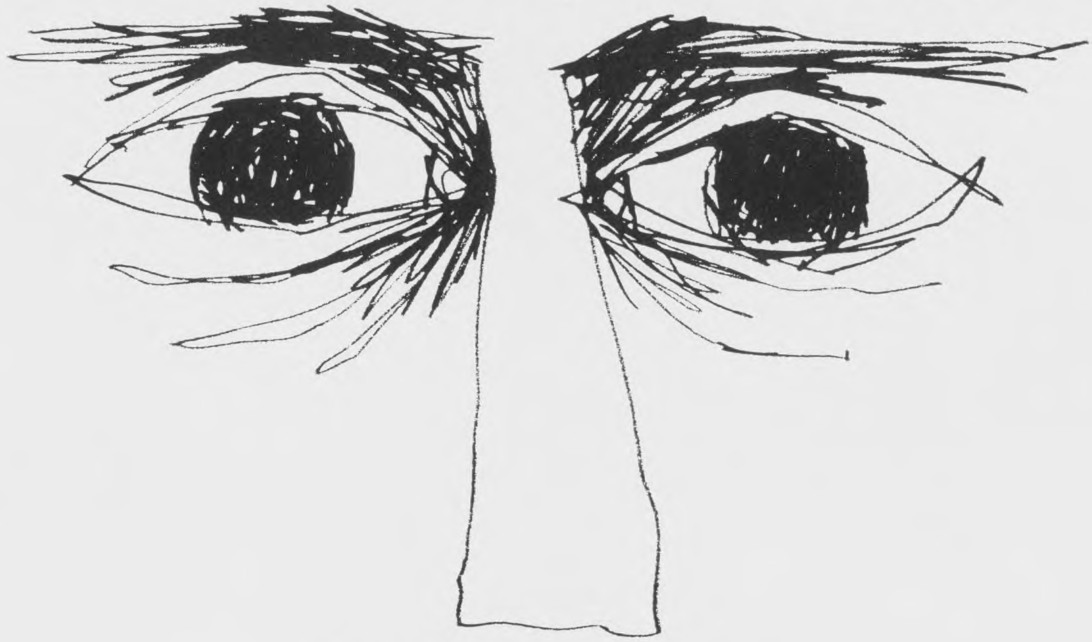
At the First of Fort Worth, we want what you want. And that means making the most of your time, your family, your responsibilities, your business and your investments. We have the facilities, the resources, the services and the people in all areas of banking so that we can offer you the opportunity to do just that . . . make the most of what you've got.

First of Fort Worth

The First National Bank of Fort Worth

Member F.D.I.C.

If you think Credit Life is all the same, look again.



There's a big difference in the many companies wanting you to use their Credit Life programs. But there's only one Standard.

We pioneered Credit Life in this area quite a few years ago, and we probably write more of it than any of the other companies. We've used our years of experience to develop our product and improve our account service procedures. And we've trained some mighty good men to take care of you.

That's why you can expect a little bit more when you deal with Standard Life. We offer more because we intend to stay the Standard of the business.

For professional Credit Life service that stands apart from the crowd, backed up by a billion-dollar company, call one of the Standard Bearers.

Standard Life

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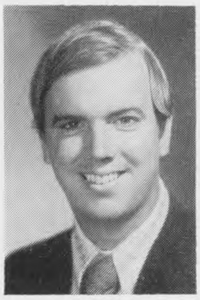
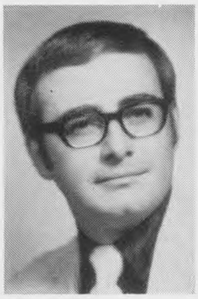
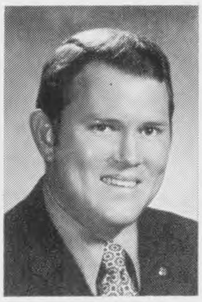

ALEXANDER


FLYNN


HATCH


McMULLAN


HOBSON


PURCELL

Convention 'First-Timers'

A number of new faces will be representing city-correspondent banks at the Louisiana and Texas conventions this year. They are introduced on these pages.

Louisiana Convention

• **Terry E. Alexander** is a correspondent representative at First National, St. Louis. He has been with the bank since December, 1971. He will also attend the Texas convention.

• **Daniel A. Flynn** is a vice president at Texas Bank, Dallas, which he joined last summer. He was formerly with the Texas Banking Department as a senior bank examiner. He will also attend the Texas convention.

• **Richard X. Hatch** covers Oklahoma, Arkansas, Louisiana and north Texas as a vice president for Texas Bank, Dallas. Prior to joining the bank this year, he was associated with the Talcott Business Finance Division of James Talcott, Inc.

• **W. P. McMullan Jr.** is president, Deposit Guaranty National, Jackson, Miss. He has been with the bank since 1960 and is a former state comptroller of the department of bank supervision in Mississippi.

• **Howard Hobson** is manager of the correspondent bank department at Louisiana National, Baton Rouge. He joined the bank in 1969.

• **David Purcell** has been with the correspondent bank department at Louisiana National, Baton Rouge, since last May. He joined the bank in 1971.

Texas Convention

• **Daniel A. Flynn** joined Texas Bank, Dallas, last summer as a vice president. He was formerly a senior bank examiner with the Texas Banking Department.

• **Richard X. Hatch** is a vice president for Texas Bank, Dallas, which he joined this year. He was previously with the Talcott Business Finance Division of James Talcott, Inc.

• **Terry E. Alexander** joined First National, St. Louis, in December, 1971. He is now a correspondent representative and is also attending the Louisiana convention.

• **David Cooke** joined Ft. Worth National in 1970. A native of California, he attended Texas Christian University.

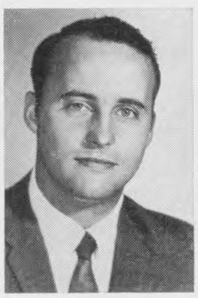
• **Richard R. Bacon** joined Mercantile Trust, St. Louis, in 1969. He became a correspondent banking officer in 1972.

• **John S. Kreighbaum** is an assistant vice president in Division I of the banks, bankers and corporate accounts department at United Missouri Bank, Kansas City.

• **Thayer J. Rudd** is a member of the Southwestern Division of Chicago's Northern Trust, which he joined in 1970.

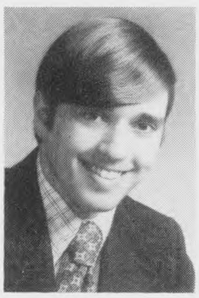
• **Steven Summers** will represent Commerce Bank of Kansas City. He is a commercial banking representative in the bank's correspondent banking department.

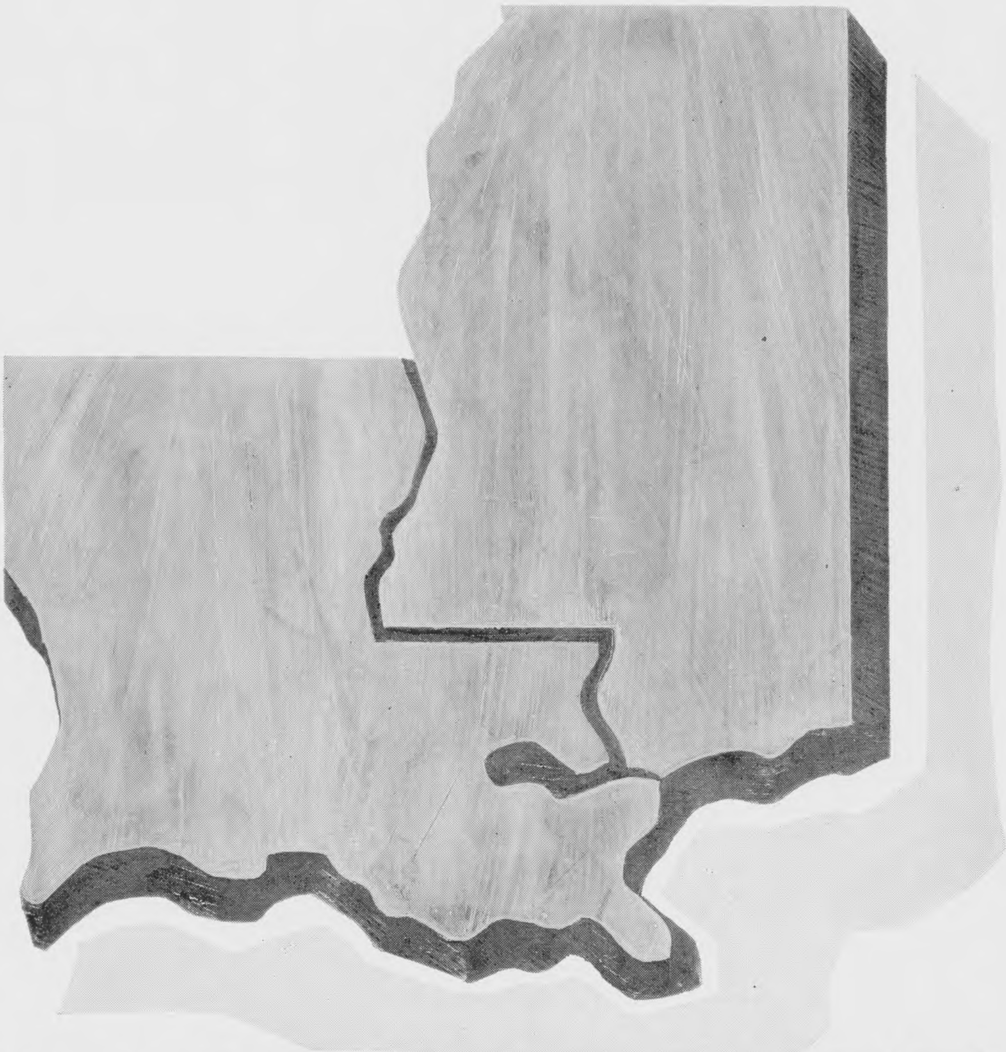

COOKE


BACON


KREIGHBAUM


RUDD


SUMMERS



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Ready when needed since 1883

Whitney

NATIONAL BANK OF NEW ORLEANS

President

VANDERPOOL

R. L. Vanderpool Jr., LBA pres., entered banking in 1946 and joined Ouachita Nat'l, Monroe, in 1951. He became pres. of the bank in 1952.

President-Elect

BROUSSARD

Arthur J. Broussard, LBA pres.-elect, joined Guaranty Bank, Lafayette, in 1946. He was promoted to several official posts before being named ch. & pres. in 1967.

Treasurer

ACKLIN

J. D. Acklin Jr., LBA treas., is ch. & pres., Planters Bank, Haynesville. He is a former treas. of the Junior Bankers Section of the LBA.

Louisiana Convention

New Orleans, May 5-8

Headquarters—FAIRMONT-ROOSEVELT HOTEL

FIRST SESSION, 9:30 a.m., May 7

Call to Order—R. L. VANDERPOOL JR., president, Louisiana Bankers Association, and president, Ouachita National, Monroe.

Address of Welcome—JAMES E. FITZMORRIS JR., lieutenant-governor of Louisiana.

Response to Welcome—A. R. JOHNSON III, president, Guaranty Bank, Alexandria.

President's Address—R. L. VANDERPOOL JR.

Address—REX J. MORTHLAND, president-elect, American Bankers Association, and chairman, Peoples Bank, Selma, Ala.

Treasurer's Report—J. D. ACKLIN JR., chairman and president, Planters Bank, Haynesville.

CPA Audit Report—To be read at designation of the president.

Address—"Louisiana Constitutional Convention"—E. L. HENRY, speaker, Louisiana House of Representatives, and chairman, Constitutional Convention.

Resolutions—HUGH J. HANSEN, president, Pioneer Bank, Shreveport.

SECOND SESSION, 9:30 a.m., May 8

Call to Order—R. L. VANDERPOOL JR.

Necrology—J. DAVIDSON BROWN, president, Peoples Bank, Minden.

Committee on Rules and Calendar—HUGH J. HANSEN.

Report of Board of Directors and Executive Vice President—ROBERT I. DIDIER JR., executive vice president, Louisiana Bankers Association, Baton Rouge.

REPORTS OF COMMITTEE CHAIRMEN

Legislative—L. J. HEBERT JR., executive vice president, Lafourche National, Thibodaux.

Legislative Study—HERMANN MOYSE JR., executive vice president, City National, Baton Rouge.

Federal Affairs—EDWARD S. GAIDRY, president, Terrebonne Bank, Houma.

Agricultural—T. E. HANKINS, vice president, Bank of Dixie, Lake Providence.

Forestry—W. R. McDONALD, executive vice president, Jackson Parish Bank, Jonesboro.

Employee Benefits—TRAVIS GORE, executive vice president, Concordia Bank, Vidalia.

Installment Credit—DAN DWYER, vice president, Louisiana National, Baton Rouge.

Public Relations—EDWARD C. BOLDT, senior vice president, ICB Corp., New Orleans, and president, Ponchartrain State, Metairie.

Education—CHARLES BARBER, vice president, Rapides Bank, Alexandria.

Chair of Banking at Louisiana State University—DR. WILLIAM STAATS, professor, LBA Chair of Banking, LSU.

Trust—MORGAN L. SHAW, senior vice president and trust officer, Hibernia National, New Orleans.

State Bank Affairs—JACQUES A. LIVAUDAIS, vice chairman of committee and executive vice president, Bank of New Orleans.

Bank Management—MAX PACE, executive vice president, American Bank, Baton Rouge.

Junior Bankers Section—GERALD BEAUREGARD, vice president, Bank of New Orleans.

Merrigan Gen'l Chairman Of 1973 LBA Convention

MERRIGAN

JOHNSON

NEW ORLEANS—Lawrence A. Merrigan, president, Bank of New Orleans, is general chairman of the 1973 LBA convention, scheduled to be held at the Fairmont-Roosevelt Hotel here May 5-8. Vice chairman is A. R. Johnson III, president, Guaranty Bank, Alexandria.

