

MID-CONTINENT BANKER

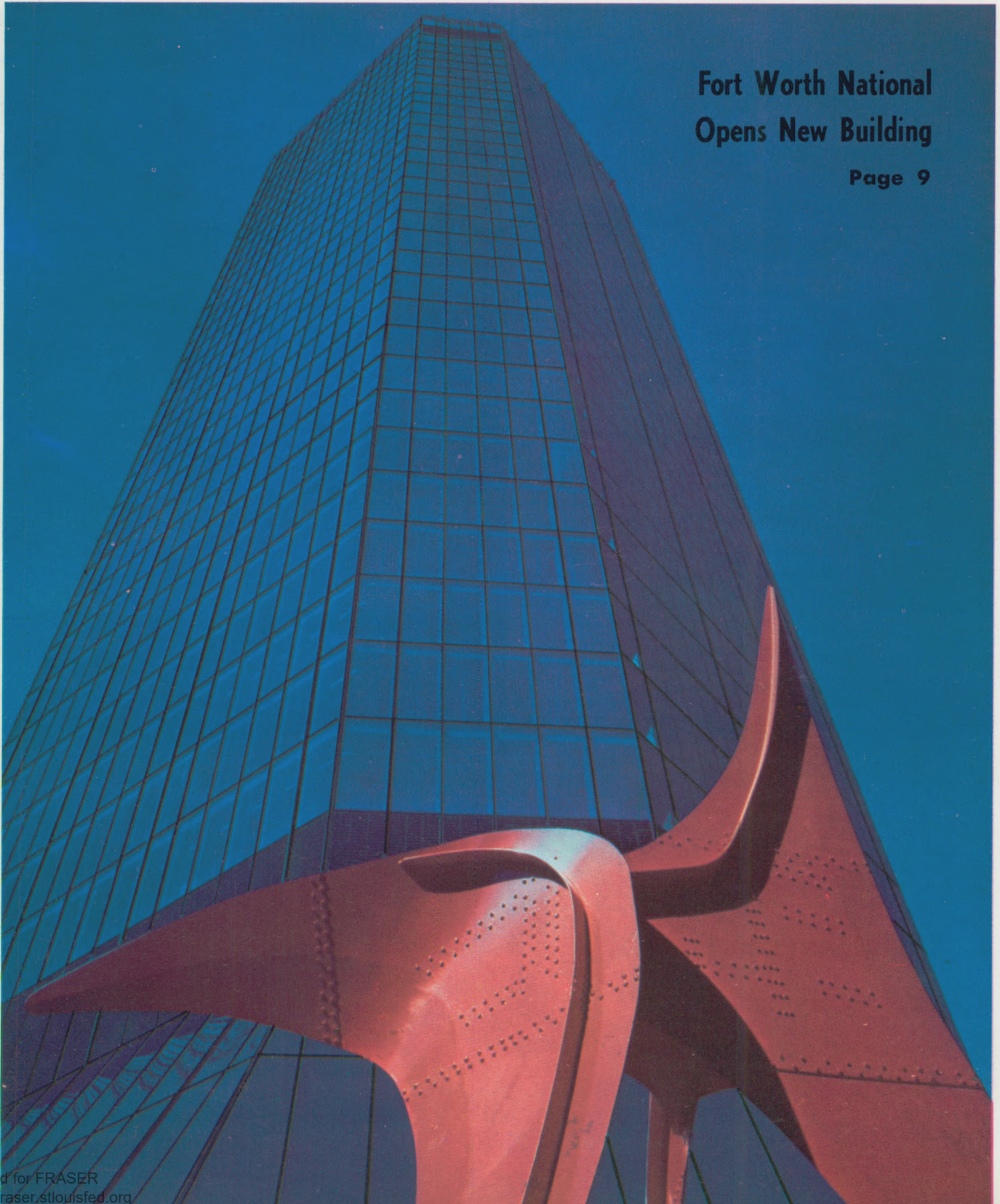
The Financial Magazine of the Mississippi Valley & Southwest

INVESTMENT AND OPERATIONS ISSUE

APRIL, 1974

**Fort Worth National
Opens New Building**

Page 9





How is it possible to locate, hire, hold and retain vital young employees?

by W. K. Bonds
Executive Vice President
Trust Department

Bright young people today seek career opportunities with certain specific benefits, fringe persuaders like Pension Plans and Profit Sharing. Intangibles of the moment that offer economic stability and job security while advancing to positions in management. Consider this example. Perhaps you have talked to an exceptionally able young person, admirably suited to work up to management responsibility. But that fine prospect has refused a job — because his chances for advancement are

hampered. In his advancement path he sees present employees who've out-lived their usefulness but cannot be retired because of a non-existent or inadequate pension plan.

Profit Sharing, on the other hand, offers continuing appeal. The prospect of sharing in the fruits of their efforts — meaningfully — can be more persuasive than many other factors in the hiring and holding of the right kind of people. The profit share that can result from doing a good job is a

constant stimulus.

Prospective employees look, of course, to other benefits like Accident and Health Insurance, Group Life Insurance, Vacation Plans, and more. The Liberty National Bank & Trust Company of Oklahoma City can help you put your personal plans in proper perspective.

Contact Liberty's Correspondent Division for the advice you need to start you on the right track to hiring and holding the people you need . . . now and in the future.



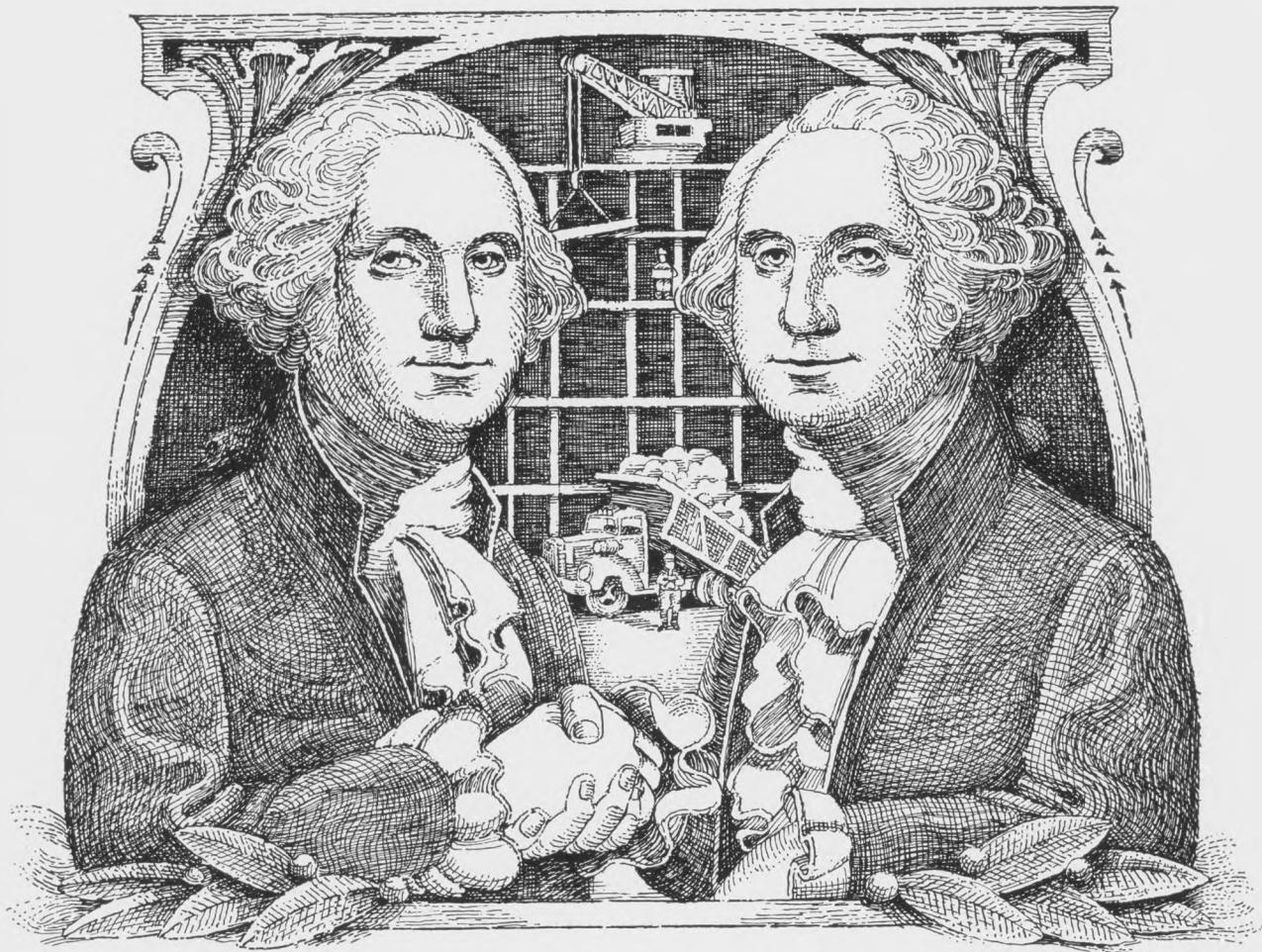
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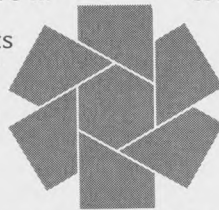
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**CORRESPONDENT DIVISION
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The Banking Scene

By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

The Outlook for Interest-Rate Controls

EDITOR'S NOTE: In the following discussion of Regulation Q, Dr. Davids is not taking a stand for or against removal of the regulation. He merely wants to give his readers a complete view of it, including an historical background. As he says in the conclusion, he also hopes the article will cause bankers to think about what they would do should Regulation Q's removal become a reality.

* * *

WITH a number of interest rates declining from high levels in the crunch periods of 1973, this is an opportune time to give some non-emotional evaluation of the political and economic forces that are at work in the area of interest-rate ceilings on time and savings and, yes, demand deposits.

Some historical background information in this area may help set the stage for the conclusions. Up until the 1930s, in the United States it was permissible to pay interest on demand-deposit accounts, and a number of commercial banks did just that. Banks in other nations are permitted to pay interest on demand deposits. However, the data show that the interest rates paid actually tended to decline as one views the trend of the 1920s decade. Thus, many economists view with skepticism bankers' contention that it was the excessive interest rates paid by banks that were responsible for many bank failures in the late 1920s and early 1930s.

However, it was this contention and the political forces at work then that led to implementation of what has been called "Regulation Q." Actually, it is only Federal Reserve Bank members that are subject to Regulation Q. The bulk of banks in the nation are subject to similar regulations by the Federal

Deposit Insurance Corp. In the 1930s and 1940s, the equivalent of Regulation Q did not serve as an effective ceiling simply because many commercial banks were not paying any interest on savings accounts. They had excessive reserves, and those banks that were paying interest paid substantially lower than Q. Often, they even restricted the amount of deposits they would accept at those lower rates. As a matter of fact, up until the early 1960s, many midwestern banks still did not pay any interest on savings accounts.

Growth of S&Ls

Looking backward with historical perspective, one may conjecture that it was this attitude on the part of commercial bankers that helped encourage the spectacular growth of S&Ls. The latter were not subject to interest-rate ceilings on passbook savings and aggressively solicited funds, which moved into the real estate-home financing sector rather than into commercial banks. This growth continued almost without interruption until economic conditions in 1963, 1964 and 1966 resulted in the banks' Regulation Q ceilings being reached. Pressures on bank monetary regulators to lift the ceiling in part provided the escape valve, and the FRB and FDIC raised the ceilings in those years. During these years, an interesting change in attitude started to emerge among the bigger banks. This was the desire to move more into retail banking and thus more aggressively compete for savings accounts, whether from S&Ls or mutual savings banks.

The climax came in the summer of 1966, when commercial banks were competing aggressively for time and demand deposits. However, S&Ls—al-

though not regulated by interest-rate ceilings—were not able to meet the competition simply because most of their assets were in mortgages that were relatively low yielding compared to current interest-rate patterns then emerging as a result of inflationary forces at work. This resulted in a significant disintermediation of funds from S&Ls and mutuals and the movement of these funds into market instruments, including U. S. Treasury bills, and helped precipitate the mortgage crisis. This, in turn, stimulated political proposals, and a radical shift in the attitude of S&L executives occurred. Whereas in the past they had been vehemently opposed to interest-rate ceilings, they now swung in the other direction. They sought and obtained a political compromise, which lowered the rate of interest that could be legally paid on small-denomination bank CDs. Pragmatically, this was a recognition that corporate treasurers had (1) more financial sophistication and (2) had more access to money-market instruments than the personal saver.

A 'Temporary' Measure

Later in 1966 there was passed what was considered a temporary measure of one year authorizing the Federal Reserve and the FDIC to control ceilings on interest rates on savings and time deposits.

Now, some eight years later, it is interesting to observe that the "temporary" measures have been renewed each year. Related to this should be the observation of a number of bankers that even small savers are aware of other alternative investment opportunities, not only of financial intermediaries such as credit unions, but also Treasury bills and small-denomination open-market instruments issued by reputable fi-

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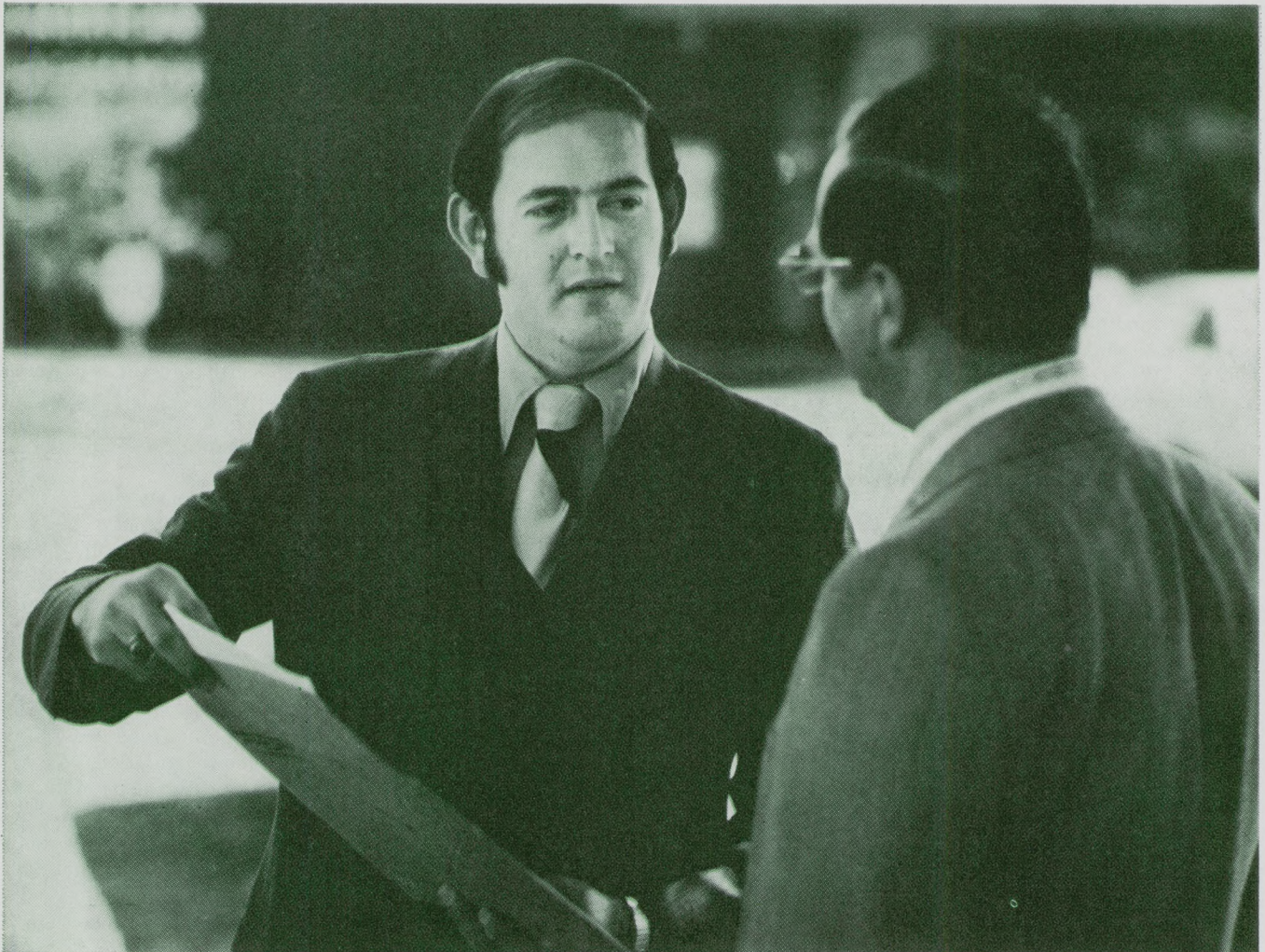
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nance organizations. Some more affluent savers purchased commercial paper and transferred time deposits into the Eurodollar market.

Interestingly enough, this led the U. S. Treasury to raise the minimum size of Treasury bills from \$1,000 to \$10,000 in an attempt to thwart the workings of the marketplace. In a similar context, some of the more aggressive banks that tried to issue small-denomination CDs at high interest rates or small-denomination debentures were rejected in their attempts by federal regulatory bodies. At the same time, there were a number of peripheral developments that seemed remote from the immediate problem, but indirectly take on an important bearing on this topic. One was the spread of the ubiquitous credit card and with that the extension of overdraft privileges that could be tied to the credit card. This, in turn, stimulated S&Ls and mutuals to attempt to counteract this marketing innovation. They, in turn, have expended considerable efforts in developing competitive tools, including credit cards that have online computer potential.

In the Northeast, mutuals have developed what have been designated as NOW accounts (Negotiable Orders of Withdrawal). While they may be called a "negotiable order of withdrawal" against a *time* deposit, they are almost indistinguishable from a regular commercial bank's checking account. These NOW accounts have been phenomenally well received in the states in which they are legally permitted, so much so that bank regulators under considerable pressure have restricted the states in which they may be offered. However, while this type of restriction was being imposed, other financial intermediaries, S&Ls and credit unions, also have aggressively moved into the field of fund remission of what would be normally construed as time or savings accounts.

