MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

alabama goes to bermuda

JUNE, 1973

(See Page 80)

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by Kenneth Brown, CFA Senior Vice President and
Senior Investment Officer Investment Services Department

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MID-CONTINENT BANKER is published 13 times annually (two issues in May) at 408 Olive, St. Louis, Mo. 63102. June, Vol. 69, No. 7. Second-Class postage paid at Fulton, Mo. Subscription: $7


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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 69, No. 7 ***June, 1973***

Proposed Manhattan Bank To Place Emphasis On Services to Women

NEW YORK CITY—A new bank is being organized here, but it will be different from other banks. In the first place, its name will be the First Women's Bank & Trust Co.; the impetus for starting it comes from women, and its staff will pay special attention to women's needs in credit, business loans and mortgages, control of funds and investments and opportunity in employment and management. Eileen Preiss, vice chairwoman, New York State Democratic Committee, is coordinator of the sponsoring group.

However, despite the proposed bank's emphasis on women, the sponsoring group includes men, too, and organizers stress that much of its income will be derived from commercial services to corporations and conventional bank customers.

In addition to regular banking services, the bank will have a full-time staff consultant to help women who start businesses and will offer a library and courses on investment and money management. The bank also is considering the possibility of making special loans for the operation of child care centers.

A midtown-Manhattan site has been selected for the bank, which is expected to open early next year.

Giannini Stamp Issued

The U. S. Postal Service has released a postage stamp honoring banker A. P. Giannini. The 21-cent stamp was issued last month in San Mateo, Calif.

The stamp is printed in banknote green and includes a portrait of the man who founded Bank of Italy in 1904, now known as Bank of America.

FEATURES

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MID-CONTINENT BANKER is published 13 times annually (two issues in May) by Commerce Publishing Co. Editorial, executive and business offices, 408 Olive, St. Louis, Mo. 63102. Second-class postage paid at Fulton, Mo.

Subscription rates: Three years $16; two years $12; one year $7. Single copies, $1 each.

Commerce Publications: American Agent & Broker, Club Management, Decor, Life Insurance Selling, Mid-Continent Banker, Mid-Western Banker and The Bank Board Letter. **Donald H. Clark**, chairman; **Wesley H. Clark**, president; **Johnson Poor**, executive vice-president and secretary; **Ralph B. Cox**, first vice-president and treasurer; **Bernard A. Beggan**, **J. T. Elliott**, **Allan Kent**, **James T. Poor** and **Don J. Robertson**, vice-presidents.

THE BANKING SCENE

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

The Phoenix of State Bank Deposit Insurance

TO THE Egyptians, the phoenix was a miraculous bird, the embodiment of the sun god. It is reputed to have had a long life, to have been consumed by fire by its own act and then to have risen in renewed strength from its own ashes.

The current thrust to create state deposit insurance corporations in Massachusetts, Ohio and Texas could be a symbolic gesture, reminiscent of the Egyptian phoenix. Or it could be a substantial development for banking.

Most bankers are not familiar with previous attempts by states to provide bank deposit insurance. The Populist movement of the 1890s is generally thought to have been the motivating force and pressure behind state-guaranteed deposits. This pressure was generated for the most part as a result of the large number of banks that failed in that period.

Students of banking history, on the other hand, attribute the pressure for state deposit insurance to the panic of 1907. It caused eight states—Oklahoma, Texas, Kansas, Nebraska, South Dakota, North Dakota, Washington and Mississippi—to enact legislation providing a form of guaranteed deposits.

Varied State Plans

Each of the respective states established a plan that varied in certain respects from those of the other states, although they all had one thing in common—failure. They failed in the 1920s when a renewed wave of bank failures occurred after World War I, following a deflation of agricultural prices.

One student of the subject noted that the state guarantee plans failed because they lacked a sound basis of insurance. Further, they did not provide for a selection of risks and they lacked diversification in that they were limited to the geographic areas of the individual states. In addition, the plans were not funded adequately with reserves to cover foreseeable losses. Finally, the plans were for the most part lacking in efficient management because they were often administered by political hacks.

It was the recognition of these failures that led conservative bankers in the 1930s to mount considerable opposition to any attempt by state or federal governments to provide deposit insurance. Yet, while bank leaders opposed the establishment of a federal deposit insurance protection program, the prevailing sentiment in Congress was so strong that it was almost a foregone conclusion that some type of legislation insuring bank deposits would be enacted.

Approximately 150 bills were introduced in Congress between 1886 and 1933. These bills had the purpose of protecting depositors on a national basis.

In the hectic period during the early crisis period of 1933, a trade-off was arranged between the political forces and the bankers.

Compromise Proposed

The bankers had contended that the bank failures to a large extent were attributable to weak banks bidding for deposit funds beyond a prudent level. In effect, these weak banks, by increasing the interest rates they would pay, made it difficult for prudent and sound banks to maintain reasonable interest rates for acquiring deposits. Thus, a compromise was proposed. The bankers would drop their opposition to a federal deposit insurance program if legislation establishing a limitation on interest rates on deposits was enacted. Thus, Regulation Q must be considered as being part of the political settlement in the establishment of the Federal Deposit Insurance Corporation.

In the northeastern states, since mutual savings banks were not required to become FDIC members, several different approaches were taken at the state level. In New York a successful insurance program was established by mutual savings banks to insure their deposits. This continued from the mid-thirties to about World War II, when the decision was made by the MSBs to phase into the FDIC program.

In Massachusetts, a state-chartered system was not only successful but continued to thrive after the New York Mutual Insurance Fund had been phased out.

Advantageous System

During the ensuing years, Massachusetts MSBs have found their system to be distinctly advantageous, since the plan has kept the MSBs from coming under the FDIC's regulatory constraints. This has enabled them to compete more vigorously in the credit crunch periods of 1966 and 1969, when FDIC-insured competitors were under the equivalent of Regulation Q.

This situation led to the rather philosophical and certainly not uniform practice of the FDIC permitting Massachusetts MSBs that were insured by the FDIC to pay a higher rate of interest than other state banks. This was done so the FDIC-insured MSBs could compete with the non-FDIC-insured MSBs, even though the latter were insured by a state-chartered corporation.

The experience of these institutions being free of Regulation Q restraints was not overlooked by bankers in other states, especially those who were aggressive and wished to be able to offer higher interest rates than they were then permitted under "Q."

Thus, several months ago in Texas, an attempt was made to establish a workable system of state deposit protection. The attempt became involved in some dubious situations involving political back-scratching, which resulted in a setback. However, a recent publication of the Conference of State

(Continued on page 60)

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NEWS OF THE
BANKING WORLD

• **James W. Thompson** will retire, effective June 30, as regional director of the FDIC's Memphis Region. Mr. Thompson joined the FDIC in 1940 and has examined banks in Florida, Georgia, Alabama, Mississippi and Louisiana. He was stationed at the FDIC's Jackson, Miss., office prior to the formation of the Memphis Region in 1967, when he moved to the new office as assistant supervising examiner. In January, 1969, he was promoted to supervising examiner and later that year his title was changed to regional director. He had supervision over FDIC-member banks in Arkansas, Tennessee, Mississippi and Louisiana. At press time, no successor had been named.

• **Frank G. Price** will retire December 31 as president and chief administrative officer of Chicago's LaSalle National. He said he made his decision for personal reasons. Mr. Price, with the bank 20 years, has been president since 1968.

Milton F. Darr Jr., chairman and chief executive officer, will assume the additional title of president upon Mr. Price's retirement. Mr. Darr previously had been president from 1964-68.

In anticipation of Mr. Price's retirement, Mr. Darr last month announced a realignment of the bank's top-management team. Jack A. Gallas, executive vice president, will continue to have overall responsibility for the trust and investment management group and, in addition, will assume overall responsibility for the operations and management information services groups and the bank premises and comptroller's departments.

Lewis H. Harmon, who was promoted to executive vice president May 10, will assume overall responsibility for asset and liability development and management, which will include LaSalle's commercial, international and retail banking groups. All loan and deposit acquisition and management functions will be directed by Mr. Harmon, who was formerly senior vice president in charge of the retail banking group.

• **James E. Miller** has joined Kansas City's Mercantile Bank as a vice president in the real estate loan department.


THOMPSON


PRICE


DARR


GALLAS


HARMON


MILLER


CLAY


GRAY


WEBB


BUTTREY

He has charge of mortgage loan business development. Mr. Miller, a certified property manager, was formerly a vice president and commercial loan officer at the Kansas City Mortgage Co.

• **Third National,** Nashville, last month announced appointment of a new senior management group, following the retirement April 30 of Sam M. Fleming as senior chairman. Mr. Fleming, who reached the mandatory retirement age of 65 April 29, continues as a bank director and as chairman of its trust board.

John W. Clay, chairman, also became chief executive officer. President D. Roscoe Buttrey now is chief administrative officer with responsibilities for day-to-day operations. James A. Webb Jr. and Warren P. Gray have been promoted from executive vice presidents to vice chairmen. Mr. Webb's principal responsibilities are in customer relations and marketing and development activities. Mr. Gray continues as the principal operations officer.

Although Mr. Fleming, who headed the ABA in 1961-62, continues to occupy an office in the Third National Bank Building, he has officially ended a career of more than 45 years in banking. He spent 42 of those years with Third National. Mr. Fleming also retired April 30 as president of NLT Corp., but continues on its board and that of the National Life & Accident Co.

Mr. Buttrey also is president, Third National Corp., holding company that owns the bank.

• **Mrs. Hilaria M. Corrigan** has been promoted from assistant vice president to vice president at Fourth National, Wichita. She continues as a new accounts officer. Mrs. Corrigan, who joined the bank in 1944, was Midwest regional vice president, National Association of Bank-Women Inc., in 1971.

• **Elliott Averett**, president, Bank of New York, has been elected to the additional post of chief executive officer, effective July 1, to succeed Samuel H. Woolley, who will continue as chairman and CEO until his retirement next year. Mr. Averett joined the bank in

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• **George W. Mitchell,** a member of the Federal Reserve Board, was named its vice chairman last month by President Richard Nixon. He succeeded J. L. Robertson, who resigned April 19.

Mr. Mitchell was named to the FRB in 1961 by the late President John Kennedy and was renominated in 1962 for a 14-year term. He had been vice president, Federal Reserve, Chicago.

In other action at the FRB, Robert C. Holland, executive director of the Fed's division of research and statistics, was nominated to take Mr. Robertson's seat on the board.

• **Marshall L. "Bud" Ham** has joined Fidelity Bank of Oklahoma City's commercial loan division as a vice president. His primary responsibility is in all bank service areas related to the petroleum industry.

Mr. Ham has been in the oil and gas business for many years. From 1966 to the present, he was vice president and production manager, Har-Ken Oil Co., Owensboro, Ky. He holds a BA degree in geology from Colgate University, Hamilton, N. Y.

• **Joseph A. Rice** has been elected vice chairman of Irving Trust Co., New York. He joined the bank as a vice president in 1967, was elected an executive vice president in 1969 and senior executive vice president in 1972. Mr. Rice is also executive vice president of Charter New York Corp., HC for the bank, and serves as a director of both the bank and the HC.

• **New officers** of the Conference of State Bank Supervisors include Donald E. Pearson, president; Fred O. Dickinson Jr., first vice president and vice chairman; and James E. Faris, second vice president. Mr. Pearson is superintendent of banks in California, Mr. Dickinson is Florida state comptroller and Mr. Faris is director of Indiana's Department of Financial Institutions.

• **John F. (Don) Ingram** has been promoted to senior vice president in charge of a new correspondent banking department at Citizens & Southern National, Atlanta. The new department will operate out of Atlanta and will serve the bank's customers in Georgia, Florida, Alabama, Mississippi, Louisiana and South Carolina. Mr. Ingram has been with C&S for 30 years.

• **Michael T. Monahan** has been promoted to vice president-administration at Manufacturers National, Detroit. He was advanced from vice president and was recently named to head the national division of the bank's United States banking department. Except for a short period, he has been with the bank since 1960.

• **J. O. Elmer,** executive vice president, Wells Fargo Bank, San Francisco, has retired, concluding a 44-year career with the bank. Mr. Elmer also has retired as executive vice president of Wells Fargo & Co., the bank's HC. He headed the bank's public and governmental affairs department for the past three years. He joined the bank in 1929 and presently serves as chairman and a director of Western States Bankcard Association.

• **New officers** of the International Flying Bankers Association, Downers Grove, Ill., include Leonard E. Freund, president, First National State of Northwest Jersey, Succasunna, N. J.—president; Martin Ozinga, president, First National, Evergreen Park, Ill.—first vice president; Robert A. Basham, Long Beach, Calif.—second vice president; and Robert W. Lott, president, Farmers State, Elmwood, Ill.—secretary-treasurer. Advisory council members include C. M. Pregler, president, First American Bank, Minco, Okla.; Carl T. Waterman, chairman, South Holland (Ill.) Trust; and Arthur H. Parsons, president, Andrews (S.C.) Bank.

• **Claiborne Dameron** has advanced from vice president and trust officer to senior vice president and trust officer at City National, Baton Rouge. Mr. Dameron was on active duty with the U. S. Air Force from 1941 to 1965, when he joined the bank. He held staff judge advocate posts at various Air Force commands and, at the time of retirement from active duty, held the rank of colonel. His final assignment was as staff judge advocate, Headquarters Command, USAF, Washington, D. C.

• **Jim Phillips** and Dick Nannen have been named vice presidents of Little Rock's Commercial National.

Mr. Phillips joined the bank in 1968 to help organize and become manager of its travel service, said to be the first bank travel service in Arkansas. He had been regional sales manager with Texas International.

Mr. Nannen had had 13 years' banking experience with First National, Lincoln, Neb., when he joined Commercial National in 1970. He has an extensive background in data processing and computer programing.

• **Park C. Lockwood** has been elected to the board of National Stock Yards National, National Stock Yards, Ill. He is chairman and chief executive officer, Banquet Foods Corp., St. Louis.

Senate Contains NOW Accounts

The U. S. Senate has voted to confine the expansion of negotiable order of withdrawal accounts (NOW) to Massachusetts and New Hampshire, the only states where the controversial interest-bearing checking accounts are offered.

Still to be decided at press time was whether the accounts will be allowed to continue for one year or 30 days. The Senate bill permits continuation of the accounts for a year, but the House version stipulates that all accounts must be phased out within 30 days of the bill's enactment.

Both the House and Senate overruled their banking committees on the subject. Both committees favored retention and possible expansion of the accounts that are offered by mutual savings banks.

NOW accounts were introduced last year and currently account for less than 1% of the deposits in either Massachusetts or New Hampshire. Commercial banks and S&Ls both worked to have the accounts banned by congressional action.

Bank to Cater to Military People

The Comptroller of the Currency has issued a preliminary charter authorizing the formation of the Services National Bank, an institution being shaped specifically with the mobile military man in mind.

The bank expects to open its doors by September 1 near the Pentagon in Arlington, Va. Most transactions are expected to be handled through the mail. The bank will be owned mainly by military personnel and Defense Department civilians.

The bank expects to cater to the unique problems of military people, most of which are occasioned by frequent transfers and the resultant disruption of financial relationships, the expense of establishing at new locations and the unanticipated expenses involved with frequent travel and extended temporary duty assignments.

NAIA Insurance Study Offered

A study of insurance agency activities of S&Ls is available from the National Association of Insurance Agents (NAIA). The study focuses on a number of alleged improper practices involving solicitation by S&Ls or their affiliated insurance agencies of their borrowers' insurance business.

The study notes that many of the so-called improper practices stem from one source—the use by the lender or its affiliated agency of vital policy information obtained in the lending transaction.

"If the lending institution's affiliated agency were compelled to compete for insurance business solely on its own efforts and resources without the benefit of independent agent's expiration date contained in the lending institution's file, many of the practices would be eliminated or at least restricted in their impact," the study concluded.

The study resulted from complaints by NAIA members throughout the nation.

Credit Card Fee Suit Settled

Six Alabama banks have agreed to settle suits brought against them as class actions in 1971 by BankAmericard and Master Charge cardholders who alleged the banks charged usurious interest rates in connection with their charge card operations.

The settlement agreements deny all alleged violations and claims, but they agree to make available a fund out of which refunds would be made to the plaintiff class and plaintiffs' attorneys' fees and court-approved expenses paid, equal to 50% of the BankAmericard finance charges billed and imposed on the class during the two years preceding the filing of the suit.

The six suits alleged the 18% per year finance charge imposed by the banks on credit extended through their charge card operations during the preceding two years violated Alabama's 8% general maximum legal interest rate. The permissible rate has since been upped to 18% per year by the state legislature.

The suits were filed by members of the Alabama Labor Council, AFL-CIO, against First National, Montgomery; First National, Birmingham; Birmingham Trust National; State National of Alabama, Decatur; First National, Mobile; and American National, Mobile.

Make FHA Independent, Says ABA

The ABA has recommended that the Federal Home Administration be made an independent agency. The recommendation was made because the FHA "has been a 'political football' suffering from political staff cuts at inopportune times, and has been saddled with social responsibilities for which it is 'unprepared and ill equipped,'" according to Clarke C. Stayman, chairman, ABA Housing and Real Estate Finance Division.

It was urged that some other agency with a staff qualified for social work be charged with qualifying low-income families for housing subsidies, so that FHA could devote its efforts to issuing mortgage insurance.

Mr. Stayman is a senior vice president at First National, Chicago.

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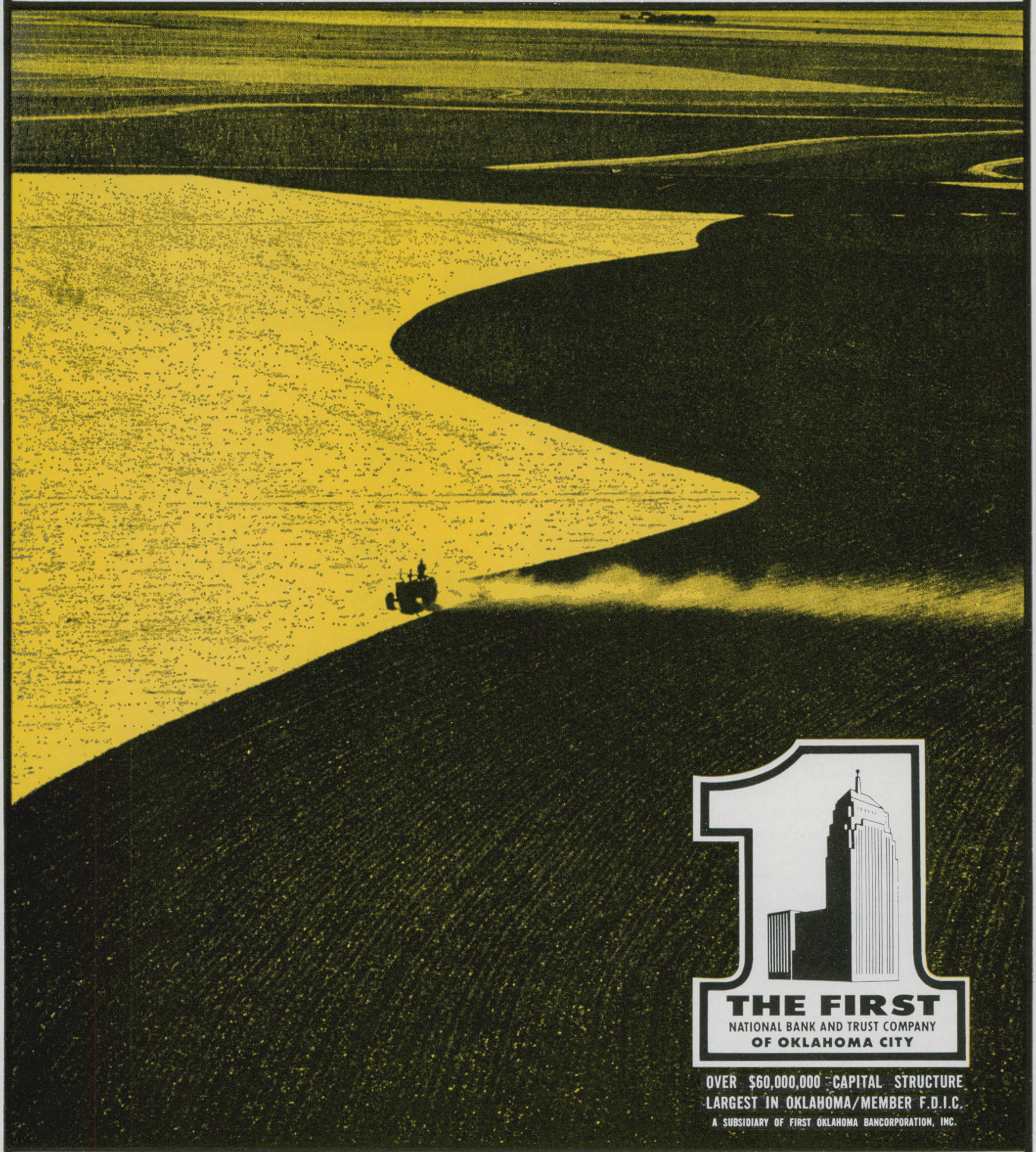

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NEWS OF
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• **First National Charter Corp.,** Kansas City, has announced a major realignment of executive responsibilities among members of its senior-management team.

Barret S. Heddens Jr., chairman, has been named president, succeeding Gordon E. Wells. Mr. Wells, president, First National of Kansas City since 1971, has been designated chief executive officer of the bank, which is the HC's largest affiliate. Mr. Wells also was advanced to vice chairman of First National Charter. Mr. Heddens now functions as chairman, president and CEO of the HC, while continuing as chairman of the executive committee and chairman of the board of the bank.

In a third major change, Robert F. Jackson Jr. was named vice chairman and chief administrative officer of the HC. He retains his executive vice president's title.

Mr. Heddens, a second-generation banker, became president of First National in 1961 while still in his 30s. He became chairman in 1971. Since 1969, when First National Charter was formed, he has been chairman and senior officer in the HC. Mr. Wells has spent his entire career—since 1952—with First National. He became its president in 1971 and HC president when it was formed. Mr. Jackson also is a second-generation banker who has spent his entire career with the First National organization, going there in 1949 after graduation from college. He became the HC's executive vice president when it was formed.

• **Fort Worth National Corp.** has elected three vice presidents—Dr. John J. Hooker, L. O. Brightbill III and David W. Farmer.

Dr. Hooker, a native of England and a naturalized citizen of the U. S., comes from the University of Texas at El Paso. His career also has included

BRIGHTBILL

MILER

heading the economics and political science departments at Catholic University of America, Washington, D. C., and being an assistant professor at the University of Notre Dame, South Bend, Ind. He also worked one year as an international economics analyst at Chase Manhattan, New York City.

Mr. Brightbill, who will be responsible for liaison with corporation subsidiaries, has been a loan officer in Fort Worth National Bank's commercial loan department. He joined the bank in 1954.

Mr. Farmer, whose new title is vice president-personnel, has been personnel director of the bank, which he joined in 1962.

• **Hibernia National Bank,** New Orleans, has formed a bank holding company, the Hibernia Corp., which has Martin C. Miler as its chairman and chief executive officer. Mr. Miler was elected chairman of the bank last February, succeeding the late Clyde Hendrix Jr. He continues in his bank post.

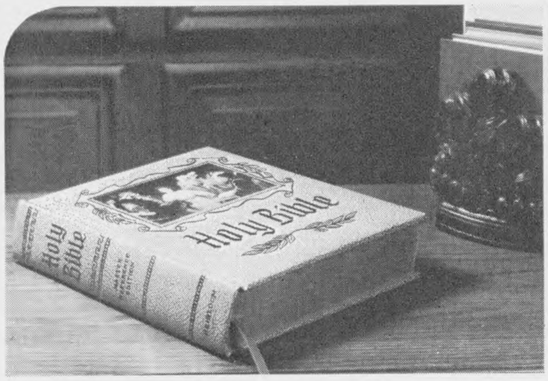
Mr. Miler was formerly executive vice president-administration of the $1.5-billion Cameron Corp., parent company of First Union National of North Carolina.

• **Commerce Bancshares, Inc.,** Kansas City, has elected five new officers and promoted one.

T. Alan Peschka is a new vice president. He continues as secretary and general counsel of the HC and senior vice president, Commerce Bank of Kansas City. J. B. Bowers was made an assistant vice president. He joined the bank in 1972 as assistant to the executive vice president in charge of operations. John Wells, the HC's new personnel officer, joined the bank in 1969 and was elected its personnel officer in 1972. James H. King has been elected assistant treasurer of the HC, which he joined this past February. He was formerly a senior tax accountant for Price Waterhouse & Co. Larry W. Shaver, a new assistant controller at the HC, joined the firm in 1972. John W. Rogers Jr., also a new assistant controller, was staff accountant with United Telecommunications, Inc.

• **Three Alabama banks** have announced plans to change their names to include the name of the multi-bank holding company that controls them. The banks are State National, Decatur; Central Bank, Birmingham; and Citizens Bank, Eufaula. State National will be known as Central Bank of Alabama; Central Bank will become Central Bank of Birmingham; and Citizens Bank will become Central Bank of Eufaula. The three banks, plus Peoples Bank, Montgomery, are members of Central Bancshares of the South, Inc., said to be the second-largest registered bank HC in Alabama.

• **Manufacturers National Corp.,** Detroit, began operation April 24, when the reorganization of Manufacturers National Bank was completed. Initially, the bank will be the only subsidiary of the HC. However, formation of a new bank, Manufacturers Bank of Livonia, has been approved.



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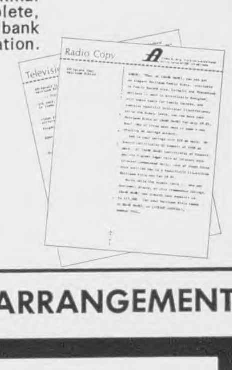

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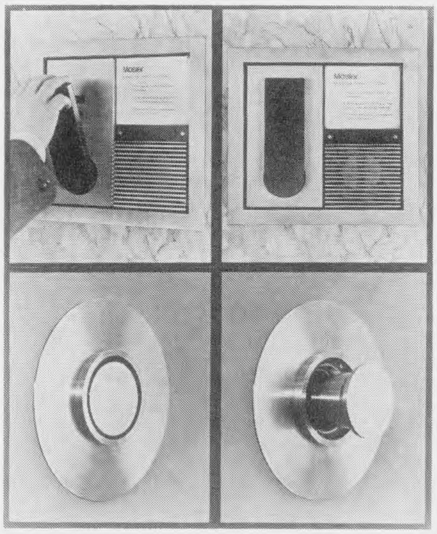
New Products and Services

• **Mosler** is offering a new Magna vault ventilator that is designed to accept installation in the vault wall, in the vault door architrave or in a 10″ x 10″ safe deposit box hole. The latter installation permits the bank to install boxes and lockers along all the wall space in a vault.

For more information write: Mosler, 1561 Grand Boulevard, Hamilton, O. 45012.



Top: inside the vault view; bottom: outside view of Mosler Magna vault ventilator.

• This No-Wait Instant Deposit Teller service center has been developed to solve peak period line problems in banks by Directoire Guide Line Systems, a division of Display Mart, Inc., San Francisco. The unit offers no-cash-back customers an alternative to waiting in peak period tellers lines. More information is available from Don Alger, Directoire Guide Line Systems, division of Display Mart, Inc., 425 Second Street, San Francisco, Calif. 94107.

• **Insured Credit Services, Inc.,** has issued a booklet detailing benefits of a comprehensive property improvement loan credit insurance program. The plan insures against all types of default in the modernization loan area, such as bankruptcy, divorce action, strikes and recessionary cycles. Loan protection is extended to all work considered a permanent improvement to real property.

For more information, write: Insured Credit Services, Inc., 307 North Michigan Avenue, Chicago, Ill. 60601.

• **Bank Administration Institute** and Robert Morris Associates have published "Customer Profitability Analysis: A Tool for Improving Bank Profits." The publication presents the results of a joint BAI/RMA study describing the work various banks have done in establishing customer profitability analysis systems.

For more information, write: Bank Administration Institute, P.O. Box 500, Park Ridge, Ill. 60068.

• **Diebold, Inc.,** is offering its new 502 currency counter, capable of counting up to 600 bills a minute and stacking them, ready for strapping. Bills are inserted into a feed tray, a button is pushed, and the rest of the action is automatic. A device inside the machine rejects any folded, mutilated or otherwise questionable bill without stopping or faulting the counting process.

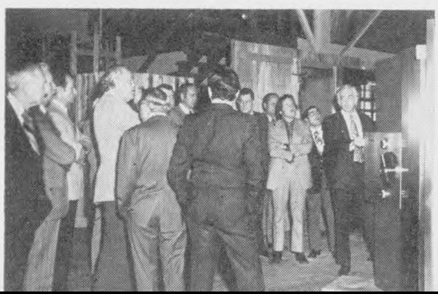
For more information, write: Diebold, Inc., Canton, O. 44702.

Diebold's new 502 currency counter in operation.

• **Meilink Bank Equipment** recently brought out a new safe deposit box with what is said to be a unique door design and optional bronze finish. The showing was made during the firm's two-day seminar for sales distributors held recently.

For more information, write: Meilink Bank Equipment Co., 3100 Hill Avenue, Toledo, O. 43607.

George Stewart (far r.), v.p. of sales and marketing, discusses points of Meilink vault door with distributors attending session for sales distributors.



New Customer Services

Investor's Advisory Service Introduced by Harris Trust

CHICAGO—A new advisory service for the small investor has been introduced by Harris Bank. The Harris Investor's Advisory Service is designed for investors with portfolios of from $10,000 to $100,000. It provides monthly reports on 12 common stocks chosen for their total return prospects of income and appreciation over a three-to-five-year period. The service is available on an annual subscription basis at $200.

The monthly Harris service reports include price performance histories, dividend yields and other data; an estimate of company earnings for the current calendar year; and Harris commentary for each issue.

Bank Offers Postage Stamps As Customer Convenience

BATON ROUGE—Fidelity Bank has instituted a new customer convenience service in cooperation with the U. S. Postal Service—the dispensing of postage stamps.

One window in the Main Office and in each of the bank's seven branches handles stamps in addition to normal bank services. Also, all 18 drive-in windows at the eight locations offer stamps.

Stamps available at the bank include books of airmail and 8¢ stamps and rolls of 8¢ stamps. All are sold on a nonprofit basis. Customers desiring individual stamps and other postal services must continue to go to the local post office.

Bank of America 'Gradplan' Offers Job, Money Hints

SAN FRANCISCO—"Gradplan" is the name of a special package of services put together by Bank of America to assist recent California college graduates to overcome their two most immediate problems: a job and money.

The package includes a booklet on how to find a job and a special offer for BankAmericard, Instant Cash, a check guarantee card and other banking services to qualified graduates.

The booklet, "The Hardest Job in the World," presents basic techniques and approaches for finding the kind of job the graduate wants. The booklet is based on input from student representatives and from personnel offices of major industries.

The kits are available at no charge from all bank offices.

Book Entry-Safekeeping System Installed at C&S, Atlanta

ATLANTA—Citizens & Southern National has converted to the Fed's new book entry-safekeeping system. The system allows Fed-member banks to deposit with the Fed all treasury securities held in safekeeping for its commercial bank and trust customers. Previously, banks could deposit only those treasury securities held in their own names.

Once on deposit, records of the holdings are maintained on computer files and transactions are electronically recorded as purchases and sales occur. The number of actual paper certificates produced is expected to be dramatically reduced under the system.

Electronic Verification System Installed at First of Chicago

CHICAGO—Customer signatures, demand deposit balances and other account information are available within four seconds from any area of First National to its tellers. The bank has installed a new electronic system that simultaneously calls up signatures from an automatic microfilm reader and other account data from a mini-computer.

The system was installed during the past six months by Microform Data Systems, Inc., Mountain View, Calif. It serves more than 100 tellers serving accounts in various parts of the bank. The system is said to shorten the time for various types of transactions by from five to 20%.

Bank Holds Corporate Seminar With Aid of Insurance Firm

HOUSTON—Texas Commerce Bank and Massachusetts Mutual Life Insurance Co. recently sponsored a corporate seminar geared to the professional man and the businessman who operates a company.

During the seminar, panelists examined the topics of corporate organization, taxes and benefits. Following their presentations, panelists answered questions from the floor.

Specific topics presented at the seminar included "Corporate Organization and Taxes," "Types of Business Organizations," "Living Tax Problems," "Corporate Continuity," "Business Uses of the Corporate Trustee," "Corporate Fringe Benefits" and "Wage-Price and Related Problems."

Computerized Customer Cross-Reference File Developed at Louisiana National, Baton Rouge

A COMPUTERIZED customer cross reference file (CRF) has been developed by Louisiana National, Baton Rouge, for use as a data base for customer information within its banking system.

The system is accessed by cathode ray tube terminals installed in all of the bank's offices. The cathode ray tube enables bank customer service and operating personnel to obtain information instantly, either alphabetically or numerically, so they can determine all the customer's banking relationships. Upon further interrogation, the files can provide balance information and statistics on individual accounts, according to C. W. McCoy, chairman and president, Louisiana National.

Balance information on account files has been and will continue to be added to the system for inquiry and memo posting of checks cashed, savings withdrawals, stop payments, holds and other status information.

Many former hand operations have been eliminated, according to Mr. McCoy, and other changes are scheduled in the future to make the CRF system more efficient. Use of the system has cut the number of telephone calls to secure information by 10%, according to Mr. McCoy.

The terminal network uses cathode ray tubes on a remote telephone line system. The bank has 82 tubes, 45 of which are remote in its 13 branch locations and 37 in the main office and downtown branch.

The remote system uses two telephone lines with the branches divided into two groups. Response time at the remote locations averages three seconds, according to Mr. McCoy. • •

Operations Department Head John Morton instructs his secretary to "access" information on Louisiana National accounts by use of cross reference file developed by LNB. Information appears on screen in three seconds.

New National Authorization System Unveiled by Interbank Card Assn.

REQUESTS for authorizations on Master Charge cards, which formerly took an average of 3½ minutes, now should take only a few seconds. The reduction is due to a new national authorization system announced last month by the Interbank Card Association for interchange Master Charge/ Interbank authorization calls. According to Interbank, the new system is the nation's first national one and is capable of transmitting and relaying information across the continent in a fraction of a second. Interbank licenses Master Charge to more than 5,700 banks domestically.

The system, which became available for additional member interface May 1, is designed to speed up the authorization process for Master Charge merchants and cardholders and to reduce costly phone expense for Master Charge banks. It also has the potential to relay other information and—said Interbank—could become the first practical step toward the truly nationwide electronic funds transfer system (EFTS) facility.

The new computer system, called Interbank National Authorization System (INAS), was developed and is being implemented by International Communications System (ICS), the wholly owned, St. Louis-based subsidiary of the Interbank Card Association. ICS has been assisted by Credit Systems, Inc., a St. Louis Interbank member, under a facilities management contract with Interbank. The system is the result of a year's study and another 11 months of testing. Here's how it works:

A request for an authorization transmitted on INAS is sent to a St. Louis installation, where it enters a specially programed switching computer. It then is routed to the appropriate Interbank member, where an answer to the authorization information request is generated. The answer is sent to St. Louis and then rerouted to the bank originally requesting the authorization.

The system operates 24 hours a day and utilizes eight multi-drop microwave communication lines supplied by Western Union with the capacity to service the continental United States and Canada.

Before INAS was introduced, the merchant requesting authorization phoned his bank, which, in turn, called the card-issuing bank. The latter bank gathered the authorization information and phoned it to the inquiring bank. The inquiring bank then told the merchant whether the cardholder's transaction could be completed.

Standards established by ICS for INAS require that, in most cases, the maximum length of time taken by the card-issuing bank to respond to an authorization request be between 10 and 30 seconds. Prior to INAS, authorizations averaged three minutes, but at times were taking as long as 30 minutes.

All Interbank members will be linked to INAS by next May 1 and will use one of three types of services—I, II and III.

Type I service will be used by all banks or associations with computer-to-computer capabilities and 2,000 or more interchange calls per month. Other users with on-line capabilities have the option of using Type I service.