Convention committee chairmen are (all of New Orleans unless otherwise indicated): *program,* F. George Ramel, president, Hibernia National; *entertainment,* Pierre Laiche, assistant vice president, Whitney National; *registration,* Milton J. Zeller, vice president, National American; *golf,* Walter B. Stuart III, executive vice president, First National Bank of Commerce; *ladies' entertainment,* Mrs. Donald J. Nalty, whose husband is vice president, Hibernia National; *rules and calendar,* Hugh J. Hansen, president, Pioneer Bank, Shreveport; and *necrology,* J. Davidson Brown, president, Peoples Bank, Minden.

Miler Elected Chairman Of Hibernia National

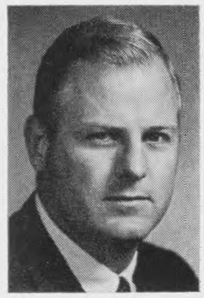
NEW ORLEANS—Martin C. Miler will become chairman of Hibernia National April 30. F. George Ramel, president, said Mr. Miler's election ends a nationwide search "for an outstanding young banker" to succeed the late Clyde Hendrix Jr. as chairman.

MILER

Mr. Miler is executive vice president-administration for Cameron Financial Corp. of North Carolina. Previously, he was executive vice president of the holding company's subsidiary, First Union National Bank of North Carolina. He began his career with that bank as an assistant cashier in 1959, became vice president in 1962, senior vice president in 1966 and executive vice president in 1968.

Lewis Promoted to Senior VP At International City Bank

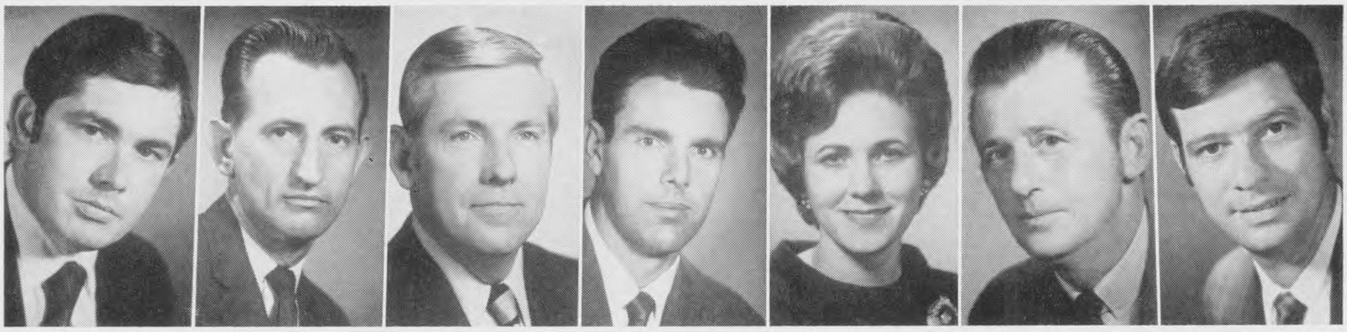
NEW ORLEANS—John H. Lewis has been promoted from vice president to senior vice president at International City Bank.



LEWIS

A commercial loan officer since 1968, Mr. Lewis moved up from assistant vice president to vice president in 1971. He now has charge of commercial and installment loans. He holds a business of commercial science degree from University College of Tulane and is a graduate of the Graduate School of Banking at the University of Wisconsin.

■ RALPH M. FRANCE, executive vice president, Bank of New Orleans, has been named to the advisory board of the ABA's Installment Lending Division.



ELLIS MARTIN MITCHELL O'HARE STRAUSS FIEGEL GIROIR

Exec. VP, Other Appointments Announced at First NBC

NEW ORLEANS—First National Bank of Commerce has announced several appointments and promotions, including the election of Rodger J. Mitchell as executive vice president-investments.

In other action, First NBC promoted four to vice presidents and managers of specific geographical branch regions: Julian G. Fiegel, West Bank region; John Giroir, Carrollton region; A. J. Martin, St. Charles region, and Miss Barbara A. Strauss, Gentilly Woods region.

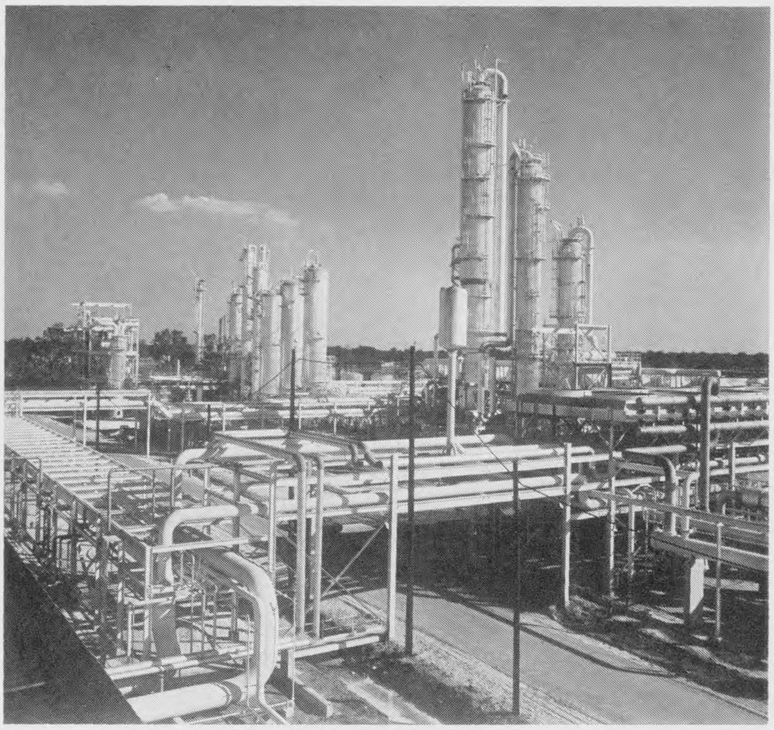
In addition, the bank named four new assistant vice presidents—Lawrence H. Ellis Jr. and James R. O'Hare of the correspondent banking division, Michael R. Sharp and Frank S. Bellavia.

As head of First NBC's entire investment services and money market department, Mr. Mitchell's general responsibilities are related to all phases of money management, portfolio activities and investments for the bank and its correspondents, individuals and corporations. His appointment marks an expansion of First NBC's investment services for the bank and its customers. Mr. Mitchell was formerly with Salomon Brothers in Dallas as a specialist in U. S. Treasury and federal agency securities and money market instruments. His career also has included 13 years with Dallas' Republic National, where he was vice president in the bond department and secretary to the investment committee.

Mr. Bellavia is in the real estate department and Mr. Sharp in the BankAmericard division.

■ LEWIS GOTTLIEB, chairman emeritus, City National, Baton Rouge, has been given the Distinguished Service Award of the Louisiana State University Alumni Federation. This is the highest citation given by the federation, which Mr. Gottlieb served as president from 1931-35.

■ INTERNATIONAL CITY BANK, New Orleans, has named Stephen J. Murdoch, a CPA, assistant controller. Before joining ICB, he was with another local bank and served in accounting capacities with a national accounting firm.



First for U. S. chemical industry at Georgia-Pacific's new Plaquemine chemical complex is British-developed ICI low-pressure methanol synthesis process. According to G-P, Plaquemine is second such plant in world to adopt ICI process, following soon after start-up of similar plant in South Korea.

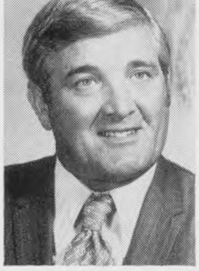
During 1972—

New Record Set in Louisiana In Industrial Investments

By CHARLES M. SMITH JR.

Executive Director
Louisiana Department
Of Commerce
And Industry
Baton Rouge

INDUSTRIAL INVESTMENTS in Louisiana during 1972 hit a new state record, totaling $1.89 billion, according to figures compiled by the Louisiana Department of Commerce and Industry at Baton Rouge.



SMITH

Fifty-three of the state's 64 parishes (counties) recorded industrial spending gains, and West Feliciana Parish topped the list with $657.9 million.

Pacing the growth in West Feliciana, just north of Baton Rouge, was the approval of tax exemptions on a $656-million nuclear power plant planned by Gulf States Utilities Co.

In fact, three nuclear power projects marked the bulk of industrial growth during 1972, totaling $1.23 billion.

In addition to the Gulf States facility, Louisiana Power & Light will build a $339.1-million nuclear generation plant in St. Charles Parish and Central Louisiana Electric Co. will construct one in Rapides Parish.

The previous high in industrial growth in Louisiana was in 1967. Investments by manufacturing companies during 1972 exceeded that mark by some $1.1 billion.

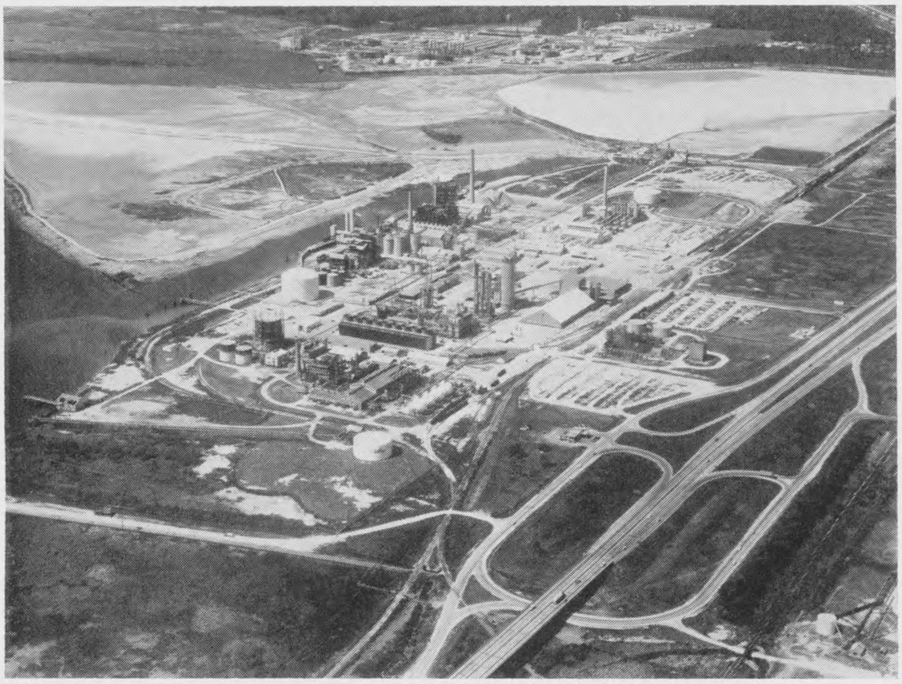
Obviously, construction of nuclear power plants in the state adds a new element to the industrial economy. Investments in nuclear facilities are huge by what now must be considered conventional manufacturing spending for plant and equipment. And during 1972 investments in conventional facilities virtually equaled growth figures for 1971. Some $663 million of investments last year was in conventional plants, of which 40 were new and 242 were expansions of existing operations.

Also during 1972 there were 7,697 new, permanent manufacturing jobs created by Louisiana industry. These new jobs alone are estimated to add between $60 to $65 million a year in payrolls to the state's economy. Construction payroll involved only in building Louisiana plants are estimated to add another $750 million.

Moreover, sales and use taxes on construction materials and equipment on all 1972 projects are estimated to cost industry about $30 million on the state level and $20 million on the parish level.

Other than nuclear facilities, major individual industrial spending came from Olin Corp., $28.2 million for a new plant; Shell Chemical Co., $24.1 million on an expansion; Murphy Oil Corp., $12.4 million, an expansion, and Georgia Pacific Corp., $12 million, an expansion.

Again, other than nuclear plants, top growth parishes were Iberville, $78 million; Calcasieu, $68.6 million; East



Some of the major industrial spending other than for nuclear facilities in Louisiana last year came from this Olin Corp. plant at Lake Charles.

Baton Rouge, $52.6 million, and St. Charles, $49.1 million.

In the pipeline for future industrial projects are four synthetic natural gas (SNG) plants. The first of these SNG plants, Tecon Gasification Co., was announced late in 1972.

The Tecon facility, a subsidiary of Texas Eastern Transmission Co., is estimated to cost $175 million and will be located on 3,500 acres just northwest of Donaldsonville in Ascension Parish.

The bulk of investments in industrial plants over the next few years is expected to be tied to the chemicals, petrochemicals and refining interests. The major part of this spending is limited to the area on the Mississippi River between Baton Rouge and New Orleans and on the Calcasieu River, near Lake Charles.

Louisiana does expect, however, to continue its growth in industry that is labor-intensive, but requiring less investment.

This type of growth is expected to increase as the Red River opens to navigation by barge traffic, first to Alexandria, then to Shreveport. In addition, the two interstate highways that will span both north Louisiana and south Louisiana are nearing completion and will offer rapid, inexpensive access to many of the smaller communities in the state.

Another bright spot in Louisiana's future is the proposed Superport. This facility, when in operation, will provide an additional source of crude oil for refineries along the river and could spur construction of other refineries or petrochemical plants.

Under the present program, Louisiana will continue to broaden its industrial base, thereby creating additional permanent, secure, well-paying jobs for its citizens. Not only is Commerce and

Industry seeking new plants for Louisiana, the department is encouraging existing operations to expand and grow along with the "Right-to-Profit" state.

John Oulliber Retires Early From First NBC, New Orleans

NEW ORLEANS—John A. Oulliber has retired as chairman of First National Bank of Commerce and as a director of both the bank and its parent HC, First Commerce Corp.