During this period, the President's Commission on Financial Structure and Regulation had its proposals aired. One of the major points the commission recommended was removal of ceilings on interest rates on time and savings deposits. In one context, this was too little and too late if one views the technological changes that have been occurring in the systems that have been developed not only by financial intermediaries but commercial banks to, in effect, pay interest on demand accounts.

Just recently, the Credit Union National Association considerably embarrassed commercial bankers by publicly

Correction

A sentence appearing on page 46 of the March issue should read as follows: Using reinsurance—as have all of the HCs which have thus far formed or purchased insurance underwriting companies—a HC which has been successful with credit life and credit disability (either through a master policy or an agency arrangement) virtually can be guaranteed *greater* profits in its first year of operations as an underwriter.

The error appeared in the article, "Holding Companies Realize Potential of Insurance Underwriting Subsidiaries," by William R. Stover, president, Old Republic International Corp., Chicago.

favoring legislation that would permit commercial banks to pay interest on checking accounts. Further, CUNA has noted that all commercial banks should be permitted to write negotiable orders of withdrawal. Thus interest would, in effect, be paid on checking or demand accounts.

Related to the above has been the dramatic shifting of the composition of both the Senate and House subcommittees on banking. Whereas in the past, the Senate subcommittee at least could have been considered as sympathetic to the positions of commercial bankers and S&Ls in their posture favoring retention of Regulation Q, the *new* subcommittee has a strong consumer bent. It, in effect, rejects the desires of commercial bankers and S&L executives who predominantly espouse continuation of interest-rate ceilings. Committee members who in the past supported interest-rate ceilings are now publicly going on record as advocating their removal.

Thus, as one views the probable legislation coming up for passage, it is likely there will be more support for the removal of rate controls on consumer deposits—both demand and time. It is natural for bankers to express and exchange thoughts among themselves on the subject. Sometimes such internal discussion has a tendency to, in effect, feed on itself. For this reason, it is important perhaps to have some other perspective on the topic. A new edition of *Monetary Policy and the Financial System*, by Dr. Paul M. Horvitz, who is a well-known economist and currently director of research for the FDIC, notes, "Nearly all studies of interest-rate ceilings have concluded that they should be eliminated. The Commission on Financial Structure and Regulation recommended that the power to stipulate deposit-rate maximums . . . be given to the Board of Governors of the Federal Reserve System for

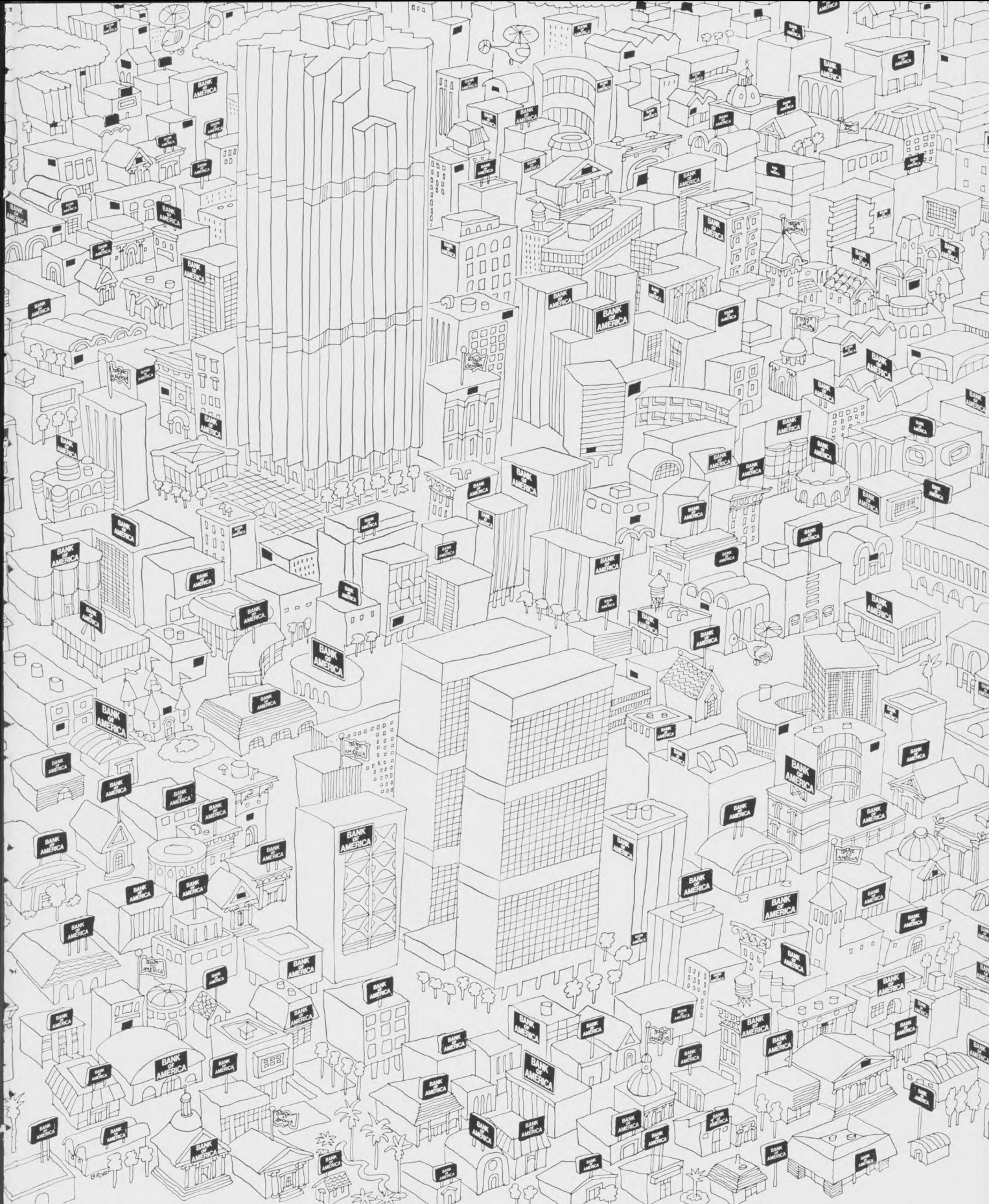
use on a *standby basis* to be exercised only when serious disintermediation is threatened . . . the commission went on to recommend that . . . the standby power of the board to establish interest-rate ceilings be abolished at the end of a 10-year period following the implementation of these recommendations." (This was from pages 23 and 24 of the Commission of Financial Structure and Regulations report.)

Most observers conclude that the general recommendations of the commission probably have little likelihood of being implemented in their entirety or even to a major extent. However, Senator Thomas J. McIntyre (D., N.H.), new chairman of the Senate Subcommittee on Financial Institutions, has advised bankers and other organizations that their continued support of interest-rate ceilings on consumer deposits would result not only in his committee, but Congress as well, taking a stance on removal of interest-rate ceilings on consumer deposits.

Recently Comptroller of the Currency James E. Smith advised influential bankers that he, too, opposes government price-fixing via Regulation Q. High-level executives in other federal bank regulatory agencies who previously favored the Regulation Q ceiling privately have expressed increased dissatisfaction with it. They maintain that the regulation has hurt free-market allocations of savings and—as a result of electronic fund transmission systems—negotiable certificates of withdrawal no longer are appropriate, especially in view of various authoritative studies that say interest-rate ceilings reduce productivity.

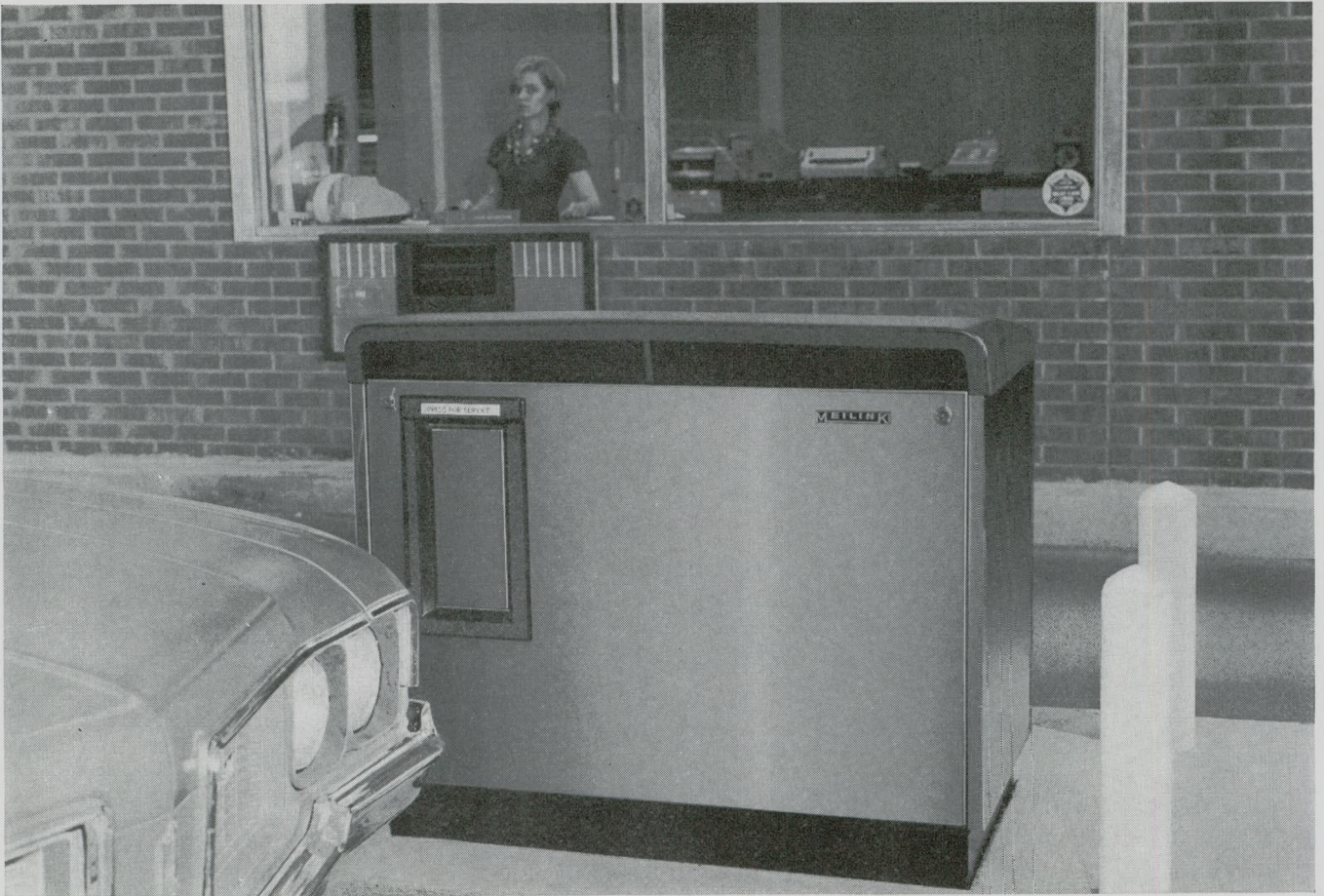
The ABA is seriously studying the area. It recognizes that large banks favor the removal of Regulation Q and most small banks oppose its removal.

Conclusion. There is a good deal of distance between statements such as those made by Senator McIntyre, the Comptroller of the Currency, credit union leaders, other bank regulators and the Hunt Commission and implementation of it by legislation. It is recognized quite clearly that most S&L and commercial bank executives would prefer that interest-rate ceilings not be removed. Yet, technological and political developments and consumer advocates inevitably appear to be moving in that direction. Therefore, it would be appropriate for bankers and those representatives of other financial intermediaries to give serious consideration as to how they and their institutions might react and what steps they should take should the threat become an actuality. • •



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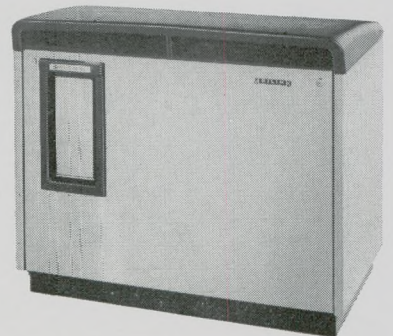


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Fort Worth National Bank Will Open New Building With Special Ceremonies

FORT WORTH—The new glass-sheathed 37-story tower home of Fort Worth National is scheduled to be opened April 22 with special ceremonies that will include the unlocking of a giant padlock with a king-sized key. Doing the honors with the padlock will be H. B. Fuqua, honorary chairman, and Miss Kate Van Zandt Johnson, age three, great-great granddaughter of Major K. M. Van Zandt, bank president from 1874 to 1930, a period of 56 years.

ON THE COVER . . .

Sixteen-ton steel outdoor sculpture called "The Eagle" stands at base of new 37-story Fort Worth National Building, to be opened this month. Building is said to be Fort Worth's tallest, reaching 453 feet 11 inches into the Texas sky.

The new building is the bank's sixth home since its founding in 1873. The tower building is built on a pyramid-shaped base that slants at a 60-degree angle from street level to the fifth floor level, from which the tower rises vertically to a total height of 453 feet above street level.

The exterior finish consists of reflective glass set in bronzed aluminum frames. The base of the structure is surrounded by landscaped garden areas and a plaza that features a 16-ton steel stabile that is 40 feet tall. The stabile is the work of Alexander Calder and is titled "The Eagle."

The main banking lobby is located one floor below street level and an open area extends to the fifth floor level. A circular, third-floor-level dining facility is suspended in the open area. Suspended walkways lead from building entrances to the core area housing elevators and escalators.

The banking lobby is accentuated with a reflection pool, fountain and botanical displays. More than 350 pieces of a permanent art collection are located on the banking floors.

The bank building occupies a city block in the downtown area. It is connected to an adjacent motor bank and five-story parking garage by a pedestrian bridge and an underground tunnel. The motor bank features 11 closed-circuit TV drive-through teller windows, one walk-up window, night depositories and 24-hour depositories. Commercial teller windows are located in a lower level of the garage.

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BankAmericard Holders Get Free Bus Rides From First of Tulsa

Banks usually don't become involved in urban traffic control, but First National, Tulsa, did so recently in the cause of helping to reduce gasoline consumption and boost use of buses.

In cooperation with the Metropolitan Tulsa Transit Authority, the bank proclaimed January 15 as First BankAmericard Bus Day in Tulsa. All anyone had to do to get a free bus ride was present his or her BankAmericard. The result was that 2,024 riders used their BankAmericards for bus fares on Bus Day. According to the transit authority, this represented about 20% of total MTTA ridership that day. Even more significant is the fact that bus ridership is up, said a MTTA spokesman, citing a 2% increase. That's more than 250 riders a day. In fact, the promotion was deemed so successful that First National announced a similar day for February 14 and for later dates, too.

The program was developed for two reasons, said First of Tulsa's president, John L. Robertson: "We have a fine public transportation operation, and it deserves support. But more important, we feel riding buses offers a realistic approach to reducing consumption of



TOP: These are some of the 2,024 BankAmericard holders who rode buses free on First of Tulsa's Bus Day. BOTTOM: BankAmericard Bus Day generated good publicity for its sponsors, First of Tulsa and Metropolitan Tulsa Transit Authority. Here Fred Gilliam, director of MTTA, is interviewed aboard a city bus by a reporter from one of Tulsa's TV stations.

Community Involvement

motor fuels. Through BankAmericard Bus Day, we hoped to introduce more people to the comfort and convenience of our new buses and, hopefully, convince some of them to leave their cars parked during the day."

Mr. Robertson added that the bank, as a good corporate citizen, wants to do everything possible to take the lead in putting into practice workable fuel-saving measures. For example, bank employees are being urged to form car pools, and the bank is paying half the fares of those employees who ride buses to and from work. In addition, decorative lighting atop the new 41-story First National Tower has been turned off; thermostats throughout the First Place complex have been lowered, and no night lighting is being used on the bank's outdoor billboards.

To Save Gas

Bank Enlists Computers To Foster Car Pools

Exchange Security, Birmingham, Ala., is cooperating with a local radio station in offering the facilities for bringing people together to form car pools to beat the energy shortage.

The program is called "County Club Car" and citizens can pick up forms at any of the bank's offices that are used by the public to state the particulars of their ride requirements—their working hours, residence address, etc. The bank's computer processes the information and attempts to match individuals with similar commuting characteristics. The bank mails a computer readout to applicants, who are expected to form their own car pools from the information supplied by the bank.

In addition to the readouts, applicants receive copies of the Visor Advisor, a pamphlet fitting car sun visors that gives reference to such information as alternate travel routes, accident procedures, car pool advice, etc. Two County Club Car decals are also issued to be affixed to autos participating in car pools.

• First National, Fort Worth, is offering a 30-minute color film to youth clubs, schools and organizations entitled "Focus on the Vice Presidency." The film examines and illustrates the changing role of the vice presidency.

Hibernia Is Sponsor Of Tennis Tournament Held in New Orleans

New Orleans was the focal point of world tennis the first week of this month during the playing of the \$50,000 Hibernia Bank Tennis Tournament. Twenty-eight of the top professional players of the world were expected to compete for the \$50,000, the largest prize ever offered for tennis in New Orleans.

Both singles and doubles competitions were held, with Aaron Cushman of Chicago, president, All Star Tennis, Inc., as tournament director. He is a representative of World Championship Tennis, Dallas.

Invitations were extended to players from 15 countries. Among those who accepted were Stan Smith, No. 1-ranked player in the world, and John Newcombe, Australia, recent winner of the Wimbledon championship. The entire field numbered 32 players, and an open qualifying round—from which four players were selected—was held prior to April 1. Amateurs as well as pros took part, with the winning amateurs not accepting prize money.

All matches were the best of three sets, except for the singles finals, which were the best of five sets. A new 13-point sudden-death tie breaker was to be used when set scores reached five games each.