Type II will be used by banks or associations with more than 300 and less than 2,000 interchange authorization calls a month. Type II users will be linked to the system by a video display terminal.

Members Using INAS

At present, the 10 Interbank members using the new Interbank National Authorization System (INAS) described in the accompanying article are: Charge Card Association, Detroit; Western States Bankcard Association, San Francisco; Atlantic States Bankcard Association, Raleigh, N. C.; Mid-America Bankcard Association, Omaha; El Paso National; Worthen Bank, Little Rock; Credit Systems, Inc., St. Louis; Southern Arizona Bank, Tucson; Albuquerque National and Alamo National, San Antonio.

Type III users will not be connected directly to the St. Louis facility at present and generally will continue to operate as they have been. However, said Interbank, these users represent a small percentage of banks and/or associations.

Fees for authorization calls have been standardized for all members and are charged to the card-issuing bank. Normal authorization calls will be charged at the initial rate of 15 cents a call, whether it is two miles or 2,000 miles away. Interbank pointed out that this rate is much less than the "tremendous sums" members now pay for long-distance phone calls for authorizations. Interbank added that INAS also facilitates use of a zero floor limit on all interchange cash advances.

The St. Louis ICS facility consists of two separately located computer systems operating in tandem and linked by high-speed communication lines.

"Simultaneous use of both systems is an important and integral part of our overall service," said Richard P. Tennant, president, CSI. "Unlike other dual-computer operations, which function independently until a backup is required, both of our systems receive all data simultaneously. Although output is limited to the primary system, either is ready to take over if the other goes down without losing a fraction of a second in Interbank authorization service."

The two systems are linked by a "hot-transfer" technique, which automatically switches the outgoing function to the secondary computer while the primary facility is being restored, said Mr. Tennant. He referred to it as a "buddy system," with each system constantly checking on the other and asking, "Are you OK?" If anything goes wrong, he added, the healthy computer assumes the burden and allows the other computer to get well.

While both installations are served with conventional power supplies, the primary system has an uninterrupted power source that automatically switches to battery and/or dual-generator power in the event of power failure.

The growth of Master Charge interchange authorizations is estimated at 30% a year over the next five years. Interchange volume in 1974 is predicted at 6,516,000 authorizations; in 1978, it is expected to reach 18,611,000.

"We expect that as the increase in Master Charge interchange transaction grows," said John E. Yula, vice president of operations for Interbank, "our new authorization service will contribute greatly to expanded card use." • •

Bank Structure Uncertainties Permeate State Conventions

By ROSEMARY McKELVEY
Managing Editor

UNCERTAINTY about the future structure of banking permeated the atmosphere of several state association conventions in the Mid-Continent area last month. Many bankers, particularly those from independent banks, showed special concern over multi-bank holding companies. This concern is reflected in studies planned and legislation proposed in various states.

For example, in Tennessee, a bill that would have restricted the growth of multi-bank HCs was passed by the legislature and then Governor Winfield Dunn made a surprise move by vetoing the bill after the legislature had adjourned. This action came during the Tennessee convention, and the state's independent bankers expressed "shock and disappointment" over the governor's move.

In Louisiana, the multi-bank HC vehicle is under close scrutiny, and independents, led by Lafayette banker John Kenaley, met to discuss the situation.

The same subject came up in Oklahoma. Multi-bank HC legislation is expected to be introduced in Missouri, which has experienced a large growth of multi-bank firms in the past few years, and multi-bank HC studies are planned in Arkansas and Texas. A move to introduce multi-bank HCs into Illinois was defeated, as was a bill that would have allowed limited branching in this unit-banking state.

The Tennessee Controversy. The bill passed by the Tennessee legislature would have prohibited multi-bank HCs from establishing de novo banks and acquiring existing banks that have been in operation less than five years. Davidson County would have been excluded from the bill's provisions.

In defending his veto, Governor Dunn pointed out that the concentration of deposits by the 13 HCs in his state (nearly 66%) is, in reality, only 10% to 16% greater than the historical concentration of deposits by independent banks (50% to 56%). Also, he continued, as of last July 1, there were 311 banks in Tennessee, three more than in 1970, when HCs began their acquisitions. This statistic, he believes, indicates that HC acquisitions haven't had the effect of stifling the growth of the banking community.

The governor's veto message also touched on how multi-bank HCs help the state progress economically by providing imported capital.

When announcement of the veto came during the Tennessee convention, the independents met and issued a press release expressing their disappointment over it. The release pointed out that the vetoed legislation had been unanimously recommended by a seven-man bipartisan legislative committee, which had studied the bank holding company matter for about 18 months and had held several public hearings, and was passed by a five-to-one ratio in the Senate and House. The veto was described by the independents as "an indication of the governor's catering to the pressures of the seven largest bank holding companies." They went on to say that they hope the legislature will not allow the veto to stand (bills live for two years in the Tennessee legislature).

INDEPENDENT BANKERS DIVISION of Tennessee Bankers Association named these two officers for the coming year: chairman, Travis Anderson, ch. & pres., 1st Nat'l, Livingston; and vice chairman, Virgil H. Moore Jr. (r.), pres., 1st Farmers & Merchants, Columbia. They will lead the movement in Tennessee to place some controls over the expansion of holding companies.

The Tennessee independent banker's quarrel was with formation of de novo banks with, for example, a Memphis HC chartering a new bank in Nashville or Chattanooga or vice versa.

The Tennessee independents, by the way, became an official division of the Tennessee Bankers Association through a change in the association's bylaws and structure. Formation of the new division came about as the result of the appointment late last year by the TBA's executive council of an independent bankers committee. Temporary officers were appointed at that time. Then, at the TBA convention last month, the division was officially organized and officers elected.

Robert Gilliam, executive secretary of the TBA, explained the rationale behind the move in this way: The association was in danger of being split over the holding company issue. However, HC supporters and the independents agreed that a unified approach on all other banking proposals would best serve banking in the state. Thus, the independents said they wouldn't form a separate division of their own if they

Illinois Maintains Opposition To Branches and Holding Cos.

THE Illinois bankers convention was anything but routine last month, and Chicago (the convention site) perhaps was a little windier than usual as the IBA's annual declaration of policy was debated on the convention floor to a "standing-room-only" audience.

Traditionally, the IBA had been pledged (by member voting) to *oppose* any type of legislation that would permit branching or multi-holding company banking. Ratification of this section of the IBA policy was considered almost automatic, although as each year of the last decade went by, more and more proponents of branching or HCs would vote "nay" on this section of the policy.

This year, however, independent bankers found themselves scrambling to "undo" the declaration of policy, which was being presented in a different form—recommending that the IBA maintain strict *neutrality* on legislation affecting branching or HCs.

One vote per bank was rule as Illinois voted on branching and HC issue. IBA President John McKnight displays "voting badge" as do front-row delegates.

"Informed sources" reported that the IBA's committee on declaration of policy had included its "routine" section which would bind the association to oppose branching or multi-bank HCs. Apparently they were overruled by a close vote (12 to 10) in the council of administration and the "neutrality" section was inserted instead.

In retaliation, independent bankers introduced an amendment that would reinstate the IBA's opposition to branching or multi-bank HCs. They further recommended the appointment of a committee to maintain a continuous study of the framework of the Illinois banking industry as well as competing institutions, with resulting information to be distributed to IBA membership.

The final afternoon of the convention, therefore, was devoted almost exclusively to a parade of speakers on both sides of the subject and finally a standing vote, with *each* member bank being allowed one "accredited" vote.

Independent bankers carried the day with a vote of 396 to 187 for their amendment, thus continuing to bind the association to a fixed position (for another year) to opposing branching and HCs. The vote was in about the same proportion as that cast in a special convention last January on an IBA study proposal to allow branching or HCs in five separate regions throughout the state.

Independent brankers were jubilant. Proponents of HCs and branching—many of whom face keen competition by S&Ls in highly populated areas—were severely disappointed. Some openly and heatedly said they would withdraw from the association.

Despite the deep wounds that exist within the IBA, no mass exodus from the association is expected. Reason: Bankers on both sides of this question recognize the need for unity when they go to the state capitol in Springfield on all other banking matters.

would be brought under the TBA and received information and support from association headquarters.

Mr. Gilliam said that his office furnishes necessary information to both independent and HC groups and charges for any out-of-pocket expenses. In effect, formation of the new Independent Division seems to be a compromise by Tennessee bankers, who evidently recognize the importance of solid representation in the state capital on all other banking matters.

The Louisiana Situation. John Kenaley, president, Hub City Bank, Lafayette, is the leader of the opposition to any potential change in multi-bank holding company or branching laws in Louisiana. At that state's convention, Mr. Kenaley tried to get the LBA to take a stand on maintaining the status quo on banking, which, in effect, meant taking a stand *against* HCs, *against* state-wide branching and *against* metropolitan-area branching.

Mr. Kenaley had wanted to present this opposition in the form of a resolution that would be adopted by Louisiana convention delegates. However, he withdrew his resolution when it became apparent that the state's independents weren't quite sure whether they should maintain their stand within the framework of the association or whether they should form a separate organization, as independent bankers in other states have done. Instead, said Mr. Kenaley, the independents decided to contact their respective state legislators individually and convey to these lawmakers their (the bankers') reasons for opposing any changes in banking laws.

John Kenaley, pres., Hub City Bank, Lafayette, La., is leader of independent bankers opposing any change in Louisiana laws prohibiting multi-bank HCs.

In addition, according to Mr. Kenaley, the Louisiana independent bankers are on sort of a "standby" alert to oppose quickly any introduction of HC or branching legislation in the present fiscal session of the state legislature. He believes he can rally 80% to 85% of the state's banks to his cause.

Formation of an official independent banking group now seems to be the

(Continued on page 40)

Banking Overview—1973

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

I DETECT in our industry a much greater sense of realism than I have ever seen before. Banking is changing rapidly, not only in the technical area of the development of electronic funds transfer systems, but also in the basic structure of the entire industry.

In 30 states, legislatures are considering changes in banking laws which range from a simple expansion of the limited facility law from 2,000 to 3,000 feet from the bank to material expansion of branching powers under consideration in seven states.

In Arkansas, one of those seven states, an imaginative and realistic new branching statute has only recently been enacted and signed by the governor. Kansas has greatly liberalized its facility law, and even Illinois, which has probably been the most conservative banking state in the nation, now seems to be in a high state of agitation over a proposal by a study committee of its state association. The proposal was rejected at a special meeting of the Illinois Bankers Association, but it appears that strong support for it still exists.

Multi-bank holding company expansion, or initial permission to form them, is being considered in eight states. In three of these eight states, believe it or not, the expansion of holding companies is proposed across state lines. *That's* how much change is in the air!

Not to be outdone, our chief competition, the mutual savings banks and the savings and loan associations, are asking for broader lending powers or the right to offer heretofore prohibited services in a total of 18 states. Make no mistake about it, our competitors intend to become, in the next few years, so close to full service banks that the difference between them and us will be virtually indistinguishable. In these 18 states, thrift institutions have already moved into the third-party payment system, which means they can offer a form of order of withdrawal or credit cards in one form or another, and they are augmenting their plans to get farther into our banking business.

Let me go on to some other matters which I think merit comment. One important area where we are making good progress is in the hiring and upgrading of minorities and women.

The ABA has just completed its annual survey of this important policy matter, and reports that questionnaires were sent to 996 banks, of whom 560, or 56.2%, responded. The data requested was for calendar 1972. The more important findings were as follows:

In these statistics, "females" include both minority and non-minority women. Where "minorities" is used, it includes both males and females. "Minorities" refer to Negroes, Orientals, American Indians and Spanish Americans.

The total number of employees reported upon in the survey was 424,503, approximately 45% of all employees in our nation's banks.

Females constitute 62.4% of the total workforce in our industry. I'm sure that comes as no surprise to bankers.

Females represent 17% of the total of officers and managers; minorities represent 4.6%.

Females accounted for 31.7% of all college graduates hired and minorities were at 11.1%. These employment figures are running at a rate more than double the current level of female and minority officers.

Still on females, 9.2% of the hirees graduated from female colleges.

Twenty-eight and one-half percent of all minority graduates hired came from predominantly black colleges. This is an extremely important fact, because Walter Hoadley and his ABA urban and community affairs committee have been working hard in this crucial but delicate arena, and the results are beginning to show up. At the Greenbrier meeting of the ABA governing council, Mr. Hoadley's committee was authorized to proceed with plans to set up pilot projects in two black colleges—not yet selected. These projects will be designed to provide specialized courses for black college graduates and undergraduates which will enable them to gain a much greater knowledge of the operations of our commercial banking system than they can now obtain in these colleges and which will, there-

Mr. Adams spoke at the Texas convention in May.

The Changing Competitive Climate

By REX J. MORTHLAND, President-Elect, ABA, and Chairman, Peoples Bank, Selma, Ala.

BANKING is a dynamic activity in which change is brought about by changes in economic, social, political and technological conditions. Bankers can influence the nature and direction of the change but they cannot prevent or completely control it.

The influence of bankers in the legislative field is strongest when they speak with a single voice and act in concert. In reaching legislative positions, the common characteristics and interests of banks are stronger and more important than their distinguishing characteristics or individual preferences.

The public interest must be considered in any actions or positions taken by bankers. Strictly parochial interests are difficult to advance, may be of temporary duration and weaken the possibility of attaining other, more important goals.

Changes are occurring rapidly in competitive conditions between banks themselves, between banks and other types of depository institutions and between banks and unregulated portions of the money market. The competitive determination and resourcefulness of other financial institutions is illustrated by their actions in entering the third-party payment (checking account) field. Among the moves in this direction are:

- Permitting withdrawals from interest-bearing time deposits on a demand basis by use of third-party payment orders—with interest paid from date of deposit to date of withdrawal.
- Soliciting interest-bearing time deposits from corporations.
- Acquiring technologically advanced equipment.
- Branching in states or areas in which banks cannot.

To meet this increasing competition bankers are urged to:

- Study with an open, inquiring mind the workings of the economic and financial system.
- Work together for the common good of all banks regardless of the differences in some characteristics of individual banks.
- Maintain a system of continuous contacts with legislators.
- Base their positions on public interest considerations rather than on the parochial interests of individual banks.
- Be prepared to act on the Administration proposals based on the recommendations of the Hunt Commission.

Mr. Morthland spoke at the Louisiana, Kansas, Alabama and Mississippi conventions in May.

fore, qualify them for employment by banks upon graduation. This will minimize the big problem we now have in this whole area, which is one of finding black college graduates who are qualified by training and education for entry into the banking business.

So, we are making progress. The 1972 results are materially better than for previous years, and banking still ranks in the forefront of American industry in the rate of hiring females and minorities. This does not mean, however, that we can rest on our laurels in these important areas. We have done well so far, but we must continue our efforts indefinitely into the future.

The prime rate has been very visible this year, especially in the period beginning February 26, when it went from 6% to 6¼%. This most politically charged of all interest rates came under heavy fire in Congress, and for several weeks there existed a serious possibility of statutory control of rates, as evidenced by H.R. 6168, which would have rolled back all prices and interest rates to January 10 levels. Fortunately, the adverse reaction from bankers, businessmen, farmers and others was so instantaneous and so strong that the House dropped that proposal.

One thing we have been trying to get before Congress and have the members recognize is that, except for the prime rate, other bank rates have changed little in the past months—indeed, most of them have declined.

The Federal Reserve System, beginning in January, 1972, set up a system to monitor interest rates, and a monthly bulletin is now published, available to anyone.

Let me cite some examples of what I think has been creditable restraint on the part of our industry.

First, let me point out that in the past 14 months (January 18, 1972 through March, 1973), the prime rate has risen two points, or 42%.

In this same time period of 14 months, new automobile loans have declined to an average of 10.04% from 10.26%.

Mobile home loans and loans on other consumer goods have each dropped to 12.48% compared to 12.57%.

Personal loans with 12 months or less maturity have fallen nominally from 12.74% to 12.71%.

Bank credit card loans have increased nominally from 17.11% to 17.19%. This is probably due mainly to the fact that in the 14-month period I have been discussing, some states raised the maximum rates chargeable under their usury laws.

On April 16 the Committee on Interest and Dividends announced its interest rate guidelines and copies of them, together with an ABA transmittal letter dated April 18, were sent to all ABA members. The transmittal letter urged our banks to comply with the voluntary CID standards on the premise that, in my opinion at least, we can live quite well with the new guidelines.

First, let me lay to rest any notion that these guidelines were written by bankers for their own benefit. They were not. They were drafted by the Committee on Interest and Dividends.

Bankers met with members of the CID and were invited to comment as to basic application of the guidelines to our industry and to suggest clarifications in the language in order to make them workable.

As soon as the guidelines were released, however, a small but vocal minority of our industry complained that the new rules were tailored to benefit the big banks at the expense of the little ones. Their argument would have it that the minimum loan limit of $350,000, under which the "small business" prime rate would be set, would mean that over 90% of the banks in the nation would be saddled with a lower rate than the prime rate establishable by the large banks. This is simply not so.

Let me try to explain. Item nine of the guidelines states: "Rates charged by a commercial bank to small business and farm borrowers should remain at levels no higher than those prevailing on the date these criteria are issued (April 16, 1973), unless an increase can be fully justified by increases in

(Continued on page 40)

The Impact of Change

By WILLIS ALEXANDER, Executive Vice President, American Bankers Association

I THINK it is fair to say that we are in a period of intensive and ceaseless change in our society and that we, as members of an industry that is looked to by the public as an anchor—as a haven of stability in a shifting sea—are right in the middle of it. And that, I think, is as it should be, because an institution entrusted by people with the guardianship of their funds should be perceived as holding a steady and a firm course.

But we in banking are not impervious to change, and a mere visual inspection of the places in which we work can certainly tell you a great deal about that. It is the way we choose to respond to the changing times that determines our capacity to fulfill our duties to all of our colleagues. Indeed, it will determine survival itself.

The impact of change, then, upon us as individuals runs a gamut from annoyance to discomfiture, to disorientation and to trauma. The demands of our youth for change, and their ready acceptance of change, may well be for them a means of reducing what they perceive to be an advantage we hold by virtue of our extended experience. Conversely, some of us who are older may tend to resist change for the same emotional reason—to allow us to achieve and maintain a more familiar and comfortable base from which to operate.

Four years ago, it was clear that two areas were creating an era of rapid and dramatic transition in the banking business. The first of these was the change that has occurred in computer technology. Evidence of this is all about us. The bank card has come to maturity; money cards are on the scene; automatic satellites have appeared; point-of-sale terminals are clearly a likelihood. Automated clearing houses are coming on stream and shared facilities are in the active discussion stage. So the computer is a force—a significant and continuing force—for change.

The second force is that we were then, it seemed, at a point where it appeared that in the cyclical pattern of legislative attention to the nature of the financial business, its shape and scope, we were shifting into an era and a time of acute interest. Now historically, this doesn't occur in every Congress and, as a matter of fact, it has occurred primarily in times of crisis. But once a legislative body gets its teeth into the consideration of changes in the financial structure, it tends to make significant modifications. These moments of change, then, are usually followed by periods during which the regulatory authorities flesh out, through issuance of specific rules, what they perceive to be the mandate of the Congress.

Over the past four years, this phase of more active legislative and governmental consideration has brought about the passage of the Bank Holding Company amendment. This amendment was focused just as much on the business of banking as the business of bank holding companies. And in the two most recent years following the passage of the amendment, the Fed has been preoccupied with determining what kind of activities should be undertaken by bank holding companies as well as supervising the changes which accompanied these activities. So, for this reason and others, we have seen an increase in the importance of the Fed as a bank regulator. Many of us believe that it has become, at least at this point, the preeminent regulator in the federal sphere.

More change may be in the offing. The Hunt Commission launched its study in early 1970, and finished its deliberations at the end of 1971. Its recommendations triggered extensive discussions within the industry, both public and private. And now, of course, the Congress is awaiting the Administration's legislative package.

Certainly these two areas—the new technology and the legislative-regulatory focus—have lived up to their advance billing. And beyond this, we certainly experienced a series of "wild cards" in the intervening period, creating a climate not only conducive to change, but absolutely demanding it.

Consider for the moment the inflation-stabilization roller coaster; the expanding and maturing forces of con-

Mr. Alexander spoke at the Missouri and Illinois conventions in May.

sumerism; the upheaval in the world monetary system; the European Common Market expansion; the continuing situation with minority groups, both in terms of employment and personnel development, as well as financing their entry into the business scene; and finally, the increasing necessity to recognize and raise the levels of opportunity for women in banking.

Significant, too, has been the increasing affluence of the American people, with resulting changes plainly visible in their political alliances. And finally, I would point to the dichotomy of the new morality, characterized by, on the one hand, the resurgence of serious idealism on the part of the young, concurrent with stiff challenges by the young to certain long-held standards of society.

All about us, then, the environment is forcing change, and we are going to have to deal with it. At the extremes, our choices may range from total rejection of any change to an eager embrace for every new idea just because it is new. I do not find, and I do not think you would find, either of these extremes intellectually or emotionally appealing.

If we are to deal with change logically, then there must be some criterion against which it can be measured. And certainly, as we face up to the structural change that we can surely expect, once the Congress begins to digest the proposals of the Hunt Commission, there is really but one basic criterion that we should bear in mind: Is it in the public interest?

The Public Interest

Let's look more closely at this matter of the public interest. I think it is much discussed, much maligned and probably variously understood.

First, who determines it? You? Me? No way! It is determined by the public. As part of the public, we may participate as it concerns other segments of society but not as it concerns banking. So it isn't what we think is good for the public. It isn't what we say they want. It isn't what we say they need. It is what they say they want and need.

Identifying the public interest is a trying process because the public interest is frequently changing. It is based upon a consensus that is not always clear cut. In an evolutionary phase, it may not have yet been responsibly expressed. Yet the absence of new guideposts cannot delay our ongoing activities; nor can our adherence to past standards in the process of being superseded provide an acceptable rationale. It is a tricky course we travel since both perceptions and the standards of acceptable performance are changing. Both appear to be rising.

Who determines the public interest? Not we bankers, but the public we serve.

Ground Rules

What *is* this matter of the public interest? At base, it is an expression of ground rules that perhaps contemplates both methods and objectives of our actions. It is a changing set of ground rules—sometimes merely suggested; often implicit, infrequently explicit.

Some changes have occurred lately on the American scene that present additional difficulties as we seek to address ourselves to the long view of the public interest. With increasing frequency, the periods of individual leadership in American industry are conferred in shorter time segments. This poses a real problem.

Here is a man who has a very short period of years at the top of his business, a brief period on which he is going to be judged; yet, he is asked to consider the policies, directions and the thrusts of his business in terms of a 10- or 15-year payout. There is an inherent conflict in this situation. In fact, he may well not be able to afford to look to the long range as he must if we are to serve the public interest.

Why should we concern ourselves with the public interest? After all, we frequently state with pride that we are part of a market economy that is very effective. We recall Adam Smith, who thought that every man in seeking to serve his own needs, would, in a freely competitive situation, arrive at a total result that is best for the community at large.

But something has changed. It may be that the perceptions have shifted or that the conditions of competition are not met. At any rate, it seems abundantly clear that an orientation focused solely on short-run profit is not acceptable. So the public interest—however it is expressed, however it is articulated, however it is enforced—becomes the counterbalance for the profit motive. It is legitimate, this profit motive. It is in one's normal self-interest. The public interest becomes a conscience dimension, if you will, balancing the inspiration and the incentive of the profit motive into one of the strongest economic forces that the world has ever discovered. The public interest, then, is a matter of continuing examination on the part of each of us on the American business scene, and particularly those of us who are in banking.

The process of determining what is the public interest is certainly a strange one. I think it is achieved in, at best, a vicarious fashion. Ultimately it is expressed in terms of law, regulation and frequently court decisions. It is a process in which those who seek to expand the scope of public interest are pressing for recognition. Meanwhile, those of us who are devotees of the status quo are marshaling with all of the rhetoric possible the time-honored arguments of tradition and "we've never done it that way."

In this process, the media play a key role, as they endeavor to put these forces into current perspective. Sometimes patterns of thought and action are so deeply ingrained that recognition and acceptance of a change in the public interest is only achieved by the passage of a generation. I recall the octogenarian banker who was asked, "Well, I suppose in your 50-plus years in banking you have seen a great many changes!"

To which he replied, "Yes, sir, I've seen many changes, and I've fought every one of them!"

One More Question

I think we have one more hard question to ask each other. Is our dedication to the public interest going to be rhetoric or reality? That's the hard question. I consider the changes that are forthcoming in our financial structure—changes in terms of the powers, the rights, the obligations and the responsibilities of various institutions in the financial system. As best we have been able to perceive it, the public is not really clamoring for change. People seem remarkably blase toward changes and innovations in the kinds of financial service we render. They are quite insistent on receiving accurate and convenient services, but I am not sure they are clamoring for something new. The public interest seems to be reaching basically for greater convenience—in terms of hours, location and breadth of service. And somewhat slowly and somewhat unevenly, but nonetheless inevitably, I think this scene is changing.

Who are the participants as we look at the change in the financial structure of America? First, we have the regulators; second, the self-appointed consumer representative. Then, come the courts, the Congress, the state legislators, the innovative bankers and the innovative savings and loan people. These are the participants as this scene changes in terms of the powers and responsibilities of the institutions within the financial structure.

What, then, is banking's position? What position shall we be taking on the Hunt Report when it is presented

(Continued on page 42)

Meeting the Challenge of Change

By MONROE KIMBREL, President, Federal Reserve Bank of Atlanta

BANKERS face challenges today that, in one form or another, likely will confront us and will require that we make major adjustments in our current approach to banking. As a result, it is important that we anticipate and understand the changes that are coming so we can act to minimize disruptions in our businesses. Forethought will allow time to make orderly plans and to implement them smoothly.

Considering the future, a reasonable assessment of changes looming on the banking horizon suggests that the business is going to take on a new look. Even a brief catalog of coming changes that will present strong challenges for banking should include the following:

- Modifications in bank structure stemming from the holding company movement.
- Modifications in the full range of banking services to upgrade and expand them, while at the same time making the services more convenient to the public.
- Increase in competition from nonbank financial institutions and a corresponding shift by the banking industry into new banking and nonbanking activities.
- Increase in regulation of financial transactions involving consumers and related financial activities thought to affect the public interest.

As traumatic as these changes might appear at first glance, it seems best to view them in a realistic and proper perspective. First, most of these changes are going to evolve slowly over the coming years; they will not all be suddenly confronting us.

We can view the challenges ahead in a constructive light. We should note that many apparent challenges for the future represent steps that bankers will contemplate for further adapting to past changes. Present challenges viewed in this positive context provide beacons for better coping with the problems of today.

The banking industry is being pressed by competition. It is increasingly turning to the bank holding company as a flexible type of corporate structure that might enable banks to be more competitive and allow for easier expansion into new markets. Bank holding companies also may provide an increase in the range of banking and nonbanking services available to the public and possibly an improvement in them. Although we might not always agree with the particular vehicle chosen by many banks, there evidently are advantages to the bank holding company structure, or a great many bankers are wrong in their plans.

I should like to examine further how the bank holding company *might* be the form of corporate organization that could enable bankers to meet present challenges and better cope with difficulties of the day. Let me clarify what I connote by the term "bank holding company form of corporate organization." We should look at the meaning to avoid bristling at even the mention of the words "holding company," thus closing our minds to consideration of its advantages. The term "bank holding company" need not stand for nor mean the domination of small banks by a large lead bank, which is the criticism of bank holding companies that I most often hear. True, the bank holding company form may involve only one bank or it may involve several banks. But the holding company organization, *per se*, can be a useful structure for a bank or several banks, just as the corporate form of organization is better suited for some businesses than proprietorships or partnerships.

It seems to me that an encouraging trend is now developing in areas where several holding companies are being formed by medium and small-sized banks. As I view these cases, no one bank will dominate the organization and all participating banks can share its advantages. Neither does it follow that holding company banks must dominate local banking markets. All acquisitions by holding companies receive Federal Reserve approval and are subject to the same antitrust laws as any other business. It is possible, however, that the holding company influence would benefit local banking

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Mr. Kimbrel spoke at the Alabama convention.

markets by offering customers of banks new and better services. In this respect, bankers would more fully meet the obligation they assumed when they were given a bank charter—to offer new and better services to the public.

Because a multibank holding company is likely to have large resources and be financially stronger and better known than many smaller banks, it should be better able to attract capital funds. A holding company may by its scope and size enjoy a high credit rating, enabling it to acquire capital funds more readily from a range of investors than might be the case with a smaller bank. The wider choice of financial instruments available to the holding company could reduce capital costs and allow the parent organization to strengthen the capital position of its affiliate banks.

Upgrading and expanding the traditional range of banking services will require not only additional capital investment but also investment in new personnel and training. The difficulty of attracting and holding capable employees for their officer ranks is one area of deficiency in bank management that bankers themselves point out in applications for a holding company acquisition. Presumably, a holding company can offer a competitive salary and up-to-date fringe benefits, thus greatly reducing the staffing problems of its banks. Training costs also should be reduced and the quality of training improved as the holding company is able to centralize training operations and minimize personnel turnover.

Other obvious personnel advantages should also accrue to the affiliated banks—such as developing and sharing highly specialized services and personnel not needed full time by any bank. Some of these specialized services may improve internal operations of the affiliated banks, especially in the functions of data processing, auditing, accounting and credit analysis, and in advertising and marketing programs. Other programs which offer opportunities for the affiliated banks to extend new and improved services encompass expanded mortgage lending, data processing services, leasing, agricultural and forestry credit, trust and investment services, international banking services and certain insurance services. The economies and benefits from having a staff of "in-house" specialists seem to promise considerable benefits to both the banks and the banking public.

Hunt Commission. If the recommendations of the Hunt Commission are any indication of the direction in which legislation involving financial institutions will be moving, we may well expect increased competition between banks and nonbank financial institutions as the regulations applying to each group are equalized. The major competitive pressures confronting bankers in the coming years are not apt to be from *other* bankers. The major competition could well come from *other* financial institutions, some of which may be subsidiaries of out-of-state bank holding companies.

You can see signs of this trend already. Commercial banks in Connecticut and Massachusetts are not nearly as challenged by other commercial banks as they are by the generally conservative savings banks. And just last month, the Federal Home Loan Bank Board instituted changes that broadened the lending powers of savings and loan associations to make loans outside their local geographic markets.

Perhaps bankers can better meet such competitive thrusts through the holding company structure. By placing some nonbank activities into subsidiaries, a holding company may better meet the competition in its "home" market and in locales that it would not be free to enter operating solely as a bank. Subsidiaries of bank holding companies may legally establish offices and provide services in areas beyond the state branching limits of banks. Services in the fields of mortgage finance, consumer finance, data processing and trust investments stand out as examples of types which holding company subsidiaries are providing in numerous places in their home states and even in other states.

We should observe, too, that the multibank holding company can allow individual banks in its organization to better handle large or unexpected requests for credit. When smaller banks in the holding company are limited in their ability to extend credit to local customers, affiliate banks can participate in the loans. Also, if demands for credit are stronger in some locales where the organization is represented, participations within the group of banks can help balance the loan portfolios of all of them.

Holding company affiliation need not result in local customers of banks in the smaller communities being denied access to credit, as is often suggested. Typically, we find that the smaller banks seeking holding company affiliation have the majority of their earning assets not in loans but in U.S. government and state and local government securities. Also, these same banks may be selling their excess reserves in the federal funds market. Thus, even if some local banks affiliated with a holding company became net purchasers of loan participations from other affiliated banks, we cannot automatically conclude that fewer credit requests are being accepted in local places.

Social Responsibility. I should like now to consider a remaining challenge —really a series of challenges—that will likely become an increasingly important concern to bankers in coming years. Bankers are just now beginning to feel the brunt of a movement which maintains that businesses in general, and the banking industry in particular, must accept greater responsibility in working to resolve the country's social problems, however they be defined. Bankers are likely to be held to a greater accountability for their actions or inactions than they have in the past. They may find that what is "legal," or what was done in the past, may not be considered "right," "fair" or "acceptable" by new standards of business behavior. Our industry is particularly vulnerable to these charges because banking is essentially a business of public trust.

The Truth-in-Lending regulations applied to credit transactions in the late '60s grew out of a reaction to alleged credit abuses that had come to light. Also, the Fair Credit Reporting requirements reflect a belief that the consumer operates at a considerable disadvantage in some of his credit transactions with financial institutions. Perhaps the most potentially serious proposal being mentioned involves placing of limits on "the holder in-due-course doctrine" in connection with consumer credit. Bankers then could become responsible for goods sold through the dealer paper they buy and through purchases made with their own credit cards. This may seem an extreme action, but it is certainly a distinct possibility in some form or other in the near future.

We also have seen advocates of housing, consumer interests, municipal governments and small businesses become vocal in trying to prevent their sectors from being shut out of the credit market in favor of larger corporations in periods of credit restraint. Many banks, of course, continue to lend to these local interests during such periods, but this has not diminished the complaints. When there is a credit shortage and credit must be rationed, those local interests that do not get all the credit they want at the rates they desire feel that perhaps big businesses should not be getting any credit at all. This is certainly a difficult problem for bankers to resolve and one that is even now cropping up in a slightly different form.

(Continued on page 51)

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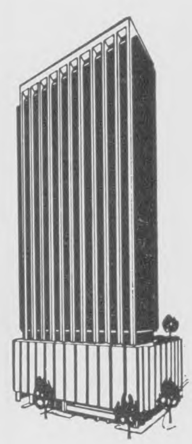


We Must Determine Our Place In the Future of Banking

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

ALL OF US know that the banking profession has gone through several years of vigorous criticism by the press; activity for bank holding companies has increased; legislation of vital importance to us is being hammered out; in short, we are having to act vigorously and untiringly to determine our own place in the future of banking.

So I ask you to decide upon your loyalties—whether you choose a community-oriented independent bank or the holding company route—and to work in your community, your state and your nation to improve the quality of banking.

A recent statement called the development of holding companies a "major revolution" in banking. I would ask you to consider, however, that most of the banks acquired by holding companies —at least in Texas—already had strong ownership ties with each other. That tends, in my judgment, to take some of the *major* out of that so-called revolution.

There is no question that the rapid expansion of bank ownership by holding companies has created a considerable stir. Perhaps because multibank companies and their flagship banks have hard-working public relations people, we read and hear much about the advantages of the bank holding company form of ownership.

Ernest Hemingway pictured very well the way I feel about the situation when he said, "Americans are great ones for mistaking change for progress."

In my judgment, the holding company development merits some questions. For example, how many dollars of new deposits have these holding companies created? You know the answer—none! There is no new money created by putting existing banks under the same corporate ownership. It's the same money, rearranged. The chief difference is that it is concentrated in fewer hands. And as we all know, concentration of power, political or economic, is dangerous.

There are a lot of unknown elements in the holding company derby. It reminds me of the expansion of the big conglomerates during the 1960s. As long as the conglomerates were able to expand, everything went well for them. As long as the holding companies are able to acquire banks, everything may appear to be fine, but all honeymoons have to end sometime. Will the marriages last? Only time will tell.

Recently, the Dallas *Times Herald* quoted a New York investment executive as saying that the rise of bank holding companies is producing a nationwide banking system fiercely competitive for profits but producing a concentration of financial power. The same individual declared that small independent banks are doomed.

The prediction about the future of independent banks naturally prompts this question: Will a nationwide banking system have a place for the locally-oriented community bank which is so much a part of our national heritage? For at least three reasons, I believe the answer will be emphatically yes!

In saying so, I part company with those who predict, usually with an interest of their own to advance, that the days of the independent, relatively small community bank are numbered.

First, the competitive pressures of increased diversification, both functionally and geographically, have been developing since at least the early 1960s. Yet new banks continue to be chartered in record numbers, and the vast majority of them seem to remain independent. Thus, in the last 12 years, some 2,075 banks have begun operation—approximately 15% of all banks in the country today.