OULLIBER

Mr. Oulliber had been with the bank for more than 38 years. He served as president and CEO for almost 12 years. He is the immediate past president of the Louisiana Bankers Association and a former director of the New Orleans Branch of the Federal Reserve Bank of Atlanta.

He is currently serving on the ABA government borrowing committee.

Although Mr. Oulliber is recovering nicely from a recent heart attack, his physician recommended he take early retirement. He intends to remain active in a number of corporate activities.

Giardina Heads Promotion List At National American Bank

NEW ORLEANS—Ralph J. Giardina, formerly senior vice president at National American Bank, has been named senior executive vice president. Edward L. Arno advanced from assistant vice president to vice president; and Anthony P. Chisesi, who was cashier, was moved up to vice president and cashier.

GIARDINA

The bank also made the following appointments: to assistant vice presidents, Robert C. Duke, J. C. de Blanc, Elwood H. Keim and Calvin G. Kaufmann; to data processing officers, Earl J. David, Bryan Frater and Joseph F. Spampnetto; and to banking officers, Victor Balestra, Ned Baynon, Voyd Compagno, Joseph W. Gagliano, Lorraine Gazave, Ethel Geneste, R. Vaughn Johnson, Isaac Jones Jr., Lucille D. Koenig, Charlene Miller and Ernest J. Wright.

ARNO

CHISESI

■ RALPH C. MERRITT has joined Red River Valley Bank, Bossier City, as vice president and loan officer. Mr. Merritt was formerly a vice president at National Bank of Bossier City. Red River Valley Bank began operations last month at Airline Highway and Old Minden Road. Percy V. Hubbard is chairman.

Ourso Receives Award

J. Clifford Ourso (c.), ch. and pres. of Great American Corp., parent company of American Bank, Baton Rouge, receives the annual brotherhood award from the Baton Rouge Chapter of the National Conference of Christians and Jews. Presenting the award is Lt. Gov. James Fitzmorris (r.), keynote speaker at the award banquet. At left is Rolfe H. McCollister, Baton Rouge attorney, and ch. of the award banquet.

Civic Center Complex On 1976 Horizon For Baton Rouge

Area outlined in photo is site of civic center-governmental complex planned for downtown Baton Rouge. Capitol is in center background, and Mississippi River is out of sight at left.

By ROSEMARY McKELVEY
Managing Editor

BATON ROUGE has two reasons to look forward to 1976. Not only will that year be the bicentennial of the United States, but, hopefully, it also will see completion of a civic center-governmental complex on the city's riverfront. In fact, target date for completion is July of that year, the same month in which this nation will observe its 200th birthday. Groundbreaking for the center was scheduled to be held early this month.

Although the complex has not been named, it is being referred to as the "Riverside Center." Situated on 36 acres in the city's downtown section, the center will include a nine-story government building, an arena, exhibition hall and theater. In conjunction with the existing Municipal Building, Courthouse and Old State Capitol, the center will provide a dramatic combination governmental-tourist-convention center. Because it will be located on the banks of the Mississippi River, it will feature a plaza and observation deck overlooking the river, with a museum to be operated by the Louisiana Arts and Science Center at the old Illinois Central Station near the river.

The complex will be constructed on generally blighted land lying between present municipal buildings and the river, said Truman P. Hawes, executive secretary, Baton Rouge Civic Center Committee. The site was made available to the city through an urban renewal grant from the U. S. Department of Housing and Urban Development. This grant totals just over $9 million and covers land acquisition, relocation of occupants, demolition and site clearance.

According to Mr. Hawes, the city has budgeted $20 million for the construction, but this is expected to be increased. Thus, approximately $30 million will be invested in the project, with the major part of this money

This is artist's sketch of civic center-governmental complex to be constructed in downtown Baton Rouge on banks of Mississippi (foreground). Plans are to have project completed by July, 1976, date of nation's bicentennial.

Hopalong Zeller

Milton Zeller mounts up early in the morning when he starts his day as a traveling banker for NAB. He'll ride until sundown—because he's a Traveling Man with NAB—and he's got a lot of savy—Hi-Yo Zeller Away!

If you need Milton on short notice, call 504-525-7761

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Civic Center Complex (Continued)

being spent in Baton Rouge and providing an estimated 1,200 jobs during construction. This investment, Mr. Hawes pointed out, is estimated to yield $1.4 million a year to the city and another $700,000 to the schools through the sales tax on the money to be brought in by conventions. This revenue may be compared with the $43,000 previously derived from property taxes on the site, Mr. Hawes continued. He added that as a minimum, convention business is expected to double.

Baton Rouge doesn't have enough hotel-motel rooms, restaurants, places of entertainment, etc., now to accommodate the convention business that the Civic Center will generate when completed in 1976, said Mr. Hawes. However, he went on, with activity on the site unfolding, present facilities are being refurbished; construction of at least one new motel has been announced, and there is visible activity in the construction of office space that will add to the economy. In addition, he continued, since the convention business is an industry, small service enterprises will be needed and will themselves give jobs to scores of people. The restoration and beautification effort alone, now being started in a plan to increase the city's attractiveness, will give employment to many craftsmen, Mr. Hawes predicted.

The restoration and beautification effort referred to by Mr. Hawes is being carried out by the Riverside Association, a dynamic group of businessmen (including bankers), merchants, public officials, artists and others who joined together late in 1971 to revamp Baton Rouge's downtown section. Their efforts have resulted in a new look in that area, according to Smiley Anders, public relations director, Baton Rouge Area Chamber of Commerce.

Although the Riverside Association is not sponsoring the so-called Riverside Center, Mr. Anders said it's difficult to discuss the center without referring to the Riverside Association because both have combined to make the downtown section of great interest to area residents. In fact, some members of the association played a major role in seeing that the center project got off dead center and was located in Riverside (downtown).

Both the current and incoming presidents of the Riverside Association are bankers. John H. Bateman, vice president and loan officer, Louisiana National, now heads the group. Ralph H. Sims, vice president, Fidelity National, serves the association's board as chairman of the programs and promotion committee and is president-elect. He will take office this July. A third banker, Jack H. Sanders, vice president, American Bank, is a former association board member and is presently active on its parking and transportation committee.

As Riverside Association president, Mr. Bateman is serving on the plaza committee, which is charged with the task of naming the civic center and selecting its theme. In addition, the plaza committee will work closely with the architects and planners in selecting and designating embellishments on the civic center plaza. This committee will be responsible for spending about $700,000 for these purposes.

Mr. Bateman said he's proud of the role bankers have played in the progress of the association. Among its many accomplishments so far, the association has changed Third Street into a meandering, tree-lined, semi-mall, known as Riverside Mall. It has provided funds to buy new trees for Riverside Mall and North Boulevard. Thanks to the association, the city's Public Works Department now provides a "litter buggy" patrol to keep the downtown area clean. The association obtained American flags for Riverside Mall from the American Legion, helped select color-coordinated trash receptacles and telephone booths and began a successful voluntary campaign to remove overhanging advertising signs, especially on Riverside Mall.

The association organized a meeting with bank and S&L presidents on how to obtain mortgage and leasehold improvements money for Riverside and also inspired a meeting with bus company officials and other lenders concerning a possible new transportation center.

Mr. Sims, of course, is just as enthusiastic about his association and the new civic center as is Mr. Bateman. He told MID-CONTINENT BANKER he believes completion of the civic center will give added impetus to the rejuvenation of the downtown or Riverside area that's already underway. Pointing to what has already been accomplished in improved lighting, better streets and sidewalks and tree planting, Mr. Sims predicts that the center, with its schedule of conventions and special events, will stimulate activity and excitement after dark, when most workers have left their offices for home.

As a member of the Riverside Association and the City-Parish Civic Center Committee, Mr. Sanders has been close to this project since its inception. In fact, he said, his association goes back even further—to 1969, when he was chairman of the subcommittee charged with the responsibility of locating a governmental complex and civic center.

"The civic center complex will have a profound economic effect on our community," he said. "Not only will the construction activity add to our economy, but the completed center likewise will generate activity. It will bring visitors—and money—to our city. In addition, the complex will focus attention on our previously neglected Riverside area and will encourage more building activity from the private sector. This not only adds to the economics and esthetics of our city, but provides a rallying point for community pride.

"The new construction removes from our community a sector that gave all indications of becoming a blighted area and replaces it with a beautiful, modern, much-needed and useful complex."

Promotions, Appointments Made At City Nat'l, Baton Rouge

BATON ROUGE—City National has announced eight promotions and nine appointments. In addition, A. K. McInnis, former vice president and director, has been named an advisory director.

The bank advanced four assistant vice presidents to vice presidents—Daniel R. Brown, Ronald W. Lalumandier, Mrs. Ophelia H. Lane and N. A. Maestri. Promoted from assistant cashiers to assistant vice presidents were Steven S. Graeser, Leven L. LeJeune and Paul N. Vidrine. Mrs. Merle L. Alexander, who was an administrative officer, has been named an assistant cashier. Other new assistant cashiers are Mack R. Christian Jr., Jerry W. Hamilton, Roland C. Higgins Jr. and Richard W. Hodges. Elected administrative officers were Michael J. Bass, Warren Glasper, Marvin R. Halbrook, Ronnie L. Huey and Mrs. Ruth D. Norman.

New v.p.s at City Nat'l, Baton Rouge, are (l. to r.): N. A. Maestri Jr., Ronald W. Lalumandier, Daniel R. Brown and Mrs. Ophelia H. Lane.

■ FIDELITY NATIONAL, Baton Rouge, has announced shareholder approval of an increase in number of shares of stock from 350,000 to 370,000, the additional 20,000 shares to be distributed as a 5.71% stock dividend. In other action, stockholders elected six new directors: Harris J. Chustz, president and chief administrative officer, United Companies Financial Corp.; E. M. Clark, senior vice president of the bank; Robert M. Coleman, partner, Wilson & Coleman, architects; Donald F. Gerald, executive vice president of the bank; P. J. LeBlanc Jr., president, Pearce & LeBlanc, utility contractors; and Edmund O. Spiller, owner and president, McInnis-Peterson Chevrolet.

■ CENTRAL BANK, Monroe, has elected Cotham Haddad and James A. Altick to its board.

New LNB Directors

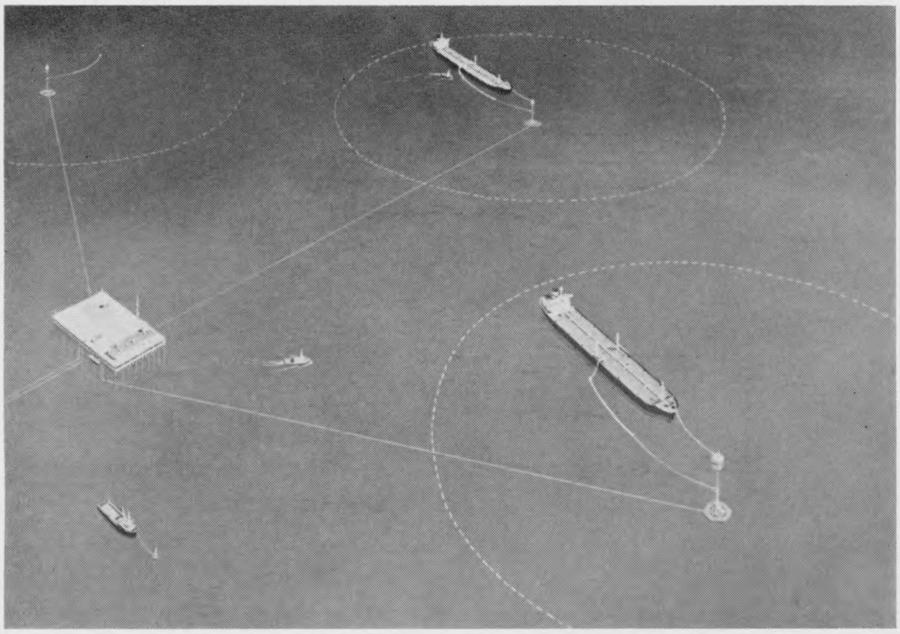
BATON ROUGE—Louisiana National's stockholders have authorized a two-for-one stock split and a 25% stock dividend. In addition, they elected three new directors—Robert S. Greer, president, Union National Life Insurance Co. and Union National Fire Insurance Co., Baton Rouge; Eugene H. Owen, chairman, Baton Rouge Goals Congress and Catholic-Presbyterian Apartments, Inc.; and Dr. Oscar M. Thompson Jr., a physician.

New Bossier Bank Logo

BOSSIER CITY—Another example of how banks are using logos especially designed for them is illustrated here. The logo for Bossier Bank was created by Pat W. Snyder, vice president for Graphic Design and a full partner in the advertising, marketing and public relations agency of Frazer-Irby-Snyder, Inc., Little Rock.

Bossier Bank
& TRUST COMPANY

The symbol above the bank's name, according to Mr. Snyder, represents the Red River, a geographic barrier between Bossier City and Shreveport, flowing in the form of the letter "B" and blending the two markets. The symbol is boldly executed to show strength and solidarity, and its lines have motion, showing the bank's aggressive and progressive approach, Mr. Snyder added.

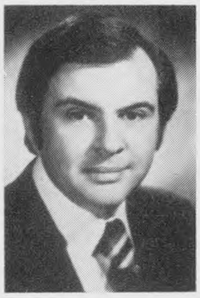


Artist's conception of proposed Louisiana Superport shows type of facilities being considered for Gulf of Mexico. So-called single-point buoy system would permit huge tankers to discharge crude oil through connections to buoy-like structures. Circles indicate that vessels would be free to move in 360-degree range around buoys with tidal currents. Straight lines are pipelines leading from ocean floor.

Louisiana Superport Proposed As Answer to Energy Crisis

DEVELOPMENT of a massive Gulf superport as an answer to the mounting energy crisis throughout the Mid-Continent area has been entrusted to a Louisiana banker.