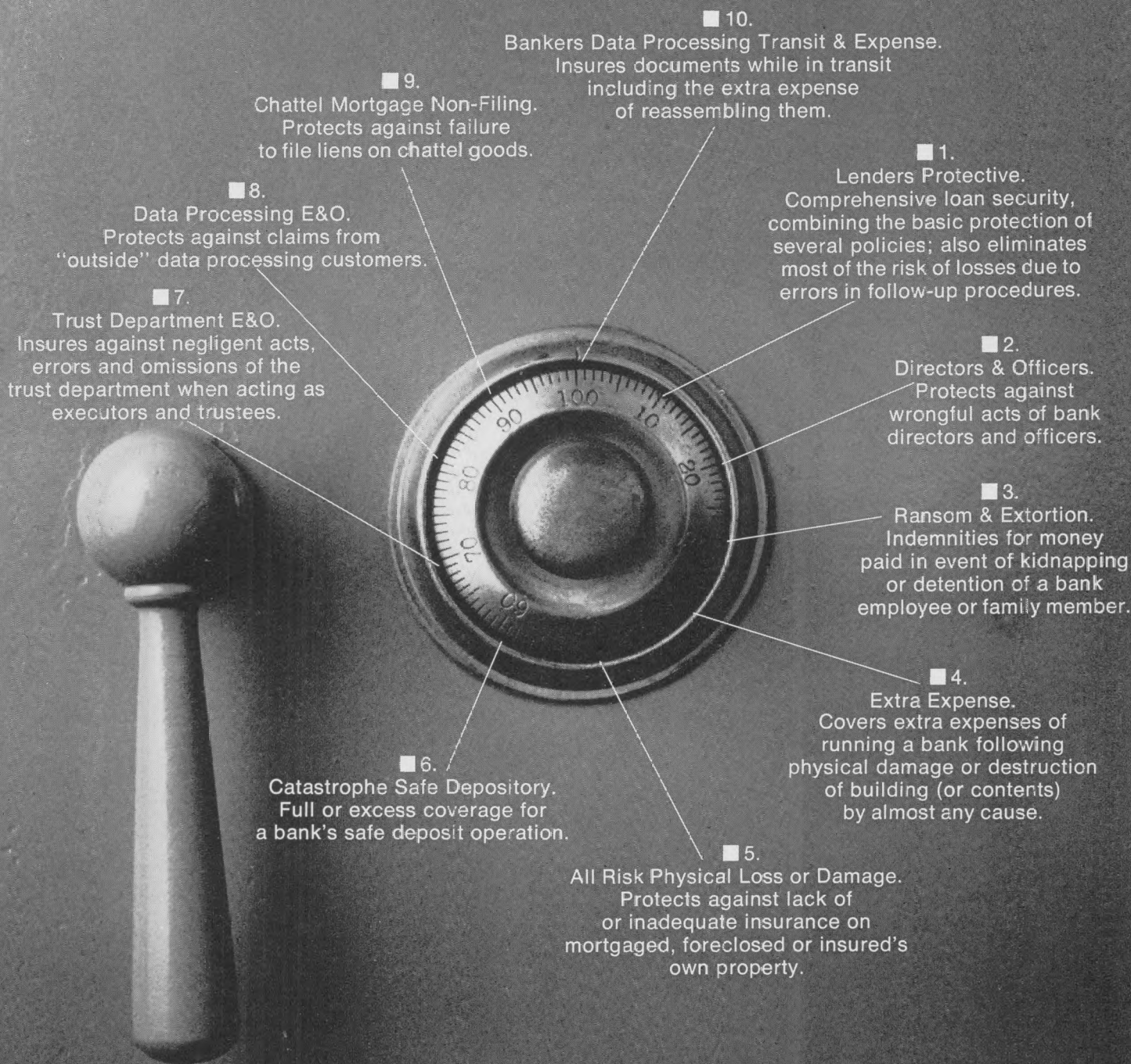
Hibernia National sponsored two sessions daily in Tulane University's gym. Finals are being held April 7.

"We are happy to be able to bring this important sports event to New Orleans," said Martin C. Miler, the bank's chairman and chief executive. "Not only will it provide national and international publicity for our city, it will encourage young and old alike to participate in this great sport, which is becoming one of the most popular of the nation's pastimes."

Donald J. Nalty (r.), sr. v.p., Hibernia Nat'l, New Orleans, holds symbolic bag of money and tennis racket as he and New Orleans Mayor Moon Landrieu visit at signing of \$50,000 Hibernia Bank Tennis Tournament contract.



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NEWS ROUNDUP

News From Around the Nation

Investment Firm Advising OKd

The Fed has rejected as without merit an appeal from the mutual fund industry to stop 19 investment firms from using banks or bank HCs as investment advisers. It also said it would not reconsider the issue in a hearing.

The Fed action was made on a petition from the Investment Company Institute (ICI), a trade association for the mutual fund industry, for a review of a 1972 Fed interpretation that permitted banks to operate as investment advisers to outside clients.

The charge was made that banks or their HCs engaged in advising investment firms were in fact close enough to underwriting and distribution of securities to be in violation of the Glass-Steagall Act that separates banking from the securities business.

The Fed said that the ICI had its chance to argue against the practice in 1971 and that a second hearing would be of little value.

Fed Control of EFTS Opposed

Opposition to Fed control of a universal electronic funds transfer system has been voiced by the Independent Bankers Association of America. The issue poses social implications too broad and profound for EFTS to be under Fed control, the group said.

If there is to be an EFTS, it should be owned by a quasi-government corporation similar to AMTRAK, which operates railroad trains, or should be an open competitive system of many private firms subject to government regulation, the association said.

Fed ownership is not desirable because of the agency's limited statutory authority, the potential for abuse of such monopolistic control over an EFTS by the Fed, its aversion to regulatory oversight and the benefits of private as opposed to public entrepreneurship as a matter of principle, the IBAA said.

The association said Congress should decide how the system should be operated.

FDIC Wants More Data in Prospectuses

The disclosure of more information in prospectuses issued in public offerings of bank securities has been called for by the FDIC.

The agency's proposals would require banks to release practically the same type of information corporations must disclose to the SEC when they publicly offer securities.

The FDIC proposals would apply to federally insured banks that are not members of the Fed. If adopted, the regulations would require FDIC banks, when planning public offerings of securities, to include such information

as profit and loss data for the past three fiscal years, disclosure of any legal proceeding affecting the bank and any transactions involving bank officers, directors or beneficial owners.

The proposals are designed to protect member banks as well as the Federal Deposit Insurance Fund against the possibility of serious adverse consequences if bank securities are offered in violation of antifraud provisions of federal securities laws, the FDIC said.

ABA Forms New Committee

The ABA has formed a Securities Processing Committee, whose objective will be to review and evaluate proposed securities processing procedures and regulations and recommend positions and courses of action for the banking industry in relation to them.

Leaders of the securities processing industry have been invited to exchange information on developments in the handling of stocks and bonds with the new committee. According to Rex J. Morthland, ABA president, "It would be of great benefit to the public in general and more directly to the customers we serve together, if a coordinated flow of communications could be generated among the organizations connected with the securities processing industry."

Mr. Morthland is chairman of Peoples Bank, Selma, Ala.

Critical Problems Agency Asked

A new national agency that would devote its efforts solely to anticipating such problems as the energy crisis and proposing solutions before crisis proportions are reached has been called for by Chemical New York Corp. in the HC's 1973 annual report.

The report states that the new agency would attempt to identify critical problems and recommend solutions. It would not exercise a directorial role in the economy but would help establish national priorities.

ABA Initiates Deposits Survey

The ABA is conducting a nationwide deposits survey to obtain statistics necessary for meaningful comment on pending "truth-in-savings" legislation. Questionnaires were sent to a representative sample of banks chosen randomly from various deposit sizes and all states, according to the ABA.

Preliminary survey results are expected to be available in May. Included will be such things as which standardized methods of calculating interest on savings accounts would be preferable if only one were allowed and the amount of time required to change the present method, should a change be in order.

Don't be alone from 3-6 p.m. on May 8th in Oklahoma City



Join The First at our "hospitality suite" (our lobby)

Have a good day with The First during the Oklahoma Bankers Association Convention. Refreshments and entertainment from 3-6 pm, Wednesday, May 8th, in our lobby.



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NEWS OF THE BANKING WORLD



PISTOR



KEYA



ASTON



BERRY

• **Republic of Texas Corp.** and Republic National Bank, both of Dallas, were to be reorganized, with a new senior-management, pending approval of stockholders at their annual meeting being held as this issue of MID-CONTINENT BANKER went to press.

Under the reorganization, the bank would become a wholly owned subsidiary of Republic of Texas Corp., a bank holding company. Principal officers of the HC and bank following the

reorganization would be: HC chairman and chief executive officer, James W. Aston; HC president, James D. Berry; bank chairman and CEO and HC vice chairman, James W. Keay; bank president, Charles H. Pistor Jr. and HC executive vice president, W. C. Hatfield. Gerald W. Fronterhouse was scheduled to become executive vice president for finance and administration of the bank, and Joseph R. Musolino executive vice president of the bank's metropolitan division.

Mr. Aston has been chairman and CEO of the bank, Mr. Berry vice chairman of the bank, Mr. Keay bank president, Mr. Pistor executive vice president, metropolitan division, of the bank, Mr. Hatfield executive vice president for finance and administration of the bank and Messrs. Fronterhouse and Musolino senior vice presidents, metropolitan division, of the bank.

• **Clarence C. Barksdale**, president and chief operating officer, First National, St. Louis, has been elected president and chief executive officer. In the latter post, he succeeds Edwin S. Jones, who remains chairman of the bank and president and CEO, First Union, Inc., St. Louis-based multi-bank holding company whose lead bank is First National.

Mr. Barksdale joined the bank in 1958. In 1967, he was given responsibility for managing the national accounts division; in 1968, he moved up



McNEILL



BARKSDALE

to executive vice president and, in 1970, became president and a director. In addition, Mr. Barksdale is executive vice president of the HC and is on the board of St. Louis Union Trust.

• **Charles R. McNeill** has announced his retirement as executive director of the ABA's Government Relations Division and is being succeeded by Gerald M. Lowrie.

Mr. McNeill joined the ABA staff in 1956 as assistant general counsel, was named director of the ABA's Washington Office in 1962 and—in the restructuring of the ABA's staff organization in 1970—became executive director of the Government Relations Council. Before going to the association, Mr. McNeill practiced law four years and was on the Treasury Department's legal staff 13 years.

Mr. Lowrie, with the ABA since 1968, was executive director, Banking Professions Division. That post has gone to Donald E. Stevens, who has been succeeded as executive director, Administrative Services Division, by Bruce M. Rider. In turn, James E. Lodge has succeeded Mr. Rider as director, Operations and Automation Division.

• **First National**, Denver, has promoted two correspondent bank department members to vice presidents. They are E. Hale Adams Jr. and L. William Marrin. Mr. Adams administers accounts in the department's metropolitan division, and Mr. Marrin is a loan officer in the department, where he is responsible for maintaining bank relationships in the southern division.

• **George D. Sax**, 69, chairman, Exchange International Corp. and Exchange National Bank, both of Chicago, died of heart disease March 12 in Miami Heart Institute.

In the 30 years since Mr. Sax purchased Exchange National's predecessor, Halsted Exchange National, he has introduced banking practices and services that since have been adopted by banks throughout the country. For instance, in 1946 his bank was said to be the first in the U. S. to offer complete drive-in banking service and the first Loop institution to utilize display windows. Among firsts in the Chicago area



SAX

claimed by Exchange National were a savings plan paying interest by monthly check and an open line of credit to individuals. According to a bank spokesman, Exchange National, directed by Mr. Sax, was the first midwestern bank to open a representative office in Mexico City (in 1962) and the first U. S. bank to establish a branch in Israel—in Tel Aviv in 1970.

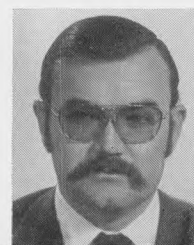
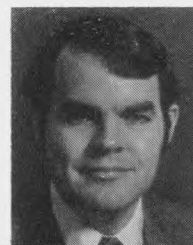
Mr. Sax also was developer and owner of the Saxony Hotel in Miami Beach.

In 1965, he received the Horatio Alger Award, presented to "men who overcame humble beginnings to achieve success in their chosen fields."

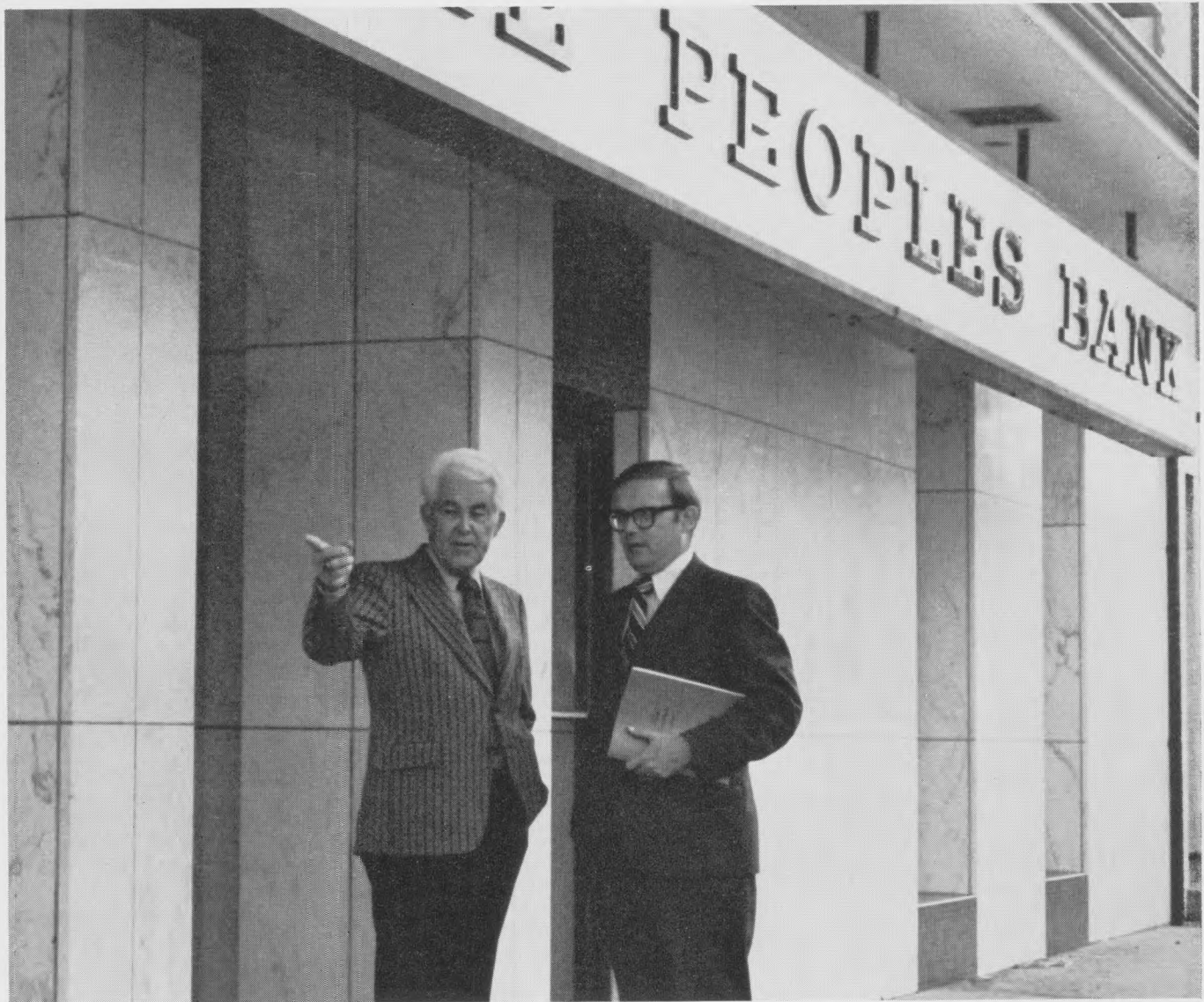
• **Winthrop W. Aldrich**, 88, died February 25. He was a former chairman of the old Chase National, New York City, and served as ambassador to Great Britain, 1953-56.

MARRIN

ADAMS



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Selling/Marketing

Increase Stock Value

Bank Encourages Stockholders to Work, Tells Them How to Promote Services

STOCKHOLDERS can be good salespeople for the bank they own. And it pays to remind them of this fact. An ideal time to do this is when the bank sends out stock dividends or announcements of the stockholders' meeting.

First Colbert National, Sheffield, Ala., recently sent letters to its stockholders advising them on how they could promote the bank. The letter made the following points:

- First of all, keep a good deposit in your bank to help management pay you dividends and increase the value of your stock.

- Talk with your friends regarding their financing needs. Develop new, safe and profitable loans for your bank in this way.

- Recommend the bank to your friends. You are often in a more favorable position to do this than are the bank's officers and other employees.

- Keep an eye on local building, including homes and places of busi-

ness. Often a stockholder can give a tip to an officer that might result in a profitable mortgage loan or commercial account for the bank.

- Make it a point to get acquainted with newcomers to the area. They are often a source of new and profitable deposits and loans.

- Spread constructive information about banking to your friends. It is surprising how little most depositors know about the operations of a bank.

- Recommend your bank to lodges, schools, clubs, church groups and similar organizations. These groups often have large amounts of money that lie dormant for long periods. Why not have them lie dormant in your bank?

- Talk with bank officers frequently regarding the development of new business. Officers like to have stockholders show interest in the bank's operations.

- Always remember that, as part owner of your bank, you can play an important role in the bank's future growth and development. • •

pany, Commerce Bancshares, Inc.—contracted with a professional answering service so that a human being and not a recording was available when anyone dialed the special number listed in the various ads for the free personal checking accounts. The people operating the answering service are knowledgeable about the new program, tell callers all they want to know about it and obtain the information needed to open the accounts. This information is relayed to the nearest Commerce Bank, which, in turn, mails signature cards and other material to the callers.

Response to the 24-hour-a-day, seven-day-a-week calling program is termed fantastic, with some of the calls coming in at 3 or 4 a.m.

Using an answering service enables a bank to sell a new service like free checking at any hour of the day or night all week long. In addition, it frees bank employees from taking time out from their daily duties to answer the many calls being made about the new service.

Unusual Radio Spot:

Charge of Bad Grammar Gives Bank Opportunity To Get Good Publicity

When First National, Memphis, was taken to task by a group of Arkansas high school students for using what the young people thought was bad grammar in a TV commercial, the bank's public relations staff used the occasion to get some out-of-state publicity for the bank.