A substantial number of these banks were organized in the fastest-growing unit-banking states, but a similar number were formed in other growth areas

This article is adapted from remarks made by Mr. Brooks at the 89th annual convention of the Texas Bankers Association last month.

as well. Exactly 699 of these new banks were chartered between 1960 and 1967 in California, Colorado, Florida, Missouri, New Jersey, Texas, Virginia and Washington—all of which permit statewide merging or statewide holding companies. Yet it is emphatically not the case that these new banks have largely been merged out of existence or acquired by multibank holding companies. As of June 30 last year, 457 of these 699 banks remained independent. Virtually all of them are profitable, growing institutions today.

It is easy to forget that more than 13,085 of the nation's commercial banks have fewer than five branches or facilities; that 9,483 of the nation's commercial banks operate from only one office; and that more than 10,300 are under $20 million in deposit size.

The second reason I believe the smaller, community-oriented bank will continue to be a significant part of our nation's banking system has to do with the illusory claims of economies of scale made by the nation's largest banks. When they talk of the economies of scale which large banks can realize but small banks cannot, they seem to be referring mostly to the ability to retain management personnel of increasingly specialized skills and to pay them more per capita than smaller banks.

My third reason for believing that the smaller, independent community bank will play a significant role in the nationwide banking system of the future is its obvious acceptance by the vast majority of Americans. The continued chartering of such banks, their deposit growth and their continuing profitability are only a part of this story. The public acceptance and respect for community banks is a tribute to the quality of service offered as well as to the leadership of local banks throughout the country.

In the years since 1960, small banks have accommodated to, and themselves offered, many of the banking services first introduced by much larger banks. These would include, to mention only a few, time certificates of deposit in small denominations, golden passbook accounts and bank credit card arrangements. Small banks have also been in the forefront of the move toward drive-in facilities and longer banking hours. Many have initiated moves to higher rates of interest on savings accounts as market rates warranted.

Now that I have documented reasons for optimism about the future of the independent bank, you may be saying to yourself: "Of course he would say that. After all, he's president of an association representing independent banks." If you have that thought, here is something of a surprise.

The reasons I cited, and the data to support them, are not mine, but those of Frank Wille, FDIC chairman.

Additionally, Mr. Wille pointed out that the greatest percentage growth in deposits in the past 12 years occurred not in large branch-system banks, but in those with only one facility, while the next largest rate of growth occurred in those small branch banks with from two to five offices or facilities.

He further said, "I submit that there are good reasons, based in fact, why you also should take heart in the future of the smaller independent bank in this country, so long as the *will to compete survives.*"

And I would add to Mr. Wille's remark the words—*and the determination to serve!*

Another issue important to many of us is reflected in the statement made recently to the ABA Governing Council by Dr. Arthur F. Burns, Fed chairman.

In his address entitled "The Structure of Reserve Requirements," Dr. Burns declared:

"The principle that underlies the Board's recommendation is simple and straightforward—namely, that equivalent reserve requirements should apply to all deposits that effectively serve as a part of the public's money balances. The considerations argue persuasively, I believe, that reserve requirements on demand deposits at non-member banks should be the same as those faced by Fed members. Continuation of the present state of affairs is inequitable, and it also weakens monetary control. These difficulties will become acute in the years to come if corrective legislative action is not forthcoming."

I fear the nationalization of our banking system when I hear a sweeping statement such as this. It certainly should be a matter for concern by all of us. When powerful federal banking officials assert that they, among all interested parties to litigation, are the most experienced and best equipped to determine what is or is not in the public interest and that certain of their actions which discriminate against state-chartered non-member banks are above and beyond review by a court of law, a most serious problem exists. The checks and balances inherent in the dual banking system must continue to restrain such inclinations, which not only threaten basic freedom within the banking system but strike at the very heart of our nation's democratic processes. We must retain the primacy of state regulation for all banks. Once federal law is applicable to all aspects of state bank operations, there will be no need for the state banking system. State law will be superfluous.

Another matter that has been delayed but is far from dead is legislation to implement Hunt Commission recommendations. This legislation will pose problems for all bankers.

The times ahead are going to be difficult, more so than anything banking has faced in the past. The challenge will demand the best from everyone interested in independent banking. The task is great, *but the opportunity is even greater*.

Independent banks today are not only a live force, but they constitute a veritable army growing in strength and vigor. They will be vigorous only so long as the people running their own community banks are vigorous and *vigilant*.

There is a final request that I want to make of independent bankers, and that is to lend your substantial influence in taking our story to our lawmakers, particularly at the federal level. The next year or so will be crucial to the long-range future of our banks. Congress will be debating the recommendations of the Hunt Commission and other legislation, and no one in official Washington is going to make a case for us. We must do it ourselves.

It has been said that independent banking is an uphill battle. You can tell when you are on the right road: it is all uphill!

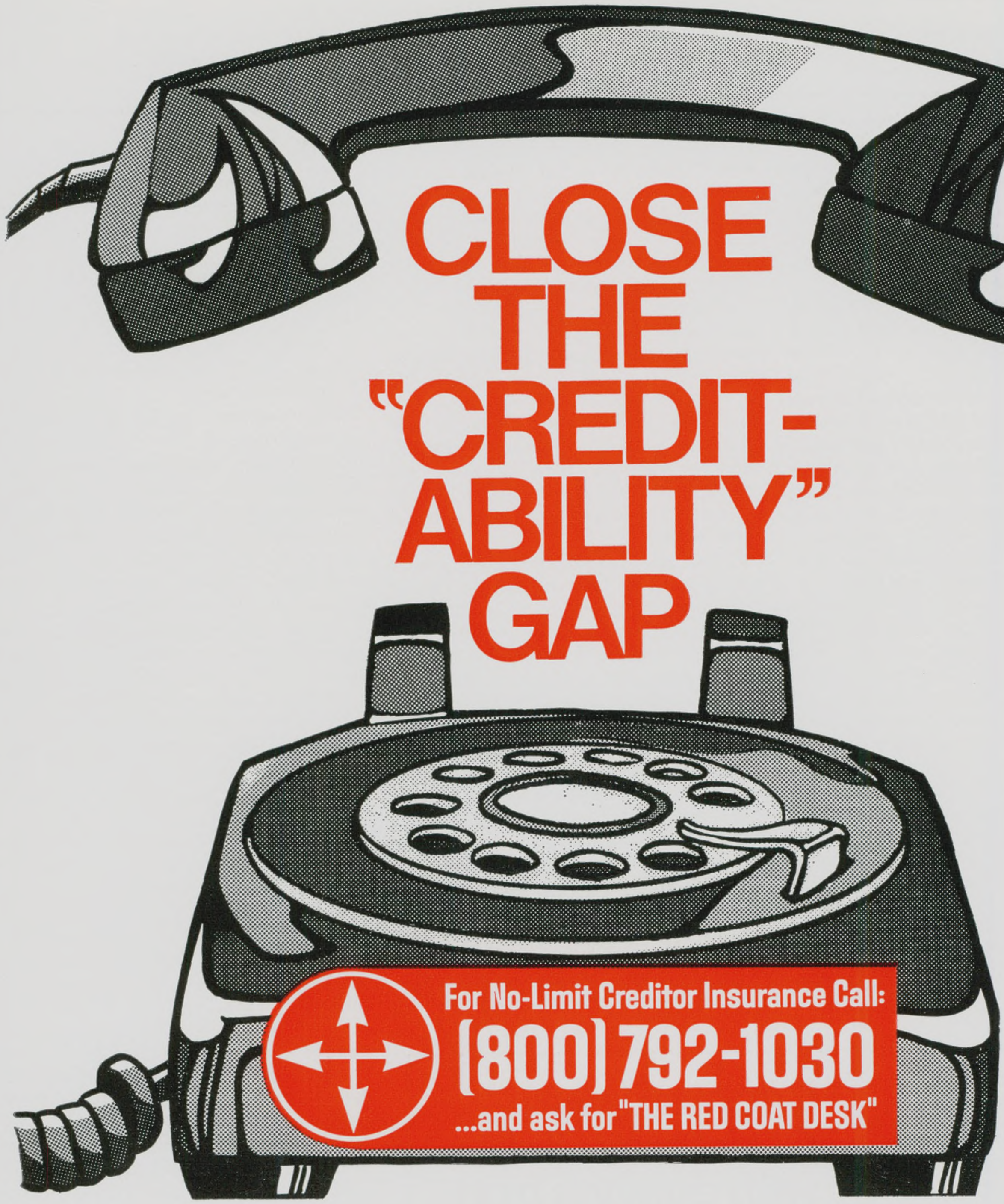
Our present banking system is firmly established and is one that the public understands and has confidence in. It serves its customers personally, intimately and effectively. Let's not lose it by default. No bank owns its market: it earns it every day by serving its customers. John Farr, an attorney in Littleton, New Hampshire, more than 100 years ago, said:

"Gentlemen, we have local government, schools and houses of worship, but until we have our own bank, we will never rise above the role of a village."

We have our own banks. Let's keep them! • •

Trade Week Talk

In conjunction with recent World Trade Week, First Nat'l, St. Louis, sponsored luncheon featuring John S. Potter Jr. (2nd from l.), dir. of finance for Latin America of the Overseas Private Investment Corp. At l. is William S. Salter, v.p. and head of bank's international dept.; Mr. Potter; Bernie Schonlau, bank adm. asst.; Vince Winkeler, Hussman Refrigeration Co.; and Richard A. Murray, host bank's int'l banking off.



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Banking Overview

(*Continued from page 30*)

costs." *But*—in the preamble which constitutes item one, appears this crucial language: "It (the criteria) is not intended, however, either in the case of loans to large firms or to small firms, to interfere with normal practices relating to *differentials in interest rates that reflect credit risk and similar factors.*"

Again, item four states: "The interest rate charged by a commercial bank on a business loan, whether to a large *or small* firm, is part of its structure of rates (i.e., the bank's) reflecting degree of risk, size of loan and other factors."

None of us likes controls or "guidelines," bankers perhaps less than any other of our nation's businessmen. This is because commercial banking is such a complex industry, subject to so many controls and so many individual bank policies. We are being asked, however, to do our part as good, patriotic citizens of our great country, to support the vital efforts to control our now very strongly inflationary economy. These guidelines may be tough in some respects, obscure or ambiguous in others. We can and must, however, do our part. We can live with them, and I urge you to do so.

Those of you who are now members or prospective members of multi-bank holding companies are probably aware of the Federal Reserve Board's increasingly insistent requests for new capital in holding company subsidiary banks, regardless of whether they may or may not be national banks and Fed members.

The Board's intention seems to be to require banks over which they have some special jurisdiction, such as those in bank holding companies, to have a minimal level of *equity* capital. In this connection, I stress the word "equity," because the Board's main objective seems to be to obtain capital against which to write off losses rather than to permit holding company banking affiliates to provide additional capital through the issuance of debt securities; that is, capital notes, debentures, etc.

In cases where a national bank is concerned, the staff of the Board of Governors does request the views of the Comptroller's staff as to capital adequacy. The Board believes, however, that it has final authority to decide the requisite capital requirements for all holding company bank affiliates, regardless of which state or federal agency may be the primary supervisor of these banks.

There are many in the industry who are inclined to believe that the Board is exceeding its authority in many of these cases, and it is conceivable that the final decision will have to be settled by the courts. At best, however, it is the subject of a potential conflict between the Board of Governors on the one hand, the Comptroller of the Currency and the FDIC on the other hand, and I suggest that it might be prudent for a representative group selected from the bank holding company industry to sit down with the Board of Governors and thoroughly air this whole subject.

Finally, I have up until now made only passing comment on the Hunt Commission recommendations. Let me urge you in the strongest possible way not to dismiss these recommendations out of hand or as being just another study of banking structure that will end up in the wastebasket. I do not believe they will. • •

Bank Structure

(*Continued from page 28*)

final course of action for Mr. Kenaley and the other independents.

During a special meeting of the independents at the Louisiana convention, Mr. Kenaley reported that executives of two-thirds of the state's banks unanimously oppose any changes in the HC or branching laws.

The Lafayette banker cited Missouri as demonstrating "the urgent need for overwhelming opposition to multi-bank legislation." He pointed to the recent rapid growth of multi-bank HCs in that state, where, by the way, a controversy now seems to be emerging in the House over legislation that would make broad changes in state banking laws.

As of this writing, legislation was expected to be introduced in Missouri that would restrict HCs to acquiring established banks and forbidding them to start new banks. There are 22 registered bank HCs in Missouri, and they hold nearly 60% of the state's total banking assets, according to the state's Division of Finance.

The Missouri Independent Bankers Association, a separate group from the Missouri Bankers Association, has been and is leading the fight to obtain restrictive legislation for Missouri multi-bank HCs. As Bradford Brett, president of the independent organization and president, First National, Mexico, put it, "We definitely feel that holding companies should be checked, but we haven't seemed to get others concerned." Another independent banker in Missouri said that the growth of HCs was "the most important thing facing Missouri, and the most dangerous."

The bill on which the Missouri independent bankers hope to challenge HC growth is a proposed revision of the state's banking laws. One of the bill's objectives is to allow state-chartered banks to have the same flexibility as national banks.

In Oklahoma, Harry E. Leonard, association president and president, Bank of Elgin, announced results of a written vote of the membership. Principal points voted on at the convention and now part of official OBA policy are:

1. Branch banking is opposed.
2. Additional drive-in facilities should be permitted within city limits, but no bank should be authorized to start more than one new facility per year.
3. Multi-bank HCs should be autho-

rized, but any state legislation should contain a provision that would prohibit "too much concentration of deposits."

In Arkansas, President B. Finley Vinson, chairman, First National, Little Rock, reported that the association's executive council had voted to make a two-year study on the future of holding companies in the state. Mr. Vinson added that the Insurance and Commerce Committee of the Arkansas Senate will study the same subject during the next two years. Results of the Ark.BA's study will be made available to the Insurance Committee.

Mr. Vinson told Arkansas bankers that they have several choices or combinations of choices. They can keep things just as they are—total restrictions on expansion of multi-bank HCs. They can modify restrictions to a percentage of total deposits or to a certain trade area of the state. They can abolish all legal restrictions. He warned, however, that Arkansans must consider what the national direction of banking will be in the next few years.

Earlier this year in Arkansas, a county-wide branching bill became law. As a result, banks in that state now can establish full-service branches in communities in a bank's county of domicile, subject to regulatory authority approval. All existing tellers windows and drive-in installations were granted full-service-branch status.

The Arkansas legislature, at its 1973 session, also passed bills providing for equalization of taxing provisions between banks and other corporations in the state, allowing banks' and S&Ls' participation in invested funds at state level and providing for lower reserve requirements of state banks to enable them to compete with national banks.

These bills were all part of a restructuring plan put together by the Arkansas Bankers Association and its legislative committee.

A bank holding company study also was announced in Texas by the House of Representatives. The latter adopted a resolution authorizing its Committee on Business and Industry to conduct a study of bank HCs and provide an accounting of its findings at the 1975 legislative session.

The resolution directs the committee to investigate the following areas:

- A review of the basic characteristics of bank HCs.
- Specific requirements of federal law relating to bank HCs.
- The substantive difference between bank HCs and branch banking.
- Basic provisions of bank HC laws in other states.

The committee also is charged with the study and investigation of the "advantages and disadvantages of financial concentration in bank HC forms of management, effects of concentration of financial control on interest rates, internal operation of bank HCs and instances and effects of multi-bank companies on the national level."

The resolution attributes the proposed study to the rapid growth in the number of bank HCs in Texas in recent years and to the fact that there now is no specific state legislation relating to bank HCs and their methods and practices of operation in Texas.

Fred T. Brooks, president of the Independent Bankers Association of America and of Merchants State, Dallas, said that if the committee holds hearings as part of the study, he will testify as a representative of Texas independent bankers. He said he plans to submit to the committee documented evidence showing that HCs in the state have mushroomed to alarming proportions.

No action was taken at the Mississippi convention about bank HCs. However, in January, the MBA's executive committee voted to take no position with regard to supporting or not supporting (1) any effort to relax the state law prohibiting multi-bank HCs or (2) any effort to leave the prohibitory law as it presently reads. This action came after a study of multi-bank HCs was completed by Dr. Charles F. Haywood, formerly chairholder at the University of Mississippi.

In Illinois, branching as well as multi-bank HCs is in the news. Last month, the Illinois Senate upheld committee rejection of a key bill to permit limited branching in the state. By a 26-21 vote, the Senate stopped a move to allow floor action on a bill drafted by the Association for Modern Banking in Illinois—a group of banks that support the introduction of branching into this unit-banking state.

However, the Senate's action doesn't end the branching issue for this session, according to proponents. Still awaiting committee action as of this writing are a number of other bank structure bills, including measures to liberalize facility statutes.

The defeated bill would have limited branching by banks to an area within the same county or up to 20 miles, whichever distance is greater. The plan was similar to one defeated in a special convention of the Illinois Bankers Association last January.

A second rejected bill would have introduced multi-bank HCs into Illinois.

The Illinois House Banking Committee has on its agenda a bill—backed by H. Robert Bartell Jr., commissioner of banks—to permit inner-city banks to relocate their main headquarters, but retain their former offices as limited service facilities. Under this Bartell bill, a bank classified as being located in an inner-city neighborhood could open its new main office in a suburban location.

Prior to the Kansas convention, the state legislature had passed a bill, effective July 1, which will allow banks there to establish up to three limited-service facilities within city limits. At present, banks can have only one facility, which must be located within 2,600 feet of a bank's main office. The new bill also added installation and rental of safe deposit boxes to the list of services permitted facilities. This is in addition to already-permitted services of receiving deposits, cashing checks and issuing exchange. However, making or processing loans is still prohibited at facilities.

In addition to the new facilities law, the Kansas legislature passed a revised Uniform Consumer Credit Code that abolishes the holder-in-due course doctrine as far as consumer credit sales are concerned. • •

■ SAN FRANCISCO—Bob Eddy has been named assistant vice president in the organization and management development section of Wells Fargo Bank.

Impact of Change

(*Continued from page 32*)

in whole or in part in Congress? I hope it will be the position that has been consistently articulated on behalf of the industry these past months—that the bankers of America are willing to compete. What we would like is an untilted playing field, an even surface. Assure uniformity of income tax treatment so that the same items of income of banks and savings and loans are treated identically. Eliminate the discrimination in the rates the savings and loans may pay on time and savings deposits and those that banks may pay. Equalize the reserves which savings and loans and banks must hold against similar deposits. Harmonize the supervisory overviews, and above all, and in the public interest, make certain that the changes made maintain a flow of funds adequate to finance the social priority goals of America, preeminently adequate housing.

This would be change in the public interest. • •

BANKPAC

—Can Give Banking Political And Legislative Clout

By **WILLIAM A. GLASSFORD**
Executive Director
BANKPAC
Arlington, Va.

IN THE past two years, I have become so closely involved with BANKPAC that it's easy to assume everyone knows all about it: what it is, where it has been, where it is going and why.

The fact is that, even today, only a handful of bankers know anything about BANKPAC at all. So I'll briefly touch on its beginning and work up to the present and beyond, when, hopefully, all bankers will be both interested and involved in BANKPAC.

First, what is BANKPAC? It is a short name for the banking profession's political committee: The Banking Profession Political Action Committee. Now, a political committee is defined in federal law as "an organization which accepts contributions or makes expenditures for the purpose of attempting to influence the election of candidates to federal office." BANKPAC solicits and accepts contributions from bankers and makes expenditures to the campaigns of candidates for the U. S. House and Senate—whose elections are in the best interests of the banking profession. We fit that definition to a tee!

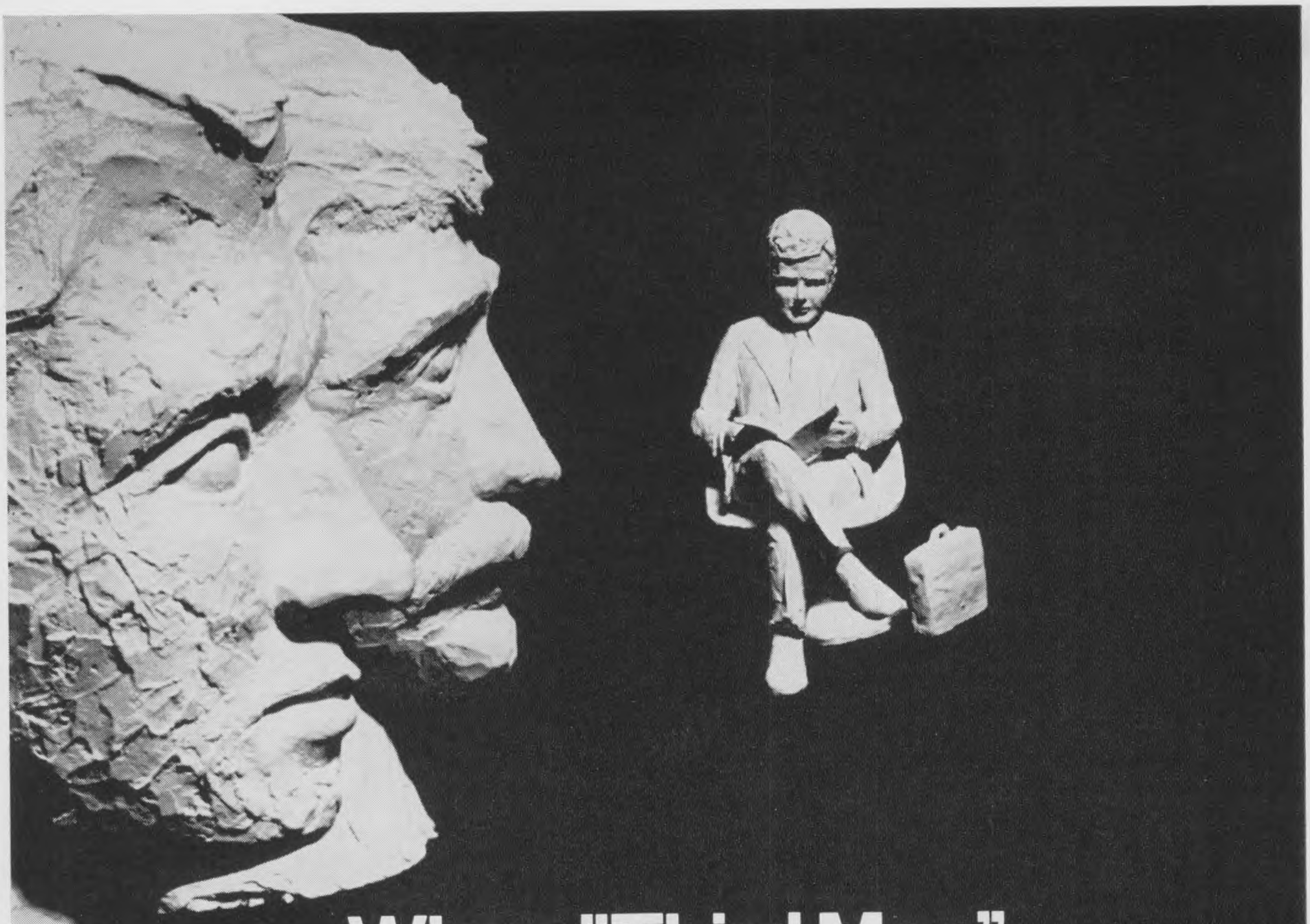
William Glassford (l.) is pictured at Alabama convention in Bermuda with Dr. Charls E. Walker, former ABA executive vice president and former deputy secretary of the Treasury. Dr. Walker now has his own financial consulting firm in Washington, D. C., Charls E. Walker & Associates, Inc.

Secondly, why have a political committee for the banking profession in the first place? About three years ago (and about 50 years too late), it was "discovered" with dismay that other groups—many of whose activities were not aligned with banking's best interests—were better able to sell their points of view to Congress and that, little by little, other forms of financial institutions were making inroads into "banking country" and were being permitted to play the game to different sets of rules. At about the same time, it was "discovered" that trade and professional associations having political arms—in addition to legislative arms—were the ones with the best batting averages in Washington.

At this point, I want to distinguish between political and legislative affairs. Political affairs have to do with the election or defeat of lawmakers. Legislative affairs have to do with making and amending laws.

The American Medical Association had its AMPAC, the dentists had ADPAC, LUPAC did the job for the life underwriters, COPE for the AFL-CIO unions, savings and loans had their SAPEC, etc. Virtually every special-interest group has for years had an

The talk on which this article is based was given by Mr. Glassford at the Alabama Bankers Association's convention last month in Bermuda.



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organization designed to influence the election of candidates to federal office.

Why not the AMERICAN BANKERS ASSOCIATION, which is banking's national legislative arm? For a very good reason: It is misnamed (as are state banking associations). The ABA is not an association of *bankers*, but of *banks*, and under existing federal laws, banks and corporations are prohibited—and properly so—from participating directly in political campaigns. "Bankers" associations cannot solicit contributions from their members, because its members are not people.

Therefore, BANKPAC was put together by people—a group of individual bankers, so that the vital job of a political arm could be done for the banking profession, which is: "To complement and enhance the effectiveness of the industry's legislative arm."

Anyway, BANKPAC was started in the middle of 1970. It was long on enthusiasm and short on know-how. It led with its chin and was nearly floored for the count! What happened? With a late start and time running out, BANKPAC made up a list of "worthy candidates," mailed checks to them and dutifully, in accordance with the then law, filed a report, including a list of the contributions, with the clerk of the House.

Report Uncovered

The report was uncovered by the staff of a certain Texas House committee chairman, and it was quickly noted that 21 out of 26 named on the list were members of the good congressman's committee (Banking and Currency). As a matter of fact, one of the few names missing was that of the chairman! He and the press had a field day—trying, in the absence of a Watergate, to invent a "BANKPAC Caper" —implying that the banks were trying to buy or corrupt his committee. It was a publicity mess, and many fine congressmen found their characters being impugned on the very eve of the election—before they had even received the actual contributions, and in some cases, not even knowing they were going to get them! Checks were returned; denials were made, and it was discovered that under some conditions everyone didn't always want bankers' money.

Politically speaking, that was a long time ago. Veteran politicians recognized the affair for what it really was, a play for hometown consumption by the Texan—at bankers' expense. BANKPAC earned its Purple Heart and paid its dues into the club, and everyone has forgiven BANKPAC for

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what was actually only its inept honesty in 1970.

In 1971 it picked up the pieces, brushed itself off, reorganized and learned how to do it!

In 1972, BANKPAC became involved on banking's behalf in 117 campaigns for seats in the U. S. House and Senate. Sixteen of its 22 candidates for the Senate were elected, and all 95 of its candidates for House seats were winners! Campaign contributions offered through BANKPAC were substantially in excess of $200,000; it received no bad press, even got some *good* press, and a bulky sheaf of "thank you" letters from candidates, who seem sincerely grateful for bankers' support and friendship through BANKPAC *when they needed help.*

Just what does all of this political action accomplish? After all, there are only 100 senators and some 435 active representatives to go around for the 205 million people in this country. And being elected to federal office takes an awful lot of money—more than a single special-interest group can raise—even bankers!

Even if a person wanted to, he couldn't buy a congressman, and, if he *did* want to . . . they're not for sale. By and large most, and certainly the leaders among them, are competent and dedicated people—in one of the most difficult, thankless and important career professions in this country.

But what bankers can, and *must* do, is help the "key" ones. Bankers must help them when they need help, so that when bankers need help, the legislators will listen, hear the bankers out, consider the latter's alternatives to harmful legislation, and in all respects, do just what anyone would—if he could—for a friend in need.

Virtually all legislation originates with some special-interest group, either inside or outside the government, to whom its bill is the most important and earthshaking issue of all time. (And bankers are no exception.)

As an example, over 25,000 bills and resolutions were introduced in the 92nd Congress alone! Less than 3% (700) of them in that two-year period finally became the law of the land. The rest died.

Those that became law, the less than one out of 35, did so because *somebody cared* and worked hard to get them passed, or because *nobody else cared enough* to work hard to defeat them! Or they are compromises of the original bills, worked out because two or more conflicting groups were really involved and *really cared.*

The more than 24,000 that died did so because of just the reverse: Someone cared enough to kill them, or they

became absorbed into the 700 compromises that became the law of the land.

First of all, a congressman wants to do a good job, and, of course, be reelected. Doing a good job means helping constituents and friends, and not hurting them or the country. If he introduces or supports a bill, the chances are that it is out of friendship and that it will be helpful to constituents, colleagues or friends.

Once a congressman is committed to a bill, it takes other very good friends to change his position. But if a banker is a good friend and shows that he really cares, the result will be almost an instinctive search for the "middle ground": the compromise that will, even grudgingly, keep both sets of friends.

But without the friendship to start with, a banker hasn't got a chance. To compete, he must have been a friend *when his legislator needed help!* That's why there's a BANKPAC and why it deserves bankers' support!

Earlier, I mentioned "key" legislators. There was a time in this country when life was much simpler, and the federal government wasn't nearly so involved in our affairs. It was assumed that our local congressman could adequately handle the few problems that involved us with the government; and he could! Not so any longer.

Referring back to those 25,000 bills, today the demands on the Congress are such that, without the committee and subcommittee system, nothing could be accomplished. This really means that the power isn't held by the two houses, but by the committees. And, rarely, if ever, is a recommendation of a committee of either house disregarded. To do so would be chaos! Also, by House rule, no member can serve on more than one major committee. Thus, a local congressman, fine man that he may be, may be the person who can help you, as bankers, the least!

"Key" legislators insofar as bankers are concerned are members of the Senate Banking Committee and Finance Committee, House Banking and Currency, Rules and Ways and Means committees, appropriations people and, of course, the leadership of both houses.

If there is but one thought that should remain with bankers, it is this: Members of the banking profession must think of themselves as the legitimate constituents of these "key" congressmen, whether they come from Vermont, Texas or Florida and regardless of party: *Support those who merit support*, and work to replace those who don't.

A banker can't do it by voting or not voting for them, but he can with his money through BANKPAC, and he must do it if he is going to successfully compete at the legislative level. We're not talking about large contributions from a few "fat cats"—that's part of banking's image problem already—but moderate contributions from many.

Earlier, I mentioned bankers have to really care. Congressman Bill Moorhead of Pittsburgh and a member of the House Banking Committee, speaking recently to a group of Pennsylvania bankers said: "You bankers have less clout in Washington than the birdwatchers; not because you aren't important, but because no one is convinced that you really give a damn about your common industry problems. Birdwatchers care, and they don't let us forget it! There's just too much going on that someone cares about to worry about the rest."

Last year, the dairy farmers cared $990,000 worth in the 1972 elections; the doctors $874,000 worth; the garment workers $600,000 worth; the CIO/AFL (COPE) $1,270,000 worth —to mention just a few of the many special-interest groups that are years ahead of the banking profession in cultivating friendships and showing they care.

When BANKPAC can sincerely say to a worthy candidate, "This contribution comes to you from the personal pockets of most of the 150,000 bank officers of this country," then it will be known that bankers do care, they'll gain important friends, and their profession will receive the political and legislative influence to which it is entitled. • •

Challenge of Change

(Continued from page 34)

The Committee on Interest and Dividends is exerting particular pressure on banks to limit increases in lending rates on loans to small business and farmers in order to protect them against burdensome increases in borrowing costs.

Bankers, as well as other businessmen, are being questioned about employment practices and personnel policies. Those working directly in the cause of equal employment opportunities for racial minorities and women maintain that the banking industry needs to do more to hire and promote those discriminated against in the past. Bankers are particularly vulnerable to some of these charges, simply because many of their lower-paid employees are women and racial minorities and few have become bank officers with meaningful positions of responsibility.

Nor are bankers' trust departments likely to be exempt from social criticisms. Many critics now claim that investments made by trust departments should be only in "socially responsible" companies, or that shares of stock in companies not "socially responsible" should be voted by the bank to press them into greater social responsibility. Many of these critics fail to consider how all this fits in with the bank's fiduciary responsibility to the trust beneficiaries, but this seems to be only of slight concern to them. Nevertheless, bankers, because they control large amounts of assets and make investments in the nation's major companies, do remain vulnerable to charges that they should really do more to solve social problems.

Regardless of our personal inclinations, many social activists are demanding that bankers do better in public dealings and in the way that they handle their affairs. They are charging that bankers have not done enough in the past to help alleviate our social problems. Whether these charges are right or wrong, I think we need to be aware of them and, where possible, plan reasonable steps to correct any abuses or remove any suspicion that bankers are not concerned with the public interest.

In conclusion, I think you will agree that we are going to confront many challenges in coming years. Some of these reflect an attempt by bankers to overcome problems they have faced in the past. Other challenges will involve the way in which bankers serve the public. We must all be aware of charges that bankers are not doing enough to help alleviate social problems and that they cannot continue to simply accept deposits from the public and make sound loans and investments. Bankers will not be charged with doing anything wrong, only with not doing enough. As you work in your individual banks, you are going to have to carefully scrutinize current practices in all phases of your operations to ascertain that any dealings with the public, particularly consumers, are fair and that your other policies are not just legal, but acceptable and fair.

I believe that our attention now to these challenges gives us the opportunity to think about them and prepares us to handle them constructively when we meet them in the future. • •

■ NEW YORK—Frank A. Rudolph Jr. and William Delos Whinery III have been named vice presidents at First National City Bank.

GRAIN FINANCING . . .

Will Shift From the Government To the Commercial Banks!

By MORTON I. SOSLAND, Director, Commerce Bancshares, Inc., Kansas City

TWO SHORT SENTENCES in the 1972 annual report of Commerce Bancshares, specifically Commerce Bank of Kansas City, serve as the basis of this article. The first sentence: "In commercial lending, loans to the grain and milling industry doubled during the year." The second sentence: "Because of our history of expertise in this field, we were able to react immediately to the sudden and surging need for grain credit precipitated by the government-sanctioned major purchases of American grain by Russia."

* *

What is behind those figures? Specifically, loans of Commerce Bank to the grain and milling industry increased from a level of about $14 million in early June (1972) to $30 million in July and as of April, 1973, were at a peak of around $41 million.

I would like to discuss the factors that accounted for that rapid expansion in grain loans and then to explore some of the parameters to help the banker understand whether that level of demand is here to stay.

While forecasts in grain are as foolish as in any other line of commerce, I am bold enough to give voice to the belief that a fundamental change *has* occurred. I do believe that all banks that have become startlingly aware of the grain business's potential *will continue to experience* a level of grain-loan demand in the future considerably greater than that of the years prior to the current 1972-73 crop season.

The reason for that belief lies in my reading of what has happened this year. As the Commerce report says, grain buying by the Soviet Union was the trigger. To recall briefly: Russian grain buyers, operating from a suite at the New York Hilton Hotel, bought in a period of less than a month—ending early last August—422 million bushels of U. S. wheat, nearly the same quantity of feed grains and about 40 million bushels of soybeans. That buying, equal on the world market to around $1.2 billion, was the greatest bargain purchase in history, due to the low prices paid and the subsequent sizable devaluation windfall. That buying signaled an unprecedented expansion in world demand. It's important to remember that while Soviet buyers were first—practically every other buyer on the world scene suddenly has needed more than before. Keep in mind that each of the top 10 country destinations for U. S. wheat this year have absorbed more than in the previous season. Thus, more wheat is going to South America, Europe and Asia than before.

The author, speaking recently to Commerce Bancshares directors, concludes that the world is "grain short" and that as American farm production is unleashed to satisfy this demand banks will be called on more and more to finance the production and marketing of grain. Editor of BAKING AND MILLING magazine, Mr. Sosland also believes that bankers will require more "hedging" by borrowers to guard against erratic price structures in the commodity markets.

This elevation of demand, accentuated by the surprises of its timing and immensity, prompted an equally dramatic climb in prices. Let me cite wheat as the example and specifically the prices paid by a buyer of No. 2 hard winter, f.o.b. the Gulf. Most of the Soviet buying was at around $60 per metric ton ($1.62-1.63 per bushel). This was the price that had prevailed for at least two years prior to last summer and was officially maintained as an unstated target price by export subsidy payments. In the wake of the Russian demand and with subsidies ended, that Gulf price surged to a peak above $100 per ton. It subsequently fell back to near $80, but that is still a third above the long-time level!