The vast undertaking, to be known as the Louisiana Superport, is headed by P. J. Mills, formerly vice president, Pioneer Bank, Shreveport.



MILLS

The proposed superport, expected to be constructed in Gulf waters near the mouth of the Mississippi River, will be designed to accommodate mammoth tankers required to carry huge quantities of imported crude to the United States.

Mr. Mills, a former state legislator, explained that most tankers being constructed at shipyards around the world are so large they cannot be berthed at existing deepwater ports in the U. S.

"Yet our nation's requirements for imported crude oil are growing so rapidly that the only practical method of importing it is to utilize these great tankers, a number of which can carry more than 2¼ million barrels of oil on a single trip," Mr. Mills said.

"Therefore, we must build new deep-water terminals or superports to handle these vessels."

Mr. Mills left Pioneer Bank last summer to accept an appointment by Louisiana Governor Edwin Edwards as executive director of the Louisiana Superport Authority. He was chosen for the post because his experience in finance was considered particularly important in development stages of the project.

Mr. Mills noted that although other Gulf Coast states are vying for federal authority to construct the first Gulf superport, the governors of four Mississippi Valley states already have publicly endorsed a location off Louisiana's coastline.

"The governors of Arkansas, Oklahoma, Missouri and Kansas announced their preference for a Louisiana site because they recognize that this is the best location for the entire Mississippi Valley," said Mr. Mills.

"The combination of a deep water oil terminal and bulk transfer facility near the Mississippi River mouth will allow the industrial and agricultural interests in every state in the Mid-Continent area to benefit substantially through waterborne commerce via the Mississippi River system."

Mr. Mills said that although the first phase of the Louisiana superport will be confined to construction of an oil terminal, subsequent stages will include handling various bulk cargoes.

Final federal site approval is anticipated before the end of 1973. Louisiana interests hope the first phase of a superport will be operational before the end of 1976.

Prior to joining the Louisiana Superport effort, Mr. Mills had been associated with Pioneer Bank since 1962. He holds a bachelor's degree in business and a master's degree in state government from Louisiana State University, Baton Rouge. He also is a graduate of the Southwestern Graduate School of Banking at Southern Methodist University, Dallas, and has served on the advisory board of the school. In 1967 Mr. Mills was named by Shreveport Jaycees as that city's outstanding young man of the year. Later in 1967, state Jaycees honored him as "Louisiana's Outstanding Young Man of the Year." He was elected to the Louisiana House of Representatives in 1968 and served until 1972. • •

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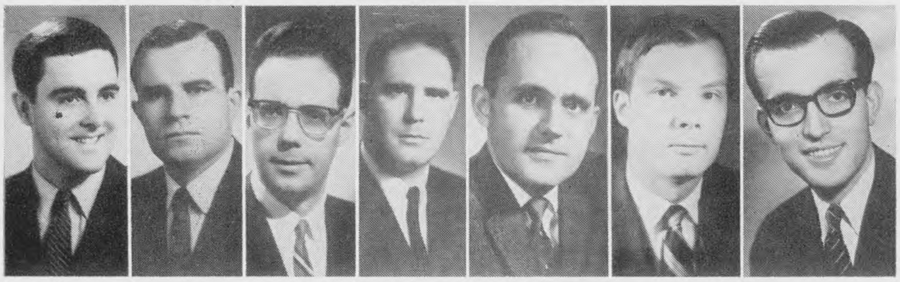
Morgan Shaw and Donald Nalty can do worlds with trusts for you. Morgan is head of Hibernia's Trust Division. Donald is head of Hibernia's Correspondent Banking team. One of the many plans they can help you put to work for your customers is a prototype pension plan for self-employed persons that has already been approved by the Internal Revenue Service. Donald Nalty and Morgan Shaw. The Men of Hibernia. They'll do more for you with trusts than anyone else in the world. After all, the Hibernia is the only Louisiana bank currently listed in the top 300 Trust Departments in the country in fiduciary assets.

HIBERNIA NATIONAL BANK in new ORLEANS

Illinois News



JOHNSTON VAUGHN NELSON JACOBS SIEPMANN SPARLING ARSAN

First National Bank, Chicago, Elects Eight Vice Presidents; Nominates Bank HC Directors

CHICAGO—First National has elected eight vice presidents, seven of whom were formerly assistant vice presidents.

They are Ahmet D. Arsan, Norman A. Jacobs, Colin C. Johnston, Iver M. Nelson Jr., Horst H. Siepmann, J. Rand Sparling, Thomas A. Vaughn and Alex W. Hart. Mr. Hart came from Ohio National, Columbus.

Messrs. Arsan, Johnston, Siepmann and Sparling are members of the international banking department; Messrs. Jacobs and Nelson are in the trust department; Mr. Vaughn is in the bond department; and Mr. Hart is in the personal banking department.

In other action, 11 Chicago business leaders have been nominated for election or reelection to the board of First Chicago Corp., parent firm of First National.

Those newly nominated include William O. Beers, Kraftco Corp.; A. Dean Swift, Sears, Roebuck & Co.; A. Robert Abboud and Chauncey E. Schmidt, bank executive vice presidents; Richard L. Thomas, executive vice president, First Chicago Corp.; and Robert K. Wilmouth, bank executive vice president.

Nominated for reelection are William Wood Prince, F. H. Prince & Co.; Brooks McCormick, International Harvester Co.; Gaylord Freeman, chairman of the bank and HC; John E. Swearingen, Standard Oil; and John E. Drick, president of the bank and HC.

Edward F. Blettner will retire this month as vice chairman of the bank and HC, but will continue as an honorary director. Gordon M. Metcalf, who recently retired from Sears, Roebuck & Co., will retire from the HC board this month.

Permit To Organize Sought For New Granite City Bank

GRANITE CITY—P. H. Lichtenberger, chairman of First Granite City National, and four other Granite City men have filed for a permit to organize Colonial Bank of Granite City.

Organizers are: Dr. George T. Wilkins Jr.; Vasil Tarpoff, president of a packing company; Henry W. Ross, president of a construction company; and John W. Reese, president of Reese Drug Stores, and a director of First Granite City National.

The proposed bank's capitalization of $1 million would consist of $400,000 in capital, $400,000 in surplus and $200,000 in reserves. Mr. Lichtenberger said the new bank will be an affiliate of First Granite City National. Stockholders will have an option to buy stock in Colonial Bank. However, the new bank will receive no funding from First Granite City.

Mr. Lichtenberger is expected to be president and a director of the planned bank but will not take an active part in its daily management. Mr. Reese also is expected to be named a director.

■ MRS. MARTHA HELDT has been elected president of First National, Grant Park, succeeding her late father, John Rosenbrock. She was formerly cashier and has been in banking for 30 years. Elected chairman was Harold Mussman, who has been with the bank for 31 years.

Illinois Deaths

JOHN ROSENBROCK, chairman and president, First National, Grant Park. He was with the bank 53 years and was the last of its founders.

JAMES OBERLINK, executive vice president, First National, Vandalia. He had been with the bank 26 years.

Beckmann Heads PR Division Of Illinois Bankers Assn.

William R. Beckmann, director of advertising and public relations, National Boulevard Bank of Chicago, has been elected president of the Illinois Bankers Association public relations division. His term begins July 1.

Other officers elected were: first vice president, Charles M. Zipprodt, advertising manager and public relations officer, Busey First National, Urbana; second vice president, Neil Bach, executive vice president, Bank of Pontiac; and secretary, Helen M. Kresich, IBA director of communications.

Elected to three-year terms on the division's executive committee were: C. Frederick Charlton, vice president, First National, Chicago; and Kent Stickler, vice president, Illinois National, Springfield.

■ FIRST BANK, Palatine, advanced James L. Sullens from assistant vice president to vice president in the real estate and trust department. Named assistant cashiers were: Patrick N. Camastra, installment loan department; Bruce A. Adams, commercial loan department; and Mrs. Carole A. Halpaus, new accounts.

■ JAMES M. GLASS was appointed executive vice president and a director of First Bank of Oak Park. He had been serving as vice president and executive trust officer. Mr. Glass came to the bank in 1967.

■ MERCHANTS NATIONAL, Aurora, made the following promotions: Robert J. Stolp, assistant vice president in the real estate loan center; Joel Binder, assistant trust officer; and Al Zielke, data processing officer.

■ GALLATIN COUNTY STATE, Ridgway, named Rosemary Taggart vice president and cashier; and elected Judy McGuire and Pauline Drone assistant vice presidents. Appointed directors were Curtis Bradley, farmer, and Ed Reitz, vice president in charge of correspondent banking, Drovers National, Chicago.

■ ADVANCED at First National, Bellville, were: G. Thomas Andes, from cashier to vice president and cashier; James D. Jolley, from assistant vice president to vice president; and George R. Klann, from auditor to comptroller. Melvin Weck was named assistant vice president and manager of the data processing department and Gloria Biegler was elected secretary to the board. Mary Corwin, former secretary to the board, has retired after 47 years with the bank.

'Goof Check' Is Cashed

Irving Seaman Jr. (l.), CEO, and William R. Beckmann (r.), director of advertising and public relations, National Boulevard Bank, Chicago, accept huge "goof check" from Gerald J. Stern (second from r.), president, Stern, Walters & Simmons, Inc., Advertising. Michael R. Miller (second from l.), vice president, Stern, Walters & Simmons, looks on. The check was created by Buck Fulton, head of Fulton Advertising, Ft. Lauderdale, Fla. It represents the result of a wager between Messrs. Stern and Fulton that Fulton's new headquarters office building would not be ready for occupancy by last December 1.

Millikin National Promotes 3, Establishes New Department

DECATUR—Millikin National has promoted Phillip R. Curry from assistant cashier to assistant vice president and Eugene G. Pride to assistant cashier. Also promoted was Mrs. Virginia L. Johnson to assistant manager of the bank's Mini Bank.

CURRY MONROE PRIDE

Mr. Curry joined the bank in 1963, Mr. Pride in 1971 and Mrs. Johnson has been with the bank more than 20 years.

The bank has announced a new department devoted exclusively to credit cards, headed by Cecil J. Monroe, assistant cashier. The department will control credit card applications, issue all cards and market the card concept among merchants.

■ VERONA EXCHANGE BANK has celebrated its 75th anniversary and built a new addition containing 1,320 square feet of space for two offices and an enlarged bookkeeping department.

■ MID-CITY NATIONAL, Chicago, has elected George V. Stein to its board. Mr. Stein is vice president and cashier of the bank and joined the bank 37 years ago.

■ FARMERS & MERCHANTS Bank, Highland, has appointed Elvin M. Foehner chairman and Cyril J. Spengel president. Mr. Foehner joined the bank in 1933 and served as president since 1952. Mr. Spengel joined the bank in 1937.

Glenview State Bank Moves To New Headquarters

GLENVIEW—Glenview State recently moved to its new 75,000-square-foot headquarters building. The bank occupies about 45,000 square feet of the building, with the balance occupied by tenants.

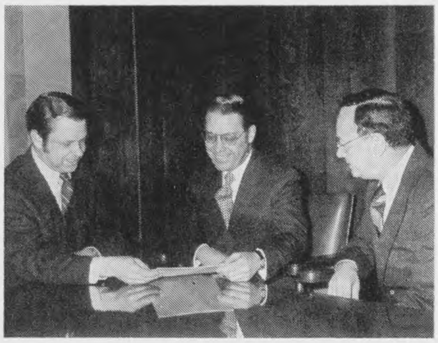
The building features parking for more than 200 vehicles, motor bank service and a cafeteria. Walk-up and drive-up service will continue at the original bank building.

■ NATIONAL BANK OF JOLIET promoted John J. Racich from vice president to executive vice president, Leslie J. Gomora from assistant vice president to vice president and Ronald E. Wencel to assistant cashier.

■ JAMES J. BROWN has been elected executive vice president of First National, Woodstock. He formerly was vice president of Wabash Valley Bank, Peru, Ind. In other action, Fred E. Aldrich was named operations officer and Elmer J. Drolet installment lending officer.

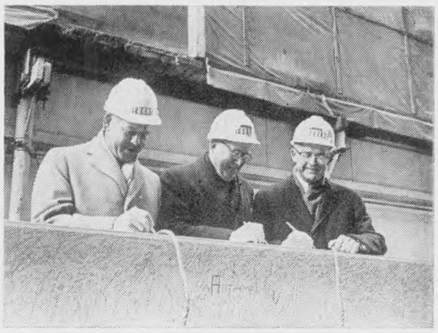
■ EXCHANGE NATIONAL, Chicago, has elected six officers in its commercial banking department. They are Edward F. Halloran and Dieter E. Heren, vice presidents; and Daniel G. Hunter, Michael W. Kiss, James P. McGuire and Victor P. Stasica, assistant vice presidents.

New Chicago Bank Authorized



Illinois State Commissioner of Banks and Trust Companies H. Robert Bartell (l.), presents permit to organize Watertower Trust & Savings Bank to Joseph Kostner (r.) and Richard L. Curtis (c.), two of five organizers of new bank. Bank will be located at 717 North Michigan Avenue, Chicago.

New Building Topped Out



Top officers of Chicago's Northern Trust add their signatures to topping out beam of 31-story Northern Building at recent ceremonies. From l. are President E. Norman Staub, Chairman Edward Byron Smith and Vice Chairman Douglas R. Fuller. More than 2,000 employees and customers signed the beam during its two-week display in the bank. Building will be completed next year in Chicago's Loop area.

Hughes Named Vice Pres. By LaSalle Nat'l Bank

CHICAGO—John R. Hughes has been named vice president in the correspondent banking division of LaSalle National. Mr. Hughes, who came to the bank in 1971, is responsible for LaSalle's correspondent relationships in Wisconsin.

HUGHES

Others promoted were: Archene O. Gailey, trust officer, corporate trust administration; John D. Golden, audit officer; and Kenneth Marks, real estate officer, land trust division.