Last December, the junior class of Lee Academy in Marianna, wrote the bank to point out a grammatical error in a TV commercial on First National's BankAmericard service. According to the Lee students, the statement in the commercial, "Everyone has *their* own reason for using BankAmericard." should have been, "Everyone has *his* own reason for using BankAmericard." The juniors admonished the bank to "remember from high school English that 'everyone' is a singular indefinite pronoun and that 'their' is plural. This is an agreement error."

The bank bought air time on a Marianna radio station to broadcast this message to the students:

"Now here's probably the most unusual announcement we'll have this year. It's the people at First National Bank of Memphis talking to the junior class at Lee Academy," said a male announcer.

Then a feminine voice took over: "Dear Junior Class. Thanks for the let-

Champagne and Music:

Valentine's Day Party Held for Secretaries By New Orleans Bank

First National Bank of Commerce, New Orleans, chose Valentine's Day to give a champagne reception for 150 secretaries of local firms. According to James H. Jones, chairman and chief executive officer, the bank wanted to show its deep appreciation for the splendid help provided by its secretaries and those of the bank's customers.

"We know that these ladies often have made great sacrifices for us," he added, "and we are simply trying to show our gratitude for these efforts."

Each secretary received a red carnation, and five of them received as door prizes centerpieces used to decorate the lobby. Refreshments were served in

large champagne fountains in the center of the lobby, accompanied by pastries and sandwiches. A strolling accordionist provided music.

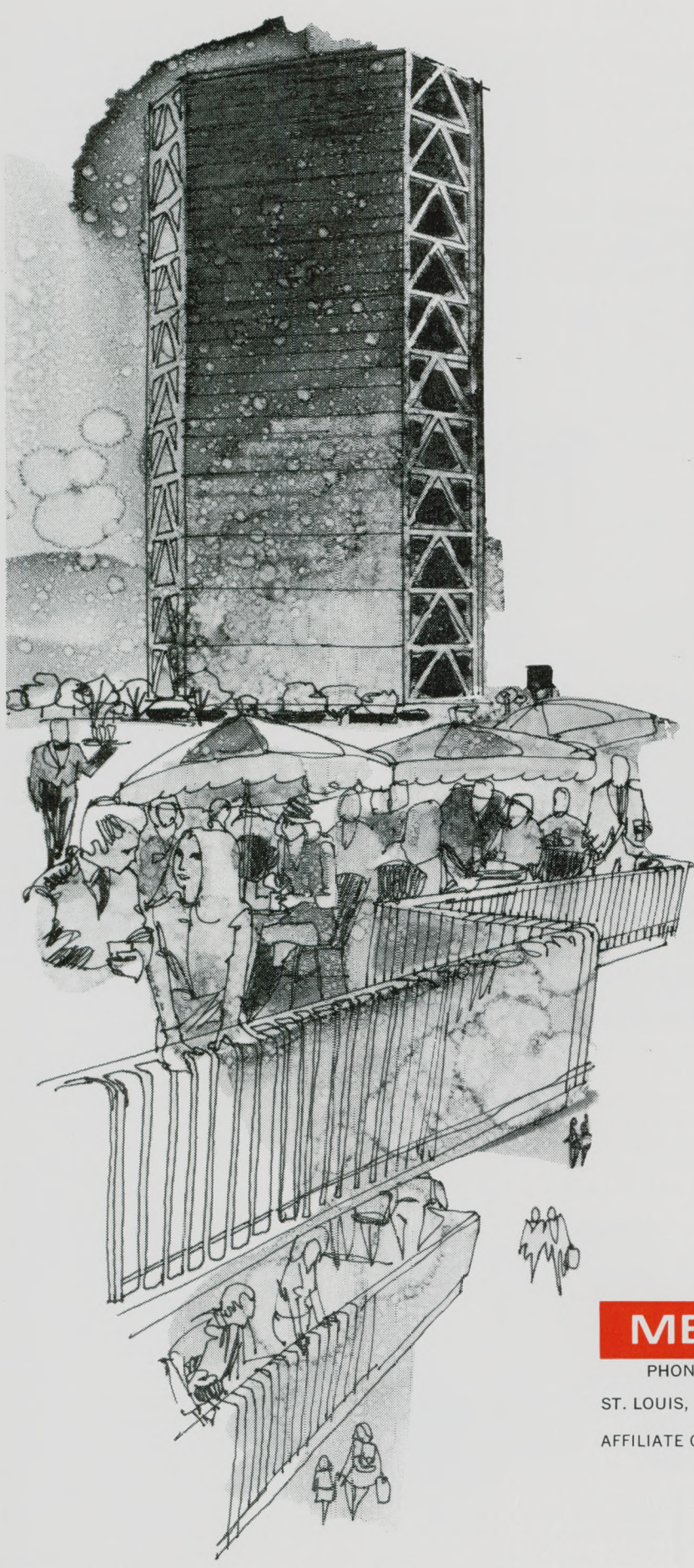
The secretaries were met at the door by Mr. Jones, Walter Stuart, president, First Commerce Corp., and Thomas Davidson, First NBC president.

Round-the-Clock:

Answering Service Takes 24-Hour Calls On New Bank Program

When St. Louis-area Commerce banks began to offer no-service-charge checking recently, they invited the public to call them at any time of the day or night to open these accounts. And they meant it!

The banks—affiliates of the Kansas City-based multi-bank holding com-



Going up... for people

That's the 35-story Mercantile Tower . . . designed for just one reason . . . to help people. Like correspondent bankers. With better operating facilities for people who know banking inside and out. With timely cash letter analyses . . . faster collections via regional check processing centers . . . and other opportunities for these fast-changing times. With tangible evidence of faith in the future of this great state. And with more to come in the future as the Mercantile Center rises . . . revitalizing an area that will have added financial impact on the entire community. So . . . we're keeping up with the times to better serve you. Another reason to count on us. Always.

MERCANTILE

PHONE 314/231-3500

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ST. LOUIS, MO.

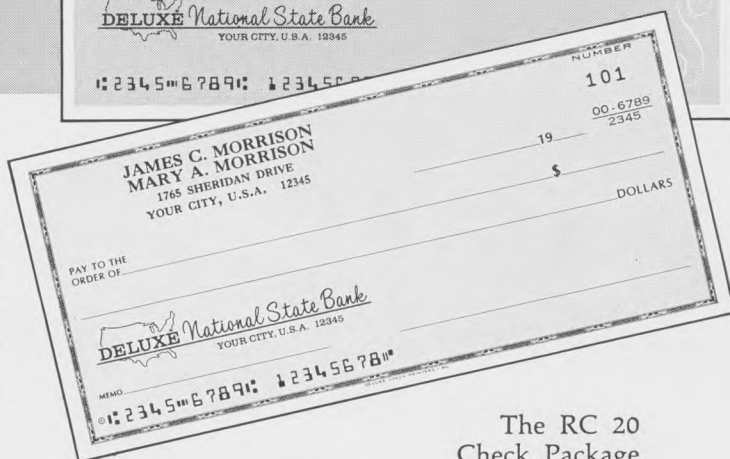
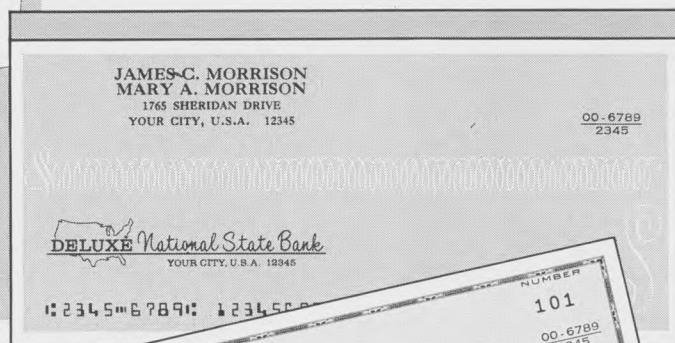
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BUYING ON CREDIT- with checks especially for this use-



At the request of a number of our bank customers, we have developed an attractive, personalized package of 20 special purpose checks. It was primarily designed to fit the check requirements of numerous "Line of Credit" bank services.

The checkbook is versatile and is used where a line of credit has been established under a planned program with or without the use of charge cards, guaranteed check identification cards, or other systems.

Customers seem to like this type of plan as the special checks can be used for any type of purchase or bill paying activity whether or not charge card facilities are offered.

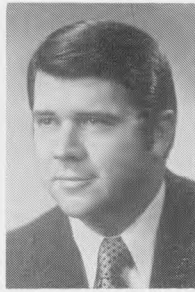
The RC 20
Check Package

If your bank is interested in this application of a "Reserve Credit" program, we will be pleased to send a brochure on the subject detailing the contents of the check package and options available. Or simply ask your DeLuxe representative about the RC program.

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MYERS



MILLS

Corporate News Roundup

At Bunce, his responsibilities include consulting, sales and contract management.

• **Integon Life Insurance Corp.** Truman I. "Tim" Myers Jr. has been elected assistant vice president, Integon Life Insurance Corp., Winston-Salem, N. C.

Mr. Myers—regional sales manager for the firm's credit insurance department—is responsible for all field operations in an eight-state area that includes Illinois, Indiana, Kentucky, Missouri and Tennessee. He joined Integon in 1969.

• **Bunce Corp.** Ed Mills has joined Bunce Corp., St. Louis-based firm specializing in construction of bank and S&L buildings. The company operates in Missouri and Illinois as well as in Kansas from its Kansas City office.

Mr. Mills has had experience as a consultant in the bank building field.

• **Standard Life Insurance Co.** Austin Clay has been named vice president and manager, credit insurance department, Standard Life Insurance Co., Jackson, Miss. He was formerly with All-American Assurance Co., Baton Rouge.

At Standard Life, Mr. Clay is responsible for providing credit insurance



SAEGER



CLAY

to the firm's customers throughout the South, Southwest and Midwest.

• **LeFebure Corp.** Karl M. Saeger has been named sales engineer, LeFebure Corp., Cedar Rapids, Ia.

Mr. Saeger is assigned to the firm's Memphis Branch and sells banking equipment and security systems for LeFebure in a territory that includes parts of Tennessee, northeast Arkansas and southeast Missouri.

He has had experience in sales and sales management, accounting and computers and has been associated with the banking field for many years.

• **National Cash Register Co.** Shareholders of National Cash Register Co., Dayton, O., will vote April 17 on a proposal to change the firm's name to NCR Corp.

According to NCR President William S. Anderson, National Cash Register Co. no longer accurately describes either the geographic scope of the company's operations or its range of products and services. He pointed out that the advent of new types of data terminals, including electronic point-of-sale systems, and the growth of its computer and electronic accounting machine business have made cash registers a relatively small part of NCR's total operations.

**\$70.41 a month
will buy your bank
some of the best
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America!**

This is a pretty strong statement . . . and we're prepared to prove it to you without cost or obligation on your part.

FREE OFFER!

Just send us a good copy of your bank logo and we will produce a sample ad for your bank. Compare this powerful ad with what you are now doing . . . and you be the judge.

Here is a quote from the First National Bank of Phillipsburg, Kansas, which is typical of results Forbes Advertising and Marketing Programs are producing in nearly 100 banks:

"Your program has definitely improved our image to the community as well as our employees' attitude in helping the customers who come into our bank."

Forbes, Inc. FORBES BUILDING 21st and OLD MANOR WICHITA, KANSAS 67208 (316) 683-4606

Enclosed is our bank logo. Please produce a sample ad and send us details of your advertising programs. We understand there is no cost or obligation.

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BANK _____

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STATE _____ ZIP _____



“We use MGIC for much more than just insuring home loans.”

Progressive lenders count on MGIC for fresh ideas to help them serve a broad range of financing needs in their communities. And thus expand their business.

Besides home loans, MGIC insurance helps in financing condominiums, second homes, joint loans... and we can help you in your commercial and industrial lending... protect your directors and officers from financial loss in lawsuits... and much more.

MGIC service doesn't stop with insurance. Our Secondary Market Sales Facility, by far the largest and most active in the business,

is in daily touch with buyers all over the country. It provides accurate, up-to-the-minute information and fast action when you want to sell or buy mortgages.

Behind MGIC service is experience, unparalleled in the industry. And a determination to keep on giving you personal attention. That's what put us out in front in the first place.

Talk things over with your MGIC representative. He can help you with creative ideas on mortgage insurance—and much more. Dial toll-free 800-558-9900; in Wisconsin, the number is 800-242-9275.

MCB-4

Money Protection. MGIC

Please send me your brochure, "This is MGIC!"

Name _____
 Organization _____
 Address _____
 City, State, Zip _____

Mortgage Guaranty Insurance Corporation, MGIC Plaza, Milwaukee, WI 53201



From left to right,
Robert Judson, Senior Vice President
Robert K. Wilmouth, Executive Vice President
William T. Dwyer, Vice President

Member F.D.I.C. ©First National Bank of Chicago



“Take correspondent banking. If you’re going to help your customer, you’ve got to be big enough. And you need a strong senior management commitment!”

Robert K. Wilmoth, Executive Vice President,
The First National Bank of Chicago

Our senior management’s commitment to correspondent banking can be seen in several ways.

For example, our correspondent loan activity gives you a good, clear indication. Between 1970 and 1973, loan volume in this area has increased by over 1000%. A gain hardly possible without the full support of our top level decision makers.

The reasons for this kind of growth on our part?

We agreed to design some very complex credit programs – pragmatic solutions to problems that many other banks wouldn’t or couldn’t touch.

Another reason. Corporate customers keep getting bigger. So they and their bank often need another aggressive partner to assist them with their growing financial

requirements.

Also, many banks have developed opportunities of their own. And need the assistance of a major money center bank to handle their expansion needs.

By expanding our loan operations, by being innovative in our handling of complicated credits, we’re able to help you grow, help you compete.

You have the support of a major money center bank.

You have the support of its senior management, like Robert Wilmoth and Robert Judson, who are vitally involved in First Chicago’s correspondent banking relationships.

Get things started. Call Bill Dwyer and his associates at (312) 732-4100. It might be just the edge you need.

The First National Bank of Chicago 
BANKS, BANK HOLDING COMPANIES AND RELATED ACTIVITIES
You compete. We compete.

• **Docutel Corp.** has introduced a new automated teller terminal unit specifically designed for drive-up banking. The unit includes depository, keyboard and money dispenser features that are within easy reach of customers in vehicles. The terminal provides banking customers with 24-hour services with additional after-dark security to users as transactions are made from the safety of one's car.



The units measure about 48 x 31 inches and feature 90-degree swivelling, extensible chassis for teller maintenance. Standard equipment includes six-track card reader, integral depository, flush-mounting front panel, a ratchet cash drawer and total on-line capability.

Additional information can be obtained from Docutel Corp., 2615 E. Grauwlyer Road, Irving, Tex. 75061.

• **Federal Sign.** In response to the energy crisis, this firm has developed new circuitry that permits its time-and-temperature signs to be shut off during low traffic hours and turned on again without cumbersome resetting of the time. A continuous automatic dimming and brightening feature requires only 90% of total energy when the sign is lighted during bright daytime periods and only 50% of total energy to light bulbs at 100% during nighttime hours. The firm also offers a booklet, entitled "Electric Signs and the Energy Supply." For more information, write Federal Sign & Signal Corp., 136th and Western, Blue Island, Ill. 60406.



New Products and Services

• Meilink Bank Equipment.

The Meilink TV walk-up station can be installed free standing or built into a wall. The audio/visual head is elevated on a pedestal, permitting ample counter space for writing purposes, said the firm. The customer can talk to the teller via an open intercom or can use a telephone handset for complete privacy. The carrier terminal is positioned beneath the counter.



According to Meilink, the side-opening carrier eliminates content-removal problems because a gentle pull and twist make the two hinged halves swing open. At the teller's end, there is multiple-unit control, which enables a teller to handle two or more stations almost simultaneously. Here, too, the audio/video head is elevated on a pedestal to provide additional counter-top work space. The teller control unit has a priority lockout to prohibit accidental interruption from another teller unit during a transaction. Meilink pointed out that once the carrier is returned to a customer at the end of the transaction, the teller can serve another station immediately. The carrier will remain at the unit after the customer removes the contents and replaces the carrier in the walk-up unit.

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

• **Bank Marketing Association.** BMA has released two new aids for bankers. One is a Profit Planning Kit for Community Banks and the other is a publication entitled "Bank Identification Planning." The Profit Planning Kit is designed as a workbook and offers a series of questions that the community bank executive can use to chart his bank's business-building objectives. "Bank Identification Planning" examines how to plan, design and conduct a corporate identity program for banks. The kit is free to BMA

members, \$5 for others. The publication is \$20 for members, \$40 for others. For more information, write BMA, 309 W. Washington Street, Chicago, Ill. 60606.

• **Diebold.** This firm has introduced the Diebold VSS-2 Surveillance System that can accommodate as many as eight video cameras and provide videotape instant replay from any one of the cameras. The system consists essentially of multiple video camera installations tied coaxially to a control console



that can be situated where desired—in a building's security headquarters, for example. When integrated into an alarm system, the unit automatically accelerates videotaping speed from the normal eight scenes per camera per minute to 450 scenes per camera per minute, when an alarm is activated, to provide full-sequence coverage of the scanned area during the alarm condition. For more information, write Diebold, Inc., Canton, O. 44711.

• **Motivational Systems, Inc.** A "tax calendar for all seasons" developed by Motivational Systems, Inc., can help banks increase their TT&L accounts, according to the firm.

Motivational Systems offers banks of all sizes a TT&L program, which includes tax brochures in addition to tax calendars. Write Motivational Systems, Inc., 400 Madison Avenue, New York, N. Y. 10017.

• **Mosler.** Two new brochures are being offered by this firm. One is a guide to the capabilities of the Mosler Teller-Matic automated teller system; the other is a guide to the capabilities of the Pneu-Vista 800 pneumatic drive-in banking system. Both brochures are available from Mosler Safe Co., Hamilton, O. 45012.



This Doane program can help your bank be the ag bank in your area for as little as \$1 a day.

Understanding farmers' and ranchers' problems is just good business. And *letting them know you understand* can be just as important. But without the right kind of effort, good public relations can be downright time-consuming . . . and costly.

That's why the leading ag banks in over 1,000 communities mail Doane's Farming For Profit® newsletter to their best customers and prospects each month.

It's full of current, helpful farm financial facts and management tips . . . the kind your bank customers really need to farm at a profit. And it's



printed with your bank's letterhead. So each time your customers — and future customers — receive their issue, they think of you. Favorably.