The impact was twofold, so far as demand for *bank loans* is concerned. 1. Such an acceleration of business, spreading through the entire market system back to the farmer, meant that everyone's ownership of grains increased. Of course, this involved a

rather complicated chain reaction that has been confused and compounded by a chaotic transportation situation. Exporters scrambled to boost their cash grain holdings in an effort to be certain of fulfilling unprecedented sales commitments; terminal, subterminal and country elevators all felt the multiplying effect. In some cases, ownership positions were doubled up because of the inability of buyers to obtain deliveries on contracts. It is redundant to tell this has expanded demand for grain loans. Elevator operators who never had utilized bank credit have had to seek bank help in carrying unprecedented inventories. Demands have been so great at some individual banks that credit lines have been sorely taxed, if not exhausted. Let me add parenthetically that this year's experience with agricultural loans has demonstrated the great strength of the bank-holding concept. We know of a few local customers who would not have been able to finance their grain inventories had it not been for the availability of the full lending power of a holding company.

2. This also is a year that has demonstrated *the effectiveness of the U. S. grain marketing system.* While we in the industry have talked about this "thing" we call grain marketing for years, it was a year such as this that convinced even the most cynical among us of the remarkable device we have. *Without the futures market and its utility as a hedging tool, the huge export sales could never have been made and the domestic handling would have been impossible.* So far as I know, the companies that have given bankers pause in the current season are the ones that did not mind their Ps and Qs in hedging either their long or short positions. In a market where weekly price swings almost invariably exceed life-of-contract moves in past years, it is a foolish grain company that does not stay fully hedged. *Let me add that it is a foolish banker who has not devised a careful system for monitoring his customers' cash and futures positions. The exposure is so huge, the markets so volatile that any other course is unthinkable.*

Let me try in one sentence to explain to bankers what happened. It might read as follows: Needs for bank credit have been expanded by a larger share than normal of the harvest being owned by other than farmers. That statement is not as simple or as complex as it might seem. In the past, when farmers sold grains, the government, in the form of the Commodity Credit Corp., often was the principal "buyer." This was accomplished through the price-support system that saw large quantities—often 25% of a crop or more—placed under loan and then delivered to the CCC as defaults. Actually, just such a year was in prospect last July before the Russians came on the scene. The early outlook was for a 1972 crop considerably larger than demand. But instead of that, the forecast now is that the carryover of wheat on July 1, 1973, will be down to near 400 million bushels, the smallest in two decades and less than half of what was held a year earlier.

As a result of prices in the market that are at unprecedented margins over returns from price-support entries, growers have placed insignificant quantities of 1973 crop grains under support loans. Not only that, but the government itself has embarked on a conscious policy of divesting itself of practically every bushel it has owned.

1. It has told farmers that none of the grain from crops prior to this year held under so-called reseal loans will be eligible for extension after maturity this spring.

2. The CCC has adopted an aggressive policy of disposing of grains from its own inventories. Just recently, it disposed of practically all its ownership of wheat. This is the first time in 25 years that the CCC has not owned any of that grain. A whole generation of people have operated with the thought that they could always turn to the CCC as a source of last resort. That is no longer the case.

Important for the subject at hand is the manner in which the CCC sold its holdings—ruthlessly, aggressively, with no sign of not wanting to bear down on prices. In fact, it has been very obvious that the CCC has been under orders from the White House and Cost of Living Council to do everything possible to depress food prices. It became obvious to the Cost of Living Council that the most effective weapon the government had to reverse the upward climb of food prices was to dump CCC stocks. That has been accomplished. But now the government must rely on a supply increase or a dramatic contraction in demand to check further price strength. *It has no more grain to sell!*

You may be aware that the CCC, under its charter from Congress, has the authority to borrow $14.5 billion to finance its operations through the sale of Treasury notes and certificates of participation. Often in the past, the demands of the loan program and actual inventory ownership have nearly depleted that borrowing authority to the point where very active consideration was given to the need to go to Congress and request additional borrowing power. According to the CCC's latest financial report, the agency is utilizing only $2.9 billion of its borrowing authority to finance price support loans and inventories, compared with $4.5 billion a year ago. Funds being used for these programs will even be

Commerce Bancshares 3rd Largest

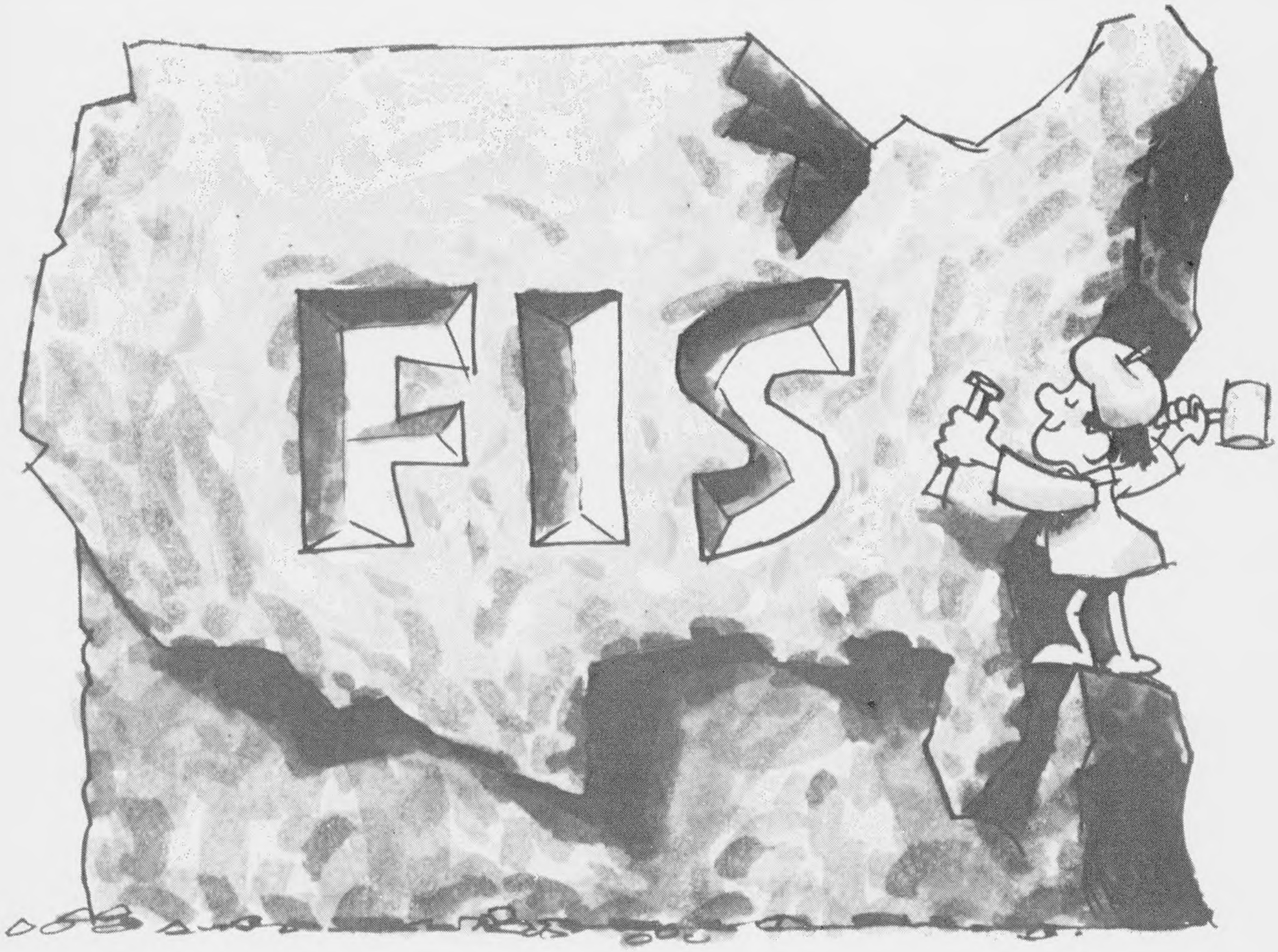
Commerce Bancshares of Kansas City recently sponsored a 2½-day, weekend conference for directors of its 25-bank holding company. The purpose of the conference, attended by some 200 directors and their wives, was to give these directors a clear picture of the HC's activities and statewide progress. The conference is held biannually.

KEMPER

James M. Kemper Jr., chairman and president of Commerce Bancshares, launched the program with a brief history of the HC and its anchor bank, Commerce Bank of Kansas City. The HC, he said, is bringing "a whole new concept in banking to both small towns and to larger communities" (in the state).

Mr. Kemper pointed out that Missouri is the 10th largest state in the nation in total bank deposits and is recognized as one of the fastest growing markets for banking services. Commerce Bancshares, he observed, is the third largest HC in Missouri from the standpoint of total assets and in 1972 was the second in terms of total profits ($13.7 million, up 19.4% over 1971).

The Kansas City banker recognized that competition among other rapidly growing HCs in the state will become keener with each passing year. Commerce, he said, hopes to meet this challenge by acquiring and developing knowledgeable bankers, who in turn will provide innovative and competitive banking to the state.



We're Carving Out Some New Territory

We're growing. This four-year-old company now serves banks in more than half the states of the Union. We have affiliates in Oklahoma and Texas, too.

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We've become the largest writer of bankers' single-interest coverages because we offer the widest variety of such coverages. FIS pioneered kidnap/ransom insurance and is fast coming to the fore in employee group benefit plans.

We're more than agents—we do the underwriting for a number of innovative plans.

And consultants. A division of FIS may be contracted on a fee basis for assistance in all areas of financial insurance for banks and bank holding companies.

Carving out new territory? Maybe we should just say we're making a lot of new friends.

FIS

FINANCIAL INSURANCE SERVICE, INC.

2200 EAST DEVON AVENUE • DES PLAINES, ILLINOIS 60018 • 312/297-4660 substantially less by the end of the fiscal year June 30.

Going beyond the immediate situation is a definite change in policy on the part of the federal government toward its commitments to support agriculture. That change stems in the main from the supply-demand situation that presently exists. Current prices have given the Nixon Administration "courage" to call for radical program changes. Both President Nixon and Secretary of Agriculture Butz have told Congress that they want the CCC "out of the commodity business." If they have their way, and the chances are very good that they will with an urban-dominated Congress, the accumulation of vast quantities of grain under support loan and in CCC inventory will be no more. The billions of dollars in Treasury borrowings that were necessary to finance that operation *will be transferred to the commercial banking system.* We have had a positive hint of that change this year. I hope that this change—slightly appreciated and little understood at this moment in time—will be applauded by all of us in banking as well as in the grain and milling fields.

One of the principal questions that has to flow from such an important development is the extent to which the government may be making a mistake in turning to industry and to banking, to farmers and to the economy at large to sustain the agricultural plant. Is an important error of judgment being made? Is what happened this year only a unique confluence of events—the crop failures in Russia, world monetary crises and devaluation, rapid inflation of prices and demand—or is it something much more fundamental? I hold to the latter view. It is my opinion that something very major has occurred; that the world is actually experiencing a watershed in food demand, that what I have termed the "era of cheap food" is indeed coming to a close.

Briefly, I have given voice to the view that food costs in America have been unusually low, especially in relation to personal income, ever since the end of World War II. It is my belief that the farm support programs have been just as much, or perhaps more, a subsidy to American consumers than to farmers. Once these programs end, once it is understood that China and Russia are making commitments to upgrade the "standard of eating" in their countries, once it is appreciated that America's agricultural land capacity is fully used and that future production expansion will require market returns and make necessary input investments a viable economic choice, then others will see the same basic forces at work.

I am convinced that this presages an era where the involvement of commercial banking in agribusiness will expand, where banks that had thought they knew about crop and livestock production and marketing and processing requirements will find their imaginations stretched and their resources faced with unexpected demands.

Expansion in the need for credit by farm-oriented businesses can be a real expansion area for banking, since a large segment of agriculture is being thrust into the commercial credit market by events around the world and by a definite change in agricultural programs at the federal level. Not so incidentally, I could not think of a banking industry better situated to participate in—yes, to take advantage of—these developments than that of Missouri. In effect, Missouri banks are at the center of the most productive and efficient agricultural plant in the world.

What is at stake here, though, goes far beyond a commercial opportunity: I worry about the ability of crop production to keep up with demand—both of food and feed grains. From a worldwide viewpoint, production has not kept pace in the past several decades. More people are hungry today than 10 years ago. I would like to think that the expanding role for commercial banking in agricultural production will impart a new intensity, a new commitment on the part of farmers and the entire marketing system and that in this way the world food gap—which is also the gap that can make peace elusive—will be closed. • •

Senior Vice Presidents Named by Mercantile

ST. LOUIS—Mercantile Trust has elected three senior vice presidents—Robert A. Frahm Jr., Donald B. Wehrmann and Daniel B. Phelan—and a vice president in the international banking department—John J. O'Hara.

Mr. Frahm, with the bank since 1954, heads Group I of the commercial banking department. Mr. Wehrmann, a Mercantile employee since 1959, heads Group II in the same department. Mr. Phelan heads the interna-


FRAHM


WEHRMANN


PHELAN

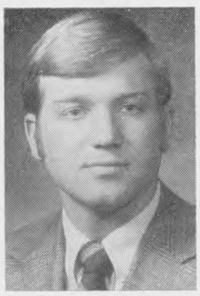

O'HARA

tional banking department. He joined Mercantile in 1972, coming from Allied Bank International, New York City, where he headed the Far and Middle Eastern and African operations.

Mr. O'Hara also has gone to Mercantile from Allied Bank International, where, as vice president, U. S. and Canada division, he directed the handling of U. S. government-guaranteed transactions under the Eximbank/FCIA for 18 shareholder banks. He also has 11 years' export field experience with Bank of America, San Francisco.

In other action, Mercantile promoted Robert J. Flanagan from assistant trust officer to trust officer and named Thomas N. Hammelman and Charles V. Monaghan consumer loan officers.

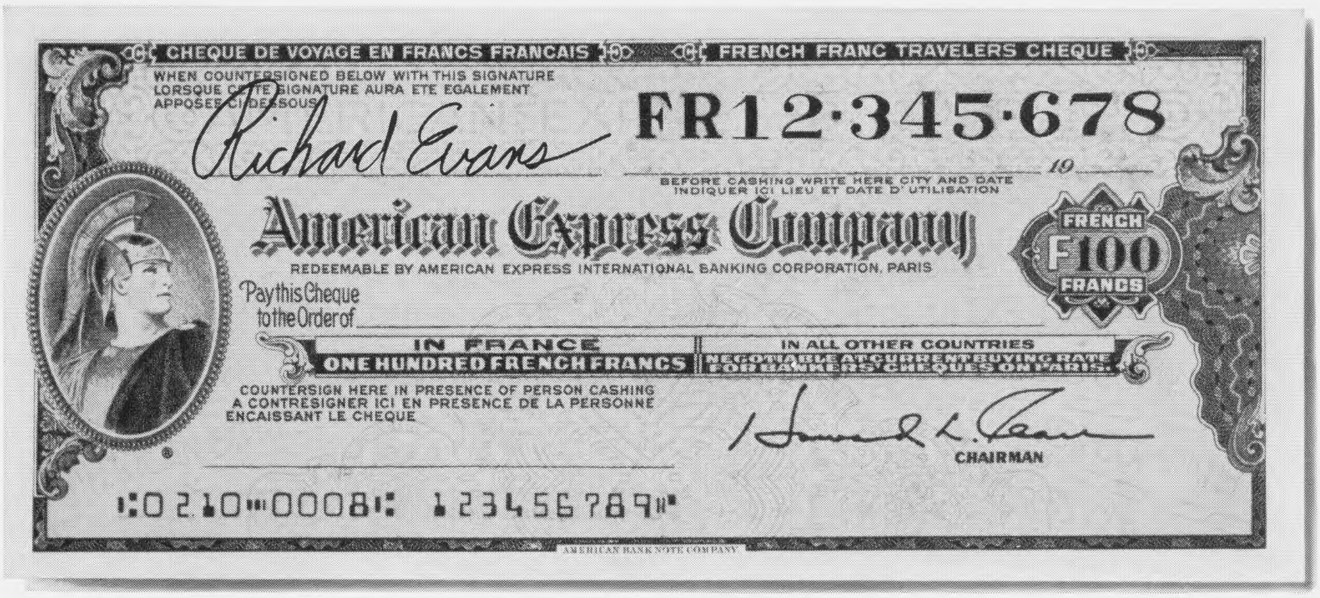
New Correspondent Man


BOOS

ST. JOSEPH, MO.—Ed Boos has joined First National's agricultural department, where one of his duties is to call on correspondent banks.

Mr. Boos, who attended high school in Atchison, Kan., received a degree in agricultural economics in 1969 from Kansas State University, Manhattan.

Announcing the American Express Travelers Cheque in French Francs.



For over eighty years American Express Travelers Cheques have provided service *nonpareil* for your customers.

Our response to your customers' needs continues with the introduction of the American Express French Franc Travelers Cheque.

For most trips, American Express Travelers Cheques in U.S. dollars continue to meet the requirements of overseas travelers. But for your customers making an extended visit to France, the new French Franc Cheque should prove especially helpful.

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American Express Travelers Cheques only have to be countersigned to be used around the world. They're accepted in more hotels, restaurants, shops, and gas stations throughout the world than any other travelers cheque.

Refunds: usually on the same day

In case of loss or theft, almost all travelers cheques can be replaced. However, if your customer's American Express Travelers Cheques are stolen or lost, he can usually get his refund on the same day. All he has to do is to report the loss at any one of the 885 offices of American Express Company, its subsidiaries and representatives around the world.

It won't expire

American Express Travelers Cheques are valid indefinitely. Your customers can keep them for months, or even years.

The world's largest selling Travelers Cheque

The American Express Company invented the Travelers Cheque in 1891. Its name is known around the world. Last year alone, more than 200 million American Express Travelers Cheques were honored from Paris to Tokyo, from Stockholm to Capetown.

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The American Express Travelers Cheque is the only one issued in U.S. dollars, French francs, Deutsche Marks, Swiss francs, pounds sterling, and Canadian dollars. These are the leading currencies for international travelers.

The world's leader since 1891

1891
American Express Company invents the travelers cheque.

1920
American Express introduces a Canadian dollar travelers cheque. Today it is the largest selling Canadian dollar travelers cheque.

1920
American Express introduces a pounds sterling travelers cheque. We were the first American company to do so.

1970
American Express introduces a Swiss franc travelers cheque. Today it is the largest selling travelers cheque issued in Swiss currency.

1972
American Express introduces a Deutsche Mark travelers cheque. Today it is sold at over 20,000 banks and branches around the world.

1973
American Express introduces a French franc travelers cheque.

You may wish to have a supply of any or all of these American Express Travelers Cheques on hand to serve the special needs of your customers.

For more information, contact your American Express Travelers Cheque Resident Manager or Mr. M. E. Lively, Senior Vice President and General Manager, Travelers Cheque Division, American Express Company, 65 Broadway, New York, New York 10006.

AMERICAN EXPRESS

Deposit Insurance

(Continued from page 8)

Bank Supervisors reports that a team of professors at the Lyndon Johnson School at the University of Texas has begun a study to determine the feasibility of creating a workable system of state deposit protection. What the proposal will be is conjectural. However, the idea has appealed to many of the hundreds of state-chartered banks in Texas that view the controls of the FDIC as a constraint on the freedom to transact banking business.

Returning to Massachusetts, the state's commercial bankers, on viewing the operation of the insurance on Massachusetts MSBs, have apparently concluded that it is an attractive alternative to FDIC coverage. It may very well be that these bankers have compared the large buildup of surplus funds in the several federal insurance systems and thus they have come to believe that what was unsuccessful in the 1920s could be made not only successful, but profitable, today.

Two points should be remembered in this regard. One is that the Massachusetts MSB system of insurance has been successful. In this sense, the identification of that state's success probably would have a favorable impact on bankers in other states considering a similar type of state-chartered corporation.

Secondly, a strong point favoring the creation of a state deposit insurance corporation would be the fact that bankers would thereby be removed from some of the constraints of the FDIC—specifically, but not exclusively, the equivalent of Regulation Q—which would place them in the enviable position of being able to offer more attractive interest rates than those offered by Wall Street institutions.

In July of last year, the Ohio Bank Study Commission Report recommended that an alternate form of insurance to FDIC be authorized by state legislation. As of this writing, the legislation is still in the drafting stage, but it is interesting to note that it is presumed that the legislation will parallel the statute used to establish insurance for savings and loan associations chartered by Ohio.

It is only a matter of time before other states will seriously consider this topic. From a philosophical point of view, it would appear that members of the Independent Bankers Association of America probably have a strong bias in favor of state's rights and to that extent would support the theory of state insurance.

Santayana, the philosopher, often has been quoted as saying that those who have not learned from the past are doomed to repeat it. Thus, the basic question emerges: Have the states that are seriously considering state deposit insurance learned from the unfortunate past experiences of such systems in the 1920s? And have they the wisdom to take the needed safeguards to protect the public interest?

It would be a tremendous setback for the dual banking system if state-insured deposit corporations failed. One point to be considered is the public's wishes. One marketing concept holds that the public should have the goods and services that it wishes. Would the general public prefer a system of insurance such as is found through the FDIC or would it be willing to accept another system that may at least initially not have the built-up reserves that now are found in the FDIC?

The Hunt Commission calls for savings and loans and other institutions to be enabled to acquire the functions of a commercial bank, providing they are willing to pay the "entry fee." Under such a system, logic would call for the FDIC to be merged with the Federal Savings and Loan Insurance Corp. This would be the most opportune and strategic time to implement such a system.

But let's not call the merger the Phoenix Deposit Insurance Company! • •

New International Head At Liberty of Louisville 'Sells' Area to Japanese

The importance of international banking to interior-area banks was emphasized recently as Louisville banker George A. Collin Jr., pointed out the advantages of his area for investment by foreign firms.

COLLIN

Mr. Collin, new international department head at Liberty National, Louisville, spoke before the Japanese Chamber of Commerce and Trade in Chicago. His bank recently formed a full-scale international department in order to take advantage of the increased flow of foreign trade to and from the U. S. and particularly to middle-America regions.

Vice President Collin was formerly on the governor's staff of the state of

Tennessee as a representative in the Division of Industrial Development. For the last several years, he has been with First Union National, Charlotte, N. C., where he managed the international department.

In speaking to the Japanese Chamber, Mr. Collin urged his listeners to think of Louisville as a base, rather than New York, Chicago and California, where the great preponderance of Japanese investment in the U. S. currently exists. He cited the lower distribution expense, dollar savings on office space, less traffic congestion and a favorable tax structure as advantages to lure investment capital to Kentucky.

Mr. Collin noted that interest in international trade is on a definite rise in Kentucky. He cited a study to determine how Louisville might obtain foreign trade zone status in addition to its current status as an official customs port of entry.

"There is a wide diversity of industry in the state that has not become involved in foreign trade to the fullest extent because of a lack of assistance in locating foreign markets and suppliers," Mr. Collin said. He indicated that one of the aims of Liberty National's international department is to bridge the gap between local industry and foreign markets.

Board Meets in a 747

Fourth National, Wichita, gave an unusual twist to its April board meeting—the bank held it aboard a Boeing 747 jet on the Boeing Wichita flight line. The directors were the guests of a fellow board member, Otis H. Smith, v.p. and general mgr., Wichita Division, Boeing Co. This was the first time that an official business meeting of Fourth National's board had been held off the bank's premises. Chairman A. Dwight Button presided from a podium placed at the front of the passenger section of the aircraft. Otherwise, everything used for the meeting was standard 747 equipment. The group, pictured here, filled the plane's entire forward section. Following the meeting, the directors toured Boeing's aircraft modification line, a special display of new product development, fabrication and product areas and a new electronics manufacturing facility.

■ NEW YORK—Darwin E. Smith, chairman and CEO, Kimberly-Clark Corp., has been named a director of First National City Corp. and First National City Bank.

■ SAN FRANCISCO—Mrs. Ranae Hyer has been promoted to assistant vice president in the personnel administration department at Bank of America.

Our better business bureau

You probably know at least one of our correspondent bankers. Maybe even two. But we would like to introduce you to all the people and services that make up our Regional Banking Division.

Our regional bankers bring to the correspondent field the commercial and retail experience that has made First National Bank Louisville's leader in savings and checking, and made our affiliate, First Kentucky Trust Company, the largest in seven states including Kentucky, Indiana, and Tennessee.

The correspondent banker you know knows the credit and overline problems you face. And he knows the best solution for the problems. Backing him up is a team of banking specialists in MINUTE MAN/agement (a unique bond portfolio management program), Master Charge, data processing, leasing, even international credit financing. Your correspondent and his team can set up and administer any or all of these services for you.

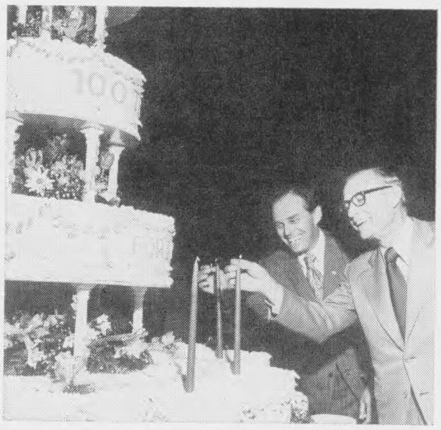
Whatever it takes to make your banking business better, our First National Bank regional bankers are on your side and at your side. We can provide all the know-how you need, from the bank that knows how. Our number is 1-502-581-4200. Why not give us a call today.

FIRST NATIONAL BANK
OF LOUISVILLE

Topping-Out Ceremonies, 100th-Birthday Party Held by Ft. Worth Nat'l

FORT WORTH—Fort Worth National reached two milestones on two successive days recently. On April 26, the bank held topping-out ceremonies for the new 37-story Fort Worth National Bank Building. The following day, the bank launched the observance of its 100th anniversary of continuous operation with an all-day birthday party in the main banking lobby.

The topping-out ceremonies included lifting a 12-foot live oak tree to the top of the new skyscraper and the placing of a time capsule, in the form of a bank safe deposit box, in the building's roof and covering the box with the final pour of concrete.



Bayard H. Friedman (l.), pres., Fort Worth Nat'l, and O. Roy Stevenson, pres., Fort Worth Nat'l Corp., light bank's 100th-anniversary cake, which was eight feet tall and had base five feet in diameter. More than 3,000 slices of birthday cake were served in one day.

Shareholders of the Fort Worth National Corp. and employees of the bank, the holding company's principal subsidiary, witnessed the ceremonies from the roof of the new bank parking garage, located across Taylor Street from the new bank building. Bayard H. Friedman, president of the bank, described the proceedings for shareholders and employees on the garage roof, while Chairman Lewis H. Bond officiated at the topping-out on the new structure's roof.

The ceremonies occurred almost two years to the day after groundbreaking was held for the new building.

At the 100th-birthday party, the cake was eight feet tall and had a base five feet in diameter. More than 3,000 slices of birthday cake were served during the day. Newspaper ads invited customers and the general public to visit the bank for cake and coffee.

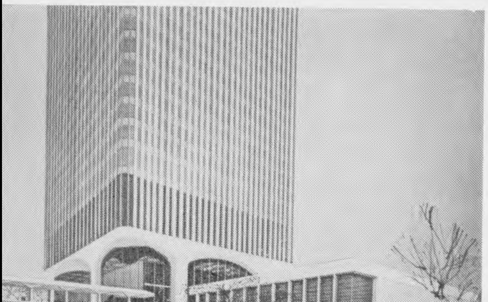
Lewis H. Bond, ch., Fort Worth Nat'l, places time capsule, in form of safe deposit box, into roof of bank's new 37-story building during topping-out ceremonies. At right is 12-foot live oak tree, which was lifted 37 stories to top of structure. Plaque on tree, unveiled by Mr. Bond, designated it as Century II Live Oak.

New National Bank of Tulsa Building To Be Part of $200-Million Program

ARTWORK of the new 50-story National Bank of Tulsa Building in the heart of the downtown section of the city has been released by Williams Center, a $200-million concept in city planning. Construction will begin this fall, and completion is set for the first quarter of 1976.

The NBT Building, largest in the complex, will rise 667 feet above grade, contain 1.2 million square feet of gross floor space and will include more than 900,000 square feet of net rentable space. The bank's lobby will be 65 feet tall.

NBT plans to lease 250,000 square feet of floor space in the new tower.



This is artist's sketch of proposed National Bank of Tulsa Building, which will rise 50 stories in heart of city's downtown section. Structure will be part of Williams Center, $200-million concept in city planning.

The other major tenant of the building will be the Williams Companies of Tulsa.

Two parking facilities, containing about 2,000 covered parking spaces, are scheduled to be completed at the same time as the tower. North of the office tower will be a high-rise parking structure. The top of this building will contain an open-air recreation facility that will include a banked jogging track and several tennis courts. A large park will be situated on an underground garage south of the building.

A scale model of the NBT Building is being built as an aeroelastic model for wind-tunnel testing. These tests will be used to determine wind pressure on the surface of the building to aid in designing exterior materials. Another use for the wind tunnel tests will be to gauge the wind effect at the base of the tower and to design the area to make people comfortable at the plaza level at all times of the year.

In addition to the NBT Building and parking facilities, the first phase of Williams Center will include a 500-room luxury convention hotel, specialty fashion shops, restaurants and another multistory office building. Additional office space and parking facilities are planned for the future.

Williams Center is a joint venture of the Williams Companies of Tulsa and Hartnett-Shaw Development Co. of Chicago. • •

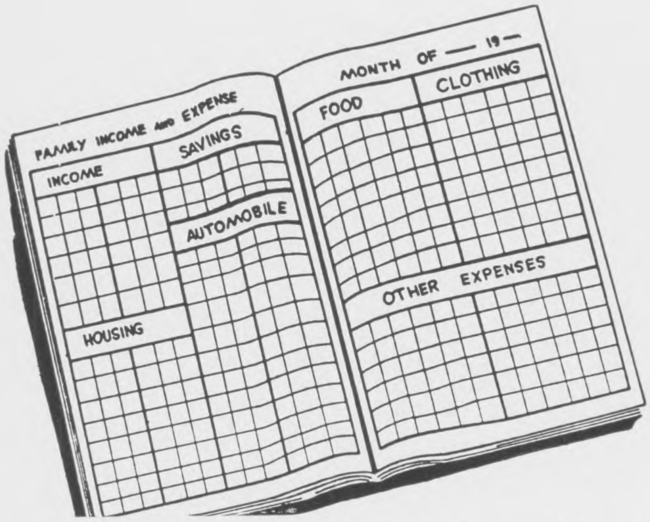
Bear, Stearns Expansion Plan Includes Chicago Office Move

CHICAGO—Bear, Stearns & Co. investment firm has moved its Chicago office to new, larger quarters atop the 230 West Monroe building in time for the market opening May 14. According to Frank X. Cummings, resident partner, this relocation was made necessary by the firm's growth in both personnel and trading activity since 1970. The new facilities more than double the company's former floor space and allow for the further planned expansion of services and increases in staff.

Although Bear, Stearns shares to some degree the current Wall Street problems, said Mr. Cummings, since the most recent market lows of 1970, it has opened a new office in Dallas and added a second branch in Los Angeles. Later this year, he added, the firm will open in Boston and move its main office in New York to larger quarters.

The Financial Buyer's Guide

PRODUCTS • SERVICES • IDEAS



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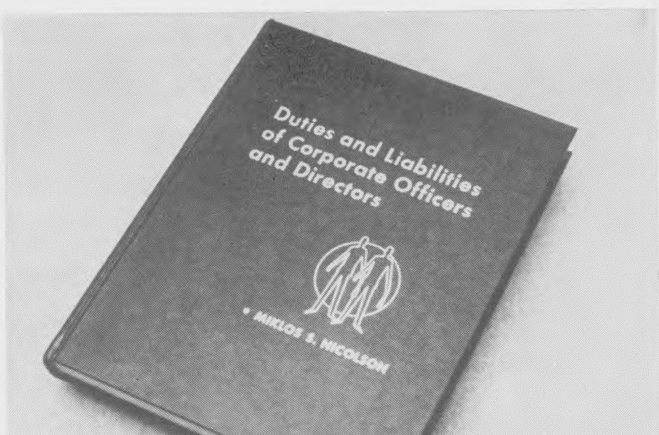
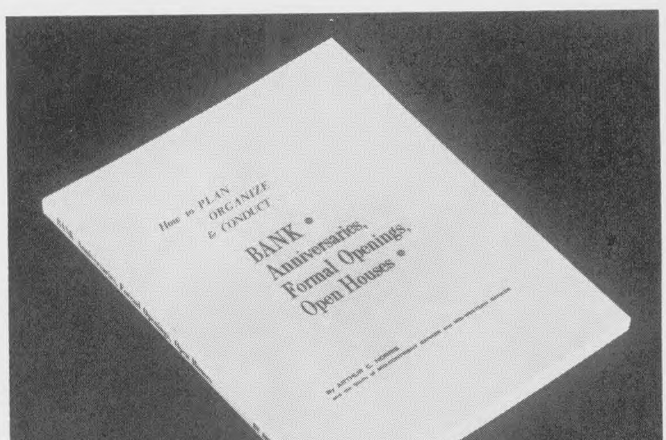
INSURANCE ENTERPRISES introduces a new representative at the Illinois convention in Chicago. Douglas P. Helein (r.) is pictured with John Caulfield (l.) and Paul Helein, founder of this agency which serves bankers in Kansas, Missouri, Illinois and Kentucky. "Custom Designed Insurance Programs" is the credo of this firm which offers ALL types of bank insurance plans, ranging from credit life to D&O coverages. Other representatives are Julian Pauk, Bert Cornelison, Walter McQuade and Jim Finger. Dial **314/832-2717,** or write 5811 Hampton, St. Louis, Mo., for QUICK information on your bank insurance problems!



DUTIES AND LIABILITIES OF CORPORATE OFFICERS AND DIRECTORS. 345 pages. Don't be caught in the maze of law governing actions of directors or officers. Among topics in this book: Responsibilities of corporate management; structuring the board; liabilities based on fiduciary relationships; functions, authority and scope of activities of corporate officers; compensation of directors; how to avoid contractual liabilities and minimize conflicts of interest . . . AND MANY MORE. **$19.95.** Send check to Commerce Publishing Co., 408 Olive, St. Louis, Mo. 63102 (Missouri banks add 3% sales tax.)



HOW TO PLAN, ORGANIZE & CONDUCT BANK ANNIVERSARIES, FORMAL OPENINGS, OPEN HOUSES. This book is actually a practical "how-to" manual that provides the banker with workable "formulas" for organizing and conducting any type of bank opening. Based on hundreds of successful openings, the book presents a planning approach, checklists of opening-day problems, as well as detailed plans (including budget samples) used in actual openings and anniversaries. **$13.50** postpaid. Send check to MID-CONTINENT BANKER, 408 Olive, St. Louis, Mo. 63102 (Missouri banks add 3% sales tax.)

In Missouri:

A Plan For Investing Inactive State Funds

Its Goals Include Removal Of Such Funds From Partisan Politics

By ROSEMARY McKELVEY
Managing Editor

A NEW PLAN designed to remove investment of inactive state funds from partisan politics has been announced in Missouri. The plan was revealed May 2 by James I. Spainhower, state treasurer, who referred to it as "The Missouri Model for the Investment of Inactive State Funds." He said the plan has four goals:

1. Fair and impartial distribution of funds throughout the state to any qualified bank.

2. A flexible formula that permits placement of funds in areas of the state experiencing unusual need for infusion of capital resources.

3. To encourage participating banks to respond positively to the needs of their areas for a community-oriented loan policy.

4. A procedure that's devoid of partisan politics.

The investing of inactive state funds will be accomplished under the following five programs:

1. General Funds. These funds will constitute in excess of 60% of inactive state funds. Under this program, each county will be allocated a percentage of the total general funds available for inactive accounts which equals the county's percentage of total paid-in sales and income taxes to the state during the latest available full year.