In other action, the bank announced the retirement of Philip L. Butler as senior vice president in the commercial banking group. He joined the bank in 1949 as assistant cashier and later established the national division. He was elected vice president in 1955 and became senior vice president in the regional division in 1965.

■ BANK OF HOMEWOOD promoted Mrs. Betty Turano from administrative assistant to assistant vice president. She has been with the bank 25 years. Dennis Kirby recently joined the bank as auditor.

■ NATIONAL BOULEVARD Bank, Chicago, has elected Robert C. Bartlett and Robert L. Grover to its board. Mr. Bartlett is president and director of Commerce Clearing House, Inc., Chicago, and Mr. Grover is president and director of Snap-on Tools Corp., Kenosha, Wis.

Indiana News

Changes in Evansville

MITCHELL SCHLOTTMAN NEWMAN

Daniel W. Mitchell has been elected president of Evansville's Old National, succeeding Fred C. Newman, who retired March 1 after 48 years with the bank. He remains on the board. Richard A. Schlottman was named executive vice president. Mr. Mitchell, with Old National since 1950, was formerly executive vice president. Mr. Schlottman went to the bank in 1949 and had been senior vice president. Mr. Newman started in 1925 as a messenger and became president in 1966.

■ JACKSON COUNTY BANK, Seymour, promoted Steve D. Bottorff from cashier to vice president and cashier, while Robert G. Bottorff joined the bank as assistant vice president in charge of operations and personnel. Robert Bottorff was with Indiana National, Indianapolis, for 10 years and then served with Union Bank, Franklin, for three years. For the last six years, he has operated his own business. Both Steve and Robert Bottorff are sons of G. B. Bottorff, president of Jackson County Bank.

■ TWO OFFICERS have retired from Floyd County Bank, New Albany. They are William R. Hess, vice president, cashier and trust officer, and J. E. Stamper, vice president.

■ JAMES W. ROSE has been named president, chief executive officer and trust officer of First National, New Castle. He succeeds as president Robert E. Jones, who will continue as chairman. Mr. Rose came to the bank in December from Indiana National, Indianapolis, where he was a vice president in the Indiana division.

■ PURDUE NATIONAL, Lafayette, announced the following promotions: Stanley R. Boughton, executive vice president; James A. Posthauer, senior vice president; Allan W. Keller, vice president and cashier; and James S. Backoff, vice president and trust officer. David Lux was elected a director of the bank, replacing A. J. McAllister, who was named to the advisory board. Mr. Lux is an officer and director of several corporations involved in land development and construction.

■ ST. JOSEPH VALLEY BANK, Elkhart, has named three new bank officers. They are: Miss Wanda Suck, assistant trust officer; Thomas E. Wilson, EDP systems officer; and Harold L. Peck, insurance representative.

■ GARY NATIONAL promoted Lawrence Turnquist and Bob Lee from assistant cashiers to assistant vice presidents. Mr. Turnquist joined the bank in 1967 and Mr. Lee in 1963.

■ JOHN R. SAKSA has been named operations and loan officer at First Bank of Whiting. He had been assistant cashier at First National of East Chicago.

Kentucky News

Hillenmeyer Is Pres. & CEO Of First Security National

HILLENMEYER

LEXINGTON—Walter W. Hillenmeyer Jr. has been named president and chief executive officer of First Security National. He had been executive vice president and chairman of the executive committee.

LeRoy M. Miles, former president, was named chairman. He joined the bank in 1930 and became president in 1961. Edward S. Dabney was promoted from chairman to honorary chairman.

■ C. E. BRENTS is the new president of Citizens National, Lebanon, succeeding the late John I. Blakemore, who had been with the bank 18 years. Charles Goodin, part owner, Lebanon Oak Flooring Co., and a bank director, was elected vice president; James Thomas was promoted from assistant cashier to chief executive officer, cashier and trust officer; Eugene Lancaster was made assistant cashier and assistant trust officer, and Lloyd Bugg was elected assistant cashier and consumer loan officer. Mr. Brents is mayor of Lebanon and owner and operator of an auto agency bearing his name. He was formerly vice president of the bank, which also has a new director, Arthur Rucker, owner and operator of Lebanon Wholesale Co.

Hines Is Elected President Of Bank in Bowling Green

BOWLING GREEN—John P. Hines has been elected president and a director of Citizens National. He has been with the bank since 1950 and executive vice president since 1972. As president, he succeeded Jo T. Orendorf, who remains chairman and senior trust officer, to which posts he will devote full time.

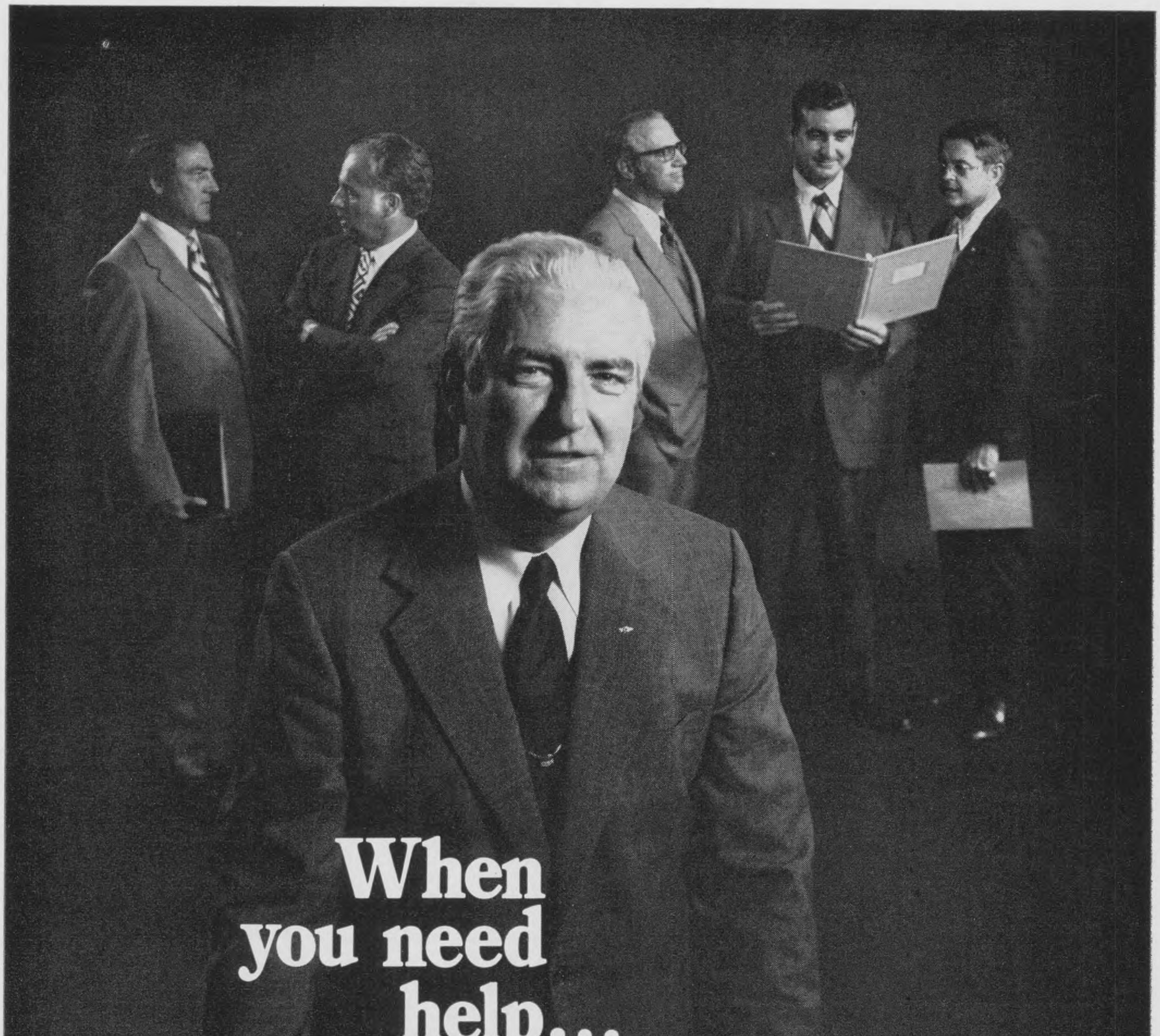
In other action, the bank made the following changes: Bruce T. Shuffitt from cashier to vice president and cashier; Dewey S. Glasscock from assistant vice president to vice president; Ozelle M. McDonald from assistant vice president and assistant trust officer to assistant vice president and trust officer; Alice Jones from assistant cashier to assistant vice president and Nora Graybeal, Sue Brown, Wendell Strode, Cheryl Burd and Jerry King to assistant cashiers. John T. Perkins has joined the bank as manager of the data processing department. He had been assistant vice president of Citizens Fidelity, Louisville, in charge of that bank's data centers in Bowling Green, Owensboro, Lexington and Louisville.

Citizens National also announced shareholder approval of a 100% stock dividend and sale of new stock.

■ MRS. BONNIE K. ASBELL was promoted to cashier from assistant cashier by City National, Fulton. At the same time, Mrs. Janie T. Williams was made an assistant cashier. Mrs. Asbell succeeded John Daniel, who is now a vice president. She has been with City National 25 years. Mrs. Williams joined the bank about five years ago.

■ SECOND NATIONAL, Ashland, promoted G. B. Johnson Jr. to first vice president and trust officer and advanced Joseph C. King, Joseph Porter, Gay Price, Grant Sagraves and Jack E. Traylor from assistant vice presidents to vice presidents. Fred Fitch III and Mrs. Betty Johnson, assistant cashiers, were named assistant vice presidents and Edward Riggs and Julia Vencill were appointed assistant cashiers.

■ C. L. RICHARDSON, who was vice president, Springfield State, has moved up to executive vice president.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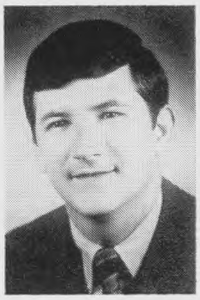


MORRIS HOLMES

Union Planters Nat'l, Memphis, has created two new fully operational departments within its corporate division and named two vice presidents to head the departments. J. Franklin Holmes heads corporate accounts-national, and C. G. "Gus" Morris heads corporate accounts-correspondent. Union Planters Nat'l is a wholly owned subsidiary of Union Planters Corp., a registered bank holding company.

■ MURFREESBORO BANK made several new promotions. Advanced were: C. W. Holden, executive vice president; C. K. Hawkins, senior vice president; R. E. Miflin, vice president and cashier; J. F. Messick, vice president; F. A. Hayes, Mrs. Mary Knight and William T. Walbup, assistant vice presidents; W. E. Guesernir, assistant cashier; and Robert B. Murfree, Angie B. Lynch, Edna H. Reelman and William Rowland, administrative assistants.

■ R. L. BROWN has been named president in addition to his title as chairman of First & Peoples National, Gallatin. He succeeds as president the late A. C. Earls. In other action, Glenn Hackett has joined the bank as assistant vice president. He had been with First American National, Nashville, for the past 15 years.

Tennessee News

■ CHESTER A. ROBERTS, director, Bank of Hendersonville, has been named vice chairman. R. N. Parrish Jr. was promoted from vice president to senior vice president and Mrs. Ann Oatsvall and Mrs. Lou Poindexter were elected assistant cashiers.

■ FIRST NATIONAL, Copperhill, has changed its name to Hamilton National Bank of Polk County.

■ HAMILTON BANK, Johnson City, named Donald D. Burgess manager of the Broadway Branch and Gene Sprouse assistant manager of the Market Street Branch. Mr. Burgess joined the bank in 1964 and Mr. Sprouse in 1969.

Tennessee Death

A. C. EARLS, 85, president, First & Peoples National, Gallatin. He was with the bank 65 years and had been president since 1970.

6 Elections, 3 Promotions Made by Hamilton National

CHATTANOOGA—Hamilton National has elected six officers and promoted three others.

McFATHER

Elected vice president-correspondent banking division was Robert H. McFather of Atlanta, a veteran of 14 years in banking. Mr. McFather is a graduate of Darlington School, Rome, Ga., and attended Georgia Tech and the University of Georgia.

Other newly elected officers include David W. Huston to assistant vice president, Darrell W. Bidwell to programing officer, Robert J. Denton to manager of systems and programing, Jack W. Smith to data processing technical officer and Philip A. Hyman to assistant cashier and branch manager.

Officers promoted include James A. Adkisson and Wayne T. Bledsoe, who were elevated from assistant cashiers and branch managers to assistant vice presidents and branch managers. Eugene R. White was promoted to assistant cashier and branch manager.

■ FIRST AMERICAN, Nashville, has elected John H. Tipton Jr., senior vice president, National Life & Accident Insurance Co., to its board.

■ SAMUEL S. HOOKS, vice president, American National, Mobile, has retired, following more than 43 years' service. Mr. Hooks has been with the bank since its organization in 1929.

Two Branch Openings

First National, Montgomery, opened two new branches on February 21. Shown here is bank President James S. Gaskell Jr. (second from l.) congratulating Bill Epperson, manager of new Fairview Avenue Branch. Looking on are Frank A. Plummer (r.), bank chairman and Fearon Arant (l.), supervisor of branch banks. The Village West Branch was the other branch opened on February 21.

Alabama News

■ BANK OF ABBEVILLE promoted Glenn Jenkins from vice president to executive vice president.

■ FIRST NATIONAL, Ashford, has named Joe Slay president. He had been serving the bank as executive vice president.

■ W. E. GOODMAN has joined First Colbert National, Sheffield, as vice president and cashier.

■ CLAUD B. BLACKWELL retired as vice president and trust officer of First National, Greenville. He had been with the bank since 1939.