As a Farming For Profit client, you get exclusive rights to the use of this program in your area. And, depending on the size of your mailing list, your cost could be as little as \$1 a day. What's more, we'll be glad to handle the complete mailing for you if you'd like.

But instead of *telling* you what a good customer relations program Farming For Profit can be for your bank, we'd rather *show* you. Look:

FREE... 6 issues of Doane's Farming For Profit®

I'd like to see for myself what kind of helpful public relations tool Doane's Farming For Profit can be. Start my FREE 6 monthly issues right away and send full details about your program. I understand I'm under no further obligation of any kind.

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St. Louis, Missouri 63144

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TITLE

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CITY

STATE

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Ask DOANE

Public Funds Should Not Be Insured

Passage of legislation that would guarantee public deposits and raise maximum account insurance from \$20,000 to \$50,000 could lead to greater competition for deposits from S&Ls and also change bank attitudes on holding tax-exempt securities to pledge against public funds. Two bankers comment on the consequences of such legislation.

WALTER A. BARRET, Senior Vice President, Union Planters National, Memphis

ALTHOUGH the House of Representatives—on February 5—passed H.R. 11221, providing full deposit insurance for public fund time deposits and increasing deposit insurance from \$20,000 to \$50,000, the ultimate outcome of this legislation is far from being decided.

On March 19, 20 and 21, hearings were held by the Senate Subcommittee on Financial Institutions with testimony being given by representatives from many organizations. Under consideration was the above-mentioned H.R. 11221, as well as S. 2640 and S. 2735.

The increase in insurance coverage of all deposits from \$20,000 to \$50,000 is not in keeping with the purpose of the insurance program, which was created to protect small depositors. The present limit was established in December, 1969. The Consumer Index has increased 24% from December, 1969, through January, 1974, indicating a reasonable insurance increase of \$5,000, or to \$25,000; but not a 150% increase to \$50,000. FDIC Chairman Frank Wille recommends an increase of not over \$35,000, but would accept \$40,000, as he feels the insurance fund could carry this raise with no increase, or a nominal increase, in rates. Over 90% of individual depositors are at present covered in full by \$20,000 insurance. The ABA is recommending a \$25,000 insurance coverage, and I support this figure.

House Bill 11221 was amended to allow 100% coverage on time deposits of public funds, but excluding demand deposits of public funds. This is very inconsistent; if 100% insurance of public funds is adopted, it should be on all public funds.

Reasons given by proponents of 100% insurance coverage of public funds is that there will be an appreciable shift of funds from banks to thrift institutions because of the rate differential, and these funds could be used for additional housing loans. Bankers, of course, will strenuously oppose the rate differential of deposits under \$100,000 (now ¼%) because it is unfair. Bankers believe that if S&Ls are to compete in the public funds market, they should do so by the same rules as apply to banks.

As to public funds deposits being a help to housing, I believe a close look at the nature of these deposits will show otherwise. These deposits are highly volatile and not suitable for long-term investments such as home mortgages.

During testimony before the subcommittee on March 9, the Honorable Paul A. Voelcker, undersecretary for monetary affairs, Department of the Treasury, said that

(Continued on page 28)



EARL J. UNDERBRINK, President, First National, Fort Dodge, Ia.

FOR YEARS commercial banks have been the depositories for public funds. Under H.R. 11221, S. 2640 and S. 2735, competition for these funds would be opened for the first time to savings and loan associations, mutual savings banks and credit unions. Not only would these institutions be allowed to bid for public funds, they would also, under Regulation Q, be permitted to pay higher rates than can be paid by commercial banks. Why such drastic legislation? To increase funds available for home loans.

Let's look at this legislation more critically to see if it does fulfill its purpose. I believe every banker will then see the need to express his opposition to his representative in the Senate.

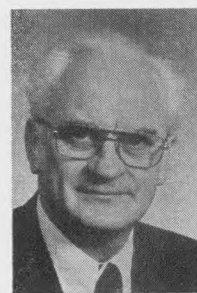
H.R. 11221 was passed by the House on February 5, 1974. It increased the insurance from \$20,000 to \$50,000 on all deposits in banks, mutual savings banks, savings and loan associations and credit unions. Although I oppose the amount of the increase, preferring a more reasonable increase to \$30,000 to \$35,000, the overwhelming support in the House would indicate that opposition would be futile. Therefore, I will direct my remarks to the 100% insurance on public funds feature.

Legislation providing 100% insurance of public funds will not add to the security of public deposits as these funds are presently covered by FDIC insurance, by pledging of securities or by special reserve funds. In Iowa any losses of public deposits are paid from a special reserve fund, the fund being replenished by assessments drawn on each bank in the state. Most states require pledging of 100% or more in federal or municipal bonds. In some states pledging is to consist of bonds issued by the state or municipalities within the state, thereby creating a ready market for local municipal issues.

Will this legislation help housing? It will not increase funds available for this purpose because public deposits are volatile in nature and are not suitable for use in extending long-term credit. The legislation simply would tend to drain funds from banks, which are the No. 1 source of low-cost housing through mobile homes and the No. 2 source for home mortgage loans. In our bank, 36% of all loans are in long-term mortgages—primarily single-family dwellings—and 41% of total loans when mobile home loans are included.

Availability of money is not the problem in housing today. None of the financial institutions involved in home loans is lacking in funds. The problem is the opposite—where to invest the inflow of new funds and the payback

(Continued on page 28)





Don Thomason
Senior Vice President



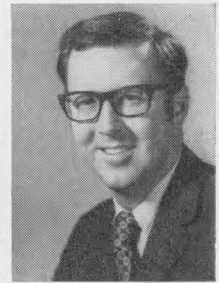
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Vice President



Jack Beets
Kansas



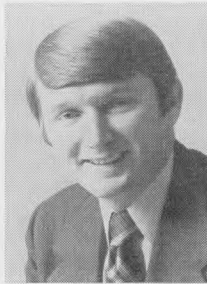
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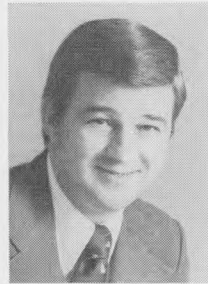
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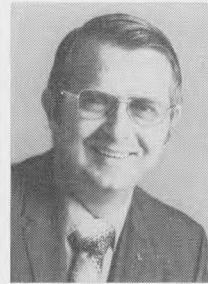
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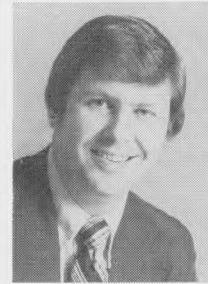
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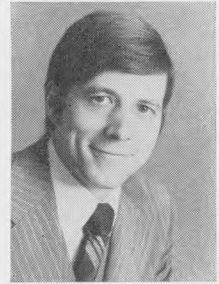
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Verne Schweder
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Barret

public deposits would flow into the savings and loan associations during easy-money periods and out again when money became tight, creating the kind of cyclical financing problem now plaguing the housing industry. He believes that the legislation, as written and if passed, would aggravate the major problems of the housing industry—its cyclical instability. It would allow savings institutions to attract funds when not heavily pressed and not attract them when they're pressed. The ABA analyzes the housing situation in that its main problems today are based not so much on lack of funds but rather on inflation and the cost of homes themselves.

Exact figures are not available, but it has been reasonably estimated that over \$70 billion of public funds are collateralized by Treasury and municipal securities. The Treasury, the National League of Cities and the Municipal Finance Officers Association are in strict opposition to this legislation because they feel 100% insurance of deposits would eliminate the need for banks to buy these securities, a stance that would have a detrimental effect on the federal and municipal securities markets. It is felt that the lack of demand for municipal securities would be felt particularly

by small municipalities and cities that could expect to pay from ½ to 1% additional interest when these obligations are issued. This increase in borrowing cost would, in some degree, be felt by all municipal issuers of bonds.

While the Senate is holding hearings and will probably take a position on these bills within the near future, S. 2591, the Financial Institutions Act, is also scheduled for hearings in this session. It is through this act, commonly known as the Hunt Commission Report, that legislation concerning financial institutions should more properly be considered rather than the piecemeal approaches of H.R. 11221, S. 2640 and S. 2735. I would hope that the Senate would definitely not pass any legislation permitting a rate differential on public fund deposits and, in fact, would defer action on any of this legislation until it can be considered as part of an overall review of the financial system, such as is embodied in S. 2591. ••

Underbrink

from existing mortgage loans.

The real housing problems are related to inflation (land and building prices, taxes and cost of utilities) and shortages (materials, fuel and skilled labor). Solving these problems calls for monetary and fiscal responsibility

and tax incentives for all involved in providing housing and housing credit.

What action should the Senate take? It should delete from the proposed legislation the 100% insurance provision, as it fails to accomplish the stated purpose. It will not, in my opinion, help municipalities to market their bonds for local improvements, schools, etc. It will not help housing as it takes from one source of funds for housing and in an unfair, inequitable manner places these funds in another fund for the same purpose. It does not face up to the true problems of housing, those created by inflation and shortages.

If Congress decides to go ahead with the legislation despite the facts presented, amendments should be introduced to bring about rate equality between all financial institutions. This revision is a must if discrimination is to be avoided. In addition, regulatory authorities should be directed to limit the amount of public funds each institution can accept based on liquidity with additional deposits permitted with pledging above the limits established.

A careful reading of the proposed legislation will suggest still other revisions. The most desirable action by the Senate is to delete 100% insurance in its entirety. It should at least provide for rate equality for all financial institutions. ••

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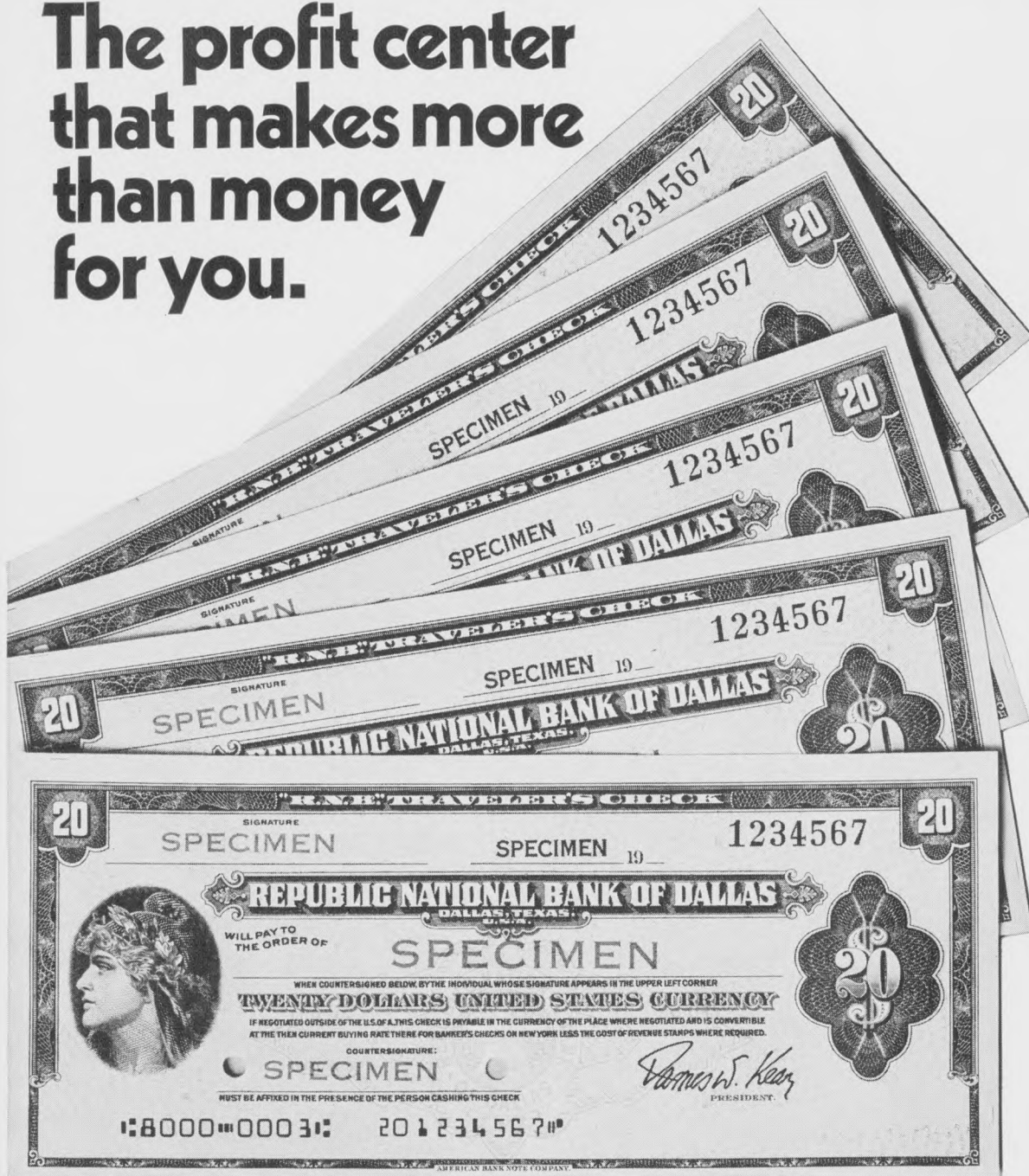
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Mr. Bullock is pictured at ABA's 1974 Bank Investments Conference. He gave talk on which this article is based during "Portfolio Management" workshop for banks under \$150 million.

Bank Investments Conference

How to Increase Portfolio Earnings In Small or Medium-Sized Banks

MMERRILL BANKSHARES is a \$250-million bank holding company whose annual compounded growth rate in earnings the last five years has been 14%. According to the most recent John J. Ryan New England Bankstock Annual, Merrill rates at the top of all New England bank HCs in earnings-performance categories with a return on average earnings assets of 1.54%, a return on average shareholder equity, including valuation reserves, of 14.8% and a profit margin of 16.3%.

The reason for the above statistics is twofold: First and foremost is our management philosophy. We don't want to be the largest banking entity in Maine, but rather the most profitable. We continue to look for acquisitions, but have passed up several potential ones in recent years because they would dilute earnings excessively.

Another significant factor in our earnings performance is cost control, even during the past four years when earnings were especially good. Through the 12 months ended last June, when we had an increase of about 12% in total assets, our total employment showed an increase of less than 1/2%. Our employee-to-asset ratio is one employee to approximately \$600,000 in assets vs. \$400,000 for our competitors.

We have not specialized and do not plan to do so because we don't believe an organization our size can afford that luxury. Most of our officers, including myself, wear two or three hats and have responsibilities in several areas.

By **WILLIAM C. BULLOCK JR.**
President
Merrill Trust Co.
Bangor, Me.

We also attribute our earnings performance to sophisticated portfolio management. Merrill Trust, lead bank in our four-bank HC, has an average rate of 7.52% on its government and agency portfolio with an average maturity of 2.8 years. The HC average is somewhat lower, with a rate of 7.20% and a life of 2.3 years. The reason for this discrepancy is that it takes time to adjust portfolios of our newest affiliates, and the full impact of our portfolio management has not yet been fully realized. Merrill Trust's municipal bond account has an average rate of 4.70% and an average life of 8.04 years; its short-term municipal note account—running around \$20 million—has an average rate of 5.40% and a maturity of 1.25 years. The HC's municipal bond account has an average rate of 4.81% and an average life of 6.85 years. The combined rate on our total municipal holdings is 5.09% with an average life of 3.89 years. These figures are more impressive when one considers that our banks have been buying municipals for about 15 years and, therefore, are locked into some very low rates so that we haven't been able to justify taking losses through swaps.

Because the subject of portfolio management is a complex one, I will discuss it in three different areas:

First, portfolio structure; second, sources of information and portfolio techniques and, third, issue selection and execution.

With regard to portfolio structure, the first thing that any bank must consider is what sort of portfolio is adaptable to a particular institution. No two banks are alike with regard to balance-sheet considerations, such as: asset structure, loan demand, investment and liquidity needs, liability structure, composition of demand and time deposits, mix of time deposits, whether they are hard-core savings instruments or more volatile CDs. Certainly, capital is another factor.

In talking about Merrill Trust's portfolio management, it is important to understand the bank. Merrill Trust has total deposits approximating \$150,000,000 with \$60,000,000 in demand, \$60,000,000 in hard-core savings deposits and \$30,000,000 in large-denomination volatile CDs.

In discussing portfolio management, it is essential to break one's portfolio into two parts; the first being intermediate and longer-term municipal bonds and U. S. government and federal agency securities and the other being our short-term investment portfolio of securities or assets maturing within one year.

With regard to Merrill, first we allocate assets to the \$60,000,000 of hard-core savings deposits as follows: \$30,000,000 of installment consumer loans; \$10,000,000 of residential mort-

gages and the remaining \$20,000,000 in municipal bonds. With regard to the more volatile large CDs, which approximate \$30,000,000, and our \$10,000,000 regional federal funds operation and repurchase agreements, we rely on shorter-term investments.

Like most banks, we look primarily to the U. S. government and agency securities for primary liquidity and try to maintain a ratio of about \$2 of long-term municipal bonds for every dollar of U. S. government and agencies.

Looking to the liquidity factor, a bank's demand deposits are extremely important. Such deposits should be plotted on a daily, weekly or monthly historical basis. To simplify matters, we plot demand deposits on a weekly basis and use the Wednesday settlement-date figures. Plotting of demand deposits on a continuing basis establishes historical seasonal patterns. During the course of a year, Merrill Trust can reflect a 20% variance from the maximum to the minimum demand-deposit figures or a swing of approximately \$12,000,000/15,000,000. On the basis of historical data, the dips and increases in demand deposits are very predictable and over a five-year period, for a specified period of time, the variance from historical averages has rarely been in excess of 3%.