The maximum amount of funds for which each approved bank will be eligible will be determined through a process of mathematic proration between the general funds available for deposit and the relationship of a bank's *weighted* capital, surplus, undivided profits and reserves to total capital, surplus, undivided profits and reserves of all *approved* banks within its county. (Two weights will be applied to each approved bank's capital, surplus, undivided profits and reserves to determine its eligible proration of funds—1) *a loan-deposit ratio* is applied to recognize the bank's service to the community in the form of loans as a proration of its total deposits; and 2) *a size weight* is applied inversely to the size of the bank to give smaller banks—in terms of capital, surplus, undivided profits and reserves—a competitive posture with larger banks for inactive general funds.)

To be approved as a depository for general funds, a bank must have at least half its deposits in loans and discounts and/or Missouri municipals.

Banks with total deposits of more than $300 million will not be eligible for state funds under the general funds program. Funds to which they would have been entitled will be added to the total funds available for distribution to banks in the 112 counties outside of Jackson County, St. Louis County and the city of St. Louis (which is not located in a county).

2. Merit Funds. Inactive state funds may be available for investment in any Missouri bank that has demonstrated through both the kind and degree of its loan activity an above-average service to its community or to the state. Whenever possible, the state treasurer will place these funds on deposit for a year.

Criteria used for allocation of merit funds will be the ratio of the following loans to the respective bank's total loans and discounts: 1. Student loans. 2. Agricultural loans. 3. Nursing home, hospital or other medical-facility loans. 4. Loans to not-for-profit organizations. 5. Tax-anticipation warrants purchased from any taxing authority in Missouri. 6. Guaranty loans—SBA (including participation in SBA loans). 7. Environmental protection loans. 8. Farmers Home Administration loans.

9. Residential financing under FHA and VA. 10. Economic opportunity—SBA. 11. Construction financing for public housing projects and housing programs under the National Housing Act. 12. Loans for HUD projects and Model Cities agencies. 13. Participation in the Missouri Housing Development Commission. 14. Participation in the First Missouri Development Finance Corp. 15. Other innovative community-improvement loans. 16. Unusual economic or environmental circumstances within the bank's realm of normal activity.

3. Short-Term Funds. These are moneys the state invests for between 30 and 90 days.

4. New Bank Funds. The state treasurer will place an amount not to exceed 40% of a newly chartered bank's capital and paid-in surplus on deposit with that bank but, in no instance, can the total deposit exceed $100,000.

5. Discretionary Funds. To provide the state treasurer with the flexibility necessary to comply with statutes that require special consideration be given banks in areas of economic depression or environmental disaster, inactive state funds may be invested in banking institutions whose need for capital funds grows out of unusual circumstances in areas in which these banks are located.

A bank's allocation of total inactive state funds is not to exceed 100% of its capital, surplus, undivided profits and reserves. All deposits of inactive funds

must be secured by acceptable securities at market value in accordance with Missouri law. Acceptable collateral includes U.S. bonds or other obligations, Missouri bonds or other obligations, bonds of any Missouri city with a population of not less than 2,000, bonds of any Missouri county, approved registered bonds of any Missouri school and special road districts, state bonds of any state, bonds of any Federal Land bank, Federal Intermediate Credit bank, Federal Farm Mortgage Corp. and Federal Home Loan bank, any bonds or other obligations guaranteed as to payment of principal and interest by the U. S. government or any of its agencies or instrumentalities, student loans after March 1, 1973, guaranteed as to payment of principal and interest by the U. S. commissioner of education, Farmers Home Administration insured notes—maturity not less than a year—and bonds of any political subdivision established under Missouri constitutional provisions.

No revenue bonds of any kind will be accepted.

In announcing the new plan, Mr. Spainhower said, "Our office realizes that the workability of this program must be subject to constant scrutiny. As time passes, it is possible that we will have to reconsider certain aspects of this plan and make appropriate revisions. I don't anticipate any major obstacles, but with any new system that calls for as many changes as this, it is conceivable that some parts of the plan will not function as smoothly in action as they do on paper." • •

First Mo. Development Finance Members Meet Treasurer's Merit Funds Criteria

ONE OF the five programs under which the new Missouri Model for the Investment of Inactive State Funds will be operated is a merit funds program. The latter permits the state treasurer to allocate by formula deposits up to one year in banks whose portfolios contain "criteria" loans. (See page 66 for a listing of such loans.)

1st Missouri Elects Officers

New officers of First Missouri Development Finance Corp. were elected during the 1973 Missouri Bankers Association convention in Kansas City.

Fred F. Rost, senior vice president, Central Trust, Jefferson City, is chairman and treasurer; R. E. O. Slater, Kellwood Co., New Haven, is president; Ray W. Call, president, Missouri Utilities Co., Cape Girardeau, is vice president; and Arthur G. Baebler, Union Electric Co., St. Louis, is secretary. Jerry F. Stegall continues as executive vice president.

Elected to the board were the following Missouri bankers: Adrian Harmon, president, Citizens Bank, Warrensburg; Robert A. Frahm Jr., vice president, Mercantile Trust, St. Louis; Fred N. Coulson Jr., senior vice president, Commerce Bank, Kansas City; Harvey B. Young Jr., president, Bank of Kirksville; Robert C. Bennett, vice president, Union National, Springfield; and Ralph E. Ince, executive vice president, Bank of Louisiana.

Member banks participating in the First Missouri Development Finance Corp. meet one of these criteria, said Jerry Stegall, the firm's executive vice president. In addition, other activities in which members may take part will further qualify under other criteria.

Under a loan agreement, member banks commit a line-of-credit to First Missouri up to an amount equal to 2% of their capital and surplus, said Mr. Stegall. First Missouri currently is borrowing 71% of the pledged funds, which have been loaned to Missouri business, thus creating and retaining more than 3,000 jobs, Mr. Stegall pointed out.

First Missouri participates with member banks in financing Missouri business. Some loans designated as "criteria" also are made with the Small Business Administration's guaranty.

To facilitate the flow of funds to small businesses in Missouri, First Missouri is developing a secondary market in the SBA's guaranties. The currently pending Senate Bill 90 would permit First Missouri to undertake this activity, which can provide liquidity immediately to bank portfolios in SBA guaranty loans. Current plans call for the marketing by First Missouri of debentures secured by the SBA's guaranties on loans made through Missouri financial institutions to small businesses in the state.

Additional information is obtainable by writing Jerry Stegall, executive vice president, First Missouri Development Finance Corp., P.O. Box 252, 302 Adams, Jefferson City, Mo. 65101. • •

AGEMIAN

VAN HORN

Van Horn, Agemian to Direct Assembly for Bank Directors

Charles M. Van Horn will be the director of the 17th Assembly for Bank Directors, to be held August 31-September 4 at LeChateau Champlain Hotel, Montreal.

Mr. Van Horn is regional administrator of national banks in Region Two, which includes New York, New Jersey, Puerto Rico and the Virgin Islands.

Co-director of the event will be Charles A. Agemian, chairman, Garden State National, Hackensack, N. J. He is past executive vice president of Chase Manhattan and a past president of BAI.

New features of the assembly will be a speech by an outside director entitled "How the Outside Director Can Assist Management," presented by Herman F. Jeffer, director and counsel of Prospect Park National, Charleston, W. Va. Mr. Agemian will conduct a discussion session with representatives from newly chartered banks.

Purpose of the Assemblies is to increase the director's understanding of how he can serve his bank, to indicate ways in which the director can best serve as a representative of his bank in the community, to provide better understanding of and respect for bank management's functions and to acquaint the director with issues of critical interest to his bank and banking.

Further information is available through the Foundation of Southwestern Graduate School of Banking, Southern Methodist University, P. O. Box 1319, Dallas, Tex. 75275.

Consumer Bankers Convention To Be Held Oct. 28-Nov. 1

WASHINGTON—The 1973 convention of the Consumer Bankers Association will be held at the Newporter Inn, Newport Beach, Calif., October 28-November 1.

Paul L. Stansbury, senior vice president, Valley National, Phoenix, is general chairman and James L. Smith, senior vice president, Security Pacific National, Los Angeles, is program chairman.

HOBSON ERBLAND KEENON McELVEEN SIMMONS

Eleven Promotions Made At Louisiana National

BATON ROUGE—Louisiana National has announced 11 promotions, including that of Howard L. Hobson, manager of the correspondent bank department, from correspondent bank officer to assistant vice president.

Others promoted are: G. Lee Griffin, to vice president and cashier; Warren Clement, to vice president and head of the operations department; Mrs. Lynn Butler Gueymard, to vice president and controller; John H. Keenon Jr., to vice president and head of the information services department; H. Brooks McElveen, from vice president in charge of BankAmericard to vice president and head of the administration department; Lewis L. Simmons, manager, personal loans, to vice president; Richard A. Erbland, from assistant vice president to vice president, real estate loans; Philip K. Livingston, manager, Main Office Branch, to vice president; W. Noland Thomas, to assistant vice president and head of business development, branch administration, and Jerry D. Turk, to assistant vice president and head of the marketing department. Mr. Turk assumed a portion of the responsibility formerly held by Tracy Mandart, who has been named an executive staff assistant to President C. W. McCoy.

LIVINGSTON GRIFFIN CLEMENT THOMAS TURK GUEYMARD

Investment Advisory Service Offered by Irving Trust

NEW YORK—Irving Trust and the banks of Charter New York Corp. have launched a new investment service called "Charter Investors." The service is geared to investors in the $10,000-and-up range who are seeking long-term capital appreciation in quality growth stocks.

Under the program, Irving Trust provides security analysis and portfolio planning functions. Each customer selects one of five major brokerage firms through which his orders are executed.

Illinois Convention Report

Branching—HCs Opposed In IBA Policy Dispute

By RALPH B. COX
Editor & Publisher

THE ILLINOIS bankers convention in Chicago had all the appearances of a national political convention last month as various factions maneuvered for adoption of a "platform," which, in Illinois, has always been known as the association's declaration of policy. The struggle, in fact, overshadowed other portions of the convention, which heard speakers from New York and Washington, D. C., and included a special presentation by Astronaut Stuart A. Roosa, who was in command of the Apollo 14 flight.

Traditionally, Illinois bankers annually had accepted a declaration of policy which put the association in the position of opposing any form of branching or multi-holding company banking. Opposition to this policy had been growing in recent years, but no serious attempt had been made to change the IBA's "official" position until this year. And that's when the "fun" started!

The IBA's policy committee apparently made its routine proposal to the council of administration that the IBA maintain its official position in opposition to branching and HCs. However, by a close vote of 12 to 10 (with eight members absent), the council voted to adopt a position of "neutrality" and inserted this wording into the IBA's policy declaration, which was, of course, still subject to membership approval:

"Because of the diversity of views of many of its members on the subject of multi-office banking, the association's policy on this subject shall henceforth be one of strict neutrality, and neither the association nor any of its employees shall in any respect influence or attempt to influence legislation on this subject."

Long-time supporters of anti-branching, anti-HC policy quickly entered their *original* proposal as an amendment; and the dispute went down to a floor fight on the final afternoon of the convention. The amendment read as follows:

"Continued support of all legislation which upholds the sound principles of the unit-banking system and one-bank holding companies and opposition to any legislation that would permit branch banking or multiple-holding-company banking in Illinois and interstate branch banking in our nation. We further recommend the appointment of a committee to maintain a continuous study of the framework of the Illinois banking industry, as well as the framework of other types of financial institutions, including savings and loan associations and credit unions. The information developed from this study is to be distributed to the IBA membership to help Illinois banks continue to maintain a strong competitive position."

TOP—Nominating Chairman Robert G. DeRousse chats with outgoing IBA president, John F. McKnight (r.), pres., 1st Bank, Oak Park. Mr. DeRousse is v.p. of Nat'l Stock Yards Bank, Nat'l City.

BOTTOM—Featured speaker David Rockefeller (l.), ch., Chase Manhattan Bank, New York, is pictured on the speakers platform with IBA officers William O. Kurtz (c.) and James P. Ghiglieri (see identifications at bottom of page).

After some parliamentary maneuvering and a parade of speakers both for and against the amendment, the "question" was called for and the amendment passed by a vote of 396 for to 187 against. Voting was carefully controlled, with each member bank present being allowed one vote and a "standing" count being made by officially designated "tellers."

The IBA thus retained its official position of opposition to branching and multi-HCs and the IBA staff and elected officers were bound by this declaration to abide by the association's majority decision. The association's nominating committee chairman, Robert DeRousse of National City, acknowledged, when questioned from the convention floor, that the IBA slate of officers for 1973-74 had agreed to uphold the declaration of policy in whatever form it was finally adopted.

Members of the Association for Modern Banking in Illinois, comprising some 30% of the banks in Illinois and over 85% of the banking resources, were disappointed in their attempt to "neutralize" the association on the multi-office situation. Several members of the AMBI group immediately announced their intentions of withdrawing membership from the IBA. It was

NEW IBA OFFICERS for 1973-74 are President James P. Ghiglieri, pres., Citizens Nat'l, Toluca; Vice President William O. Kurtz, pres., Metropolitan Bank, Chicago; and Second Vice President Arthur F. Busboom, pres., Gifford State. The new treasurer, George H. Schanzle, pres., White County Bank, Carmi, was not present for the photo.

difficult to predict, of course, whether any substantial numbers would withdraw their membership.

AMBI Chairman Walter J. Charlton (pres., 1st Trust, Kankakee) expressed his personal disappointment and announced his group would meet later to map its future plans. He indicated his group undoubtedly would embark on a program to educate the public on the benefits of multi-office banking. He would not comment as to whether his own bank would resign its IBA membership.

A special bulletin released by the AMBI prior to the amendment vote pleaded for a neutrality stand by the IBA. The bulletin pointed out that associations in Indiana and Tennessee recently adopted neutrality stands. "Their associations act," the bulletin read, "when there is agreement among bankers. When there is disagreement, they remain neutral."

(Editor's note: Tennessee, for example, at its annual convention in Memphis, recognized independent bankers as a separate *division* of the association. The TBA provides information on the HC issue to *both sides*, charges for costs involved, but as an association takes no part in official lobbying for or against positions established by HCs or independents. See articles beginning on pages 27 and 76 this issue.)

Arguing against the neutral position, Robert L. Walton, president, Farmers & Merchants, Bushnell (one of the leading independent spokesmen in Illinois), warned the IBA convention that a neutral position would guarantee that branch banking and multi-HCs would be a "fact of life" in Illinois within one year.

Mr. Walton also discounted the threat that the larger banks would withdraw from the IBA. They cannot afford to pull out, he said, nor can independent banks afford to pull out.

Governor Daniel J. Walker (Illinois' new "walking" governor) took a neutral stand when asked about his position on multioffice banking. Governor Walker, one of the convention speakers, admitted his reluctance to take sides on the issue. However, he urged bankers to achieve agreement or face continued defeat of branching legislation in the state legislature.

New IBA Officers. Although several months before the convention there had been some indication that two separate officer slates might be presented to the convention, IBA members supported the "official" nominees, who were elected as follows:

President, James P. Ghiglieri, president, Citizens National, Toluca; vice president, William O. Kurtz, president, Metropolitan Bank, Chicago; second vice president, Arthur F. Busboom, president, Gifford State; and treasurer, George H. Schanzle, president, White County Bank, Carmi.

In top photo, Illinois bankers hold up their "identification badges," which indicate they are accredited to vote for their banks. Member banks were entitled to one vote only. Below: A standing count was made of those voting for or against the declaration of policy amendment. Amendment carried by 396 to 187.

Elected to the American Bankers Association were Walter J. Charlton, president, First Trust, Kankakee; and Wm. S. Badgley, president, First National, Belleville. Both will serve on the governing council.

Walter Lohman, president, First National, Springfield, was named to the ABA nominating committee; and Harry E. Vogelsinger Jr., president, Pontiac National, was selected as alternate.

Rockefeller Speaks. One of the convention's principal speakers, David Rockefeller, chairman, Chase Manhattan, New York City, urged quick action to reform the nation's financial regulatory system.

Mr. Rockefeller was confident concerning the future evolution of banking, but he did express concern about the fragmentation of financial regulatory entities. Financial institutions, in his opinion, cannot move ahead with maximum effectiveness in responding to the mounting needs of their customers until the many overlapping jurisdictions governing financial institutions are restructured.

"Without a flexible and equitable framework within which to design and market their various services—one that takes fully into account the differentials in tax rates and reserve requirements between various banks and bank-type institutions," said Mr. Rockefeller—"they cannot serve themselves, their customers or the country to the best advantage."

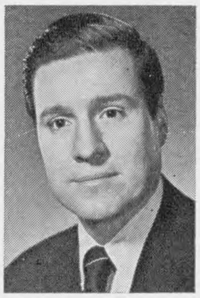
To show how commercial banks helped create their own competition, he pointed out that when banks ignored the needs of small depositors, mutual savings banks arose to fill those needs and became competitors of banks. When commercial banks declined to offer long-term mortgage loans, S&Ls sprang up to fill that void; and, in due course, credit unions, pension funds and an assortment of other financial entities joined the ranks of banking's competitors by meeting public needs that had been ignored by banks.

He left his audience with this warning: ". . . Let us bear in mind that the only way to assume our proper role (as bankers) in the highly competitive financial environment of the future is to respond to emerging public needs whenever and wherever they press upon us." • •

Indiana News

McKinney, President of AFNB, Assumes Additional Titles Of Chairman and CEO

LAUTHER



McKINNEY

INDIANAPOLIS—Frank E. McKinney Jr., president, American Fletcher National, has assumed the additional titles of chairman and chief executive officer. In the latter two posts, he succeeds S. Edgar Lauther, who requested that he become less active on a day-to-day basis. Mr. Lauther continues as chairman of the executive committee of the bank and chairman and CEO of the parent company, American Fletcher Corp.

J. Joseph Tuohy continues as president of the one-bank holding company, where he is responsible for development and growth of the six nonbank subsidiaries of the HC. Mr. Tuohy also is vice chairman of the bank.

Mr. McKinney joined the bank in 1967 and became its president in January, 1972. He also is executive vice president of the HC. He succeeded Mr. Lauther as a director of Allied Bank International.

Mr. Lauther entered banking in 1934 with the State Bank of Nauvoo, Ill. He has served Irwin Union Bank, Columbus, as president, and Crocker-Citizens National (now Crocker National) of California as executive vice president. He went to American Fletcher in 1968 as chairman and CEO. On formation of the HC, he became its chairman and CEO. Mr. Lauther is a past president of the Indiana Bankers Association.

■ IRWIN UNION BANK, Columbus, has announced the following promotions: John E. Richardson, from assistant vice president to vice president-personnel; Mrs. Ruth Harrison, from assistant vice president to vice president-marketing; Mrs. Dorothy Evans and Donald A. Bealmear, from assistant trust officers to trust officers; and Gregory B. Hack, to loan officer.

Indiana National Honored

Mrs. Richard M. Nixon, wife of the President, presents a certificate of merit award from the American Association of Nurserymen, Inc., to Cornelius O. Alig Jr., vice chairman, Indiana Nat'l, Indianapolis. The award, the highest honor that can be bestowed in the landscaping field, was given for landscaping at One Indiana Square in downtown Indianapolis. The merit award, one of 46 presented nationally, was given for the bank's contribution to environmental improvement. Particularly cited as an excellent example of inner-city beautification was the landscaping of the bank's fifth-floor terrace and parking gardens to the north of its tower.

■ H. DEAN HAWKINS has been elected a director of the State Bank of Salem and has been promoted to cashier. Mrs. Martha Medlock was advanced to assistant cashier. Mr. Hawkins joined the bank in 1971 as a loan officer.

Kentucky News

Promotions and Appointments Announced in Lexington

LEXINGTON—First Security National has announced the following promotions: B. J. Elkin, P. T. Morgan, W. L. Rouse Jr. and R. L. Tolliver, from vice presidents to first vice presidents; Roy C. Justus, to vice president; G. H. Landis, from assistant vice president to vice president and trust officer; W T. Mitchell and A. C. Patterson, from assistant vice presidents to vice presidents; John Swift, to vice president and controller; W. H. Courtney Jr., William H. Thomas and Omar Gayheart, to assistant vice presidents; C. H. Besten, G. C. Hodges, J. L. Powell, A. C. Stagg and D. W. Turpin, from assistant cashiers to assistant vice presidents; R. C. Cranfill, from trust officer to assistant vice president and trust officer; H. N. Downing, from assistant auditor to assistant vice president; Robert C. Gosser, from assistant cashier to assistant vice president and trust officer; J. C. Grant, to assistant vice president; V. G. Ricci Jr., from collection department manager to assistant cashier, and R. D. Stinson, from operations manager to assistant cashier.

In addition, the following appointments were made: assistant cashiers, P. S. Alexander II, Louise Burk, Paul J. Frye, Susan F. Gooch, Sally H. Meece and Alice Wissick; assistant trust officers, Betty F. Glidewell and Evelyn Huls; loan officer, Linda King; senior auditor, Charles P. Partin; and assistant auditor, Gene Wells.

■ J. C. ZIMMERMAN, president, Providence State, also was named chief executive officer of the bank.

■ O. J. CREECH has moved up from assistant cashier to assistant vice president of Peoples Bank, Hazard. He has been in banking 40 years and with Peoples Bank 30 years. In other action, the bank elected the following assistant cashiers: Eulice R. Lawson, Margaret G. Martin, Virginia L. Hutchinson, Gaye E. Gabbard, Rayma S. West and Myrna M. Barnett.

■ CHARLIE V. KIRKPATRICK has been advanced from executive vice president to president of the Deposit Bank of Monroe County, Tompkinsville. David H. Crockett, who was chairman and president, now is vice chairman, and Kenneth Bale is chairman. Robert D. Hurt was promoted from head teller to assistant cashier, and Joe Fred Butler from teller to assistant cashier.

■ CITIZENS NATIONAL, Bowling Green, has announced plans to install what it says is the first electronic total teller in the city. The new service, to be called the "Anytime Teller," will be open 24 hours a day, seven days a week and will allow customers to make cash withdrawals from their checking, savings or BankAmericard accounts at any time. Customers also will be able to make deposits to their checking and/or savings accounts and transfer money from one account to another.

■ JOSEPH W. "BILLY JOE" PHELPS, president, Liberty National, Louisville, has been elected a director of Lincoln Income Life Insurance Co.

Restructuring of TBA Bylaws Approved at Memphis Session

CONVENTION SPEAKER Dr. Charls E. Walker is pictured in top photo (r.), with ABA Treasurer Joe H. Davis, exec. v.p., 1st Nat'l, Memphis; and (far left) incoming TBA President John P. Wright, Chattanooga.

A PANEL OF SPEAKERS from "Nation's Business," Washington, D. C., is pictured here with outgoing TBA president, Charles R. Miller Jr. (2nd from l.). Others from left: R. T. Gray, assoc. editor; Wilbur Martin, managing editor; and Jack Wooldridge, editor. Mr. Miller is pres., Citizens Bank, Cookeville.

THE Tennessee Bankers Association, meeting in Memphis, voted favorably last month to restructure its organization, at the same time creating new titles for its elected officials, thus following a "title trend" set by other banking associations.

The TBA adopted an officer slate consisting of a president, president-elect, first and second vice presidents. Previously, the organization used the titles of president, chairman of the executive council (who moved up to president in the following year) and three vice presidents, representing East, West and Middle Tennessee. In the future, the second vice president will be selected from one of the three sections of the state so that over a period of three years each section of the state will be represented on the officer slate.

Tennessee bankers also renamed its executive council as the board of directors, with nine members to be elected (three annually). The board also will be composed of the elected officers mentioned in the foregoing paragraph, chairmen of the TBA's five divisions (state, national, fiduciary, young bankers and independent bankers).

By RALPH B. COX
Editor & Publisher

Furthermore, the immediate past president will be chairman of the board, and continue on the board for nine years with full voting privileges. After that time, he will retain membership privileges but will not be able to vote.

Also, at the time of adoption, all other past presidents of TBA became ex-officio members of the board, with full voting privileges as long as they remain *actively* employed by a member bank. The TBA's full-time executive vice president also became an ex-officio member with full voting privileges.

The new structure also created a six-man executive committee composed of the four currently elected officers, the immediate past president and the executive vice president.

Of the five divisions created, two are new: the young bankers division and the independent bankers division. The young bankers division actually is a renaming of the former junior bankers section. The independent division, however, is completely new and is unique among state banking associations.

The independent bankers division is an outgrowth of a special committee appointed by the TBA in the fall of 1972 to study holding company trends and to present information to the state legislature for possible action. It was felt, at the time, that independent bankers in favor of such an approach would prefer to remain an integral part of TBA rather than form a "splinter" independent group.

The committee, under the temporary chairmanship of Travis Anderson of Livingston, apparently functioned satisfactorily, with "logistical" support furnished (and charged for) by TBA. It seemed logical, therefore, to independent bankers, to TBA officials and to holding company officials (who received the same logistical support) that an independent division would provide a "voice" for independent bankers, but would not weaken the association's efforts in all other legislative matters.

Under this arrangement, the TBA headquarters maintains strict neutrality

NEW TBA OFFICERS (top)—President, John P. Wright, pres., American Nat'l, Chattanooga; president-elect, W. W. Mitchell, ch., 1st Nat'l, Memphis; 1st v.p., Jack O. Weatherford, ch., Murfreesboro Bank; and 2nd v.p., Laurence W. Frierson, pres., Valley Fidelity, Knoxville.

NEW MEMBERS OF BOARD OF DIRECTORS—Chairman, Charles R. Miller Jr., pres., Citizens Bank, Cookeville; Dewey Morris, pres., 1st Nat'l, Clarksville; R. L. McBride, pres., 1st Nat'l, Lewisburg; Jake F. Butcher, ch., City & County Bank, Lake City; and Charles P. Wilson, pres., Commercial Bank, Paris.

regarding branching and multi-HCs (see page 27 this issue for more information on structural changes in Tennessee and other states). Information and office help are furnished to both sides of the question (and charged for), with TBA staff and elected officials remaining neutral on branching and HC problems, but unified on all other problems affecting Tennessee banking.

These were the major changes involved in the TBA's new bylaws adopted by voice vote.

Officers Elected. Conforming to this new format, then, the following officers were elected for 1973-74: President, John P. Wright, president, American National, Chattanooga; president-elect, W. W. Mitchell, chairman, First National, Memphis; first vice president, Jack O. Weatherford, chairman, Murfreesboro Bank; and second vice president, Laurence W. Frierson, president, Valley Fidelity, Knoxville.

Five new members were elected to the board (see photo and identification at bottom of page 76), with outgoing President Charles R. Miller Jr. accepting his ex-officio membership. Francis L. Simpson (not pictured), president of Bank of Middleton, also was named to the board.

Officers for four other divisions are listed below:

State Division—Chairman, W. C. Adams, president, Bank of Maryville; vice chairman, Charles D. Arendale, chairman, Jackson State; and secretary, J. Doyle Dillingham, president, Union Bank, McEwen.

National Division—Chairman, Ray Tanner, president, Second National, Jackson; and vice chairman, H. Jarvis Williams, executive vice president, First National, Savannah.

Independent Division—Chairman, Travis Anderson, chairman and president, First National, Livingston; and vice chairman, Virgil H. Moore Jr., president, First Farmers & Merchants, Columbia.

Young Bankers—Chairman, Jeff Golden, vice president and cashier, City Bank, McMinnville.

The fiduciary division did not organize.

ABA Elections. Tennessee bankers also named two new members to the ABA governing council: Con T. Welch, president, Citizens Bank, Savannah; and Laurence Frierson, president, Valley Fidelity, Knoxville.

Ray Tanner, president of Second National, Jackson, was named to the ABA nominating committee, with P. J. Henry, chairman, The Oakland Deposit Bank, named as alternate.

Presidential Address. Outgoing TBA president, Charles R. Miller Jr., of Cookeville, reviewed the many accomplishments and activities of the association during the past year, giving special emphasis to the holding company legislation, which was considered, passed, then vetoed by the governor.

He reminded bankers that the legislature appointed a special committee in 1972 to study holding companies. Both independent bankers and holding companies testified at hearings, following which the committee recommended four pieces of legislation.

These, said Mr. Miller, would have prohibited out-of-state bank holding companies from making additional acquisitions in Tennessee, established a board to approve all acquisitions by Tennessee HCs, incorporated into statute the present laundry list of permissible activities of holding companies and prohibited de novo entry and acquisition of banks that had been in operation for less than five years.

Mr. Miller reminded Tennessee bankers that the commerce committee in both the Tennessee House and Senate refused to report out any of the bills, but that in "11th hour moves," the sponsors (independent bankers) were able, by a vote on the floor, to recall the de novo-de facto bill and get it passed in the House by a vote of 59 to 17 and in the Senate by 25 to 5. Then, the governor vetoed the bill following adjournment of the legislature.

(Tennessee independent banker reaction to this series of events is further discussed in an article beginning on page 27 of this issue.)

Mr. Miller appealed to both the advocates of holding companies and independent banking, challenging the two groups not to become blinded in efforts to promote their separate causes and thus overlook the real challenges that face banking in the years ahead.

Our state, he said, will continue its growth, personal income will change and banks will find themselves dealing with greater numbers of customers, accounts, transactions and loan applications. We will be dealing, he said, not only with a sophisticated public, but a public that will demand and be entitled to more and better services.

The future growth of the banking industry, he counseled, will depend on the ability of Tennessee banks to serve the financial needs of individuals, who (in his opinion) will surpass commercial firms as the major users of bank funds. • •

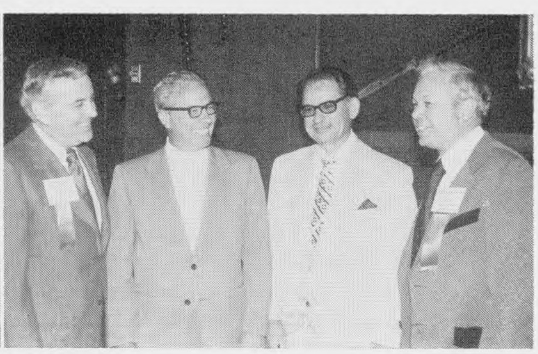
New Divisional Officers

STATE BANK DIVISION—Chairman, W. C. Adams, pres., Bank of Maryville; vice chairman, Charles R. Arendale, ch., Jackson State; and secretary, J. Doyle Dillingham, pres., Union Bank, McEwen.

NATIONAL BANK DIVISION—Chairman Ray Tanner, pres., Second Nat'l, Jackson; outgoing chairman, Edsel Kilday, pres., 1st Nat'l, Greenville.

YOUNG BANKERS DIVISION—Chairman, Jeff Golden, v.p. & cash., City Bank, McMinnville, is congratulated by John P. Wright, Chattanooga, newly elected president of TBA.

SCHOOL OF BANKING OF SOUTH breakfast was "chaired" by Ronald Ireland (c.), a.v.p., Memphis Bank. On the right is Willis Johnson, public relations director of the school, who spoke to the breakfast group. On the left is Charles Ozier, v.p., Commerce Union, Nashville, exec. trustee of the school. Mr. Johnson is v.p., Trust Co. of Georgia, Atlanta.



STATE AND NATIONAL DIVISION heard FBI speakers Joseph V. Baker and John Shelburne (c.) discuss extortion threats and how to guard against them. They are pictured with State chairman (l.) Jack O. Weatherford, ch., Murfreesboro Bank; and National chairman (r.) Edsel Kilday, pres., 1st Nat'l, Greeneville.

Correspartner: Tell us all about your operations.

One reason we're so interested is this—the more we know about you, the more we can do for you.

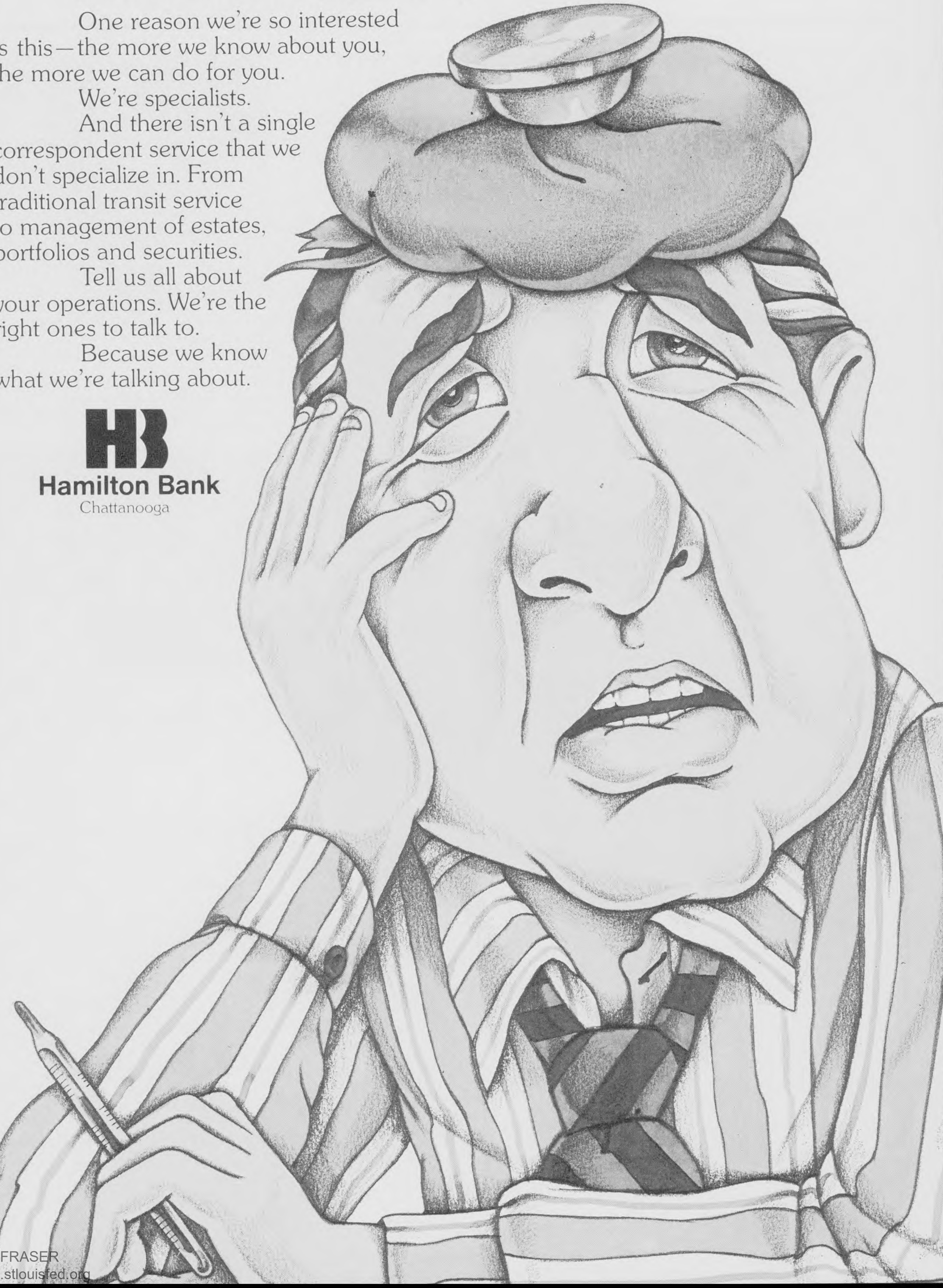
We're specialists.

And there isn't a single correspondent service that we don't specialize in. From traditional transit service to management of estates, portfolios and securities.

Tell us all about your operations. We're the right ones to talk to.

Because we know what we're talking about.

Hamilton Bank
Chattanooga



Alabama Goes to Bermuda

By ROSEMARY McKELVEY
Managing Editor

GAS SHORTAGES, high food prices, Watergate, pollution—these and all the current problems facing us here in this country faded away for nearly a week last month for the 730 Alabama bankers lucky enough to be registered at the Ala.BA's 1973 convention in Bermuda. The Southampton Princess Hotel, less than a year old, was the headquarters.