Alabama Death

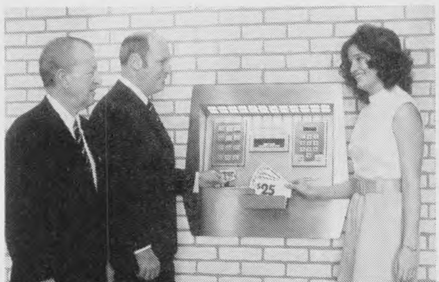
P. O. DAVIS, director, First National, Auburn. He had been a director since 1938.

■ BANK OF HUNTSVILLE promoted B. M. Simms from vice president to executive vice president and John E. Hatch from comptroller to vice president. Mr. Simms came to the bank last year and Mr. Hatch in 1971.

■ FIRST NATIONAL, Auburn, named Mrs. Vernice Brackeen and Philip A. Gipson vice presidents. W. Lawson Shaw has assumed Mrs. Brackeen's responsibilities as cashier, in addition to his duties as vice president.

24-Hour Banking in Mobile

Round-the-clock banking has arrived in Mobile with the installation of three automatic teller units at three offices of American National. A. Danner Frazer (l.), chairman and CEO; C. M. A. Rogers III, president; and Mrs. John P. Fitzhugh, bank employee, demonstrate unit.



Frank A. Plummer
Chairman of the Board

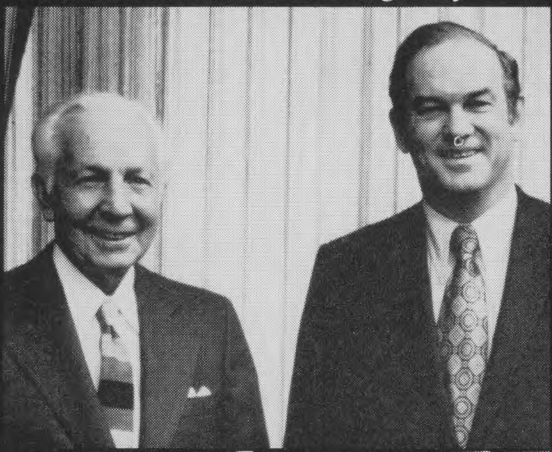
James S. Gaskell, Jr.
President

The First National Bank of Montgomery

Norman D. Pless
Chairman of the Board

Willard L. Hurley
President

Exchange Security Bank, Birmingham



W. Eugene Morgan
President

H.E. Monroe
Chairman of the Board

The First National Bank of Huntsville

John J. Flowers, Jr.
Chairman of the Board

J. Drury Flowers
President

The Dothan Bank and Trust Company

You're looking at years of banking experience.

The executive officers of the affiliate banks of First Alabama Bancshares have had years of responsibility in managing their own banks. Now, their expertise and the total resources of all First Alabama affiliates are combined to help your bank profit. Let us serve you!

First Alabama Bancshares, Inc.

Affiliate Banks:

The First National Bank of Montgomery
Exchange Security Bank, Birmingham
The First National Bank of Huntsville
The Dothan Bank and Trust Company

James H. Means Appointed State Bank Comptroller

MEANS

James H. Means has been appointed Mississippi State Bank Comptroller. His career covers 26 years with First National, Jackson, where he was serving as vice president when named to head the Department of Bank Supervision.

In June, Mr. Means expects to complete requirements for a graduate certificate from the School of Banking of the South at Louisiana State University.

■ SECURITY STATE, Starkville, has promoted Ivan L. Hand to executive vice president and trust officer, Marjorie J. Richey to vice president, Larry W. Jones and James L. Cohen to assistant vice presidents and Bessie Norris to assistant cashier.

Mississippi News

■ J. D. DUKE JR., manager of the installment loan department, First National, Meridian, was advanced from vice president to senior vice president. Charles H. Petkovsek Jr., vice president and trust officer since 1966, was promoted to executive vice president and trust officer.

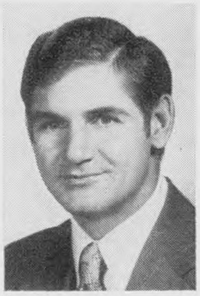
■ ELECTED DIRECTORS of First National, Greenville, were W. A. Watts, president and general manager of a paint and glass company, and Roy B. Fulton, president of an outdoor recreation items firm. N. P. Adams and W. F. Carnahan, former directors, were named advisory directors.

■ DEPOSIT GUARANTY NATIONAL, Jackson, has promoted George R. Marx to assistant vice president, Mrs. Ellen Beckham to credit officer, H. B. Duckworth Jr. to real estate officer and Mrs. Jean Porter and Richard B. Powell to branch officers. Mr. Marx joined the bank in 1969 and is in the real estate department. Mrs. Beckham went to Deposit Guaranty in 1962 and is a credit officer in the credit department. Mr. Duckworth has been with the bank since 1969. Mrs. Porter joined City Bank of Natchez, a Deposit Guaranty branch, in 1957. Mr. Powell is manager of the Motor Bank Office.

■ MERCHANTS & FARMERS BANK, Meridian, has appointed three new directors. They are: Charles S. Bigood Jr., secretary-treasurer of a concrete company; A. Murphree McMullen, vice president, Herman A. Shields Co.; and H. G. Weddington, vice president and secretary-treasurer of a machine company.

Five Promotions Announced By Worthen of Little Rock

LITTLE ROCK—Worthen Bank has elevated five staff members. Michael E. Cissell and Roger Kahn were named assistant vice presidents.



CISSELL

Mr. Cissell has been a member of the bank's correspondent bank division since April, 1972, and was formerly an assistant cashier. Mr. Kahn joined Worthen last January and was formerly associated with First National, St. Louis.

Gregory C. Lathrop was named assistant trust investment officer, Beth Hirscheider was promoted to guardianship administrator and Ronald E. King was named administrative assistant.

■ FIRST NATIONAL BANK OF COMMERCE, Paragould, has announced several new elections. J. C. Cothren was named vice president and head of the business development department, while Evelyn Long and Elizabeth Lee were elected assistant vice presidents. Jerry Simpson, loan officer, was appointed assistant cashier.

■ J. E. LALMAN, director of Fidelity National, West Memphis, has been elected chairman of the bank. William R. Spencer was named customer relations officer and Jerry H. Swetland, vice president and cashier, was appointed a director.

Arkansas News

Paul Offutt Elected President Of New Bank in Hot Springs

HOT SPRINGS—Grand National Bank recently opened for business with capital of $2.3 million. Joe E. Hawkins is chairman and Paul L. Offutt is president.

Mr. Offutt had been president of Citizens Bank, Springhill, La. He has been in banking since 1958 and has been associated with Texas Bank, Dallas, and Commercial National, Texarkana.

Other officers of the new bank are: W. N. Ott, vice president and loan officer; Bob G. Hayes, vice president and cashier; and Flora Keener, assistant cashier. Eugene T. Canada, director, also will serve as marketing director.

■ PEOPLES BANK, Dierks, recently opened a new building containing 2,800 square feet of floor space. The structure has four inside teller windows, a drive-in service window and night depository.

■ BANK OF WEST MEMPHIS promoted Paul Neal and Wayne Stafford from assistant cashiers to assistant vice presidents and named Bob Naylor assistant auditor. Robert E. McCarley, real estate executive, was elected a director of the bank.

Huchingson Named Member of Year By Little Rock AIB Chapter

LITTLE ROCK—Harry Huchingson Jr., assistant vice president, Commercial National, has been selected Member of the Year by the Little Rock Chapter of AIB.

HUCHINGSON

As educational chairman of the chapter for the last three years, Mr. Huchingson has been in charge of setting up classes and recruiting instructors for the AIB course program in central Arkansas.

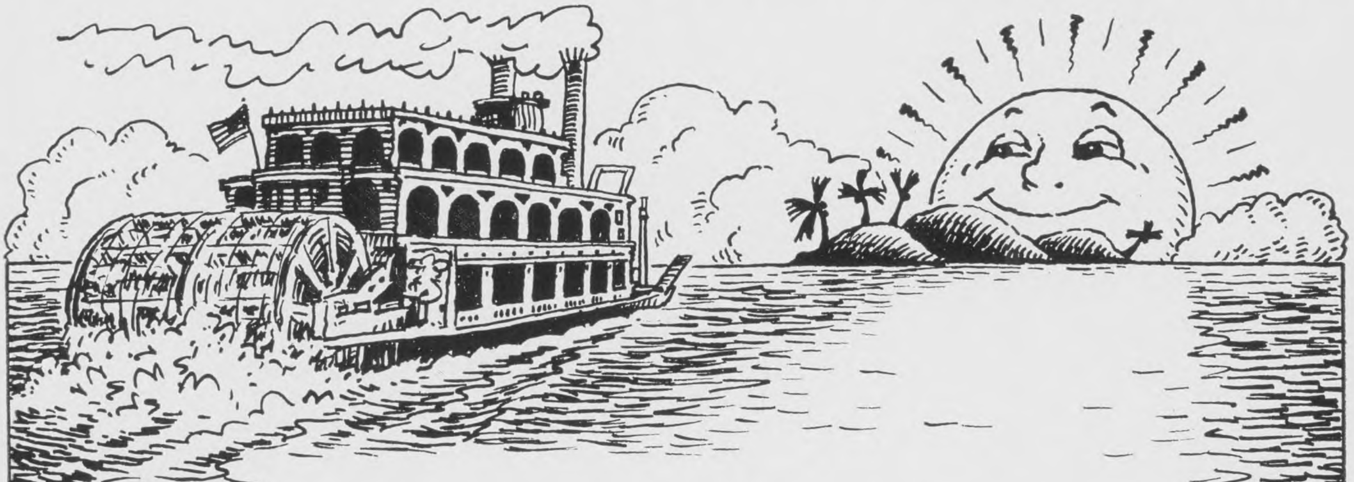
FABCO Hosts Personnel Confab For Holding Company Assn.

LITTLE ROCK—Representatives from 53 of the nation's bank holding companies from 22 states gathered here recently for a seminar on bank holding company personnel matters hosted by First Arkansas Bankstock Corp.

The seminar was sponsored by the Association of Registered Bank Holding Companies to discuss personnel problems and opportunities.

Chairman of the seminar was James W. Wilson III, vice president and personnel director, United Virginia Bankshares, Inc., Richmond. Host company representative was Karl F. Zimmermann, vice president and personnel manager, Worthen Bank.

Our newest branch office is an easy 131 hour trip from downtown Memphis.



The Federal Reserve Board has just granted approval for our new off-shore branch on Grand Cayman Island in the Caribbean.

Which, considering the fact that we're a billion dollar bank that's been heavily involved in international banking services for over 38 years, isn't nearly so far out as you'd think.

For instance, our International Department can offer you complete Foreign Exchange Facilities, Travelers and Commercial Letters of Credit, Export Collections, Overseas Credit Information, etc.

Plus quick access to the Eurodollar market and expansive international financing capabilities, via the Caribbean.

So whether you're looking for complex world-wide banking assistance, or something as simple as check collection, why not let Union Planters be of service?

After all, no bank is an island.

Union Planters
NATIONAL BANK OF MEMPHIS

Oklahoma News

24-Hour Banking for O.C.

Mrs. Patience Latting, mayor of Oklahoma City, pictured with Jack T. Conn, chairman, Fidelity Bank, dedicates bank's new "Anytime Bank" 24-hour facility, said to be the first and only automatic teller facility in Oklahoma City.

■ LINCOLN BANK, Ardmore, advanced two officers to vice presidents when Kurt C. Cone was named vice president-computer systems and Jim D. Goss vice president and loan officer. Mr. Cone joined the bank's holding company, First Southwest Corp., in 1971. Mr. Goss has had 10 years' experience in consumer lending. In other action, the bank elected as a director Harry G. Hadler, a petroleum geologist and hotel and transportation executive.

■ CITY NATIONAL, Oklahoma City, has elected Patrick O'Neill an assistant vice president and Arthur Meadows and Steve Thompson assistant cashiers.

Nash Elected President & CEO Of United Bank in Tulsa

TULSA—William R. Nash has been named president and chief executive officer of the newly chartered United Bank. Construction of the bank's new 6,200-square-foot building is expected to be completed in late summer.

NASH

Mr. Nash had been vice president in charge of the correspondent bank department of National Bank of Tulsa. He previously headed the real estate loan department and was director of advertising and public relations. Mr. Nash joined the bank in 1966 after resigning as general manager of radio station KFMJ in Tulsa.

■ SAM C. GILMORE has been named assistant vice president at First National, Oklahoma City. He joined the bank in 1972.

■ SECURITY NATIONAL, Norman, has advanced Mrs. Maude R. Belford to assistant vice president and named James T. Bratton, Bob Thompson and Earl C. Shipp assistant cashiers. Mrs. Belford has been with the bank 19 years and is secretary to the president. In other action, the bank named as directors Gordon D. Masters, Richard L. Reynolds and Phil Smalley. Mr. Masters is president of Masters Transfer & Storage Co., Mr. Reynolds is a Ford dealer and Mr. Smalley is an attorney.

Bank Issues Millionth Card

T. R. Cochran Jr. (r.), admires check for $100 presented to him by Carl E. Grant, senior vice president, Liberty National, Oklahoma City, when Mr. Cochran was issued the bank's one millionth credit card. The presentation was made on Valentine's Day. The bank has been offering credit cards since September, 1966.

New Mexico News

Skaar Named Exec. VP Of First National

ALBUQUERQUE—Sidney C. Skaar has joined First National as executive vice president in charge of the corporate banking division. Mr. Skaar had been managing credit officer for Ford Motor Credit Co. and previously was with Irving Trust, New York City, and with Bank of the Commonwealth, Detroit.