After determining the structure of a bank's portfolio, the next step is to find sources of information and portfolio techniques to implement the portfolio. With the tools available today, I think it's possible for an individual handling the portfolio of a small or me-

"A bank has two primary sources of day-to-day information on portfolio management and securities execution. First and foremost are correspondent banks and, secondly, are nonbank security dealers."

dium-sized bank to obtain many of the results being achieved by large banks. In addition to being chief administrative officer of the HC and our bank, I personally handle the overall supervision of the portfolio with the help of our treasurer, who manages the day-to-day money position. I do this for two reasons:

I believe that "the proof of the pudding is in the eating" and I have been successful in generating good results. Second and more importantly, I find the position challenging and most rewarding. I'm in day-to-day contact with the money markets, and this is very helpful in other areas of bank management. Portfolio management includes more than buying and selling securities. Actually, it involves managing the bank's overall asset and liability mix. For maximum results, the manager should be well informed and that includes subscribing to and reading financial periodicals, bank news letters and newspapers as well as keeping in contact with other experienced portfolio managers in the money market centers.

A bank has two primary sources of day-to-day information on portfolio management and securities execution.

First and foremost are correspondent banks and, secondly, are nonbank security dealers. We confine portfolio activities strictly to correspondent banks. While there certainly are a number of very fine and reputable nonbank dealers, and I do not mean to detract from them, unfortunately there are dealers who do not have the capital strength, know-how and reliability a correspondent bank has. The biggest mistake in managing a small bank portfolio is in not dealing with the right people. For example, recently an unethical nonbank dealer was responsible for impairing the capital of a bank in our state and, as unbelievable as it may sound, that particular dealer overtraded and turned that small bank's portfolio three times in an 18-month period by doing swaps with trades where the sale price was historically 10% to 20% below current market prices and purchases were 10% to 20% above present market prices. In addition, municipal securities were misrepresented. Instead of being state of New Jersey bonds, "Triple A Jerseys" turned out to be Jersey City bonds, which are of a questionable BAA status. "Maine Schools"—supposedly "Triple A State of Maine" obligations—turned out to be individual Maine school administrative districts carrying a BAA or no rating at all. In addition to impairing that particular bank's capital, these disreputable security dealers also caused unfavorable effects on several other bank portfolios in Maine. In fact, these practices have taken place all over New England and the country. *Consequently, and I cannot stress this enough, it is essential to know your securities dealer.* If it is a nonbank dealer, you should insist on periodic financial statements paying particular attention to capital ratios. Check out the dealer with the banks they clear through and with other reputable people with whom they do business.

As I mentioned earlier, we confine all our portfolio transactions to our correspondent bankers primarily because we have important deposit relationships with those banks and feel we have some "clout" over the heads of their securities salesmen in that they must provide us with prompt service and sound advice. Secondly, we maintain custody relationships with these correspondents, and purchase and sale of securities are greatly simplified. More importantly, valuable time is not wasted trying to unravel custody failures that happen so often when securities are being delivered from one bank to another, especially in the case of nonbank dealers. Lastly, with regard to deposit balances, we like to maintain im-



Karl M. Shelton (r.), newly elected chairman, ABA Bank Investments Division, visits during 1974 Bank Investments Conference with T. Scott Fillebrown Jr. (l.), division chairman for 1973-74, and Bruce K. MacLaury, president, Federal Reserve, Minneapolis, a speaker at the conference. Mr. Shelton is senior vice president, Seattle-First National, and Mr. Fillebrown is president, First American National, Nashville. Elected division vice chairman was D. Dean Kaylor, senior vice president, National Bank of Detroit, currently chairman of the division's communications committee. Mr. Shelton, who is serving as vice chairman, 1973-74, and Mr. Kaylor will move up to their new posts at the ABA convention next October.

portant relationships with a few banks instead of a number of minimal relationships with many banks. This philosophy also applies to our portfolio dealings. By confining our dealings to only two banks, the annual volume of purchase and sales makes our account extremely attractive and, more importantly, it assures that we derive prime consideration and service from our two bank dealers. We believe strongly that it is important to maintain portfolio relationships both in our own Federal Reserve District (Boston) and also a relationship in New York City, which is the country's money market center.

In choosing a correspondent bank,

one should look at two things—first, the size and expertise of its dealer department and second, the ability of a particular bank's portfolio management. It's fairly easy to get a good evaluation on the dealer department through reputation and industry information on volume of underwritings.

In evaluating a correspondent bank's portfolio management, one should review the last three or four years' annual reports and closely examine footnotes to get a pretty clear picture of how successful a major bank's portfolio management is.

Many nonbank dealers argue that there is a potential conflict in dealing

with correspondent bank dealers because at times the dealer department might be bailing out the portfolio. I believe this generally is not the case and can be easily remedied if the individual bank portfolio manager keeps in touch with the portfolio people as well as the dealer representatives. While at Merrill Trust, we confine trading transactions to only two banks, we do keep in touch with several other portfolio managers of other correspondents. Although they do not have strong dealer departments, we value their judgment and respect their track records. The

(Continued on page 38)

Planning Portfolio Structures For Banks Under \$150 Million

MANAGEMENTS of commercial banks have to perform a two-fold job with a conflicting requirement. They must run banks that are safe, yet profitable.

A bank manager's primary duties are to make a profitable return for the bank's stockholders and further, to provide loans for businesses, farming activities and individuals within the bank's trade territory.

He must obtain the maximum amount of deposits from his area. He must make available and promote full banking services to people and to corporations consisting of checking, savings, trust department activities, safe deposit boxes and other services that make for a full service bank.

Of course, makeup of assets and liabilities of each bank and the economic situation in each trade territory are different. Before we can consider investments, we need to determine liquidity needs and trends of deposits and loans in our bank. Liquidity formulas provided by the examining agencies consist of asset classification of primary assets, secondary reserves, portfolio assets, substandard assets, work-out assets and fixed assets. On the liability side, classifications consist of demand deposits, bank deposits, government deposits, trust deposits and senior obligations. After determining the percentage of the above classifications in our own bank, we then compare them with formulas provided by the examining agencies.

Let me reemphasize that it is a bank

By MILLS H. ANDERSON
President
Bank of Carthage
Carthage, Mo.

manager's mission to make as much income as possible and also to provide the liquidity needs of his bank's deposit and loan fluctuations. He should keep track of fluctuations in loans and demand and time deposits on a weekly, semimonthly or monthly basis, then go back two years and record the same information. He will be amazed at the same patterns emerging at the same time each year. He then will be able to determine low and high deposit peri-



Mr. Anderson gave the talk on which this article is based at the ABA's 1974 Bank Investments Conference. He appeared at the "Portfolio Management" workshop for banks under \$150 million. His bank has footings of \$34-million and is located in southwestern Missouri.

ods and high and low loan totals in the year. This also will give him the information he needs to provide for secondary reserves with the necessary kinds of investments and maturities. Also, he can write down the expected available amounts for his bond portfolio.

For example, if a banker has \$600,000 to invest for 60 days, he needs to figure what securities will give him the best yield from, say, Treasury bills, bank CDs, high-grade commercial paper or banker acceptances. He then can buy for that period any one of the above and have the money available at the end of 60 days for his bank's use plus the income. Now if by chance he needs \$500,000 for an unexpected loan to a good customer, I suggest he sell the securities with the nearest maturity. If he doesn't have available short-term investments for this use, he could borrow from the Fed, or the federal funds market or sell the least-needed security. If he does this, he may find it necessary to take a loss. He would be providing a loan to a good customer in his area, and income from the loan should be greater than the security income and loss. This action will mean that in the future he will plan a better secondary-reserve policy for the next time he has excess cash for investments.

It's certainly advisable for a banker to establish and put his bank's investment policy in writing so that he may follow his own plan and so that other workers in his bank may know his aims and goals. This general policy should

contain the percentage of total assets that should be allotted to secondary reserves. He can narrow his plan for types and maturities. Balance of funds may be allotted to investments and, again, types and maturities should be listed in writing.

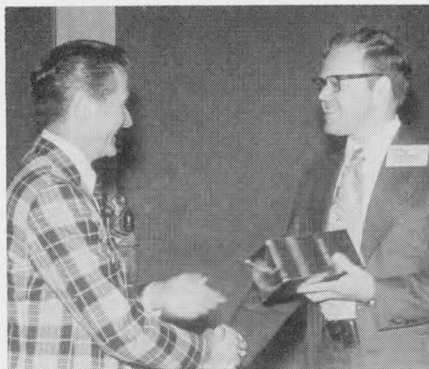
In deciding on what types and maturities to make, a banker should compare the income received from taxable versus tax-free investments because the name of the game is net income after all taxes. We should purchase tax-free municipals only if the yield is higher than taxable bonds where we are obtaining equal liquidity and maturity.

In buying tax-free investments, a banker should realize he is competing with banks in the highest tax brackets and, consequently, each investment must be figured as to how it will affect a particular percentage of a bank's income.

Percentage of limitations of tax-free investments in a bank are figured from total assets. Amount of assets allotted to municipals will vary from bank to bank according to the liquidity problems and according to each bank's tax situation. They may vary from zero to 25% of assets. Important factors are liquidity and maturity in determining percentage of assets to be invested in municipals—for example, public housing authority bonds versus a local revenue issue.

Let me reemphasize that deposit mix, capital accounts, loan demand and economic makeup of a bank's trade territory and of a bank is different from every other bank. From the information provided above, a banker should determine bank liquidity needs, then choose

Champion Forecaster



L. Edward O'Hara Jr. (r.) is congratulated during the ABA's 1974 Bank Investments Conference in New Orleans by George W. McKinney Jr. for winning the money market competition. On March 1, 1973—at the first annual Bank Investments Conference in St. Louis—Mr. O'Hara, a.v.p., Suburban Trust, Hyattsville, Md., predicted that the average yield on 90-day Treasury bills at the last auction in 1973 would be 7.392%. He was just 0.061 above the actual rate of 7.331%. Two Mid-Continent-area bankers—Lynn D. Swinehart and Frank K. Spinner—placed second and third, respectively, in the contest. Mr. Swinehart, sr. v.p. & cash., St. Joseph Valley Bank, Elkhart, Ind., placed the figure at 7.400%. Mr. Spinner, sr. v.p., First Nat'l, St. Louis, chose 7.260%. Mr. McKinney, sr. v.p., Irving Trust, New York City, was 1972-73 chairman of the ABA's Bank Investments Division.

the best type of investment that can be made both from a liquidity and income basis.

As stated earlier, our mission in life is to manage a bank that is safe, yet profitable. • •

Dividend-Record-Date Service Started by Continental Bank

CHICAGO—Continental Bank's trust department now offers a service designed to enable broker and nominee shareholders of equities to administer their accounts more effectively. The trust department's stock transfer division is making available a dividend-record-date service for those corporations for which the bank is principal transfer agent.

The service provides a detailed statement of account certificates as of each dividend date, but before the payable date. According to Vice President Gerald M. Czarnecki, this will enable customers to reconcile their account holdings prior to payable dates and, with this information, they can save time and money when answering post-dividend-payment inquiries.

Central National, Chicago, Has 'Instant Cash Checking'

CHICAGO—Central National has announced the introduction of a new service that combines overdraft checking with Master Charge.

"Master Charge Instant Cash Checking" is available to customers having both a checking account and a Master Charge account at Central National. The service enables the customer to write checks even when his account is at zero balance, because cash advances, in \$50 multiples, are automatically transferred from his Master Charge account to his checking account. These transfers are treated as regular cash advances on the customer's Master Charge card.

'Fed Watching' Said to Be Key to Predicting Near-Term Interest-Rate Swings

"FED WATCHING" is the key to predicting near-term interest-rate swings, David M. Jones, vice president and economist, Aubrey G. Lanston & Co., Inc., New York City, said at the ABA's Bank Investments Conference in February. In this connection, Mr. Jones listed two don'ts:

1. *Don't* interpret Fed policy on the basis of what you think it *ought to do*, but rather keep attuned to what you think the Fed *will do*. A good case in point is the Fed's recent moves toward ease, which apparently reflect a subtle, but significant, shift away from a policy stance aimed at curtailing excessive and inflationary demand pressures in

favor of policies aimed at preventing cumulative recessionary tendencies and rising unemployment in the economy.

In some market quarters, a strong view remains that the Fed *ought to* continue fighting inflation. But if you let this view of what the Fed *ought to* be doing cloud your judgment as to actual Fed moves, you probably will miss the boat.

2. *Don't* base your assessment of Fed policy moves on what Fed spokesmen *say*, but on what the Fed actually *does* in its day-to-day open market operations. In this regard, Fed Chairman Arthur Burns recently saw fit to speak of the need for continuing restrictive

resolve at almost precisely the time when the Fed appeared to be engaging in easing moves. This was the case in the mid-September-October period last year, in the latter part of December and again early this year, when Chairman Burns talked about "not opening the spigot" precisely at the time the Fed seemed to be intent on increasing reserve availability and pushing short-term rates lower.

The key indicator of actual easing moves by the Fed in these instances was distinct downward adjustments in the Fed's closely controlled target range for federal funds trading. • •

Good Portfolio Management Requires Trained Personnel Who Know Bank Operations

By **JAMES A. BRICKLEY**
Senior Vice President
First National Bank
Dallas

SEVERAL years ago, mounting problems of paper work and stolen securities led the Federal Reserve System to a study and subsequent implementation of what today is known as the book-entry method of handling and transferring government and, more recently, agency securities.

U. S. governments and agencies are created by the Treasury and the agencies themselves to finance the budget deficit in the case of U. S. governments and to provide the funds necessary for the ongoing programs of the various federal agencies. The book-entry method is nothing more than a computerized accounting, transfer and safekeeping system designed to permit banks to hold portfolio investments or to make markets, buying and selling securities all day long without having to worry about making physical delivery of the securities. This method saves considerable time, personnel and money, and totally reduces the risk of the securities being stolen.

The Federal Reserve bank in each district provides for three types of accounts for each member bank. These are *investment, trust and general* to permit maximum flexibility in determining and identifying what and for whom a bank is safekeeping securities.

If your bank is a buyer of govern-

ment securities from a primary bank dealer, for example, he wires the securities through the Fed to your account and you notify the Fed to charge your account at the proper settlement time and to credit your safekeeping account with whatever issue you have purchased. On sales, the reverse transaction occurs. The same transactions also can be done through your account for your customers, whereby you will be the safekeeper; but the only trace of physical securities will be an entry on the Fed's books and a description of the securities on your monthly statement of securities held, plus, of course, your confirmation from the dealer and receipt acknowledgement from the Fed when credit to your safekeeping account has been accomplished.

"The matter of stolen securities is a growing concern to bank regulatory agencies, insurance companies and securities firms and certainly should be to bankers."

Agency securities have been somewhat slower in being added to the book-entry system; but, by this time, virtually all of them will have been or have plans to be added to the system.

This is a real breakthrough for those of us who are active traders of U. S. governments and agencies, since most of our trades can be done via this procedure. Notice I said *most*, for this rule has its exceptions. Many customers still want the security they believe is provided by physically seeing, holding and storing the bonds in a safe deposit vault. Also, numerous states require physical delivery of securities held as collateral for public fund deposits. While it's still possible to obtain de-

finite securities to whatever extent practicable, it is to our common advantage to have all or most transactions done in book-entry fashion.

The matter of stolen securities is a growing concern to bank regulatory agencies, insurance companies and securities firms and certainly should be to bankers. The New York Fed points out that in the four months ended November 30, 1973, nearly \$21 million in government securities were reported lost or stolen, compared with \$6.7 million for the same period in 1972. Further, in the 11 months ended November 30, about \$22.5 million were reported lost or stolen; this is \$5 million more than in 1972. These figures do not reflect losses or thefts of agencies, municipals, corporates and stocks that occurred during 1973 and, when added to previous years, amount to a substantial figure.

"Portfolio management requires not only a thorough, continuous knowledge of the various commonly used investment instruments, but a continuous interest and awareness in the markets they trade in as well as the techniques used in each."

All of us must pay closer attention to the instruments we buy and hold and, equally as important, to the firms and individuals with whom we deal. Knowing them is as important as knowing our own customers. Ethical and unethical firms and individuals exist in every area of the world in which securities are bought and sold and not just in specific locales.

Detection of lost or stolen securities is difficult and takes time and effort on the part of cage personnel. Fraudulent and counterfeit securities, while not a major problem currently, do indeed exist, and procedures need to be instituted to facilitate their detection. Several studies, proposals and procedures are being developed to provide consolidated securities-transferring systems similar to the book-entry method in the corporate, municipal and stock areas which, as they develop, will aid us in this serious problem.

Consider briefly the ramifications of loans made against stolen securities, or counterfeit bonds bought and held for a trust customer, etc., and you will soon be as concerned about the problem as I am. It seems to me that a top-notch cage operation is worth good money; and I think the old adage, "You get what you pay for!" is as true here as anywhere else in banking.

Shipping of valuables such as securities is expensive and is never with-

out risk. You and your cage personnel, or whoever is responsible for securities transactions and handling procedures in your bank, should be aware that many different types of shipments and shipping facilities are available. Registered mail, armored courier, messenger services and wire transfer as in the book-entry system through the Fed are only some of the ways frequently used. Knowledge of these, plus what is permitted under your bank's blanket bond and the limit it imposes, is important.

In every respect, successful portfolio management, dealer operations and cage operations are dependent on the

ability to hire and train competent personnel.

Portfolio management requires not only a thorough, continuous knowledge of the various commonly used investment instruments, but a continuous interest and awareness in the markets they trade in as well as the techniques used in each. In addition, good fundamental training in and knowledge of general banking, economics and accounting are a prerequisite for the successful portfolio manager. An organized training program, covering general banking problems and procedures and participation in seminars, such as the

ABA's Bank Investments Conference, can be of invaluable assistance in providing the training and experience necessary to improve your own education and to assure the continued development of those whom you choose to work in the investments area with and for you. In addition, taking investment courses offered by banking schools, reading publications recommended by the Bank Investments Division's education committee, and spending time with an active investment portfolio manager are some additional ways to gain further beneficial knowledge in portfolio management. • •

Northern Trust Names Director

CHICAGO—Northern Trust has elected Harold Byron Smith Jr., president, Illinois Tool Works, Inc., to its board. He replaces his father, Harold Byron Smith Sr., chairman of the executive committee of Illinois Tool Works. The senior Mr. Smith remains on the board of Nortrust Corp., HC parent firm of Northern Trust.

The HC has elected Edward S. Donnell, president, Marcor, Inc., and Mont-

gomery Ward & Co., to its board, replacing Leo H. Schoenhofen, chairman, Marcor, who did not run for reelection.