From May 2-6, the Alabamians successfully mixed business and pleasure on this beautiful, British-owned, subtropical island located about 600 miles east of Cape Hatteras, N. C. The informative business sessions featured such well-known speakers as Monroe Kimbrel, president, Federal Reserve, Atlanta, and former American Bankers Association president; Rex J. Morthland, current president-elect of the ABA and chairman, Peoples Bank, Selma; Dr. Charls E. Walker, former deputy secretary of the Treasury and ABA executive vice president, who now heads his own financial consulting firm in Washington, D. C.; and William A. Glassford, executive director, Banking Profession Political Action Committee (BANKPAC). (An article based on Mr. Glassford's talk appears on page 44.)

Of course, there was time for relaxation, too, for who could go to Bermuda and not take at least one sightseeing tour or boat ride? What golfer could resist playing on courses that have the Atlantic Ocean for a backdrop and crashing breakers for background music? Each evening, conventioneers got together for cocktails, followed by dinners at one of three restaurants. These dinners were unusual in that there were no speeches or entertainment. Tables seated various numbers, and the diners came, were served and went at their leisure. They also could order from a variety of selections on the menu.

COVER PHOTO: Pictured in front of the Ala.BA's 1973 convention headquarters, the beautiful Southampton Princess Hotel, are (l. to r.): Harold O. Glass, outgoing president; J. M. Barrett, newly elected president; Mrs. Sue K. Morris, secretary-treasurer; Ernest F. Ladd Jr., new first vice president; Howard J. Morris, executive vice president; and Horace W. Broom, new second vice president.

Down to Business. Competition was emphasized by two of the convention speakers, Messrs. Morthland and Kimbrel. (A resume of the latter's remarks appear on page 33.) Mr. Morthland, using slides, described some of the types of services now being offered by S&Ls and thrift institutions around the country, including the NOW accounts in Massachusetts, Transmatic plan in the Midwest and PaCheck in the Northwest. He said these and similar plans all add up to one thing for commercial bankers—competition.

Mrs. Mary George Waite (l.), Ala.BA president, 1971-72, and Miss Nell Kilgore, both of Farmers & Merchants Bank, Centre, renew acquaintance with Monroe Kimbrel, president, Federal Reserve, Atlanta, during First Alabama Bancshares breakfast. Mr. Kimbrel, convention speaker, is past president, American Bankers Association.

Outgoing Ala.BA President Harold Glass (l.) presents loving cup to incoming President J. M. Barrett during association's convention in Bermuda. Mr. Glass is president, Bank of Thomasville; Mr. Barrett, president, First Nat'l, Wetumpka.

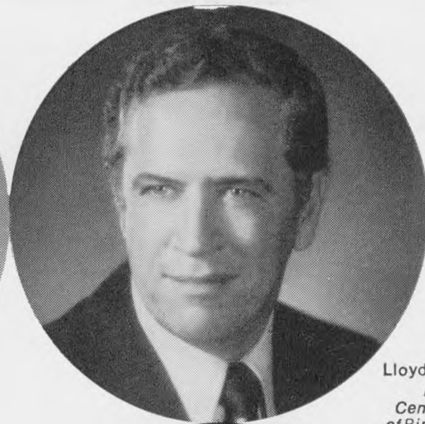
Beautiful Waterlot Inn was setting for ladies' luncheons during Ala.BA convention. Tables sheltered from sun by umbrellas were placed outside on pier built over Bermuda's blue waters.

There is a changing competitive climate for banking, said Mr. Morthland, and bankers can influence the direction of that change, but they cannot prevent change. Likewise, he added, bankers can influence statutes and regulations, but cannot control them.

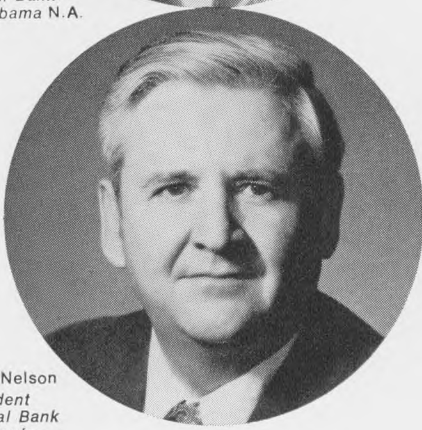
Mr. Morthland listed the kinds of competition facing bankers: competition with one another in their own cities and with banks in other areas; competition between banks and other types of regulated institutions, such as S&Ls, credit unions, etc.; competition between all financial institutions and the money market and competition from other forms of investments.

The ABA president-elect put in a plug for his organization by pointing out that bankers are strongest when

B. N. Hunter
President
Central Bank.
of Alabama N.A.



Lloyd G. Rains
President
Central Bank
of Birmingham



Harry Nelson
President
Central Bank
of Eufaula

There's a corporation in Alabama that's doing things and these three men are making it happen.

That corporation is Central Bancshares of the South, Inc.

On June 4, Central Bancshares of the South, Inc., announced that State National Bank of Alabama would become Central Bank of Alabama, N. A., Central Bank and Trust Company would become Central Bank of Birmingham and Citizens Bank of Eufaula would become Central Bank of Eufaula.

That's doing things in a big way.

That makes 48 branches under one banner in Alabama. And that doesn't even count our new computer company: Central Computer Services, Inc.

The Central Banks can do things for you, too!

THE CENTRAL BANKS
the banks that got together for you.

Members FDIC

LEFT: This happy group is made up of conventioneers from Arab. They are Mr. and Mrs. Al LaGrone (front row), Security Bank, and (back row, l. to r.) Braxton Smith, Security Bank; Mrs. Smith; Randolph Linn, Security Bank; Mrs. Linn; and Mrs. I. L. Elrod, whose husband is with Bank of Arab. RIGHT: Luverne Bank is represented by this foursome—(l. to r.) Mrs. Tom Shows, Mr. Shows, Mrs. Andrew Elliott and Mr. Elliott.

they speak with a single voice and in concert and they can do this through the American Bankers Association.

He said he's impressed with the ABA's excellent staff in Washington, but emphasized that individual bankers must represent banking to Congress and to regulatory agencies. Banking's future, he warned, depends on bankers working in the legislative and regulatory areas, day in, day out, contacting their elected representatives in person or through letters.

Mr. Morthland continued on his "togetherness" theme by saying that the common characteristics of bankers are much more important than the distinguishing characteristics, whether they are in the South, North, East, West, whether they're with state, national or holding company banks. He asked bankers to call on and work with one another. Self-interest, he said, doesn't carry much conviction, but if something is in the public interest, the banker backing it will have an influence.

He reminded his audience that the growth of the banking system is dependent on the economy's growth and that bankers must know what makes the economy go.

Student Loans. Kevin F. Moehn of the Student Loan Servicing Center at First National, Minneapolis, spoke on "Student Loan Servicing." The guaran-

Rex Morthland, president-elect, American Bankers Association, and Mrs. Morthland pause to have their picture taken during one of the convention's cocktail parties. Mr. Morthland, who appeared on convention program, is chairman, Peoples Bank, Selma.

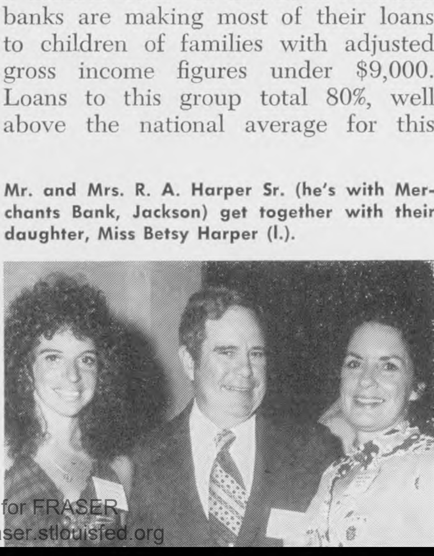
Guest speaker William Glassford (r.), executive director, BANKPAC, Arlington, Va., visits with Ala.BA President Harold Glass before one of convention's business sessions.

George Shirley (r.) First Nat'l, Tuscaloosa, receives award as most outstanding group chairman of Ala.BA from President Harold Glass as Mrs. Shirley looks on.

teed student loan program, he said, is designed to make it possible for students to borrow from private lenders to help defray the cost of education and training at universities, colleges and vocational schools, with the federal government paying part of the interest for qualifying students. A maximum of $2,500 per academic year may be borrowed; total loan outstanding may not exceed $7,500 for an undergraduate and $1,000 for a graduate student. The repayment period usually begins nine to 12 months after graduation and can continue in equal installments over a period of 5-10 years.

According to Mr. Moehn, an estimated $1.5 billion of student loans will be made this fiscal year. Focusing on Alabama, Mr. Moehn said this state had a new loan total of just under $15 million last year and has emerged as a definite leader in this field. Alabama banks are making most of their loans to children of families with adjusted gross income figures under $9,000. Loans to this group total 80%, well above the national average for this group. When the loans are broken down as to race, said Mr. Moehn, Alabama again far exceeds the national average, ranking No. 4 in the country for granting loans to minority students.

Mr. and Mrs. R. A. Harper Sr. (he's with Merchants Bank, Jackson) get together with their daughter, Miss Betsy Harper (l.).

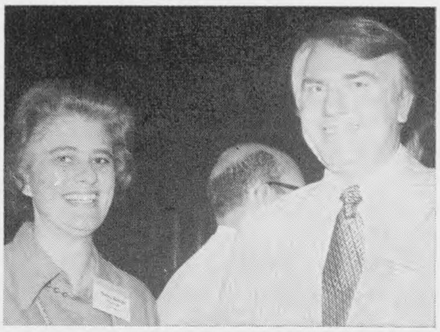


There are three problem areas in student loans, said Mr. Moehn, and they are:

1. Interest rate. This rate presently is pegged at 7% with a ¾% government subsidy, which is adjusted at the end of each quarter. The basic 7% interest rate probably will not increase; however, the subsidy, which has been as high as 2½%, is what the government will use to let student loans follow trends of the aggregate loan market.

2. Liquidity factor. On December 29, the President named 21 interim directors for the Student Loan Marketing Association. A task force has been working over a year and planning a secondary market for the student loan program. It was anticipated that this secondary market—referred to as "Sally Mae"—would be operational sometime in May. Just as "Fanny Mae" has made mortgage money more readily available, Mr. Moehn predicted that "Sally Mae" would do the same and, consequently, have a positive effect on the student loan program.

3. Loan administration. As far as administering these loans is concerned,



Mr. and Mrs. Preston Barclift, Shoals Nat'l, Florence, obligingly pose for cocktail party picture.

said Mr. Moehn, there doesn't seem to be much relief in sight from the necessary paperwork. Because of this, First of Minneapolis set up the Student Loan Servicing Center for lenders. Basically, this center, he said, would take care of all the administration of the student loan portfolio.

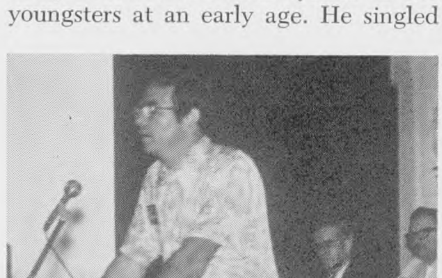
President's Report. Outgoing Ala.BA President Harold O. Glass, president, Bank of Thomasville, devoted much of his report to excerpts from a letter written by William F. McCurdy, a Sears, Roebuck official, to his son as the latter was leaving for college. In addi-

Mr. and Mrs. Arthur Howard (top) and Charlie Prickett and David Pearson (bottom) are shown at convention cocktail party. Mr. Howard is with Exchange Bank, Attala; Messrs. Prickett and Pearson with Jacksonville State.

tion, Mr. Glass talked about the changing attitudes on college campuses and attitudes of working within the framework of society and the establishment.

Mr. Glass urged his listeners to make use of the Alabama Bankers Association's coin collection as a public relations aid for individual banks as well as for the banking system. This collection depicts money of all ages and ties closely to the current banking system. Mr. Glass advised each bank to use this collection at least once every two years.

Because most of the vocal opposition is coming from young people, Mr. Glass believes bankers should make every effort to sell their system to the youngsters at an early age. He singled



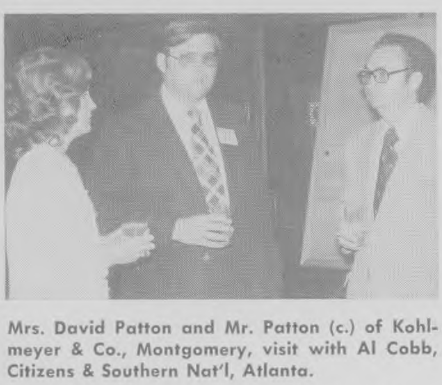
Wilbur Hufham, First Nat'l, Montgomery, president, Young Bankers of Alabama, makes report on his group during business session of Ala.BA convention.

Mrs. Bernard Fogarty (l.) and Mrs. A. Danner Frazer (their husbands are with American Nat'l, Mobile) chat during pre-dinner cocktail party. Similar parties were given each evening of conventon by Alabama Bancorp., Alabama Financial Group, Central Bancshares of the South, First Nat'l and Merchants Nat'l of Mobile and Union Bank, Montgomery.

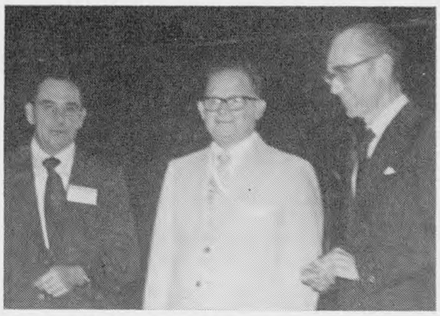
out the Young Bankers Section of the Ala.BA and told how its members were constantly going into high schools to assist in teaching bank-related courses and sponsoring student tours of banks. He especially paid tribute to Wilbur Hufham, Young Bankers president during the past year (vice president, First National, Montgomery), and urged his listeners to return to their banks and get their young people actively engaged in the Young Bankers' work and to actively support it.

Young Bankers Report. Wilbur B. Hufham, president of the Young Bank-

Lobby conversation is held by J. P. Willis (l.), First Nat'l, Guntersville, and Lewis J. Lawson Jr., Peoples Bank, Greensboro.



Mrs. David Patton and Mr. Patton (c.) of Kohlmeyer & Co., Montgomery, visit with Al Cobb, Citizens & Southern Nat'l, Atlanta.



Monroe Kimbrel (r.), president, Federal Reserve, Atlanta, is pictured with Ala.BA President Harold Glass (l.) and First Vice President J. M. Barrett.

ers of Alabama, reported on a busy year for his group. Mr. Hufham, vice president, First National, Montgomery, said that—during 1972-73—the Young Bankers, through the group's educational program, contacted 818 schools, taught 3,709 classes and 90,488 students, appeared before 176 different assemblies and conducted 1,029 bank tours. Total students reached: 232,047.

According to Mr. Hufham, the Young Bankers of Alabama set up "banks" in schools and demonstrated how they make loans, accept deposits, etc. In addition, the group put on a musical play about banking at a Selma school assembly and held a critique on banking in Mobile. At the latter, students were invited to voice their opinions about banks and banking.

Kevin Moehn, Student Loan Servicing Center, First Nat'l, Minneapolis, and speaker at Ala.BA convention, relaxes in Southampton Princess Hotel lobby following his presentation on student loans. Mr. Moehn combined his appearance before Alabama bankers with his honeymoon.

New Officers. J. M. Barrett, president, First National, Wetumpka, was elected president of the Ala.BA to succeed Mr. Glass. Mr. Barrett moved up from first vice president, a post to which Ernest F. Ladd Jr., who was second vice president, was elected. Mr. Ladd is chairman, Merchants National, Mobile. Elected second vice president was Horace W. Broom, president, Citizens Bank, Hartselle.

Mr. and Mrs. Frank Plummer (l.) welcome guests to buffet breakfast given during convention by First Alabama Bancshares, Inc., Montgomery.

ABA Elections. J. B. Striplin, chairman and president, Bank of Prattville, was elected a member of the American Bankers Association's governing council for a two-year term to begin after the ABA's 1973 convention. He succeeded Harry I. Brown, chairman and president, First National, Sylacauga. Marshall Dugger, chairman, First National, Tuscumbia, was elected a member of the nominating committee for the 1973 convention. J. Wesley Davis, chairman, Bank of York, was elected alternate member. • •

Curtis Kendall Ends Career At Birmingham Trust Nat'l

BIRMINGHAM—Curtis Kendall has retired as senior vice president at Birmingham Trust National. He had been with the bank since 1961.

KENDALL

Mr. Kendall joined American National, Mobile, in 1934, following nine years in education and real estate. He was a senior vice president and director of that bank when he moved to Birmingham Trust National. He served for 13 years on the faculties of the School of Consumer Banking and the School of Banking of the South.

In other action, the bank has elected Robert E. Luckie Jr. to its board. Mr. Luckie is president, Luckie & Forney, Inc., the bank's advertising and public relations agency.

The bank has also announced an equipment leasing and financing service that is applicable to all types of equipment and personal property. The leasing program will operate as Alabama Financial Leasing Co., and will be headed by Ollie Sandlin, senior vice president, who joined the bank in 1953.

■ MOBILE—First National has promoted Chobee Slay from assistant vice president and branch manager to vice president and branch manager. Mr. Slay joined the bank in 1946. His new promotion coincided with the opening of the bank's Park Plaza branch in permanent quarters. Mr. Slay is manager of the branch.

Unfortunately, this may well be the only way that some of you will ever see your correspondent banker.

It just may take an electronic miracle someday for you to meet the man face to face (if you can call it that).

And the odds are if you ever do need to get together, you can bet that it'll be in his office and not in yours.

At First National it's a lot different. We visit every single correspondent regularly.

And we look forward to seeing him. Because it really gives us the opportunity to sit and talk things over, man to man.

We make an honest effort to try and help him solve his problems. (Besides, no one minds being taken out to lunch now and then.)

It may seem that First National is old-fashioned in this day and age, but we're just trying to maintain some human contact in correspondent banking. We think it matters.

Yes indeed, the telephone is a great invention. And the picturephone,® even greater. But they'll never be as great as people in person.

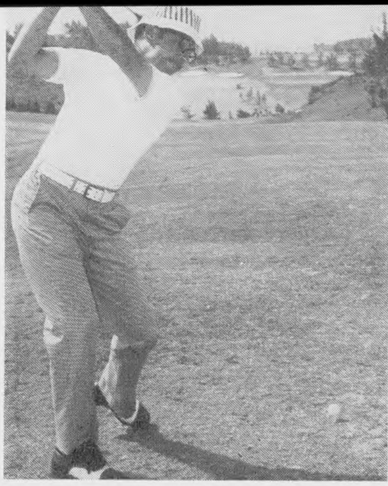
So, we'll see you all soon. In person.

First National Bank of Mobile

On Saturday, There Was the

Men's Golf Tournament

At Port Royal Golf Course



Gordon Jones, First Nat'l, Decatur, demonstrates back swing as he tees off at Ala.BA convention golf tournament.

William Hurst, Citizens Bank, Leeds, watches his ball take off.

A. D. Elliott (l.), Luverne Bank, and Robert Sims, First Nat'l, Auburn, hold discussion over golf balls.

Tom Shows (l.), Luverne Bank, and J. E. Moody, J. C. Jacobs Banking Co., Scottsboro, discuss some fine points of golf.

Short rest is enjoyed by J. B. Striplin (l.), Bank of Prattville, and W. N. McGehee, Bank of Evergreen.

Fred Braswell Jr. (l.), Robertson Banking Co., Demopolis, and John Flowers, Dothan Bank, prepare to take off in golf cart.

Three foursomes are pictured at start of golf tournament. LEFT: (l. to r.) H. G. Studstill Jr., Citizens Nat'l, Opp; M. E. Moor, First Nat'l, Birmingham; Stephen Meagher, American Nat'l, Chattanooga, Tenn., and Ned Bender, National Bank of Boaz. CENTER: (l. to r.) Wiley Willliams, Opelika Nat'l; John Gay, First Nat'l, Scottsboro; George Shirley, First Nat'l, Tuscaloosa; and Wallace Hill, Citizens Bank, Selma. RIGHT: (l. to r.) William Rawls, Baldwin Nat'l, Robertsdale; B. M. Simms, Bank of Huntsville; Ralph Bolt, Anniston Nat'l; and Milton T. Dean, Eufaula Bank.

Mississippi Convention Report

Speakers Call for Action On Three-Pronged Front

By JIM FABIAN
Associate Editor

MISSISSIPPI bankers were urged to take part in the competitive, legislative and area development arenas by speakers at the 85th annual convention of the Mississippi Bankers Association, held in Biloxi last month. More than 1,200 persons were in attendance at the four-day meeting.

Presiding over the meeting was J. C. Whitehead Jr., president, Bank of Mississippi, Tupelo, and outgoing MBA president.

During his president's address, Mr. Whitehead spoke of the three "great" opportunities ahead for Mississippi bankers.

"First, there is a mandate from the people for regional and/or area development. Second, there is the necessity for being more creative in the acquisition and re-allocation of funds. Third, there is the opportunity to meet our customers' needs more fully and at the same time, more efficiently. Possibly, the leading bankers in this state will be those who most accurately anticipate or foresee changing demographic factors and whose organizations are most innovative in taking advantage of these opportunities," he said.

He commented that bankers cannot make significant contributions to area development if they are unable or unwilling to meet local financing demands. Area development is stifled, he said, when too many banks place a premium on excess liquidity or when banks either are unable or unwilling to diversify risks.

"If we bankers continue to place this high a premium on excess liquidity," he said, "will we be willing to finance continuing community growth and help our state reach parity in per capita income with the nation by the year 2000, the primary goal outlined for our state by the Research and Development Center?

"The cost of participation is formidable," he said. "The price for neglect even more costly."

Regarding the second opportunity, the re-allocation of funds, he asked, "Are we going to watch as savings and loan associations receive a greater share of the time deposit market as was the case in the '40s, '50s and early '60s?

"Banking today has no choice . . . but to respond to the pressures and demands of the marketplace in terms of more facilities and more broadly based services," he said.

He said there is more to the banker than the services he offers. "For too long the banker has stayed away from the political realm as an active participant. Is there any reason why a senior member of your bank's management team should not sit in the Mississippi House of Representatives? Can you imagine the immense good he could do for his community, his constituents and bankers generally?" he asked.

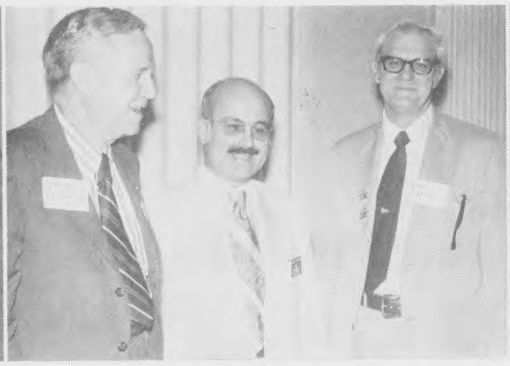
Representing ABA at Mississippi convention were Pres.-elect Rex J. Morthland (top, r.), and Treas. Joe H. Davis (bottom, r.). Mr. Morthland was speaker during second session. With Mr. Morthland is H. P. Heidelberg Jr., pres., Pascagoula-Moss Point Bank. With Mr. Davis is John Shaffer, regional administrator of national banks, Memphis.

"Great opportunity number three lies in understanding our market place," he said. He predicted that the most successful banks of the future will be those whose staffs are most market oriented.

James W. Thompson, regional director of the FDIC, gave his candid views on some temptations that are causing bankers to misuse their opportunities or preventing them from reaching their fullest potential. These temptations include obsession with bigness and personal self-interest in regard to granting of loans. He quoted the first Comptroller of the Currency, Hugh McCulloch, who stated that "'Splendid financiering' is not legitimate banking and 'splendid financiers' in banking are generally humbugs or rascals."

Speaker Rex Morthland, ABA president-elect, and chairman, Peoples Bank, Selma, Ala., said the competitive climate is the most important issue facing banking today. Bankers have spent too much time competing with each other and not enough competing

Outgoing MBA Pres. J. C. Whitehead Jr. (l.) poses with incoming officers Leo W. Seal Jr., incoming pres., and pres., Hancock Bank, Gulfport; V.P. R. Ben Lampton, pres., First Nat'l, Jackson; Treas. W. E. Howard Jr., pres., Commercial Nat'l, Laurel; and Exec. Dir. John R. Hubbard.



LEFT: G. L. Swetman, pres., Peoples Bank, Biloxi, receives 50-Year Club certificate from MBA Pres. J. C. Whitehead Jr. MIDDLE: (from l.) S. E. Babington, dir., Brookhaven Bank; William F. Crawford, ch., State Bank, Brookhaven; Ray K. Smith, pres., First Nat'l, Greenville. RIGHT: James W. Thompson (l.), regional dir., FDIC, Memphis, chats with Orrin H. Swayze, dir. emeritus, School of Banking of South. Both were on convention program.

with the true competitor—other types of financial institutions.

He called on bankers to participate fully and enthusiastically in getting things done. They should not rely on their associations or on others to take care of managing change.

The public interest is paramount, he said. While bankers might get away with flexing their muscles in the short run, this will not work in the long run. He said that bankers have a choice of the actions they will take, but that they have no choice in the resulting consequences.

He presented illustrations of how other types of financial institutions are emulating banks by offering such services as NOW accounts (since outlawed by Congress) and other third-party payment systems.

The wave of the future in the competition picture is credit unions, he said. Credit unions are now entering the mortgage loan area and their accounts are insured up to $20,000.

He said bankers want competition, but they want it on a fair basis.

New Officers. Elected to serve the MBA during the coming year were Leo W. Seal Jr., president, Hancock Bank, Gulfport—association president; R. Ben Lampton, president, First National, Jackson—association vice president and chairman of the executive committee; and W. E. Howard Jr., president, Commercial National, Laurel —association treasurer.

Messrs. Seal and Lampton also were elected to the nominating committee of the ABA national convention during the ABA members' meeting at the MBA convention.

Mr. Seal, who served as chairman of the executive committee, reported on the activities of the multi-bank holding company study committee, which met jointly with the state legislative committee in February, 1972, to appoint a committee to study the advisability of amending state law to permit multi-bank HCs to be formed in Mississippi. For this purpose, the multi-bank holding company study committee was formed, which was authorized to have a study made to determine the views of MBA members on the issue.

Some 70% of the members expressed the view of being opposed to opening up the state to multi-bank HCs and 77% expressed the desire for the MBA to officially take a stand against multi-bank HCs.

In January, 1973, the two parent committees met again, which resulted in the MBA executive committee voting to take no position with regard to supporting or not supporting any effort to relax the state law prohibiting the formation of multi-bank HCs or to supporting or not supporting any effort to leave the prohibitory law as it presently reads.

The executive committee recommended to Mississippi bankers that they contact their state representatives on the HC issue.

A bill to permit the HCs was introduced in the Mississippi legislature in the 1973 session, but no action was taken on it.

Dr. J. Van Fenstermaker, head of the chair of banking at the University of Mississippi, reported that 40 potential bankers graduated from the university this year. During the past 15 years, 450 banking majors have been graduated. Approximately one-third of the graduates have been placed in Mississippi banks and four of the graduates are currently presidents of Mississippi banks. Dr. Fenstermaker is leaving his position. His successor will be Dr. Harvey S. Lewis, who will be officially appointed this month.

Certificates of membership in the 50-Year Club were distributed to the following at the convention: W. C. Downers, president, Bank of Macon; H. E. Herron, president, Bank of Batesville; Glen Swetman, president, Peoples Bank, Biloxi; Barney Roberts, chairman of the executive committee, Merchants & Planters, Hazelhurst; William Stanton, Bank of Leland; and Albert Williamson, Bank of Commerce, Greenwood. Messrs. Roberts, Stanton and Williamson have chalked up 51 years in banking.

The convention approved resolutions supporting the prohibition of negotiable order of withdrawal—or NOW—accounts through congressional action and supporting BANKPAC—Banking Profession Political Action Committee—through contributions. • •

Foursome pictured at past presidents' luncheon at Mississippi convention included (from l.) Frank E. Allen, pres., Canton Exchange Bank; C. A. Miller, dir., First Nat'l, Jackson (dressed for his bank's ship party); R. C. Liddon, ch., Security Bank, Corinth; and J. C. Whitehead Jr., outgoing MBA pres., and pres., Bank of Mississippi, Tupelo.

Arkansas Convention Report

Continuation of Solid Front Urged as HC Study Begins

By JIM FABIAN
Associate Editor

SATISFACTION with the accomplishments of the Ark.BA in the area of changing banking structure was the mood at the association's 83rd annual convention in Hot Springs last month.

The association had recently completed running a dramatic restructuring program through the state legislature, a program that resulted in countywide branching, tax equalization, a lowering of state bank reserve requirements and a compromise with S&Ls on public funds participations.

But the next legislative issue was looming on the horizon, and the 600 bankers at the convention were urged to begin thinking about it now. The issue is that of holding companies and what to do about them.

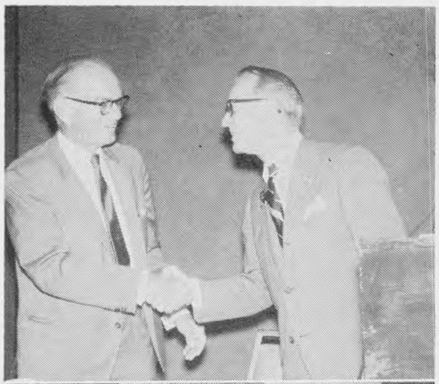
Ark.BA officials have expressed satisfaction that the branching changes were brought about through a show of unity on the part of bankers throughout the state. The call is clearly one of a continuation of this solid front as the association enters the HC arena—one in which it will be involved for up to two years.

In line with this situation, outgoing Ark.BA President B. Finley Vinson, chairman, First National, Little Rock, congratulated bankers on the progress they have made in learning to manage change rather than to oppose it. In speaking of the association's two-year HC study, which will be made concurrently with one planned by the state legislature, he called on the entire membership to face the HC situation, so that a fair and practical answer to the many questions involving the future of HCs can be achieved.

The study will take up whether the state should keep its present total restrictions on HCs or modify them. He said it has been generally conceded that HCs will not eliminate unit banks and that the national direction banking is taking should be given due consideration.

Other items of change that confront bankers, Mr. Vinson said, include the recommendations of the Hunt Commission. He called on bankers to be active in this area, so that they will be in a position to be in on guiding the changes that will inevitably result.

He urged bankers to cultivate their relationships with state legislators—on a full-time basis. "We're learning to sit down together and reason on a common ground," he said. "Differences are healthy and need not destroy friendships."



TOP—Sen. J. William Fulbright (l.) receives handshake from outgoing Ark.BA Pres. B. Finley Vinson, ch., First Nat'l, Little Rock. Sen. Fulbright spoke during first general session.

BELOW—William M. Campbell (l.), ch., First Nat'l of Eastern Arkansas, Forrest City, and state ABA v.p., chats with Frank Wille, FDIC ch., who spoke during second general session.

Principal speakers on the convention program were Senator J. William Fulbright and Frank Wille, FDIC chairman. Mr. Fulbright reviewed the Watergate situation, calling it sad and embarrassing, but not "doomsday" for the national government. He said the situation has been developing for 30 years and that it shows "we have lost sight of our own country because of our preoccupation with the welfare of other nations." He said Watergate was beneficial in that it calls for a reevaluation of standards.

Mr. Wille received applause when he announced that the board of the FDIC had given advance approval to some 50 state non-member banks in Arkansas involved in the changeover from operating teller's windows to full-service branches, authorized by recent state legislation. Normal course of procedure would have been for each of

New officers are congratulated following election at Ark.BA convention in Hot Springs last month. From l., Doug Simmons, pres., Merchants & Farmers, West Helena—treas.; Dorman F. Bushong, pres., Farmers & Merchants, Rogers—v.p.; Thomas E. Hays Jr., pres., First Nat'l, Hope—pres.-elect; and Van Smith, pres., Bank of Tuckerman—pres.

Highlight of convention was presentation of "The ¢ents of Humor $how," a stage play that uses a TV game show format to explore banking, money management and budgeting. The production was presented by the drama department of Ouachita Baptist University and was underwritten by the Ark.BA consumer affairs committee. The production is to be videotaped and will be available for showings throughout the state.

these banks to apply to the FDIC for approval of the changed status.

He said that Nixon Administration delays in submitting legislative proposals regarding Hunt Commission recommendations to Congress will act against eventual congressional approval of the proposals. He said that the Administration seems willing to dispense with Regulation Q, to go along with limited changes for national banks and to develop a uniform tax formula for all financial institutions. There seems to be a question about the Administration's views concerning mandatory membership in the Fed and uniform reserve requirements. He said the Administration is concerned about dwindling Fed membership.

He predicted that consumerism pressure could result in truth-in-savings legislation, that the banking system of the future will be more competitive and complicated and that there will continue to be a place for independent banks.

A special session on economics featured Dr. James Byrd, senior economist at First National, Dallas; Dr. Winston Beard, chairman of the department of economics at the University of Arkansas, Little Rock; and Dr. John Terry, director of development, John Brown University, Siloam Springs. Format of the session was for Dr. Byrd to present his views on the economy and related matters in order that Drs. Beard and Terry (and the audience) could offer rebuttals. However, almost everyone agreed with Dr. Byrd's assessments.

Dr. Byrd stated that our economy is performing remarkably well, in real terms, and has been doing so for the past two years. "If anything," he said, "we are in a too-booming economy, at least for the short run." He predicted that the next big issue in Congress will concern the economic policies to counter a slowdown, because, by the end of this year, ample signs of a slowdown will be evident.

He predicted an average rate of price increases for 1973 at 4%, just 1% higher than the average for 1972. GNP growth for 1973 will be 6½%, he said, compared with a 6% growth figure for 1972. He said that the Fed would avoid a credit crunch, although something more than a squeeze is in store for the nation. He said that economic policies to be placed into effect should prevent an economic recession in 1974.

He predicted that the Dow Jones average would rise to 1,150 before the end of the year, that unemployment will not top 6% within the next two years and that short-term interest rates will top out at 8¼% when the current expansion reaches its peak.

Also on the program was Ray L. Faisst, special agent in charge of the FBI's Little Rock office. He gave bankers helpful hints regarding extortion attempts. He said it is legal to record an extortionist's phone conversations with the bank, so long as the tapes are not used for purposes other than law enforcement. He offered to conduct training sessions for bank personnel on how to thwart extortion and other crimes. He said that extortion must be made to be unprofitable.

New officers. At the close of the convention, the following officers were elected: President—Van Smith, president, Bank of Tuckerman; president-elect—Thomas E. Hays Jr., president, First National, Hope; vice president—Dorman F. Bushong, president, Farmers & Merchants, Rogers; and treasurer—Doug Simmons, president, Merchants & Farmers, West Helena.

At the meeting of members of the American Bankers Association, C. W. Harper, president, First National, Conway, was elected to the ABA governing council, and Van Smith and Thomas Hayes were named as delegate and alternate, respectively, to the nominating committee which meets at the ABA convention in Chicago in October.

Ark.BA past presidents pose for MID-CONTINENT BANKER during convention.

Louisiana Convention Report

Broussard Is President; Johnson in No. 2 Post

By RALPH B. COX
Editor & Publisher

LOUISIANA held its 73rd annual convention last month, elected and installed new officers for 1973-74. Advanced to the presidency of LBA was Arthur J. Broussard, chairman and president, Guaranty Bank, Lafayette. He succeeded Lee Vanderpool Jr., president, Ouachita National, Monroe.

The post of president-elect went to A. R. Johnson III, president, Guaranty Bank, Alexandria. Travis Gore, executive vice president and cashier, Concordia Bank, Vidalia, was named treasurer.

Mr. Broussard also was named to serve on the 1973 ABA nominating committee, with Mr. Johnson selected as alternate.

Two new directors were named: W. B. Scriber, president, Winnsboro State; and H. E. Waters, president, Springhill Bank.

A significant change also was announced for the LBA staff headquarters in Baton Rouge, with Allie Kleinpeter being appointed government relations officer. The association thus recognized the importance and the growing complexity of legislation affecting Louisiana banking. (See page 96 for further details on this change.)

One of the principal speakers on the program was ABA President-Elect Rex Morthland, chairman, Peoples Bank of Selma, Ala., who spoke about the competitive changes affecting banking, which are discussed in more detail in the feature section of this issue.