SKAAR

Named vice presidents of the bank were Curtis A. Brewer, Malcom Cannon, Herbert M. Denish, Chester A. Pasnewski and Rex Smith. Mr. Brewer is head of the market planning department and of the BankAmericard department, while Mr. Cannon is director of branch operations for the personal banking division. Mr. Denish is director of the First Plaza Project, the bank's new corporate headquarters complex now under construction. Mr. Pasnewski is an assistant trust officer and Mr. Smith is a commercial loan officer in the corporate division.

Advanced to assistant vice presidents were: Noel D. Behne, commercial loan officer; Frank C. Foy, correspondent banking department; R. James Howard Jr., manager, Gibson Office; Arthur J. Oritz, manager, Del Norte Office; and James C. Thompson, personnel director.

New Citizens Bank of Gallup Receives Charter Approval

GALLUP—A charter has been approved by the state banking department for the new Citizens Bank of Gallup. The bank will be capitalized at $750,000, including $375,000 in capital and $375,000 in surplus, subject to FDIC approval.

Construction of a new bank building is expected to begin in the near future. The building will have a 4,000-square-foot main floor, a 3,700-square-foot basement and drive-up windows.

Peter Racki has been named president of the new bank. He had been serving as assistant vice president at First State.

■ SECURITY NATIONAL, Roswell, has promoted Randall L. Owensby, manager of the mortgage loan division, from assistant vice president to vice president and Mrs. Bettie Hughes from assistant cashier to assistant vice president. Wayne Milner, manager of E. F. Hutton & Co.'s Roswell office, was elected an advisory director of Security National.

■ ROSWELL STATE has named Ray Bell and Bronson M. Corn advisory directors. Mr. Bell is founder and president of an oil company and Mr. Corn is a rancher and farmer.

■ VALLEY NATIONAL, Espanola, has named John Maruska an assistant cashier. He joined the bank last June.

■ JOHN W. JARRATT has joined Ruidoso State as assistant vice president in charge of real estate lending.

■ ALBUQUERQUE NATIONAL promoted Robert C. Boule from assistant vice president to trust officer. He came to the bank in 1956 and has been in the trust department since 1971.

■ DAVID M. WYMAN has retired as senior vice president of Santa Fe National. He joined the bank when it was founded 26 years ago.

Charles Rice is a real banker's banker

That's why we picked him to head NBT's growing Correspondent Banking Department. He's a man whose banking experience dates back to 1954 and he has more than ten years' experience traveling, managing — helping other bankers solve some of their most difficult problems. He's bringing some new and innovative programs to NBT and he'll be contributing significantly to our bank's long-range planning. You can count on him to understand your correspondent needs and to devote his skill and imagination to providing the kind of service you'll benefit from most.

Because Charles Rice is no newcomer to banking circles or to the area we serve, chances are you've already met him. Even so, you owe it to yourself and your bank to find out what he and his NBT staff — long recognized for dependable service throughout the southwest — can do for you now.

Call Charles Rice at (918) 584-3411 and get together with him and NBT soon.

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Kansas News

Curriculum Directors' Seminar Receives Grant From KBA

MANHATTAN—The Kansas Bankers Association and the Garvey Foundation have made grants to the Kansas Council on Economic Education to support an economic education seminar for curriculum directors. The seminar, to be held June 18-22 at Kansas State University here, also is being supported by the Kansas State Department of Education.

The seminar will provide a week of intensive study and interaction with economic education curriculum experts. Thirty scholarships will be offered to persons who have curriculum responsibilities in Kansas elementary and secondary schools.

■ EDWARD J. COSTELLO, former cashier and director of Tampa State, has purchased controlling interest in the bank and was named president. Mary K. Costello was named vice president and director, while Zona Keefer was advanced from assistant cashier to cashier and director. Donna Backhus was elected assistant cashier and James C. Donahue and Martin B. Klenda were appointed directors.

■ KAW VALLEY STATE, Eudora, has elected Mrs. Geraldine Abel an assistant cashier.

■ ALAN LILLEOIEN was named assistant vice president of First National, Lawrence.

■ FIRST NATIONAL, Shawnee Mission, has appointed A. C. Talley a vice president. Before joining the bank last year, Mr. Talley was with Continental Oil Co., Kansas City.

■ DOROTHY L. BUNCH, Collen M. Gilhaus and Yvonne E. Mellott have been elected assistant cashiers of Edwardsville State. Helen L. Steffey was named a director.

■ STEPHEN R. McALLISTER joined Farmers State, Lucas, April 1 as executive vice president and a director. For the past two years, he had been vice president, cashier and a director of First State, Thayer. Before that, Mr. McAllister spent five years with Citizens State, Hiawatha, where he was cashier.

■ DONALD L. STEPPE has been named manager of the collections department at Commercial National, Kansas City. This is a new post. Mr. Steppe was formerly manager of collections for the bank's Master Charge division.

■ McPHERSON STATE promoted the following officers: Vernon Dossett, vice president and cashier; Linus Linaweaver, vice president; Dorothy Sitts, assistant vice president; Rodney Lamb, assistant cashier; and Kathy Ensz, assistant secretary.

■ INDUSTRIAL STATE, Kansas City, has established a trust department. C. Hartley Jones, former vice president, is now vice president and trust officer and will direct the new department.

■ JOHN F. BARLOW was promoted from senior vice president to executive vice president of Johnson County National, Prairie Village. He has been with the bank since 1967.

■ UNION NATIONAL, Wichita, appointed Glen D. Homan Jr. operations manager of the computer center. He joined the bank in 1959.

■ CENTENNIAL STATE, Mission, has named four new assistant cashiers. They are Mrs. Wilda Kumpf, Mrs. Yuanita Schroeder, Mrs. Betty Harman and John Simon.

■ SENECA STATE promoted Harlan Seidl from assistant cashier to cashier and operations officer and named Richard O. Griffin an administrative assistant. The bank recently completed construction of a two-story, 3,600-square-foot addition to its building. The expanded main floor features a spacious lobby area, newly designed teller stations and new safety deposit box area. The second story of the addition provides offices for the bookkeeping and auditing department and an employee lounge.

■ MULVANE STATE promoted Herb J. Lucas from vice president to executive vice president and Jim R. Edwards from assistant vice president to vice president. Mr. Lucas has been with the bank five years and Mr. Edwards three years.

■ MELVIN H. LEWIS JR. has advanced from assistant cashier to assistant vice president at Fidelity State, Topeka. He joined the bank in 1969. Kenneth N. Bossier, vice president of the bank, has been elected a director. He went to the bank in 1962.

■ JERRY COLLINS, vice president in the correspondent bank department of Wichita's Union National, has been elected an advisory director of the Bank of Fountain Valley, Security, Colo.

Missouri News

Top-Management Changes Are Made At St. Louis' Manchester Bank

ST. LOUIS—Manchester Bank last month announced three top-management changes. W. M. Harlan Jr., formerly president, became chairman and chief executive officer. John W. Martin, who was executive vice president, was elected vice chairman. George H. Pfister moved up from senior vice president and chief lending officer to president and chief administrative officer.


HARLAN


PFISTER


MARTIN

Mr. Harlan joined the bank in 1933 and became president in 1948. Mr. Martin, with the bank since 1946, had been executive vice president since 1952. Mr. Pfister went to the bank in 1942, was elected vice president in 1961 and senior vice president in 1971.

In other action, Manchester Bank elected two new directors—Alvin M. Corry, president, National Vendors, a division of UMC Industries, Inc., and Barney A. Ebsworth, president and chairman, International Travel Advisers, Inc., and chairman, Royal Cruise Line, Monrovia, Liberia.

Citizens Bank of Troy Opens In Temporary Quarters

TROY—Citizens Bank of Troy recently opened for business in temporary quarters, with construction of a permanent building planned for the near future. Total capitalization of the bank is $572,135.

Citizens Bank is headed by M. Leon Hall, president, and Greg F. Barac, senior vice president. Mr. Hall also is president of Webster Groves Trust.

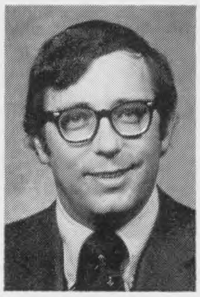
Kidnap/Extortion Committee

Ben Parnell, president of the Missouri Bankers Association, has appointed a special committee to study measures to meet the kidnap/extortion problem. Mr. Parnell, president, Peoples Bank, Branson, did so at the recommendation of the MBA's board.

Allen Lefko, president, Noland Road Bank, Independence, is chairman of the new committee, whose members are: James T. Herfurth, vice president-operations officer, Central Trust, Jefferson City; John A. Meyer, president, Commerce Bank, Tipton; Dan S. Spencer Jr., senior vice president, United Missouri Bank, Kansas City; and Richard J. Pfleging, president, Bank of St. Ann.

Kostman Finance Commissioner, Formerly With KC Bank HC

JEFFERSON CITY—As announced in the March issue of MID-CONTINENT BANKER, William R. Kostman is the new Missouri commissioner of finance, having been appointed by Governor Christopher Bond. Mr. Kostman succeeded H. Duane Pemberton, who is now president of Springfield's Southern Missouri Trust.


KOSTMAN

Mr. Kostman had been with the Kansas City-based multi-bank holding company, Commerce Bancshares, Inc., since 1967 and was vice president of one of its subsidiaries, Commerce Bank of Fenton, from February to September last year. Before going to Commerce Bancshares, Mr. Kostman, who holds a law degree (class of 1963) from St. Louis University, was a national bank examiner and worked in Washington, D. C., as an attorney for the Comptroller of the Currency and in Richmond, Va., as regional counsel for the Comptroller.

■ FIRST NATIONAL, Cape Girardeau, elected Mrs. Joan Jones loan servicing officer and Mrs. Pat Donaldson operational officer.

Miller, Battey Get New Posts At Commerce Bank of KC; Two Exec. VPs Also Named


BATTEY


MILLER

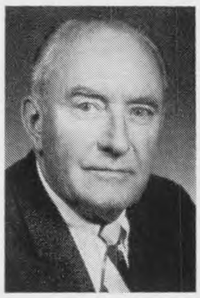
KANSAS CITY—Commerce Bank has announced four executive officer changes. P. V. Miller Jr., chairman, also has been named president. Charles W. Battey, who was president, now is vice chairman. John O. Brown has been named executive vice president for loans and investments and C. L. William Haw executive vice president for administration.

Mr. Miller joined the bank in 1947, became president originally in 1966, was named vice chairman in January, 1971, and chairman the following November. Mr. Battey joined the bank in 1970 as executive vice president, coming from Chicago's Continental Illinois National. He advanced to president in January, 1971.

Mr. Brown has been with Commerce Bank, in its bond department, since 1955 and had been senior vice president since 1972. Mr. Haw went to the bank in 1964 in the management development program. Before being elected senior vice president, also in 1972, he had been assistant director of advertising, among other assignments. In addition to his new responsibilities, Mr. Haw continues to handle certain commercial customer accounts, including those in the grain and milling field.

Vetter Retires as Chairman Of Central Trust Bank

JEFFERSON CITY—Alex Vetter has retired as chairman of Central Trust, but will remain an advisory director. He has been with the bank since 1919.


VETTER

Mr. Vetter was elected a director in 1949 and became chairman in 1968. He was executive vice president in charge of the commercial loan department from 1955 to 1968.

Crowe to Head Bond Dept. At Columbia Union Nat'l

CROWE

KANSAS CITY—Columbia Union National has established a bond department and named Joseph M. Crowe a vice president to head the new department.

Mr. Crowe was associated with George K. Baum & Co. from 1950 until 1955 and with Luce, Thompson and Crowe from 1956 until 1962. During recent years, he has managed his personal investments, living in St. Louis.

Watkins Named Vice President Of Community Nat'l, Joplin

JOPLIN—Tom L. Watkins has been promoted from assistant vice president to vice president of Community National. Miss Phyllis G. Dobbins has been elected assistant cashier.

WATKINS

Mr. Watkins joined First National, Joplin, in 1960 and was transferred to Community National in 1970. Both banks are subsidiaries of First Community Bancorp.

Miss Dobbins had 12 years' banking experience when she joined First of Joplin in 1970. She was transferred to Community National in 1972.

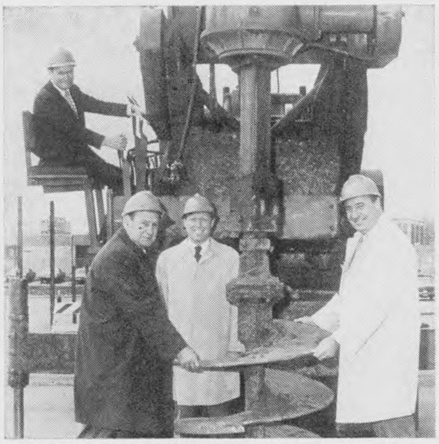
Bank in St. Louis County Planned By Mercantile Bancorp., Inc.

ST. LOUIS—Mercantile Bancorp., Inc., holding company of Mercantile Trust Co., has received preliminary approval for a new national bank to be located at Clayton and Woods Mill roads in St. Louis County.

The proposed Mercantile National Bank would be opened in temporary quarters, pending construction of a permanent building. Capital of the new bank would be $1 million. Two drive-in facilities are proposed in unincorporated areas in the same general vicinity of St. Louis County.

Mercantile Bancorp. applied to the Comptroller of the Currency for permission to open Mercantile National last July. Before the bank can be opened, the Federal Reserve Board must approve the acquisition of the bank by the holding company.

Bankers Become Drillers

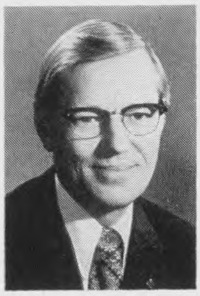


President Harley E. Schwering of St. Louis' Manufacturers Bank sits at the controls of a giant drilling apparatus during ground-breaking ceremonies at the site of the bank's new facility in the Venture Shopping Center. Guiding the drill into place are (l. to r.): R. F. Reininger, vice chairman of the bank; Richard A. Gephardt, 14th Ward alderman, and Joseph J. Spencer, executive vice president.