Theodore Brown Named Director Of 20th Assembly for Directors

Theodore D. Brown, president, First National, Denver, has been named director of the 20th Assembly for Bank Directors, to be held August 31-September 3 at the Broadmoor Hotel, Colorado Springs.

The Assembly will be co-directed by Dr. William H. Baughn, dean of the School of Business at the University of Colorado, Boulder, and director of the Stonier Graduate School of Banking at Rutgers University.

Assemblies scheduled for 1975 will be held in Puerto Rico from January 30-February 5; Hot Springs, Va., from May 25-29; and Phoenix, from November 5-9. Assemblies in 1976 will be held in Hawaii and Palm Beach, Fla.

Denver's Park Central Complex Wins Award for Leavell Development Co.

A TOP AWARD from Downtown Denver, Inc., has gone to Leavell Development Co., Denver, for the \$23-million Park Central, a full-block complex that houses Central Bank.

Park Central was described by Downtown Denver—a group of metropolitan leaders committed to growth and improvement of the city's downtown area—as a "sleek, urban example of city architecture at its best, providing an exciting visual counterpart in downtown Denver." The multi-height Park Central structure rises 16 stories



Monte Beckstrand (l.), pres., Leavell Development Co., Denver, and Ralph Frizzell, sr. v.p. of firm, display award presented to company by Downtown Denver, Inc., for Leavell's \$23-million Park Central bank/office development. In background is entrance to Central Bank in Park Central complex.

on 15th Street and 11 stories on 16th Street and is joined by a seven-story banking facility. Park Central features anodized aluminum and solar bronze glass and encompasses extensive open space, including a garden, plaza, land-

Park Central, for which Leavell Development Co. won award, features varied-level inner-courtyard plaza, decoratively lighted and studded with planters. It provides open space for people to stroll in. Plaza links three towers of Park Central complex.

scaping and fountains. At park level are Central Bank's banking facilities, retail shops and other commercial installations.

The concept in creating Park Central as a joint-venture project was to meet the criterion of providing open "people" space in a dramatic, functional architectural setting that is both profitable and contributes to the aesthetic values of a key downtown area, said Monte Beckstrand, Leavell's president.

Leavell is a nationwide owner/investor/developer of bank office and commercial buildings, shopping centers, apartment complexes, condominiums, recreational facilities and commercial and residential land developments. The firm is a wholly owned subsidiary of Rio Grande Industries, Inc., which, with Leavell and another subsidiary, Rio Grande Railroad, has its headquarters in Park Central. Owners of the complex are Leavell and Central Bank Building Corp.

Ralph Frizzell, Leavell's senior vice president, said the company has a policy of stressing "environmental considerations and establishing firm relationships within the community and area it serves as a developer, no matter how large or small the project may be." • •



Tools to Use to Get Best Results For Large and Small Portfolios

**Bank
Investments
Conference**

By **EDWARD D. McGREW**
Executive Vice President
Northern Trust Co.
Chicago

WHETHER you have responsibility for a portfolio of \$5 million or \$5 billion, nothing can supplant sound market judgment. I've yet to meet the portfolio manager who can rely on this gift alone, so I would like to suggest a few tools a bank might use to compensate for market judgment deficiencies. It is equally important to ensure that portfolio activity produces results consistent with overall bank earnings objectives.

For a bit of historical background, I would like to go back to 1969, when the IRS, SEC and American Institute of Certified Public Accountants, along with the ABA and federal banking agencies, negotiated sweeping accounting and tax reforms that, among other things, decided that capital transactions could not appear above the line. With the advent of bank holding companies and use of stock for acquisition, there was more emphasis on price-earnings ratios and stock values and a desire to smooth year-to-year earnings. As a result, all portfolio losses and gains had to be reported below the line.

This combination of events was particularly responsible for the subjugation of investment decision to accounting practices. For example, if a bank was under pressure for earnings and the portfolio manager had a large position in high-yielding bonds held at considerable profits, there could be a reluctance to sell these assets, take the profit below the line and replace them with lower current yields. Based on market judgment, the right investment decision would indicate that the bonds should be sold, but this decision has been preempted by an accounting practice.

Now moving to 1974, how can we get the best results from a portfolio? Under present tax laws and current market conditions, let's focus on two types of portfolio operation:

Mr. McGrew's article is based on the talk he gave during the "Portfolio Management" workshop for banks of \$1 billion and over at the ABA's 1974 Bank Investments Conference.

1. Run all or a major part of a portfolio on a performance basis as a trading account. This calls for constant attention, quick turns and high market risks. This can be very successful, but as some banks discovered last year, it is fraught with inconsistency of performance.

If this is classified as a trading account, the results, good or bad, would be shown above the line. Little emphasis would be placed on current yield and all the emphasis would be placed on market performance. If classified as an investment account, the results, good or bad, would be shown below the line and, assuming performance is good, nothing has been gained in net operating earnings.

2. We prefer a second option, which is a more orthodox way, and we hope the interest-rate cycles will be of long enough duration so that decisions can be more permanent. That is, the maturity structure will be consistent with overall investment goals. Of course, this implies that the size of the account also could vary, based on market judgment. After we have made this decision, we then place great emphasis on mechanical proficiency and tax proficiency in managing the account.

I'm not insinuating that we use the old concept of the investment account as a shock absorber for changes in loan demand, but rather we would use the tools of liability management to compensate for loan demand. To a certain extent we all find that liability management can be used to allow the size of the investment account to move in concert with management's longer-term-rate expectations.

Even with the best intentions, losses will occur in all investment accounts. Then the goal of a portfolio manager is to find the tool to take best advantage of this loss.

Any time you can find an economical trade at a loss, after taxes and cash flow, and have taxable income to cover the deduction, you should make the trade. This can only help reported net operating earnings.

For example, a 6½% return goes off your books and is replaced by a 7½% return. I have a hunch this will look good to the analyst who looks at net operating earnings and could make him forget a loss taken several years ago.

Next, I would like to discuss our

philosophy on municipal portfolio management. Assuming that a decision has been made as to maturity and quality, we feel that only premium or discount bonds should be considered for purchase.

Let's assume that a tax-exempt bond was acquired at a premium and is selling at a loss from amortized book value and your bank has sufficient taxable income. If the bond has \$110 book value and is held to maturity, you receive \$100, thus \$10 nondeductible amortization and, therefore, \$10 after-tax loss.

Using the same figures, if the bond is sold at par prior to that maturity, you have a \$10 pre-tax loss and \$5.20 after-tax loss. Reinvest the proceeds and continue to collect the same coupon. The advantage equals the difference between the \$10 after-tax loss if held to maturity and \$5.20 after-tax capital loss if sold and a comparable bond is repurchased. And don't forget the value of the money from the tax savings. You might well find this cycle can be repeated several times.

For a moment, let's look at the effect of gain trading on your portfolio. Obviously, if you believe prices are going to drop precipitously, this will be the overriding factor in liquidating part of your account. However, you must bear in mind the potential effects on net operating earnings. Advance payment of taxes also could be a negative factor in the liquidation.

A sale and simultaneous reinvestment put the profit below the line and reduce current income. Also, you must realize that any sale of the gain introduces the problem of a tax payment. The negative impact of the cash flow of this tax payment must be brought into your analysis of the profitability of the transaction. There also are some substantial disadvantages to sale of municipal bonds at high premiums.

It is obvious that a municipal purchased at par has less advantage to a tax-conscious portfolio manager. In this connection, consider a government or a municipal bond as a 3½% coupon purchased at a 7% yield as compared to a 7% coupon bought at 7%. The former has less risk of market impairment through a change in rates as the yield book figures on reinvestment of the interest at the investment rate. ••

Increase Portfolio Earnings

(Continued from page 33)

only nonbank dealers we use are some of our local Maine dealers who have a better knowledge of some local Maine securities.

Now that we have determined our portfolio structure, portfolio techniques and source of information, we can go into the third and probably the most important area of portfolio management. *This is issue selection and trading of securities.*

Most importantly, in timing securities transactions and changing maturity structure, one must anticipate changes in interest rates. When rates appear to be headed for higher levels, we discontinue buying longer-term bonds and rely on short-term investments, believing that in a short period of time we will be able to liquidate our short-term holdings and buy long-term at higher yields. The opposite is true when we anticipate lower yields. Then we liquidate short-term investments and buy longer-term bonds in an attempt to lock in attractive yields for the future.

"Most importantly, in timing securities transactions and changing maturity structure, one must anticipate changes in interest rates."

As to issue selection, one must weigh the various alternatives for short-term-intermediate and long-term investments. In looking to short-term investments, we rely on three different instruments: 1. Federal funds. 2. Short-term municipal notes. 3. Loan participations from correspondent banks. A common mistake small banks make is to rely 100% on the federal funds market as their investment medium for excess deposits. As I outlined earlier, you can be much more sophisticated and invest your short-term funds for a longer period of time if you chart a bank's demand deposits. In the past year, there have been times when the taxable equivalent on municipal notes maturing anywhere from three to twelve months have been approximately 100 to 200 basis points above the federal funds rate.

The area of short-term taxable investments includes Treasury bills, banker's acceptances, commercial paper and loan participations from correspondent banks. Our bank relies more heavily on loan participations than on other short-term taxable invest-

ments. First and foremost, in recent years, the rate on loan participations in general has been higher than on other types of investments. At times, smaller or medium-sized banks tend to forget that commercial paper is nothing more than an unsecured promissory note and do not exercise sound credit judgment in analyzing paper referred to them by dealers. I believe that commercial paper purchases should be confined to the 10 major direct issuers of paper plus prime industrial names. I am extremely concerned at present because a number of banks have been purchasing second-rate credit names entirely for the purpose of yield and have completely disregarded credit standards. These banks have and still are purchasing second-rate REIT paper from non-reputable dealers and could be in for some real losses similar to the Penn Central debacle. While participations from correspondent banks are on a non-recourse basis, there certainly is a moral responsibility on the part of a correspondent to make sure that only prime credits are participated to good correspondents.

Prime-rate loan participations from correspondent banks today are in the neighborhood of 25 basis points above the funds rate. More importantly, since you can lock-in a loan participation and guarantee a rate for 90 days, this becomes even more attractive if one anticipates a drop in the prime rate. Presently, our bank is holding a municipal note position of approximately \$20,000,000 with an average maturity slightly less than six months. Here again, if we have an unexpected outflow of the more volatile deposits, we can weather the storm quite nicely. In the note account, we rely on three types of notes: 1. Local Maine names, which we underwrite during the normal course of the bank's business with our municipal and public customers. 2. Good-quality general market names for liquidity. 3. Some nonrated, but what we believe to be quality names of other New England political subdivisions. In this area, we look to our Boston dealer friends who have a much better feel for the New England names.

In the intermediate-investment area, we purchase U. S. government and federal agencies securities. We must show U. S. governments and agencies securities separately on our balance sheet, but for the purpose of quality and liquidity in a smaller bank we

treat them the same and have no qualms about having our agency holdings equal to our governments. When we are in the market for Treasury or agencies, we pay particular attention to yield spreads. When the spread is in the neighborhood of 40 percentage points or more on agency securities—as it was last summer—we buy agencies instead of governments and, conversely, when the spreads are very small, we buy governments.

In our municipal bond account, we confine our maximum investments to the 15-year range. We attempt to keep a fairly even maturity runoff in the municipal account and, at the present time, have approximately \$1,500,000 in bonds maturing each year. However, we do not abide by this rule 100%, and we have heavier maturities in a particular year as a result of buying at a particular place in the yield curve. Today, we have much heavier maturities of approximately \$4,000,000 in 1977 as a result of buying \$3,000,000 of four-year bonds last summer as an offset to our four-year, 7½% wild card CDs. Luckily, we hit the market at the right time and have an average yield slightly in excess of 5% on these purchases. We follow the practice of looking for yield on our note account and quality on our bond account. As a matter of practice, we do not buy any municipals with a rating lower than "A" except for a few nonrated Maine names we must buy from time to time for political purposes.

"Prime-rate loan participations from correspondent banks today are in the neighborhood of 25 basis points above the funds rate. More importantly, since you can lock in a loan participation and guarantee a rate for 90 days, this becomes even more attractive if one anticipates a drop in the prime rate."

Our portfolio by rating is broken down as follows: 4% AAA, 35% AA, 20% A-1, 27% A, 14% nonrated and a few purchases made a number of years ago of BAA securities. All our purchases are made in minimum blocks of \$100,000 and multiples thereof.

While I have talked primarily of running a portfolio for an individual bank, in the case of our holding company, I also handle the portfolios of all the affiliated banks. We have found that our affiliates enjoy being freed of having to worry about portfolio matters and, at the same time, it enables us to try and achieve uniformity of portfolio in our system. We believe it gives us some muscle in buying securities when



Now what do you do?

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

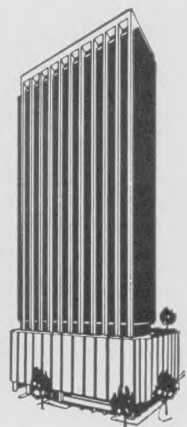
Business creates the same type of situation, too—unexpected tight spots when you'll need fast, competent action from your correspondent. It's the kind you'll get from the **Action Bank** of Tulsa . . . Fourth National.

Fourth specializes in providing the expertise and the drive to keep your team moving ahead. That's one reason Fourth National correspondents now total over 160 in a four-state area.

If you're looking for the type of correspondent that provides both resources and "will to win", call Glenn "Red" Ward or Wilbur Waters. They're ready to get things moving—whenever and wherever you are.

Remember: When you need an **Action** correspondent, recruit Fourth National . . . the Action Bank of Tulsa. It's the way to the top.

The
Action
Bank
of
Tulsa



we can place orders for \$500,000 in bonds in a particular underwriting and subsequently place them around in our affiliates. Lastly, by centralizing portfolio management, we make sure all affiliates take losses or gains in a particular year.

Despite the fact that we stay in close contact with the money markets, we do not believe we are close enough to the market, as are the major banks, to arbitrage and take short-term trading profits. The only short-term trading we do is buying tax-anticipation bills and selling immediately when we think there is a profit through the TT&L account. In rare cases, we will "free ride" new agency offerings when we think the market looks extremely attractive.

All and all, we manage our portfolio with an eye toward longer money market trends. We believe in taking both gains and losses on our portfolio and have done so over the years. Also, on some occasions, if we have strong convictions about interest rates, we have open-ended both our municipal and government accounts. This was the case in the spring of 1972, when we took profits of approximately \$250,000 on our government account and did not replace these securities until this past summer, when we were able to do so at yields in excess of 7½%.

Besides managing the securities portfolio, the portfolio manager should

have the overall responsibility of liability and asset management. In consultation with my associates, I determine what rates we pay on our repurchase agreements and adjust our CD rates daily as well as decide whether we want longer or shorter maturities.

Our bank does business today with approximately 100 municipal customers in our state and, consequently, we must be very sharp when it comes to bidding for municipal notes and for their excess short-term investment funds. By being a little more sophisticated, small banks can increase their penetration of municipal banking business. We have kept detailed records of bidding results over the past five years, and it is amazing to note how consistent some of our competitors are in their bidding patterns on municipal borrowings and on their CDs and repurchase agreements. We even make a point of knowing exactly what New York or Boston banks give takeouts to our competitors on various bids and even touch base in the New York and Boston money markets to see how bullish or bearish these banks have been in their own note bidding at a particular time.

One area that has not been touched on is that of dealer municipal underwriting for a small or medium-sized bank. In this area, I do not believe that we are of sufficient size or have the staff to be a dealer bank underwriter. However, from time to time, if we have a small local issue in our state that appears attractive, we will take an underwriting commitment with our correspondent dealers when we think we have a significant number of purchases for our own portfolio and have a number of bank customers interested in a particular issue. During the last two years, we have participated in four separate underwritings of this type, which have produced net profits in excess of \$20,000 for our bank.

One final criterion we use in timing our portfolio purchases is "The Merrill Bank Index." You have heard of the "Bond Buyer Index" and the "Dow Jones Municipal Index," but we believe that the Merrill Index is unique. We keep track of our daily and weekly calls from all securities dealers and, over a five-year period, have found this to be one of the best indications of the trend in money markets and interest rates. When rates appear to be going higher and dealers, especially nonbank dealers, are attempting to liquidate their trading positions, our number of calls shows a substantial increase and, conversely, when dealers are looking for lower rates and are adding to their trading positions, our calls decrease. It is interesting to note that our index

hit an all-time high in the summer of 1970 and a second peak in July, 1973. Our all-time low, believe it or not, was last October, when dealers as well as everyone else were looking for lower rates. Where does the Merrill Index stand as of now (February, 1974)? Just about an average number of calls, which would indicate that interest rates should stay on an even keel for the near future. • •

Duncan, Sprinkel Named To New Bank, HC Posts



SPRINKEL



DUNCAN

CHICAGO—Kent W. Duncan has been elected an executive vice president, Harris Bankcorp, Inc., whose principal subsidiary is Harris Trust. Beryl W. Sprinkel was named an executive vice president and economist of the bank.

Mr. Duncan continues as executive vice president of the bank, where he is chief loan and credit officer. He joined the bank in 1936. Since 1972, he has been a director of Harris Bank International Corp. and Harris Corp Leasing, Inc., both subsidiaries of the bank.

Mr. Sprinkel went to Harris Bank in 1953 and heads its economic research office. He is on the bank's management, investment guidance, trust investment, portfolio and money market committees. Mr. Sprinkel is the author of two books and numerous articles.

Exchange Nat'l Promotes 4



GOODMAN

CHICAGO—Exchange National has elected Michael D. Goodman and Bruce J. Hepner vice presidents, Warren E. Bertha customer service officer and Thomas M. Morse chief security officer.

Mr. Goodman is in the trust departmental group and Mr. Hepner is in the term loan division.

Money Brokers
for Banks
and Bankers

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Repurchase Agreements
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We made our first correspondent banking arrangement in 1927, the year that Babe Ruth set his record for home runs.

We're still going like 60.

Like the immortal Babe who gave his all to the game he loved, we're committed wholly and irrevocably to our correspondent banking customers. Of which there are more than 370, spread over 5 states.