Mr. Morthland concerned himself specifically with the NOW accounts (negotiable orders of withdrawal) which were, at the time of his talk, flourishing in mutual savings banks in two eastern states. These NOW accounts have since been restricted by Congress to the states of Massachusetts and New Hampshire, pending further study.

The competitive implications of the NOW accounts, according to Mr. Morthland, were far reaching. For example, they not only could have spread to all eastern states where mutual savings banks are permitted, but to all savings and loan associations across the country. This device, he said, would have permitted banking's competitors to pay interest on accounts against which checks could be drawn.

The rules of the "game" should be equal, Mr. Morthland stated, for financial competitors and in his judgment this means equal supervision, taxation, reserve requirements, branching privileges and interest-rate ceilings.

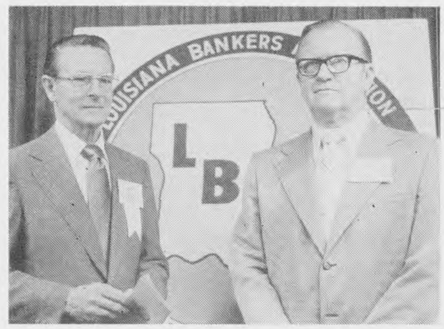
Presidential Address. Lee Vanderpool, outgoing LBA president, also recognized the competitive threat of third-party-payment powers, which, under the Hunt Commission Report, would be given to S&Ls, mutual savings banks and credit unions. He cited these competitive threats as reason enough for the banking industry, and specifically the LBA, "to remain strong and united."

Every bank in Louisiana, he said, has a "common interest in the welfare of our industry and our state. We have well-organized competitiors," he said, and "while we will have internal differences of opinion," he urged Louisiana bankers to keep their association strong and united as an industry.

Earlier in his speech, Mr. Vanderpool had referred to the "differences of opinion" that existed in the state on the issue of multi-bank holding companies. (Louisiana law presently prohibits establishment of multi-bank HCs, but apparently there is mounting pressure to change this restriction.)

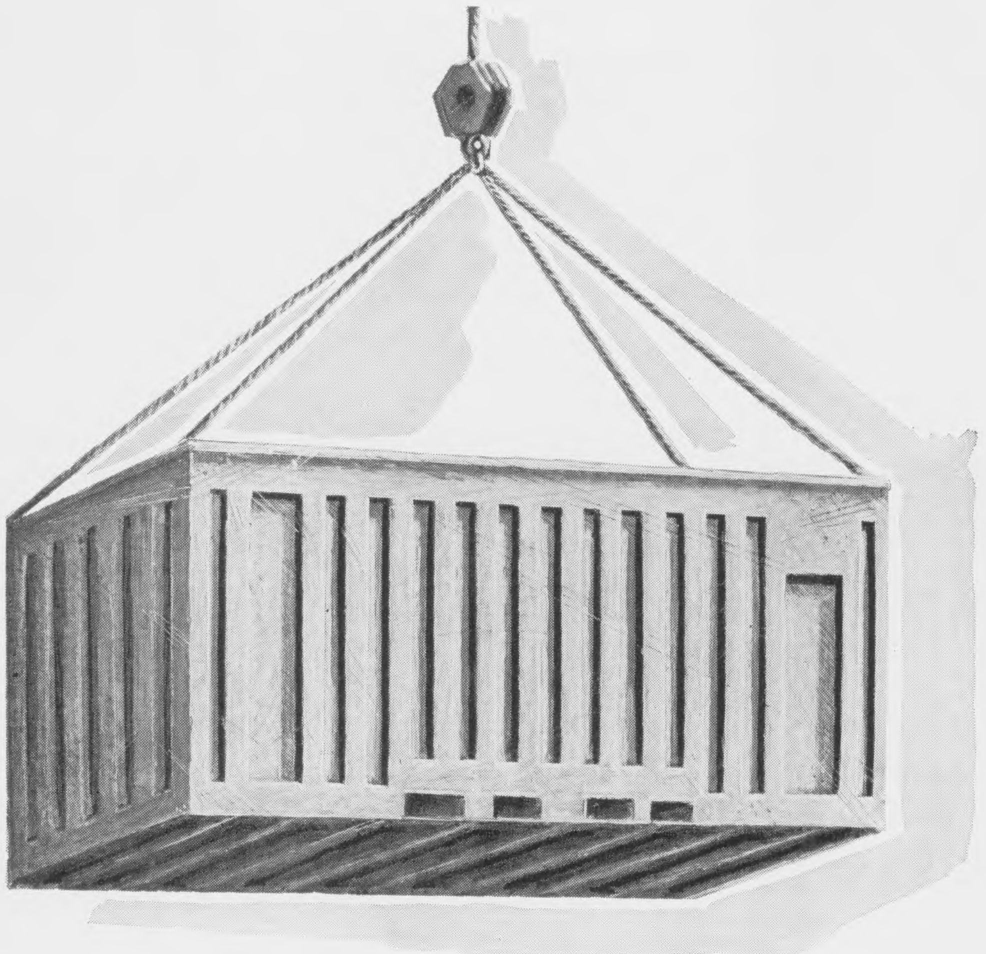
(Continued on page 96)

CONVENTION SPEAKERS Rex Morthland (l.) and E. L. Henry (2nd from r.) are pictured here with outgoing LBA president, Lee Vanderpool Jr., and the incoming president, Arthur J. Broussard (r.). Mr. Morthland, ch., Peoples Bank, Selma, Ala., is president-elect of the American Bankers Association. Mr. Henry is Speaker of the House of Representatives in Louisiana and chairman of the 1973 Constitutional Convention.



NEWLY ELECTED DIRECTORS of the LBA are pictured here: W. B. Scriber (l.), pres., Winnsboro State; and H. E. Waters, pres., Springhill Bank. Both were elected for three-year terms.

LBA OFFICERS for 1973-74: President-Elect A. R. Johnson III, pres., Guaranty Bank, Alexandria; President Arthur J. Broussard, ch. & pres., Guaranty Bank, Lafayette; and Treasurer Travis Gore, exec. v.p. & cash., Concordia Bank, Vidalia.



Sketches and Travel at LBA

TOP—Artists drew "character sketches" of convention delegates during "warm-up" party sponsored by Bank of New Orleans. Here, Mrs. Elmer C. Roth, whose husband is v.p., Irving Trust, New York, poses patiently for the artist.

BOTTOM—Always a highlight of the LBA convention is the Meet-Your-Match contest sponsored by Hibernia Nat'l of New Orleans. This year's winners of a one-week trip to Mexico are pictured here: Mr. and Mrs. Louis J. Mahfouz of Morgan City, where Mr. Mahfouz is v. ch. of Citizens Nat'l.

The Monroe banker also expressed his personal opinion that the LBA, as an organization, should not take a position (pro or con) on "this controversial issue." However, he agreed that it was the duty of the LBA to keep its members "well informed" on the various aspects of this important issue.

In another area of his speech, Mr. Vanderpool reported the start-up of a new school for bank supervisory personnel (May 13-18). This school will be conducted annually, he said, for those personnel who will not have an opportunity to attend the School of Banking of the South at LSU (where entrance requirements are becoming somewhat more stringent). The school will be held annually, for one week, at a different university in the state.

Credit for establishment of this school, he said, goes to Dr. William Staats, professor of the chair of banking at LSU, who worked untiringly with the LBA's education committee, chaired during the past year by Charles Barber, vice president, Rapides Bank, Alexandria.

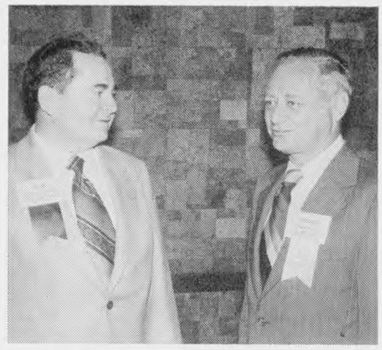
Mr. Vanderpool also reported that the LBA sponsored its first "Bank Week" in the state (March 11-17), which was created for the purpose of promoting the image of the banking industry throughout the state. This important undertaking, he said, was sponsored by the LBA public relations committee.

While it is difficult to measure with accuracy the success of the project, Mr. Vanderpool expressed the opinion that there was great benefit to the banking industry in giving its message to the citizens of Louisiana. He urged that the program be continued.

Another featured convention speaker, E. L. "Bubba" Henry, urged bankers to become informed and take an interest in the state's 1973 constitutional convention. Mr. Henry, who is chairman of the convention and Speaker of the Louisiana House of Representatives, expressed concern that so few of the state's citizens, particularly the leaders of the state, were unaware or unconcerned about the preparation of a new state constitution.

Writing a new constitution, he admitted, is difficult, and unless people are informed about the reasons for changes being written into a new constitution, a new constitution will be rejected one third of the time, he warned. This is the experience in other states, he said.

Bankers and all business leaders of the state must become involved, he said, in the "input" for a new constitution. Then, he said, it will have a chance for success. • •



Government Relations Office Goes to Allie Kleinpeter

Louisiana bankers, at their 73rd convention, appointed Allie Kleinpeter as their government relations officer. Mr. Kleinpeter (above, l.) is a 25-year veteran with the LBA headquarters staff in Baton Rouge and has been editor of the *Louisiana Banker*. He has been succeeded in that post by Robert W. Mathews.

Mr. Kleinpeter will work closely with Hermann Moyse Jr. (above, r.), pres., City Nat'l, Baton Rouge, and ch. of the LBA's legislative study committee. Mr. Moyse has been perennial chairman of that committee.

The appointment of Mr. Kleinpeter signals a move by the association to maintain much closer liaison with legislators in the state capital. It was pointed out that 2,500 separate bills were introduced in the last legislative session, many of them having an impact on banking. Thus, a full-time government relations officer could maintain a "watchful eye" on any banking matters and marshal action by bankers when and if needed.

LEFT—G. J. Beauregard, v.p., Bank of New Orleans, former president of Junior Bankers Section; Dr. William Staats, professor, LBA Chair of Banking, Louisiana State University; and Charles Barber, v.p., Rapides Bank, Alexandria, ch., education committee. CENTER—Waiting for the program to start are Q. A. Hargis Jr., pres., and Jim Jones, dir., Colfax Banking Co. RIGHT—School of Banking of South Breakfast brought together this group of school "officials." Seated: director, Charles Cassidy, pres., 1st State, Bogalusa; exec. trustee, Roane Hathorn, exec. v.p., Rapides Bank, Alexandria. Standing: registrar, Embree Easterly, pres., Capital Bank, Baton Rouge; assoc. dir., Walter B. Stuart, exec. v.p., 1st Nat'l Bank of Commerce, New Orleans; asst. dir., Don L. Woodland, Louisiana State University; and Arthur J. Broussard, incoming president of LBA.


MASSEY-FERGUSON 35

Texas Convention Report

El Paso Proves Warm Host In International Setting

By LAWRENCE W. COLBERT
Assistant to the Publisher

EL PASO, whose colorful history dates from the time of the Spanish conquistadores, was a gracious host to the 89th Annual Texas Bankers Association convention, May 6-8. The convention took on an international flavor as bankers were entertained the first evening in Mexico at the Juarez Country Club and the Juarez Race Track for a night of greyhound races. The more serious side of the convention took place at El Paso's new Convention Center, where an impressive group of speakers expounded on a variety of topics.

ABA President

Heading the group of speakers was Eugene H. Adams, ABA president and president, First National, Denver, who stated that the banking industry should resist as strongly as possible the pending bills in Congress which will permit thrift institutions to offer interest-bearing checking accounts now offered by thrift institutions in New Hampshire and Massachusetts, on a nation-wide basis. *Subsequent to Mr. Adams' remarks, Congress outlawed the accounts.*

Mr. Adams reiterated the ABA's position against these negotiable orders of withdrawal (NOW) accounts because, he said, he had "reliable reports that a bill providing for the accounts is being prepared for introduction in the state legislatures of New York, Pennsylvania and Vermont." A partial text of Mr. Adams' remarks appears elsewhere in this issue.

Fred T. Brooks, president of the Independent Bankers Association of America and president of Merchants State, Dallas, made a strong case for the place of independent banks in the changing banking scene. Mr. Brooks' remarks appear elsewhere in this issue.

Free Economy

Dr. George Cline Smith, chairman and chief executive officer of MacKay-Shields Economics, Inc., New York City, speaking on the economy, predicted that Phase IV of the Administration's economic plan would be a return to a largely free economy. He predicted a slowing of the economy in the months ahead, but did not predict a recession.

Leon Stone, retiring TBA president and president of Austin National, reported mainly on legislative happenings and called on each banker to become a personal salesman. Mr. Stone also reported that 99.6% of all Texas banks are members of the Texas Bankers Association.

Lawrence E. Kreider, executive vice president-economist of the Conference of State Bank Supervisors, speaking at the convention, took strong exception to the claims of Federal Reserve officials that either universal reserve-setting authority or mandatory membership would improve significantly the system's ability to conduct monetary policy.

Massive Fed Credit

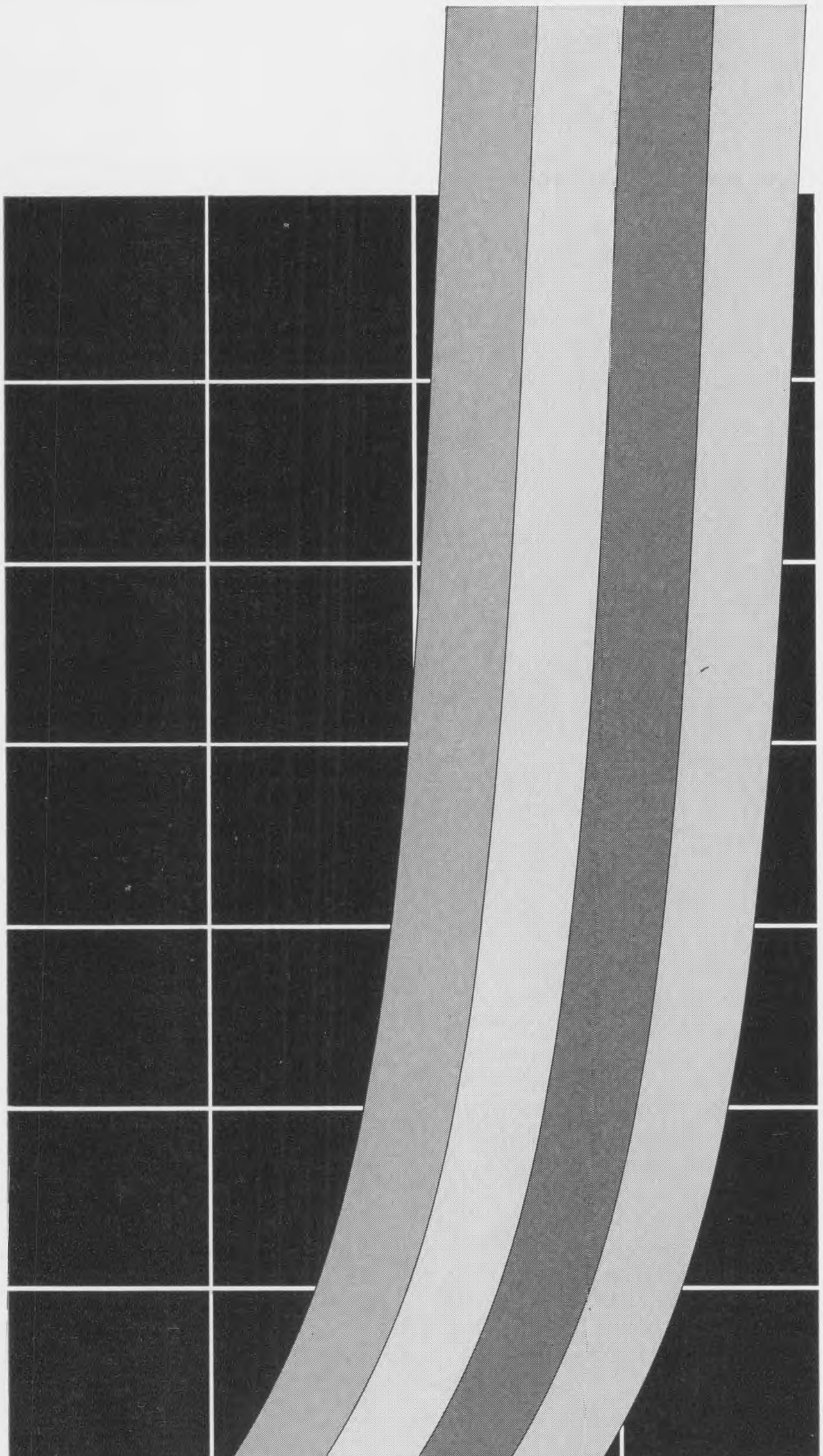
"The big problem currently in monetary policy," Dr. Kreider noted, "has little or nothing to do with compulsory affiliation or reserve monopoly powers of the Fed. The problem is largely one of a massive superabundance of Federal Reserve credit and other monetary aggregates which have accumulated since the mid-1960s. The fact that Federal Reserve credit for the first quarter of 1965 to the first quarter of 1973—both quarters of near full employment—increased at an average annual rate of more than twice as fast as during the previous decade relegates to no more than nominal importance in a discussion of universal reserve powers."

Potential Impact

While concisely defining the invalidity of the contention, Dr. Kreider warned his audience of its potential impact: "The issue, however invalid, is being forced on all of us by the Fed; and its political influence in Congress dictates that we all take this campaign seriously. If the Fed were to prevail on this issue, it would largely arrogate the correspondent banking function from the private to the federal sector. The banking system would then be one step closer to control by a monopolistic regulatory agency unfettered by the checks and balances inherent in our dual-banking system."

(Continued on page 100)

NEW TBA OFFICERS—C. Truett Smith (c.), pres., First State, Wylie, was elected assn. pres.; Gene Edwards (l.), pres., First Nat'l, Amarillo, was elected v.p.; and Bookman Peters, pres., City Nat'l, Bryan, was elected treas.



Gutsy!

That's what some of our customers call Bank of the Southwest.

Because we do things *our way*, the Southwest way, we broke into the billion-dollars-in-assets club.

We weren't timid.

We made loans others didn't make.

We took a chance on a man's face.

We know the Southwest. We know your ways are our ways.

We know the Southwest is throbbing with financial energy.

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But get ready for a taste of our way of banking.

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Bank of the Southwest

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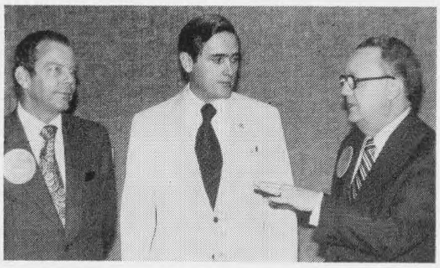
because we do it our way.

OLD AND NEW state bank division chairmen—J. B. Wheeler (r.), retiring ch. of the state bank division and pres., Hale County State, Plainview, visits with newly elected division ch., Robert A. McAllen, pres., Hidalgo County Bank & Trust, Mercedes.



NEW TBA PRESIDENT C. Truett Smith (r.) makes a point in visiting with Sam O. Kimberlin Jr. (l.), TBA exec. v.p., and Fred T. Brooks, pres., Independent Bankers Association of America and pres., Merchants State, Dallas. Mr. Brooks was one of the speakers.

Only Major Force

Having identified the basic monetary policy problem, Dr. Kreider emphasized that the Fed is not entirely to blame for the current situation. "Indeed," he said, "from 1965 through most of 1968, fiscal policy was the primary motivating culprit. The Fed, from 1965 through early 1967, was the only major force trying to exercise needed restraint. But that restraint was destined to give in to 'more practical' actions which were to include an overaccommodation of Fed credit during the period to follow."

The CSBS official then suggested four things that bankers can do to help remedy the situation.

- Recognize the existence of the problem created by massive dollar accumulations at home and abroad.
- Support the Fed's attempts to exercise reasonable monetary restraint over the growth of monetary aggregates as the U.S. economy approaches full employment.
- For the longer run, lend the Fed moral support in its efforts to achieve moderation in the growth of monetary aggregates.
- Lend comparable support in the future to moderate fiscal, price and wage policies.

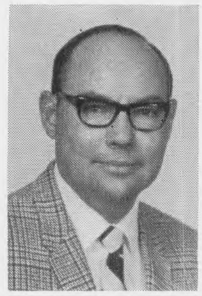
Elections

In the elections, C. Truett Smith, president, First State Bank, Wylie, advanced from association vice president to president, succeeding Mr. Stone. Gene Edwards, president, First National, Amarillo, was elected association vice president. The new association treasurer is Bookman Peters, president, City National, Bryan.

Bank Divisions

At meetings of the national and state bank divisions, the following officers were elected: State bank division—chairman, Robert A. McAllen, president, Hidalgo County Bank & Trust Company, Mercedes; vice chairman—T. J. Wallace, president, Citizens State, Slaton; and secretary—John M. Griffith Jr., president, Bank of Commerce, Fort Worth. National bank division—chairman, Paul Mason, chairman, First National, Fort Worth; vice chairman—B. Glen Jordan, president, State National, El Paso; and secretary—E. W. Williams, Jr., senior vice president, Amarillo National.

The 1974 convention will be held in Fort Worth May 5-7. • •



R. S. (Cinco) Rogers, president, Border City Bank, El Paso, Tex., and former correspondent officer at El Paso National and Citizens National, Lubbock, Tex., was killed May 1 during a robbery at the bank, Mr. Rogers, 45 at the time of his death, had been in banking since 1941, when he joined Lea County State, Hobbs, N.M. His alleged assailant has been apprehended.

Ware Brothers Die Same Day, Were With Amarillo Nat'l

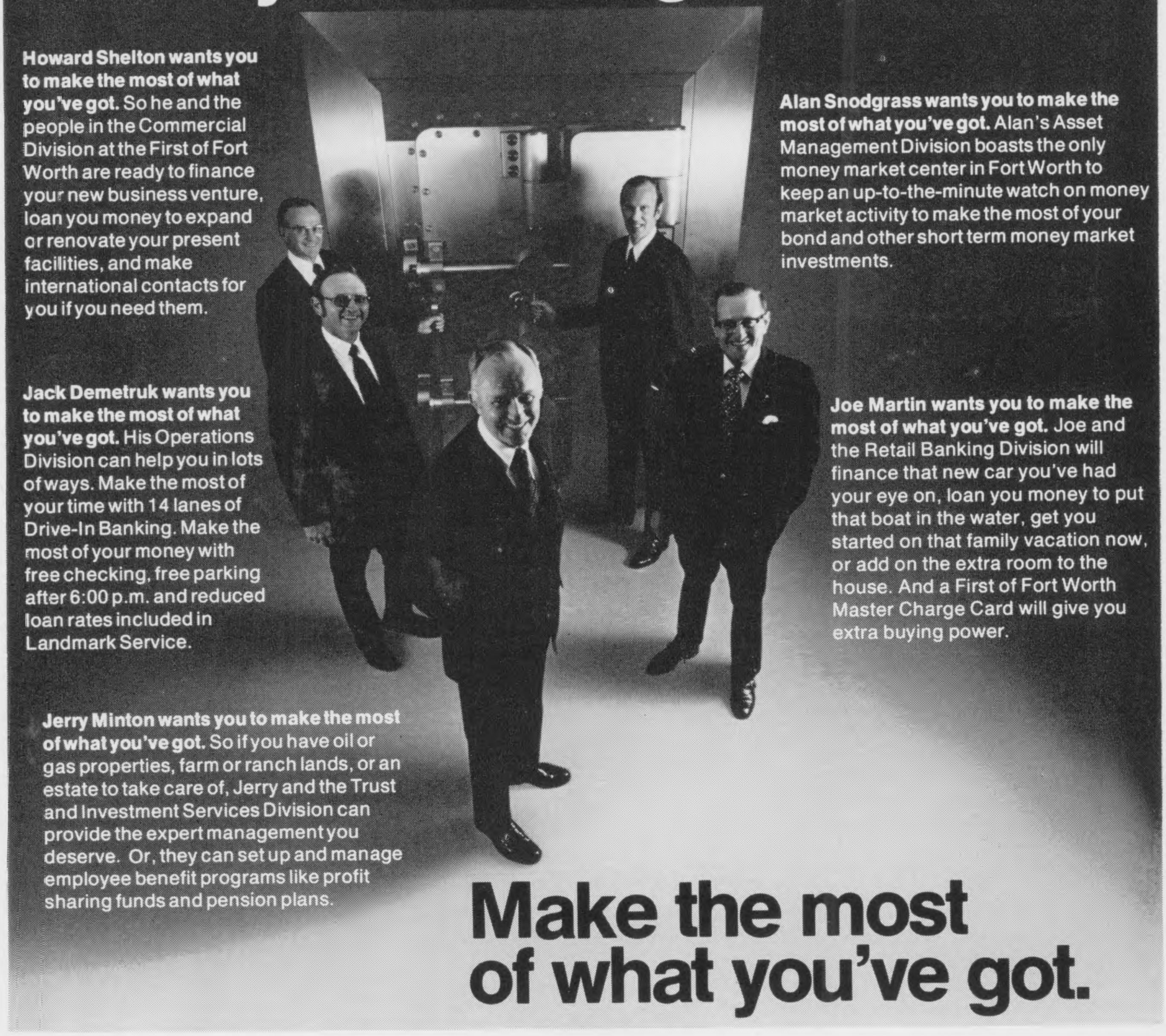
AMARILLO, TEX.—The Ware brothers—Charles T. and Richard C.—whose names had been identified with Amarillo National more than 60 years, died on Easter Sunday. Richard C., president, died in the morning at his home. His brother, who was chairman, died in mid-afternoon, also at his home. Both had been in failing health.

B. T. (Tol) Ware II, son of R. C. Ware, last month was elected president and chairman of the bank. He was senior vice president. William O. Mullins, also formerly senior vice president, moved up to vice chairman. E. W. Williams Jr. was advanced from senior vice president to executive vice president; and L. Raeburn Hamner Jr., formerly senior vice president and trust officer, now is executive vice president and senior trust officer. New senior vice presidents are T. D. Stroud, R. Wesley Savage and Cameron F. Roach, all formerly vice presidents.

Richard C. Ware II and Bill Ware were made vice presidents and elected to the bank's board. They were assistant vice presidents. Dennis Falk and Tom Warren were promoted from assistant cashiers to assistant vice presidents, and Will Bain, Doug Beaty, Mark Sims and Larry Murphy were named assistant cashiers. Mr. Murphy is assistant trust officer.

TEN PAST PRESIDENTS—Ten past presidents of the TBA were recognized at the convention. From left to right are: John M. Griffith, City Nat'l, Taylor; Darrell Henry, American Bank, Odessa; P. R. Hamill, Bay City Bank & Trust; Walter F. Johnson (behind Mr. Hamill), First Nat'l, Abilene; Thos. C. Patterson, El Paso Nat'l; John F. Geis, First Security Nat'l, Beaumont; P. B. (Jack) Garrett, Texas Bank & Trust, Dallas; Tom C. Frost Jr. (behind Mr. Garrett), Frost Nat'l, San Antonio; Oscar C. Lindemann, Texas Bank & Trust, Dallas; and Jeff Austin, First State, Frankston. S. R. (Buddy) Jones Jr., First Pasadena State, also was recognized, but was not present at the time the photograph was taken.

We've got the right combination for all your banking.



Howard Shelton wants you to make the most of what you've got. So he and the people in the Commercial Division at the First of Fort Worth are ready to finance your new business venture, loan you money to expand or renovate your present facilities, and make international contacts for you if you need them.

Alan Snodgrass wants you to make the most of what you've got. Alan's Asset Management Division boasts the only money market center in Fort Worth to keep an up-to-the-minute watch on money market activity to make the most of your bond and other short term money market investments.

Jack Demetruk wants you to make the most of what you've got. His Operations Division can help you in lots of ways. Make the most of your time with 14 lanes of Drive-In Banking. Make the most of your money with free checking, free parking after 6:00 p.m. and reduced loan rates included in Landmark Service.

Joe Martin wants you to make the most of what you've got. Joe and the Retail Banking Division will finance that new car you've had your eye on, loan you money to put that boat in the water, get you started on that family vacation now, or add on the extra room to the house. And a First of Fort Worth Master Charge Card will give you extra buying power.

Jerry Minton wants you to make the most of what you've got. So if you have oil or gas properties, farm or ranch lands, or an estate to take care of, Jerry and the Trust and Investment Services Division can provide the expert management you deserve. Or, they can set up and manage employee benefit programs like profit sharing funds and pension plans.

Make the most of what you've got.

When we say "make the most of what you've got" at First of Fort Worth, we mean a lot more than just your money. We want what you want. And that means making the most of your time, your family, your responsibilities, your business, your pleasure. 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.

Delegates Vote to Oppose Branch Banking Attempts

Harry E. Leonard thanks the association for presenting him with a diamond stick pin given in appreciation of his service. Red Ward, who made the presentation, looks on.

By LAWRENCE W. COLBERT
Assistant to the Publisher

FIFTY-YEAR CLUB—New members of the 50-Year Club receiving plaques at the convention included, l. to r.: Henry G. Toes, cash., Security Nat'l, Enid; S. W. Armstrong, pres., Vian State; Charles M. Crawford, pres., First Nat'l, Frederick; J. A. French, pres. and v. ch., First Nat'l, Sayre; and Carl H. Bender, ch., Community Nat'l, Oklahoma City.

THE STUDY of Oklahoma banking structure was the main concern at the 76th annual convention of the Oklahoma Bankers Association May 8-10.

Harry E. Leonard, OBA president and president, Bank of Elgin, stated in his message to the association that the banking industry, in order to continue its role of leadership within the financial community, is going to have to be pliable—receptive to changes—and responsive to human needs and dedicated to its calling.

Structure Study

Later in his remarks, Mr. Leonard spoke of the structure question: "Your association recently studied the Oklahoma structure question for many months. During this time many opinions were expressed—some definitely for selfish reasons, some honestly for the future of the industry, some with logical, substantial reasoning behind them, some strictly speculative assumptions.

"Then finally your board of directors ordered that a series of meetings be held for the benefit of the membership and asked the membership—after being presented with the facts, the myths, the opinions and alternatives—to respond to the board.

"After this response, the board assumed its role of leadership of this association and drew certain conclusions which it asked the membership to respond to if the board was in error. A relatively small number of the members questioned the board's conclusions, but a larger number felt the conclusions of the board should be sent to the membership for a yes or no vote with ample time for response.

"This was done and I will now give you a report of that response.

"First, the board concluded the position of the membership, and therefore the position of the association, should be to oppose any legislative effort which would permit branching in Oklahoma. This position of the board was supported by 322 banks. Thirty banks indicated a non-support position and 93 expressed no opinion.

Drive-In Facilities

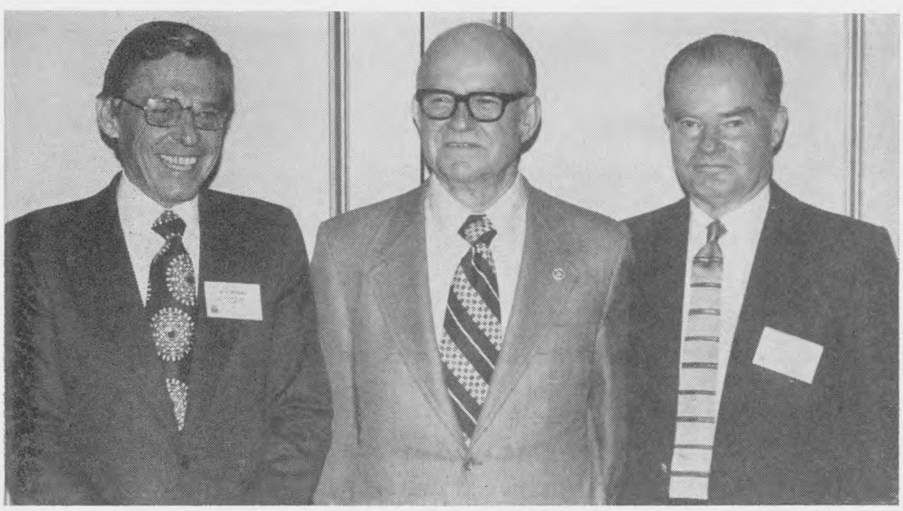
"Secondly, the board concluded the present restrictions on drive-in facilities to be too restrictive and, should the legislature consider any change, the board felt the change should not permit drive-ins beyond the city limits; that additional drive-ins should not be permitted to make loans; and that a permitted number should be restricted to one each year. This position of the board was supported by 288 banks. Thirty-one said that they were against additional drive-ins; 25 said the board position was too restrictive and 101 did not express an opinion.

Multi-Bank HCs

"Thirdly, the board concluded there were some advantages to be gained by the use of the multi-bank holding company and that its greatest drawback was a possible concentration of deposits and financial power. Therefore, the board concluded that any legislation which might be considered that would permit too much concentration of deposits should be opposed. This position was supported by 287 banks; 61 were opposed to any multi-bank holding companies; three thought the board position was too restrictive and 94 did not express an opinion.

"So where does that leave us? In each instance, the board position was supported by not only a majority of the banks which responded, but by a majority of the membership at large.

"First, the membership majority does not want branching and at this time the



NEW OBA OFFICERS: Elected pres. of the OBA was Glenn P. (Red) Ward (c.), sr. v.p., Fourth Nat'l, Tulsa. Elected v.p. was Morrison G. Tucker (r.), ch., Stock Yards Bank, Oklahoma City; and elected ch. of the board was Harry E. Leonard, pres., Bank of Elgin.

association will oppose any attempts to permit branch banking in Oklahoma. As times and conditions change, this opinion of the membership may change. If it does, and after sufficient response, the association position may change to conform to the desires of the membership. For example, let's assume the courts would hold that national banks can branch, regardless of state law. They have not yet, but if they would, I'm sure Oklahoma banks would want to reconsider their position. Let's assume Congress would repeal the McFadden Act and permit national banks to branch across state lines. I'm sure we would take another look. But at any rate, now, under present conditions, we'll oppose branch banking.

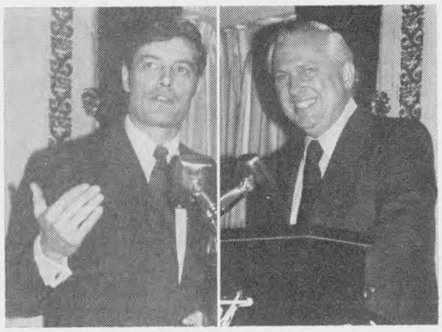
No New Legislation

"Second, concerning drive-ins, the association is not going to introduce any legislation to change the present law. In the first place it has already been introduced and secondly we are not in the legislature. However, we do intend to provide the legislature with the results of our membership communication and do all possible to see that any legislation for additional drive-ins would include limitations which do not exceed the limits directed by the membership. As to the number of additional facilities, if you have a strong feeling in this regard, contact your board of directors, so that if it becomes an issue in any pending legislation they will know your feelings and can express them. But remember, your board is committed to oppose these installations at a greater rate than one per year.

"Thirdly, multi-bank holding companies. There is little doubt but what a majority of the banks want to maintain the advantages which are derived for the industry, the community and the state from the virtues of unit banking. I know of no bank or banker that wants to give up these virtues. Such a local bank interest in the community development—some degree of local directorship, support by the bank of local and community activities, participation by the local banker in community projects, etc.—are truly the documented arguments supporting unit banking," Mr. Leonard said.

Glenn P. "Red" Ward, incoming association president and senior vice president, Fourth National, Tulsa, stated in remarks after being installed as president that he will never recommend to the board of directors a change in banking structure or recommend any other major issue that is not endorsed by the majority of OBA members.

Governor David Hall presented an optimistic view of Oklahoma's economy. "By almost every leading indicator, the year 1972 was a banner year for the state of Oklahoma with nearly all sectors of the economy showing positive gains over the preceding year.



LEFT: Congressman Philip M. Crane addresses the convention. RIGHT: Governor David Hall of Oklahoma speaks about Oklahoma's economy.