Mier, Winter Elected Senior VPs At Mercantile Bank, Kansas City

KANSAS CITY—John R. Mier and Norman O. Winter have been promoted to senior vice presidents at Mercantile Bank. Both men had been serving as vice presidents in the commercial loan department.

MIER



WINTER

Mr. Mier joined the bank in 1956 as an assistant vice president and was elected a vice president in 1958. With the bank since 1948, Mr. Winter first was elected an officer in 1958 and was promoted to vice president in 1964.

■ ROBERT MONTGOMERY was advanced from assistant vice president to vice president of O'Bannon Banking Co., Buffalo.

■ FIRST NATIONAL, Columbia, recently announced the following promotions: Harold C. Price, from senior vice president to executive vice president; F. Tiff Lauffer and Ralph D. Gates, from assistant vice presidents to vice presidents; and Harley N. Miller and James B. McRoberts, from assistant cashiers to assistant vice presidents.

Central Trust Elects Director, Makes Several Promotions

JEFFERSON CITY—Wade Hampton, executive vice president, Central Trust, has been elected to the bank's board. Thelbert Newton, manager, personal loan department, was promoted from second vice president to vice president.

In other action, the bank promoted: John W. Baclesse from assistant treasurer to second vice president; William C. Rose from assistant secretary to second vice president; Lawrence A. Haake from trust officer to second vice president and trust officer; Mrs. Donna Hendrix and Donald R. Perdue to assistant treasurers; Miss Rose Marie Pope to assistant manager, insurance department and James M. Gardner to accounting officer.

■ HENRY E. CLABAUGH has been named vice president of First Northwest Bank, St. Ann. He was formerly vice president and manager, real estate department, First State, St. Louis. Both banks belong to the First Family of Banks, along with First North County Bank, Jennings.

■ BELT NATIONAL, St. Joseph, has received approval to open a new facility. The bank will build a 3,500-square-foot building with inside teller windows and two drive-up windows. Completion of construction is expected in the late fall.

■ FIRST NATIONAL, Joplin, promoted James Sours from assistant cashier to second vice president and Richard C. Spong and Birdie B. Garoutte from assistant trust officers to trust officers. New assistant cashiers are Timothy G. Johnson, Suanne Walker and Lewis W. Davis. John W. Gardner, president of an engineering company, was elected a director of First National.

■ CHIPPEWA TRUST, St. Louis, named Sam N. Antonacci vice president and comptroller and Harry H. Nelson vice president. Edna L. Long was elected assistant secretary and Dorothy Karcher was appointed new accounts officer.

■ CHARTER BANK OF OVERLAND elected Patricia Stanfill an assistant cashier.

■ JACKSON EXCHANGE BANK named Larry D. Yelsmann assistant cashier and auditor. David Dirnberger and Louis H. Whitler were appointed assistant cashiers.

■ MISSOURI STATE, St. Louis, advanced Stephen Medler from assistant cashier to assistant vice president. He joined the bank in 1971.

Three Senior VPs Named At First of Kansas City

KANSAS CITY—First National has announced several staff changes, including the promotions of Michael F. Mayer, Lynn Mitchelson and W. H. Shackelford III from vice presidents to senior vice presidents in the commercial banking division.

SHACKELFORD MAYER MITCHELSON

SMITH SHEARER BLANCHAT

John J. Blanchat, John R. Shearer II and G. Philip Smith moved up from assistant vice presidents to vice presidents, and Robert W. Wornall was advanced from assistant cashier to assistant vice president. All are in the commercial banking division except Mr. Blanchat, who is personnel director.

The bank also promoted Joseph W. Kresse from assistant trust officer to trust officer and named three assistant trust officers, Jack G. Brown, B. Ross Morris and O. Spencer G. Smith. Six employees were made assistant cashiers—George E. Belden, marketing; Mark L. Harris and Richard W. Brooks, Master Charge; Thomas H. Holcom Jr., lock box; Pauline M. Howe, executive credit, and James A. Thomas, commercial. Dorothy Forbis was named assistant manager, women's department, and Jacqueline Hendren was appointed administrative assistant, international department.

In other action, Wayne G. English, senior vice president-finance, Hallmark Cards, Inc., was elected an active director of the bank. He had been on the directors advisory council, to which Forrest T. Jones was appointed. Mr. Jones is president, Forrest T. Jones & Co.

■ JERALD B. HINTON was named cashier of Continental Bank, Richmond Heights.

■ CHARLES L. RICHARDVILLE has joined Leawood National, Kansas City, as assistant cashier. He previously was associated with banks in Kansas City and Liberty.

■ LINDELL TRUST, St. Louis, has appointed P. C. Robinson to its advisory board. He is president of a realty company.

Schirp Named Vice President At Boatmen's National Bank

ST. LOUIS—Boatmen's National has elected Gregory J. Schirp vice president in the banking department's metropolitan division. He was managing director, Huber, Ring & Co.

The bank also promoted Clarence L. Nelson, John L. Phillips Jr., Christopher K. Reid and Daniel E. Singer from assistant trust officers to trust officers and Charles R. Niemann from assistant operations officer to operations officer and named Miss Oleda Castagna assistant cashier. Mr. Nieman is manager, proof and transit department.

William E. Wilton, general manager, utility products, International Telephone & Telegraph Corp., has been elected to Boatmen's board.

Independence Bank Planned

INDEPENDENCE — Commerce Bancshares, Inc., Kansas City-based multi-bank HC, has received preliminary approval to organize a national bank here under the name of Commerce Bank of Independence, N.A. The bank will be located across from a large shopping center at the intersections of Interstate 70, 71-Bypass and 39th Street.

■ AMERICAN NATIONAL, St. Louis, plans to increase its auto banking capacity by 200% by installing six pneumatic drive-through lanes at the rear or west end of its customer parking area. The six console terminals—products of Meilink Bank Equipment—will be serviced visually from a master tellers window in the bank.

■ TOWER GROVE BANK, St. Louis, has elected two new directors—William A. Frank, president, Frank's, Inc., and George E. Kassabaum, F.A.I.A., principal in the architectural firm of Hellmuth, Obata and Kassabaum.

■ HAMPTON BANK, St. Louis, has announced the following promotions—from vice president to senior vice president, Marion C. Hiles; from assistant vice presidents to vice presidents, Charles Stone and Marjorie L. Wack, both in the installment loan department; from assistant cashier to assistant vice president, Michael Nava; to assistant cashier, Harold Partney Jr., and to manager, safe deposit department, Judith A. Zeilmann.

■ RICHARD L. SONDERMANN has joined Commerce Bank of St. Louis and will represent the bank in customer relations and business development. He had been with the United Fund of Greater St. Louis, Inc.

• Index to Advertisers •

ABA Warns Increased Credit Card Cost If FTC Eliminates Waiver of Defense

FOUR MAJOR banking industry groups have told the Federal Trade Commission that the elimination of waiver-of-defense in bank credit card transactions would increase costs to some 51 million cardholders and could adversely affect more than one million merchants.

In joint testimony, the American Bankers Association, the Consumer Bankers Association, Interbank Card Association and National Bank Americard told the FTC the proposed rule "would increase costs to cardholders and could make such cards unavailable to large segments of the public, and could adversely affect the more than one million merchants, particularly the small merchants, who have found bank cards attractive."

The banking industry groups said, "A card-issuing bank is unprepared to, and cannot be expected—and ought not to be asked for anti-trust and other reasons—to police the performance of hundreds of thousands of participating merchants and the quality of the merchandise and services they offer for sale." This, they maintain, would substantially increase the cost of credit.

The four groups told the FTC that its proposed rule should not be adopted. If adopted, the banking organizations said, the rule should not apply to bank-card operations.

Terms of agreement between banks and their credit card holders now generally release the banks from any liability in claims card users may have against any merchant or company honoring the bank cards. In effect, this means that a card holder who feels that the merchandise or service he has purchased is defective must still pay the bank who has extended credit for him, and take his complaints or actions to the merchant or manufacturer.

This waiver of defense is under review in several states.

The banking industry groups say the FTC should not adopt the proposed rule because:

- The FTC does not have jurisdiction to regulate banks, and has been specifically denied that jurisdiction by Congress—as indicated by a ruling of the Supreme Court.
- Bank card transactions are not misleading or unfair.
- The FTC lacks authority to adopt rules that are substantially legislative in nature.
- The rule would have far-reaching and unpredictable consequences—well beyond the FTC's power to control.
- The rule would not integrate at all with the Uniform Commercial Codes of the 50 states.

Bank card transactions, say the banking groups, are fundamentally different from installment purchase transactions since they are open-end rather than closed-end.

The four groups defended the arrangements under which banks take credit risks and merchants assume merchandise risks. "It is this division and allocation of risks between merchants and bank which permits the bank card to be used as though it were cash with hundreds of thousands of participating merchants throughout the country and abroad," they said. • •

Annual Fee Charged

Marquette National, Minneapolis, is charging a $10 annual membership fee to its BankAmericard holders. The bank cited losses from its credit card operations as the reason for imposing the fee.

The action came after the bank failed to get the state legislature to lift the 12% interest rate ceiling on finance charges for credit cards. Card plans around the nation commonly charge an 18% annual rate on unpaid balances.

The bank had stopped taking applications for BankAmericards in May, 1971, because of the interest rate restriction. It has now resumed taking applications.

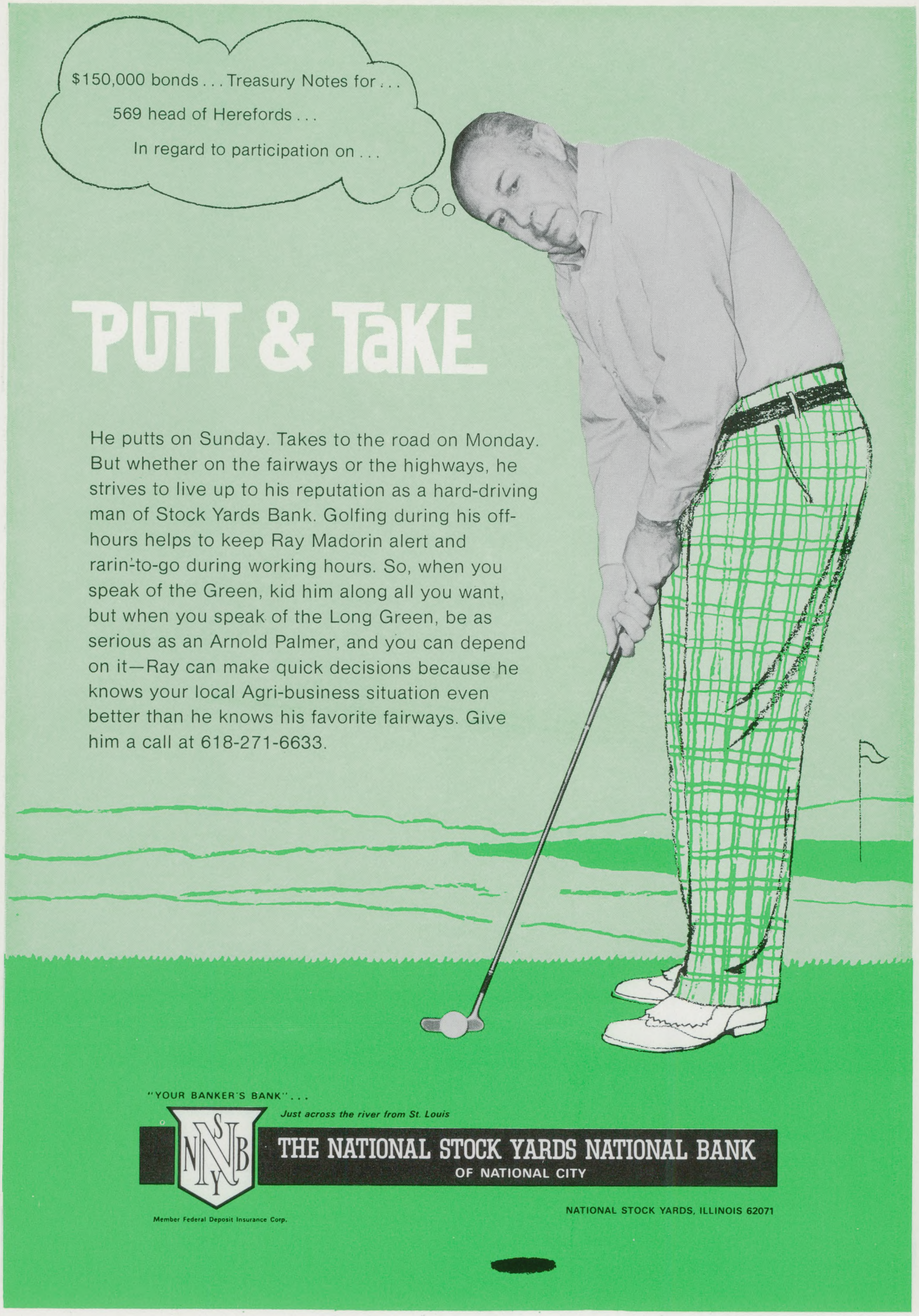
■ SAN FRANCISCO—Bank of America has promoted Stewart O. Hume to vice president in the multinational division of its international banking department. He had been assistant vice president.

Family Financial Economist Named at Continental Bank

CHICAGO — Continental National has named Hope Smith its family financial economist, a new position believed to be among the first of its kind in banks.

"The era of consumerism and a rising level of personal income have focused more attention on the need to educate consumers on how they should manage their finances," said Joseph W. LaBine, vice president of the bank's public affairs division. "We feel this new position underscores our commitment in this area while complementing our existing family banking services."

Miss Smith will serve as a spokeswoman for the bank and manage several bank programs related to money-management education.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