"Personal income for Oklahoma residents reached nearly one billion dollars, an increase of 12% over 1971. State sales tax collections showed a gain of 12.3% over the figure for a year ago. Manufacturing employment reached an all-time high of 140,000 at the end of 1972.

"A new all-time record was also established in Oklahoma in the construction industry with the total amount reaching more than $1.3 billion during 1972, an increase of 44% over 1971. Housing starts were up 75.2%.

Cargo Increase

"Movement of cargo along the Arkansas River Navigation Waterway showed a striking increase of 453% over 1971.

"What have been the factors in this sudden surge of growth? There have been many, but one of the chief factors is that more and more companies are discovering the quality, trainability and productivity of Oklahoma's labor force," Governor Hall stated.

Also on the program relating to Oklahoma's economy was Richard L. Terrell, executive vice president of General Motors Corp., who spoke on what kind of a neighbor General Motors will be. General Motors Corp. recently purchased a sizable amount of land south of Oklahoma City. No specific plans for the land purchased were announced.

The Regulatory View

Charles M. Van Horn, regional administrator of national banks, based in New York City, presented a scholarly regulatory perspective to a bank's performance. Mr. Van Horn's remarks will be the basis for an article that will appear in the July issue of MID-CONTINENT BANKER.

Graham W. Watt, director, Office of Revenue Sharing, U. S. Department of the Treasury, spoke on the topic of revenue sharing and pointed out that general revenue sharing is primarily a decentralization of spending power. "Control of that decentralized public spending must come—not from Congress or the Administration—but from below. The revenue sharing act will ultimately be judged by the effectiveness of local control over shared revenues, not by local and state compliance with the restrictions in the act and the regulations. The issues in revenue sharing, therefore, deal with such questions as: How representative are state and local governments? How responsive are they to minority groups in society? How much protection is afforded citizens from arbitrary expenditure decisions? How open is the decision-making to public view and criticism," Mr. Watt stated.

He outlined revenue sharing's basic objectives:

1. To relieve the urban fiscal crisis.
2. To permit reduction of regressive and frequently counter-productive burdens on state and local property taxpayers.
3. To improve the local and state decision-making process.
4. To strengthen the role and effectiveness of state and local officials.
5. To shift program decisions and accountability for results to the state and local levels of government which are closer to a true understanding of needs and priorities.
6. By decentralizing our system of government, to strengthen the processes of democracy and contribute to the achievement of a new federalism.

In the elections, Mr. Leonard was named chairman of the board and Mr. Ward moved up from president-elect to president. Morrison G. Tucker, chairman, Stockyards Bank, Oklahoma City, was named president-elect, and Ed Miller, president, Founders Bank, Oklahoma City, was named the association treasurer. Jim Earls, executive vice president and trust officer, American National, Shawnee, was elected president of the trust division.

At a meeting of the Oklahoma members of the ABA, presided over by Richard A. Wagner, state ABA vice president and senior vice president, First National, Tulsa, Hugh C. Jones, executive vice president, Bank of Woodward, and Marvin Millard, adviser to the board, National Bank of Tulsa, were elected to the ABA's governing council. Walter B. Allison, president, First National, Bartlesville, was named to the ABA nominating committee representing Oklahoma, and George W. Wallace, president, Delaware County Bank, Jay, was named alternate.

Convention registration reached the 1,025 mark. • •

Promotion and Appointment Made at Bank of New Mexico

ALBUQUERQUE—Bank of New Mexico has promoted J. W. Craig from administrative senior vice president to executive vice president and has appointed Alan K. Miller senior vice president.

Mr. Craig joined the bank in 1970 as senior vice president and—in 1971—was made administrative senior vice president and head of the banking division, a post he continues to hold. In addition, four of the bank's five other major operating divisions now report directly to Mr. Craig. These divisions are accounting and bank services, operations and branch control, marketing and business development and trust. The investment division continues to report directly to Bruce J. Pierce, president and chief executive officer. Before going to Bank of New Mexico, Mr. Craig had been with First National, Albuquerque, Union Planters National, Memphis, and the Memphis office of Dun & Bradstreet, Inc.

Mr. Miller comes from First National, Albuquerque, where he had been a senior vice president since year-end 1972. He went to First National originally in 1957 as a part-time employee while attending the University of New Mexico. Following graduation in 1959, he began work full time. In 1964 and 1965, he worked for Quinn & Co. and returned to First National in 1965.

New Mexico News

■ THOMAS N. MOBLEY JR. has been elected vice president, trust and investments, at First National of Dona Ana County, Las Cruces. He succeeded James R. Payne, who was senior vice president and trust officer in charge of the trust and investments division. Mr. Payne resigned to become vice president, Bank Securities, Inc., a New Mexico bank holding company, and chairman, Security Trust, both of Albuquerque. Mr. Payne had been with the Las Cruces bank 14 years. He is a director of Liberty National, Lovington. Mr. Mobley joined First of Dona Ana County in 1970 as assistant vice president in charge of agricultural loans, was promoted to loan division head in 1971 and elected a vice president in 1972.

■ MRS. JIMMIE CAMPBELL has been promoted to assistant cashier at First National of Clovis' Melrose Branch. She joined the bank in 1966.

■ LONNIE EARLY has been named auditor of First National of Lea County, Hobbs. He comes from First National, Midland, Tex., where he was assistant auditor.

'New Mexico Bank Week'

Governor Bruce King of New Mexico (2nd from r.) and Claude E. Leyendecker, pres., New Mexico Bankers Assn., hold the governor's proclamation of April 8-14 as "New Mexico Bank Week." At l. is Shirley Scott, a.v.p., Bank of New Mexico, Albuquerque, and Bank Week chairman. At r. is Carol Kurth, NMBA sec. and Bank Week committee member. Mr. Leyendecker is pres., Mimbres Valley Bank, Deming. Governor King officially proclaimed the week in April as "New Mexico Bank Week" as part of a state-wide observance recognizing the contributions banks and their staffs make to each community in the state. This second annual observance included a series of special events in the participating 71 banks to acquaint New Mexicans with the various roles banks play in their respective communities. The banks invited customers and friends to meet their officers and employees to see how banks operate.

Medium Rare—With Water

ROSWELL—There was some extra excitement at Security National's recent annual stockholders' dinner at the Roswell Country Club. Cooks had so many steaks on the grill at the same time that the temperature rose high enough to activate the sprinkling system. As a result, the steaks were "watered down."

The dinner was delayed slightly, but everyone took the incident in stride. As one bank officer said, "You try to plan for every contingency, but. . . ."

■ FIRST NATIONAL of Rio Arriba, Espanola, has announced these promotions: Jim Bailey, from assistant cashier to assistant vice president, Main Office; Wayne McKinley, from assistant cashier to assistant vice president, Chama Branch; Rudy Roybal and Martha Archuleta, to assistant cashiers, Main Office; and Tony Martinez, to assistant manager, Dulce Branch.

■ SECURITY BANK, Ruidoso, is erecting a new facility that will offer drive-in and walk-in services. In addition, the bank appointed Frank Sayner vice president and advisory director. He has been with other branches in the Security chain in Corralis, Cuba and Alamogordo.

■ BANK OF NEW MEXICO, Albuquerque, has opened a new neighborhood banking office at Montgomery and Julie NE. D. M. Greengrass, assistant cashier, is its manager. A "Bank Anytime" teller is a service at the facility. This electronic device allows bank customers to obtain most banking services anytime day or night, seven days a week.

■ WILLIAM B. OLIVER, assistant vice president, Bank of New Mexico, Albuquerque, has been named manager of the bank's Kirtland Air Force Base East Office—formerly Sandia Base. He was assistant manager and succeeded William T. Greenhalgh, senior vice president, who retired. Both men are retired Navy captains.

■ FIRST NATIONAL, Santa Fe, has elected two new directors—Norris E. Bradbury and William C. Brock. Mr. Bradbury was consultant to the Los Alamos Scientific Laboratory and its director from 1945-70. He also was regent, University of New Mexico, 1968-70. He now is president of the advisory board of the Los Alamos Medical Center. Mr. Brock is manager and vice president, Houston Lumber Co., Santa Fe.

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Kansas Convention Report

New Constitution Adopted; Duwe Endorsed for ABA

By LAWRENCE W. COLBERT
Assistant to the Publisher

MAJOR changes in the constitution of the Kansas Bankers Association were adopted at the 86th annual convention of the KBA May 10-12.

The changes primarily had to do with representation on the governing council, formerly called the executive council, and the manner of nominating and electing association officers.

Six geographical regions have replaced the former six KBA groups in the association framework, with a realignment of counties within their regions in order to get a more equal number of banks per region and a more balanced representation on the governing council.

The new governing council will be smaller, comprised of 18 regional representatives, three each from the six regions; six for one-year terms appointed by the president; four officers of the association, namely the chairman of the governing council, the KBA president, the KBA president-elect and the treasurer; the president of the trust division; and the three most recent active presidents—a total of 32 voting members.

Nonvoting members of the council will include active Kansas bankers who are former presidents more than four years back; also elected representatives of associated organizations whom the president may appoint as nonvoting members.

A board of directors will be new, replacing the former advisory committee, and it will be comprised of the chairman of the governing council (the outgoing president), the president, president-elect, treasurer, six regional vice presidents and three appointed by the president from among other members of the governing council—for a total of 13 members.

The former vice president, who normally succeeds to the presidency, will now be designated president-elect, and will succeed to the presidency. The treasurer will be elected by the membership, whereas in the past he has been selected by the executive council. The executive vice president will be selected by the board of directors.

Election of the president-elect and treasurer will be by written ballot, starting in 1974, and the six regions will have opportunities to nominate candidates—thus invoking more democratic procedures in the nomination and election process.

The proposed changes in KBA structure were worked out by a KBA organization task force working the past year under the direction of Chairman Art Collins, chairman of Hutchinson National; and Vice Chairman W. A. Smiley, president, First National, Norton.

The task force, organized into six separate study committees, was a major project invoked by J. Rex Duwe when he took over as president of the KBA in May, 1972. The study committees reviewed all activities of the association, made suggestions and recommendations toward "making the KBA more responsive to its members," in the words of Mr. Duwe when he charged the task force with its opportunities.

CONGRATULATORY TELEGRAM—John Strube (r.) presents giant-sized telegram to Henry G. Blanchard (c.) upon his election as KBA pres. The telegram is signed by the directors, officers and employees of Commercial Nat'l, Kansas City, where Mr. Blanchard is ch. Looking on is J. Rex Duwe, retiring KBA pres.

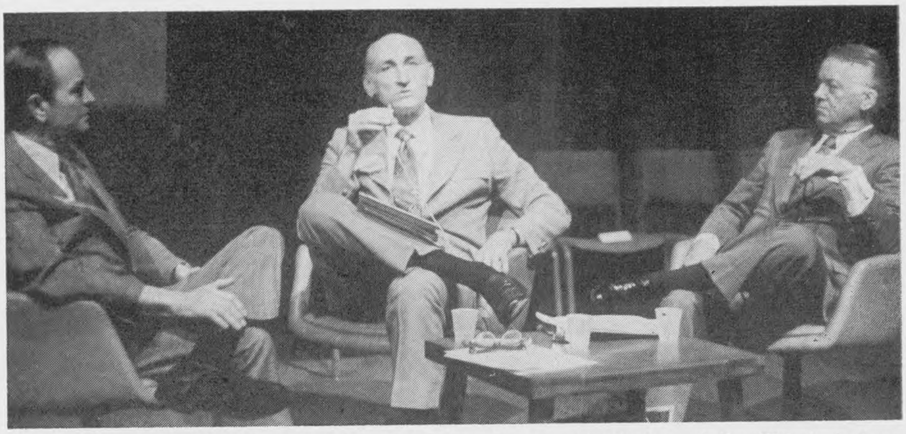
The separate study committees worked in the areas of:

1. KBA governmental structure and elections;
2. KBA finance and operations;
3. KBA membership intercommunications;
4. KBA insurance functions;
5. Legislative relations; and
6. KBA state-wide advertising and bank image.

"The competitive climate for banking is challenging!" was the topic of a talk by Rex J. Morthland, ABA president-elect, and chairman, Peoples Bank, Selma, Ala. A synopsis of Mr. Morthland's remarks appears on page 30 of this issue.

Senator Robert Dole spoke to the convention on tax reform legislation. He indicated that there should be five basic factors considered in seeking tax reform. "We must seek fairness. This means that our progressive rate should really be progressive and that persons with the same amount of income, similarly situated, should be required to pay the same amount of tax. Simplicity also must be an objective. Our laws and forms have to be sufficiently simple so that virtually all taxpayers can understand and honestly comply with our self-assessment system. Another goal is neutrality. The tax laws should have the least possible influence on our personal and business decisions. Tax laws

NEW KBA OFFICERS—Henry G. Blanchard (c.), ch., Commercial Nat'l, Kansas City, was elected KBA president, succeeding J. Rex Duwe (l.), pres., Farmers State, Lucas. Other officers elected include Robert H. Jennison (2nd from r.), pres., First State, Healy, who was named pres.-elect; and Fred L. Fair (2nd from l.), pres., Alden State, who was named treas. At right is Carl A. Bowman, who was re-elected KBA exec. v.p.



KBA TASK FORCE ON ORGANIZATION—Discussing the recommendations of the KBA task force on organization before the convention are A. J. Collins (l.), ch., Hutchinson Nat'l, the group's ch.; J. Rex Duwe (c.), KBA pres.; and W. A. Smiley, v. ch. of the task force, and pres., First Nat'l, Norton. A group discussion and slide presentation were conducted by these three gentlemen.

FIFTY-YEAR CLUB INDUCTEES—New members of the 50-Year Club included (l. to r.) R. B. Hess, First Nat'l, Scott City; Frank P. Abernathy, Brotherhood State, Kansas City; W. F. Kennedy, First Nat'l, Frankfort; Mrs. Thekla Wait, Benton State; W. Earl Schifferdecker, Girard Nat'l; Charles J. Stapf, Abilene Nat'l; M. F. Mack, Farmers State, Sabetha. Not present at the time the photograph was taken were W. B. Glenn, Union Nat'l, Manhattan, and Howard Taylor, First State, White Cloud.

also must be relevant, responsive and justified. These provisions must be reexamined and periodically rejustified publicly. Similarly, we must bear in mind that our current revenue needs make broad tax reductions impossible. In fact, seeking an increase in our tax yield as a result of these reforms concurrently with our effort to reduce federal spending would seem to be appropriate at this time.

"Finally, I think we should be mindful in the course of making any changes in our present tax laws that we must use a scalpel rather than a butcher's cleaver in cutting out any provisions found to be no longer necessary, so we do not find ourselves in the position of chopping away a part of our tax laws which have fostered the strong economy and unparalleled standard of living we all enjoy today," Senator Dole concluded.

A highlight of the convention was the endorsement of J. Rex Duwe for the office of ABA president-elect in 1974. Although the KBA executive council had officially endorsed him some months ago, Henry G. Blanchard was overwhelmingly applauded when he lauded Mr. Duwe for his service to the KBA and predicted that he would give the ABA similar leadership.

In an excellent address to the membership, Mr. Duwe suggested that the banking industry advance its own legislative package based on the best features of the Hunt Commission Report:

"It occurs to me that the positive legislative approach successful in Kansas this year might be given a try at the national level. This implies no criticism of any of our national bankers' organizations, as it is much more difficult to determine the common denominators in banking thinking and then to mobilize them nationwide than it is in a single state. However, our exclusive franchise for checking accounts—a franchise for which we pay a high price in terms of taxation, reserve requirements, supervisory burden and rate handicaps in competing for the savings dollar—is being eroded by agency fiat and piecemeal legislation such as that permitting or refusing to bar NOW accounts (negotiable orders of withdrawal) for mutual savings banks in New England. These accounts, in effect, provide payment of interest on checking accounts and will spread to other areas and other types of so-called thrift institutions unless stopped in the Congress. Perhaps it is time to take another look at the Hunt Commission Report with a view toward the banking industry advancing its own legislative package based on the best features of the report, some of which would at least require thrift institutions to pay the same price we do if they want to operate like banks. In the absence of such an approach, there appears to be little to prevent the further and continuing erosion of those desirable differences between banks and thrift institutions, except continual rear-guard defensive battles," Mr. Duwe stated.

In the elections, Henry G. Blanchard, chairman, Commercial National, Kansas City, was advanced from association vice president to president; and Robert H. Jennison, president, First State, Healy, was named president-elect (new title under constitutional changes); and Fred L. Fair, president, Alden State, was named association treasurer.

In a meeting of the American Bankers Association members from Kansas, Robert A. Brown, president, Home National, Arkansas City, was elected to the ABA governing council. L. W. Stolzer, president, Union National, Manhattan, was named to the ABA nominating committee representing Kansas, and John E. Jarvis, president, First National, Winfield, was named alternate.

MBA officers for 1973-74 are (from l.) C. W. Risley Sr., pres., Excelsior Trust, Excelsior Springs—Assn. v.p.; James E. Cline, pres., Citizens State, Maryville—assn. pres.; and Richard J. Pfleging, pres., Bank of St. Ann—assn. treas.

Missouri Convention Report

Challenge of Change Aired, 'New Look' Graces Program

By JIM FABIAN
Associate Editor

CHANGE WAS evident throughout the 83rd annual convention of the Missouri Bankers Association, held last month at the Hotel Muehlebach in Kansas City.

The 1,200 bankers and spouses attending were greeted by a dazzling setting that utilized three merging screens to backdrop the podium. Throughout the meeting, colorful visuals were projected to emphasize points and introduce speakers in a refreshing and eye-catching manner.

Theme of the meeting was "Meeting the Challenge of Change!" This challenge flavored almost all convention presentations, from the president's message through the concluding economic panel.

Convention Chairman Fred N. Coulson Jr., senior vice president, Commerce Bank, Kansas City, kept things moving briskly, with no little help from three of his friends—lovely models who wore banners bearing the theme of the meeting.

Outgoing MBA President Ben A. Parnell Jr., president, Peoples Bank, Branson, traced the seeds of change that were sown during the 1950s and 1960s. During the past 20 years, he said, the ratio of loans to deposits has changed from 30% to around 65% and the ratio of time to savings deposits has changed from 10% to well over 50%.

Mr. Parnell called attention to other types of change that are affecting the banking industry. He said that today's customers are demanding more convenience from banks. They demand faster service, longer hours, higher quality and reasonable prices. "Certainly, few of us consider our bank a department store, but if this is what the customer wants, then maybe we had better be prepared to give it to him," he said.

He said that the growth in competition in the last 20 years has been frightening. While bank assets have increased 350%, assets of S&Ls and credit unions have jumped more than 1,000%. "In a nutshell," he said, "competition has been more farsighted and more aggressive" than we have been.

Casting his eye to the future, Mr. Parnell predicted that S&Ls will soon be making Title One FHA loans, appliance loans, college loans and even auto loans. He called on the banking industry to become much more consumer-oriented. "We're going to have to become the one-stop financial center for the consumer," he said.

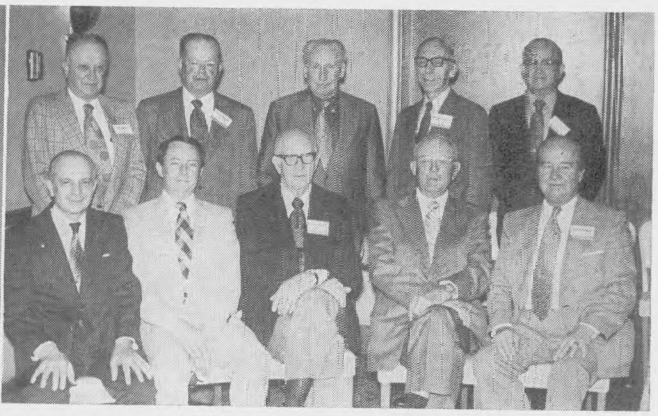
He said the future holds a further increase in the ratio of interest-bearing deposits to total deposits, that banks will offer a greater variety of financial services, that hours will be extended, that a workable system for the electronic transfer of funds will be found, that banks will utilize women employees more effectively.

Executive Vice President Felix Le Grand reported that 664 of the state's 680 banks are MBA members and that some 7,500 bankers attended MBA functions during the past year. He announced a salary survey to be mailed by June 1, with results available in September. He said the MBA advertising program has been halted, due primarily to the folding of *Life* magazine, which was the principal publication used.

ABA Executive Vice President Willis Alexander discussed change and how bankers should react to it. A basic criterion of change is determining if it is

First annual meeting of Missouri graduates of School of Banking of South was held during MBA convention. Standing, from l., are William R. Mills, pres., Missouri State, Sedalia; Curtis LaFollette, exec. v.p., Trenton Trust; Pat Lea, pres., First Nat'l, Sikeston; William G. Malan, v.p. and tr. off., First Nat'l, Pierce City; Warren Druschky, exec. v.p., Webster Groves Trust; Lonnie L. Kinchen, pres., Bank of Kennett; Oma T. Tiller, exec. v.p., Midland Bank, Lee's Summit; Keith Lindsey, v.p. and cash., Blue Springs Bank. Seated: Joe O'Brien, Chrisman-Sawyer Bank, Independence; Thomas Lofgren, v.p., Manchester Bank, St. Louis; Elmer H. Austermann Jr., a.v.p., Mercantile Trust, St. Louis.

Participants on "Meeting the Challenge of Change" panel included (standing, from l.) Fred N. Coulson Jr., sr. v.p., Commerce Bank, Kansas City—moderator; C. L. William Haw, exec. v.p., Commerce Bank, Kansas City; Donald Wehrmann, sr. v.p., Mercantile Trust, St. Louis; Byron Thompson, exec. v.p., United Missouri Bank, Kansas City; Frank K. Spinner, sr. v.p., First Nat'l, St. Louis. Seated: John M. Brennan, sr. v.p., Boatmen's Nat'l, St. Louis; Barbara Pendleton, v.p., Grand Avenue Bank, Kansas City; John M. Ericsson, a.v.p., First Nat'l, Kansas City.



New members of MBA 50-Year Club attended luncheon during convention. Seated, from l.: Sam Travalent, Kansas City; Ben Courrier, St. Louis; Peter Lumpe, Warsaw; Jesse L. McCreery, Higginsville; Harold Kuhlman, St. Louis. Standing: Albert L. Juette, Palmyra; A. F. Berger, Owensville; W. Ralph Warner, Kansas City; W. M. C. Dawson, Grant City; O. A. Ingram, Kansas City. Mr. Courrier, coml. banking off., First Nat'l, St. Louis, is new club sec., succeeding Mr. Kuhlman, who retired from banking May 30. New club officers include Mr. McCreery, pres., and John Rogers, v.p.

in the public interest. Bankers must be sure their actions are not dictated by their wishes, ignoring those of the public. He said the public was not clamoring for changes in banking. What the public wants, he said, is more convenience in hours, location, etc.

Mr. Alexander called on the bankers to exert more leadership in their communities. Bankers should strive to serve the public well—and to make a profit doing so, he said.

Seven prominent Missouri bankers participated in a "Challenge of Change" panel. They were D. B. Wehrmann, senior vice president, Mercantile Trust, St. Louis—building contractors; Frank K. Spinner, senior vice president, First National, St. Louis—general economic outlook; C. L. William Haw, executive vice president, Commerce Bank, Kansas City—grain and milling; Byron Thompson, executive vice president, United Missouri Bank, Kansas City—municipal bonds; John M. Brennan, senior vice president, Boatmen's National, St. Louis—business loans; Barbara Pendleton, vice president, Grand Avenue Bank, Kansas City—women in banking; and John M. Ericsson, assistant vice president, First National, Kansas City—international financing.

Mr. Wehrmann predicted an eight-month period of inactivity on the part of building contractors due to extreme weather conditions. He said housing starts will be off slightly, but demand for building materials will remain good. Commercial building will be strong throughout 1973 and 1974.

Mr. Spinner predicted that the economic boom would continue into 1974, that inventories are holding to 1.4% of sales (the lowest ratio in 22 years),

TOP—Typifying "change" at MBA convention are models wearing banners bearing theme of meeting. Conv. Ch. Fred N. Coulson Jr., sr. v.p., Commerce Bank, Kansas City, appears to be enjoying the change! MIDDLE—Outgoing MBA pres. Ben A. Parnell Jr. (l.), pres., Peoples Bank, Branson, chats with Mo. Bank Commissioner William Kostman (c.) and Conv. Ch. Coulson. BOTTOM—Harold McPheeters (l.), Pension Consultants, MBA, and Robert E. Mickey (r.), pres., Farmers & Commercial, Holden, greet speaker Willis Alexander (c.), ABA exec. v.p.

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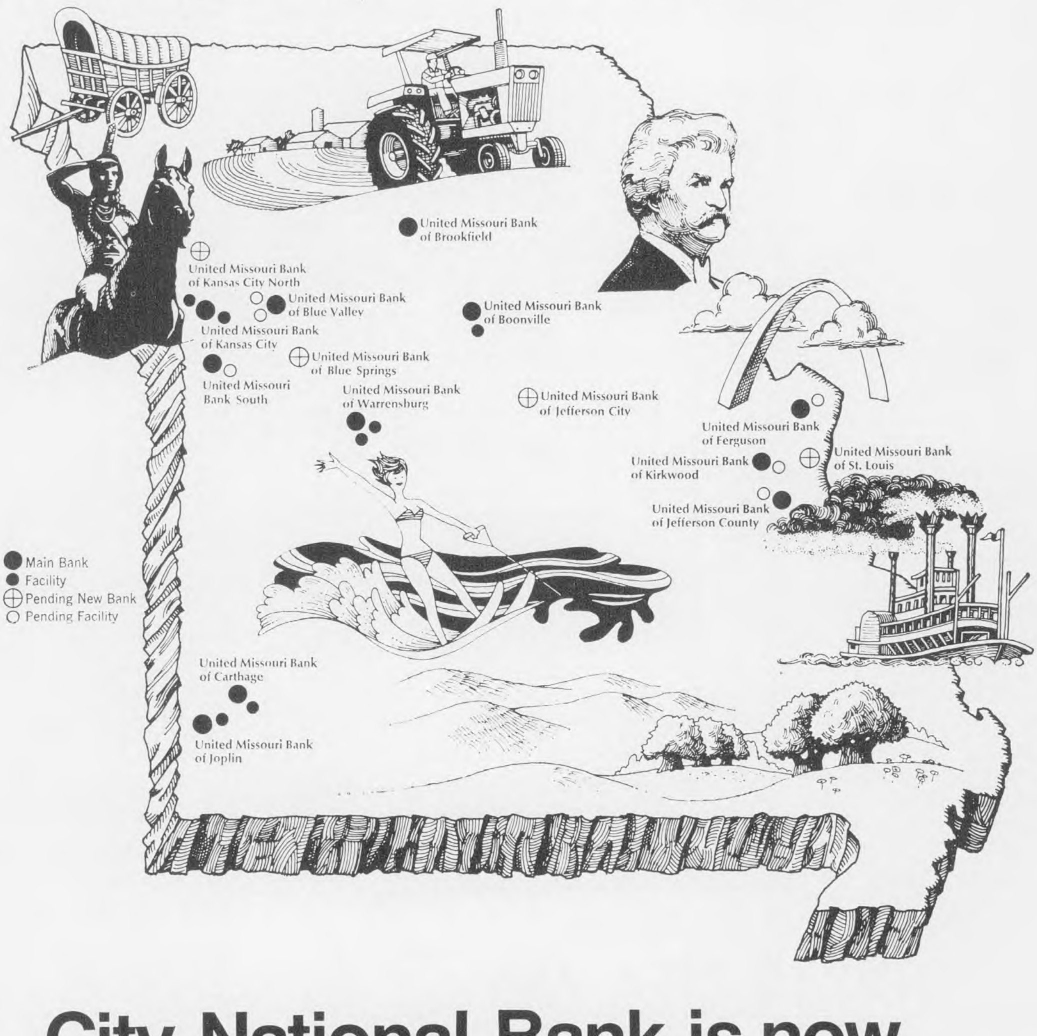

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Member F.D.I.C.

that municipal spending is at record levels. He said the Fed would not permit a crunch but that periodic currency crises will continue. He said inflation will be at the 5-7% level and that interest rates will stay high. He predicted a recession every 3-4 years throughout the decade.

Mr. Haw said high prices have affected the demand for loans in the grain and milling area and that there has been a radical decline in government loans on commodities and government ownership of commodities.

Mr. Thompson said the supply of tax-free municipals will dwindle and the supply of subsidized bonds will increase; that higher rates on shorts and longs are coming; and that the "Memphis scene" has spread to other states, making it more imperative that banks make sure they are dealing with reputable bond houses.

Mr. Brennan said longer maturities on business loans are now the norm—extending up to 10 years. Some loans aren't amortized, he said, but such practices should not be on an indiscriminate basis.

Miss Pendleton called on bankers not to overlook the potential of the women on their staffs. They are often quite experienced and know how to handle customers diplomatically, she said. Miss Pendleton is national president of the National Association of Bank-Women Inc.

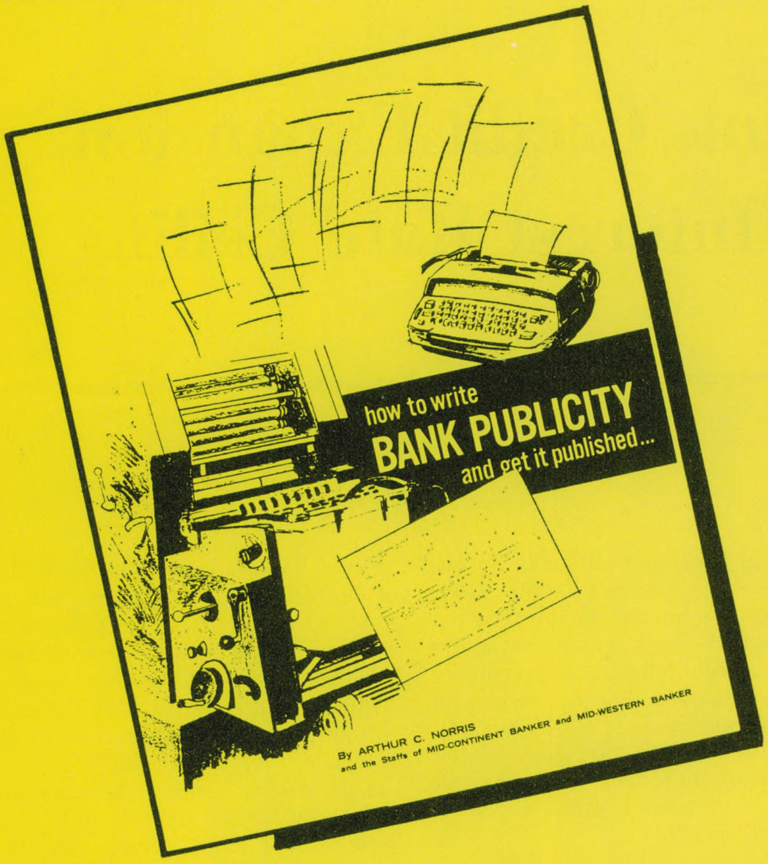
Mr. Ericsson said that banks should realize that their customers will be getting more involved in international trade as time goes on and they will be demanding international financing services. If banks don't provide these services, he said, they will not only lose potential international business, but their existing domestic business, as customers want to do all their banking with the bank that can provide all the services they need.

A highlight of the convention was an address by Hugh Sidey, correspondent for Time, Inc. His topic was "Presidents and Power," and he presented candid views of each of the four presidents he has worked with, from Eisenhower to Nixon.

Elections. Elected to lead the MBA for the coming year were James E. Cline, president, Citizens State, Maryville—president; C. W. Risley Sr., president, Excelsior Trust, Excelsior Springs—vice president; and Richard J. Pflleging, president, Bank of St. Ann—treasurer.

During the ABA meeting, Larry E. Lumpe, president, Commerce Bank, St. Louis, was elected to the ABA executive council for a two-year term. Ben A. Parnell Jr., president, Peoples Bank, Branson, and Ralph A. Eckels Jr., chairman and president, Exchange Bank, Kahoka, were elected member and alternate member, respectively, to the ABA nominating committee. • •

• Index to Advertisers •



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Bibliography . . . We give you the names, titles and publishers of various books on publicity and public relations as recommended by a number of professors of journalism.

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Fed Curbs Bank Credit Expansion, Removes CD Interest Rate Ceiling

IN AN ATTEMPT to curb bank credit expansion, the Fed made a series of moves that are likely to result in higher interest costs to business borrowers. The action was taken May 16.

Among the complex changes made by the Fed were the following:

- Suspension of the ceilings on interest rates that banks may pay on CDs of $100,000 or more that mature in 90 days or more.
- Imposition of a supplement reserve requirement on further increases in outstanding CDs of $100,000 or more.
- Reduction to 8% from 20% of the reserve requirement on certain foreign borrowings of U. S. banks, primarily Eurodollars.
- Proposition of a regulatory amendment that would apply reserve requirements for the first time to funds raised by banks through the sale of so-called finance bills.

The Fed said that the actions "were taken against the background of an unusually strong expansion in bank credit, stimulated to a considerable extent by increased business spending for capital investment and inventory accumulation. The actions will help the present policy of monetary restraint to moderate this expansion."

According to the Fed, recent growth in bank credit to big corporations has been financed "in large part by increases in the issuance of money-market type instruments of the kinds covered" by the May 16 action.

Higher Costs Expected

The moves are expected to result in higher costs to business borrowers because banks will be paying higher interest rates on large CDs used to raise funds and because the higher reserve requirements on the increase in CDs will tend to tighten the supply of lendable funds.

The Fed has urged all banks "to observe the spirit, as well as the letter, of the board's actions in a concerted effort to curb bank credit expansion and to moderate inflationary pressures." Non-Fed member banks were also urged to cooperate.

Going along with the spirit of the Fed's action, the FDIC suspended all ceilings on interest rates on large-denomination CDs.

Requirements Raised

The Fed raised the reserve requirement on large-denomination CDs to 8% from the former 5%. The requirement applies to any further increases in a bank's total of large CDs and of bank-related commercial paper. This means that, if a bank increases its total of such instruments $5 million, it will have to set aside $400,000 of the new money in its vaults, where it won't be available for lending. Former requirements would have amounted to only $250,000. The new requirement, however, does not apply to banks that have less than $10 million of these obligations outstanding.

The reduction in the reserve requirement on Eurodollars brings that rate in line with the requirement on large CDs and bank-related commercial paper. Last fall, the Fed had proposed reducing its Eurodollar reserve level to 10% from 20%, but hadn't yet taken that step. The 20% requirement is thought to have hindered banks from using Eurodollars as a source of lendable funds.

Until last month, a portion of a bank's Eurodollar borrowings hadn't been subject to any reserve requirement. The Fed plans to gradually phase out these "reserve-free bases" so that all borrowings will become subject to the new 8% reserve requirement. The phase-out is expected to be completed by next March.

Most bankers agree that some form of tightening was necessary, but said they were not sure if the Fed's package was the best way to go about it—or if the action would be effective enough.

All agreed, however, that the moves would push short-term interest rates higher.

One banker termed the package a "moderate further tightening in money policy." The Fed "actually needed to do more and will have to do even more than this," he added, if it hopes to keep the nation's money supply under control. "Hopefully, the package could be a signal that there's more to come," he commented.

Bankers Approve Action

A spokesman for United California Bank said he welcomed the move. "At this stage, the Fed must continue its tight money policy. It must show it means business."

In finding fault with individual parts of the Fed's package, bankers said the proposal to place reserve requirements on finance bills was a "real disappointment."

One banker said that the market for finance bills was struggling to get under way and the Fed action will kill it. This banker said finance bills offer banks the best means available to compete with commercial paper.

The use of finance bills began in the 1969-70 credit crunch, but only began to gather steam this year. There is an estimated $1 billion of the bills outstanding at the present time.

"I'm afraid the various moves will give the competitive edge to the commercial paper market," the banker said, "thereby taking much of the credit-making processes away from the banking system and thus outside the control of the Fed. That's the very thing they shouldn't do," he said. • •


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