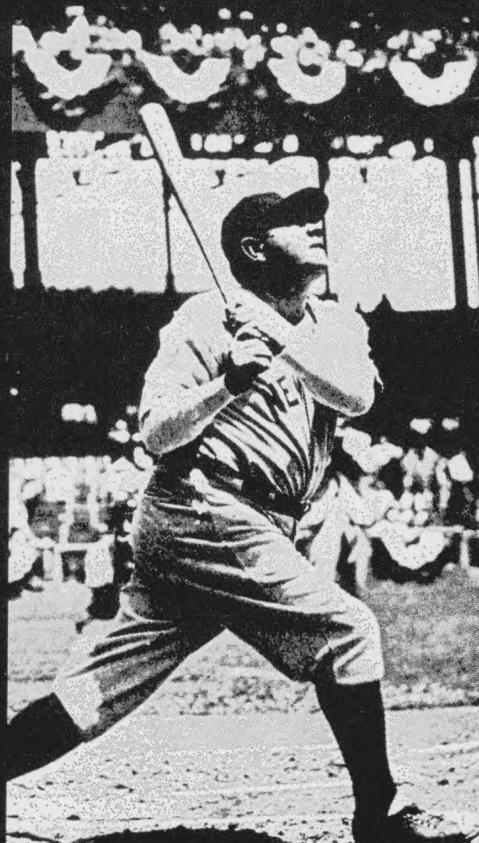
Our correspondent Banking Division now numbers 11 people with an aggregate 196 years experience. And we plan to add more people,

more equipment, more services as they are needed.

When your bank runs into something it can't handle just yet, touch base with us. Our Tennessee WATS line is 1-800-342-8360.

In neighboring states, dial 1-800-251-8561.

We're here to serve you. And we'll be here when you need us.



THIRD 
NATIONAL BANK
IN NASHVILLE

The 60 home runs hit by Babe Ruth in 1927 is still the Major League record for a 154-game season.



West
 American Express Travelers Cheques
 are accepted in 34,025 more retail outlets throughout
 the West than the next travelers cheque.*

A 1973 A.C. Nielsen Company Survey says:

American Express Travelers more retail outlets across America

American Express Travelers Cheques are
 accepted in 60% more places of business in the East
 than the next travelers cheque.
 In 34% more places in the West.
 In 40% more places in the North.

In 68% more places in the South.
 No matter where your customer travels in the
 United States he'll discover that the American
 Express Travelers Cheque is the most acceptable
 Travelers Cheque he can carry. By a wide margin.

*Figures projected from a sample selected and questioned by A. C. Nielsen Company in March 1973.

Growing Number of Bank Holding Companies Form Data Processing Subsidiaries

THE FED'S so-called "laundry list" of nonbanking activities permitted bank holding companies includes formation of data processing subsidiaries. Such firms have not been formed by HCs in as great numbers as, say, leasing, insurance, finance or mortgage banking companies. However, 61 had been started or acquired by bank HCs in the first two years after the Fed said, in mid-1971, that they could engage directly or through subsidiaries in providing data processing services for themselves and their subsidiaries and other financial institutions.

Why would a multi-bank HC form or acquire such a subsidiary when its lead bank is successfully operating a data processing department? Commerce Bancshares, Inc., headquartered in Kansas City, listed what it called "eight good reasons":

1. To provide standard programs for all its banks to fit its own processing and reporting needs.
2. To establish known and controllable processing costs.
3. To have the flexibility to modify or change programs as a group.
4. To avoid the dangers of disclosure of customer information to competitors.
5. To provide for continuity of data processing and not be subject to cancellation by other processors.
6. To obtain standardization of reporting forms and information, oriented toward the HC's own user needs.
7. To install a state-wide data processing system as an initial step toward integration of a state-wide document processing system.
8. To have the ability to control

Real Estate Leasing Allowed

WASHINGTON—The Fed lengthened its laundry list of activities permitted bank HCs last month when it added the leasing of real estate and other real property. The ruling will become effective April 17.

Certain conditions were placed on these activities. For instance, a HC's leasing subsidiary must recover its full investment in the property during the initial term of the lease. In addition, the property to be leased must have been acquired specifically for the purpose stated in the lease, which can run for no longer than 40 years.

By **ROSEMARY McKELVEY**
Managing Editor

its own destiny in the check processing and data processing field.

According to Haddon H. Smith, Commerce Bancshares' executive vice president, the new service corporation, called COMPAC Services, Inc., is owned by every bank in the HC so that it becomes a system-wide organization and not a data processing operation oriented toward the practices and requirements of the lead bank, Commerce Bank of Kansas City. He added that quite often the objectives and timing of the large bank might not be readily compatible with requirements of smaller banks in a holding company, but the service organization approach becomes a means of working out the differences, objectives and requirements under which the overall problem may be most satisfactorily resolved.

By setting up an EDP operation as a separate corporation, Mr. Smith pointed out, Commerce Bancshares is allowed to expand its document processing and data processing services for its own affiliate banks to include whatever services the banks need along these lines. This all must be done under a contract system between the service organization and each bank to meet requirements of regulatory authorities.

The services of COMPAC are offered only to HC affiliate banks; there are no outside customers. However, said Mr. Smith, the HC's banks may have data processing or check processing agreements with other nonaffiliated organizations, and such work can be subcontracted via COMPAC. Again, all work is performed under contract with each affiliate bank. Of course, Commerce Bank of Kansas City has many correspondent bank data processing activities whose contracts are being continued between Commerce of KC and the correspondent banks. The new service organization acts as the service arm for the lead bank. The sales effort of the EDP services organization, continued Mr. Smith, now is limited to technical backup support to the sales effort made by Commerce Bank of KC.

COMPAC is believed to be the first

EDITOR'S NOTE—This is the fifth in a series of articles on nonbanking activities of multi-bank holding companies.

such firm created in Missouri. Its 400 employees, led by the new company's president, Bryson Clarke, are headquartered in the new Executive Plaza Building in Kansas City. Mr. Clarke said that as Commerce Bancshares continues to add affiliate banks, it becomes more important that data and document processing be handled on a state-wide, uniform basis, providing such services at the most economical cost to the affiliate banks. He added that now each member bank, regardless of size, can provide fast, efficient processing for its customers.

A Houston Firm. First City Bancorp. of Texas, Inc., headquartered in Houston, has announced formation of a data processing subsidiary called First City Services Co., which provides EDP services to the HC, its subsidiaries and nonaffiliated banks.

Like Commerce Bancshares in Missouri, First City Bancorp. had as one reason for starting the new company the desire to have all HC members take part in it as a company-wide project, said Martin Q. Underhill, the subsidiary's president and senior vice president, First City National, Houston, the HC's lead bank.

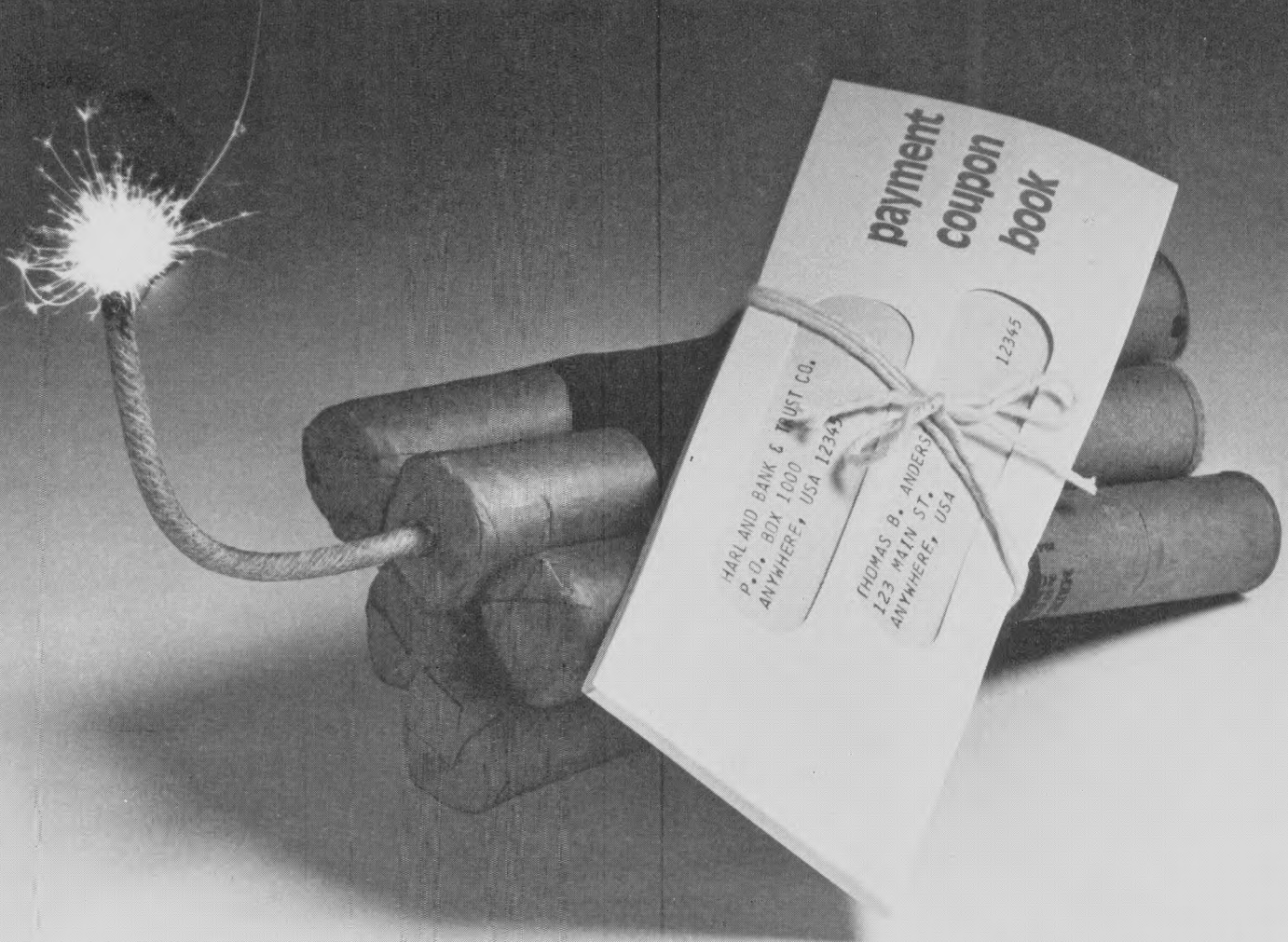
Another reason, although not a primary motive, said Mr. Underhill, is that organization of a data processing subsidiary under operating rules of the Fed's Regulation Y is considered by many to provide more latitude for offering services than if the data processing is handled by a national bank.

First City National is continuing to service its correspondent banks in the same manner it did before the new firm was started.

A Dallas Entry. Data processing is one of the services offered by a subsidiary called First International Services Corp. recently formed by the Dallas-based First International Bancshares, Inc.

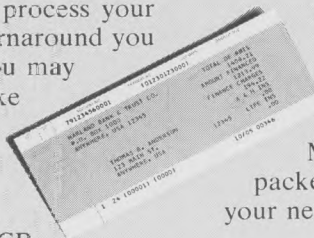
In explaining why the firm was established, Robert E. Tripp, vice president for advertising/public relations, First National, Dallas—the HC's lead bank—pointed out that Texas is a unit-banking state. With the EDP function as an integral portion of the bank itself, he continued, all requirements for the bank must be met by its several func-

If you didn't need reliable service on loan coupons, ours would have bombed.



But since reliable service is an absolute must, Harland's loan coupons are becoming more popular every day.

■ A sophisticated computer center and advanced technical experience enable Harland to process your customers' coupon books with the fast turnaround you need. And without many of the snags you may be running into with other coupons. ■ Like accuracy. Harland loan coupons regularly test out at better than 99.5% computer readability... The kind of accuracy you need. ■ You also get the flexibility you need, highlighted by an MICR line adjustable to your *exact* needs. It can be

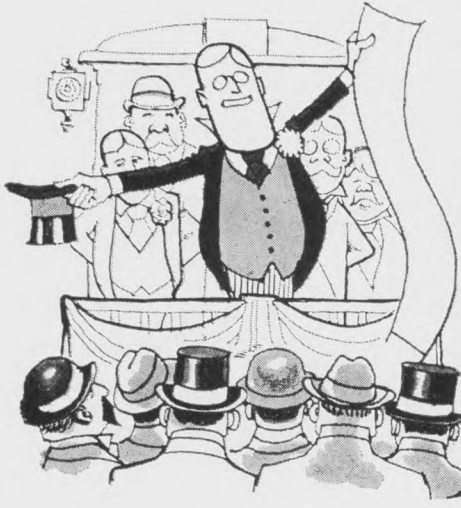


programmed to include the payment number and amount, identification numbers, branch or department designations, and transaction or loan codes. Or you can even have the MICR line blank. The flexibility is there for you. ■ Combine this flexibility, accuracy and reliable service, and you've got yourself a real loan coupon. A Harland loan coupon. ■ Write today, c/o our Marketing Department, for an information-packed kit on how Harland loan coupons can meet your needs. Reliably. Exactly.

Because you need more, we give you more.



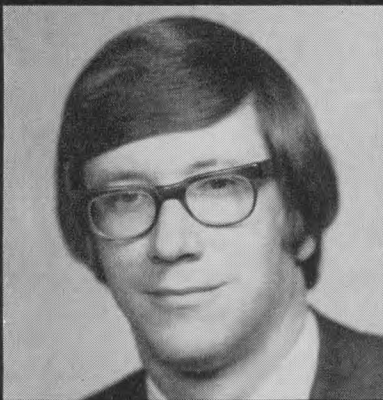
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profit.
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bankers do.

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correspondent bankers.

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Exchange Security Bank, Birmingham
The First National Bank of Huntsville
The Dothan Bank and Trust Company
The First National Bank of Bay Minette
City National Bank of Tuscaloosa

tions. The bank HC and its banking-related subsidiaries, not being banks, may perform such other functions as statutes permit. As a case in point, Mr. Tripp said that banks may not operate courier services, nor (in Texas) have collection points more than a few hundred feet from their places of business. A services company could perform such a function, he added, even with collection points in distant cities.

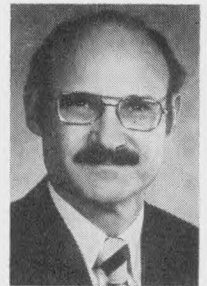
As a matter of corporate policy, FISC at this time is expanding its services only among subsidiaries and their customers. In addition to data processing, such services include interbank transportation of items, electronic communications and marketing services.

First National continues to offer EDP services to its correspondent customers. In other words, said Mr. Tripp, the bank serves as the marketing arm for EDP services to its correspondents.

Data processing has long been offered by large city banks to their correspondents, and so it seemed to many bankers only natural that bank holding companies also be allowed to operate EDP departments or subsidiaries. The Fed's 1971 concurrence in this belief opened up an additional opportunity for bank HCs to go into nonbanking activities. • •

Citizens Fidelity Promotes Nine; Holding Company Elects Directors

LOUISVILLE—Citizens Fidelity has elected W. Robert Tennill a vice president in accounting and control and promoted Raymond A. Schmitt to vice president in the bond department, William F. Koch Jr. to assistant vice



TENNILL

president in commercial loans, Gerald B. Thomas to assistant vice president in mortgage loans and Ruben White to assistant vice president and property management officer.

Patricia McFadden was named corporate trust officer and assistant secretary; Houston Cockrell was named assistant corporate trust officer and assistant secretary; Steven M. Hancock was named marketing officer, and James L. Calvert was promoted to assistant cashier.

Elected to the board of Citizens Fidelity Corp. were Smith D. Broadbent, Albert G. Clay, Mrs. W. Fielding Rubel and William B. Sturgill. The HC became officially organized February 15 after receiving all necessary regulatory approvals.

Manufacturers Hanover introduces the first fully automated coupon paying and cremation service.

To save you time, money and mistakes.

The first fully automated system of coupon paying and cremation is here. From Manufacturers Hanover, the leader in coupon paying services.

Gone is the tedium of sorting coupons by hand. Gone is the costly storage of unreconciled coupons. Gone are the risks of destroying today's high-denomination coupons without a numerical listing.

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The system is so foolproof that Manufacturers Hanover guarantees all items listed on our cremation

certificate as well as all stops that have been properly placed with us.

Best of all, MHT's automated service generally costs less than you now pay to have it done manually. And when you name MHT co-paying agent — you can reap the benefits of this modern system at lower rates.

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Contact your National Division representative or Lawrence M. Masterson, Assistant Vice President, at (212) 623-2691 or 40 Wall Street, New York, N.Y. 10015.

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Sequential Listing of Checks Sets Stage for Economies

Initial benefit is popular customer service

A TREND toward sequential listing of checks on statements is developing in the Mid-Continent area. And it is expected to have long-range benefits for banks and customers alike.

Sequential check listing was introduced on the West Coast by selected banks to enable the banks to offer a convenient service to checking account customers. Principal benefit of the service is easier reconciliation of checking accounts at statement time.

By having checks listed in sequence on the statement, the customer does not have to sort his checks and arrange them in sequence prior to reconciliation. Thus a savings in time is possible.

Benefits to the bank are long-range and won't begin to be realized for a number of years. But the benefits will be worth the wait, according to representatives of the banks offering this service.

Sequential listing of checks paves the way for the eventual elimination of the checks themselves when statements are mailed. In these days of mounting postage costs, such a development would be more than welcome by any bank.

Additional savings are expected to be realized as, after the checks have been eliminated, there will be no time spent collecting the checks and inserting them into the customer's statement envelopes each month.

The eventual savings for banks is worth the wait, most bankers say, even though costs are expected to rise due to the extra work required by printers to prepare checks that will be compatible with sequential numbering requirements.

In order for EDP equipment to be able to sort the checks mechanically, each check must bear a number printed in magnetic ink.

The only practical place to position this number on checks is adjoining the customer's account number and bank symbols, already printed magnetically across the lower portion of the check.

By **JIM FABIAN**
Associate Editor

The additional cost in printing checks arises from the fact that while the account number and bank symbols are the same on all checks for a given customer, the check number is different on each check (and it must correspond with the printed check number appearing in the upper right corner of each check). Thus, special numbering equipment must be obtained by check printers, which is costly; changes in the printing process are sometimes necessary, which limits the number of printers capable of handling this type of work; and more time is usually consumed in printing the checks, due to the magnetic ink numbering system, which is bound to raise the cost of preparing this type of check.

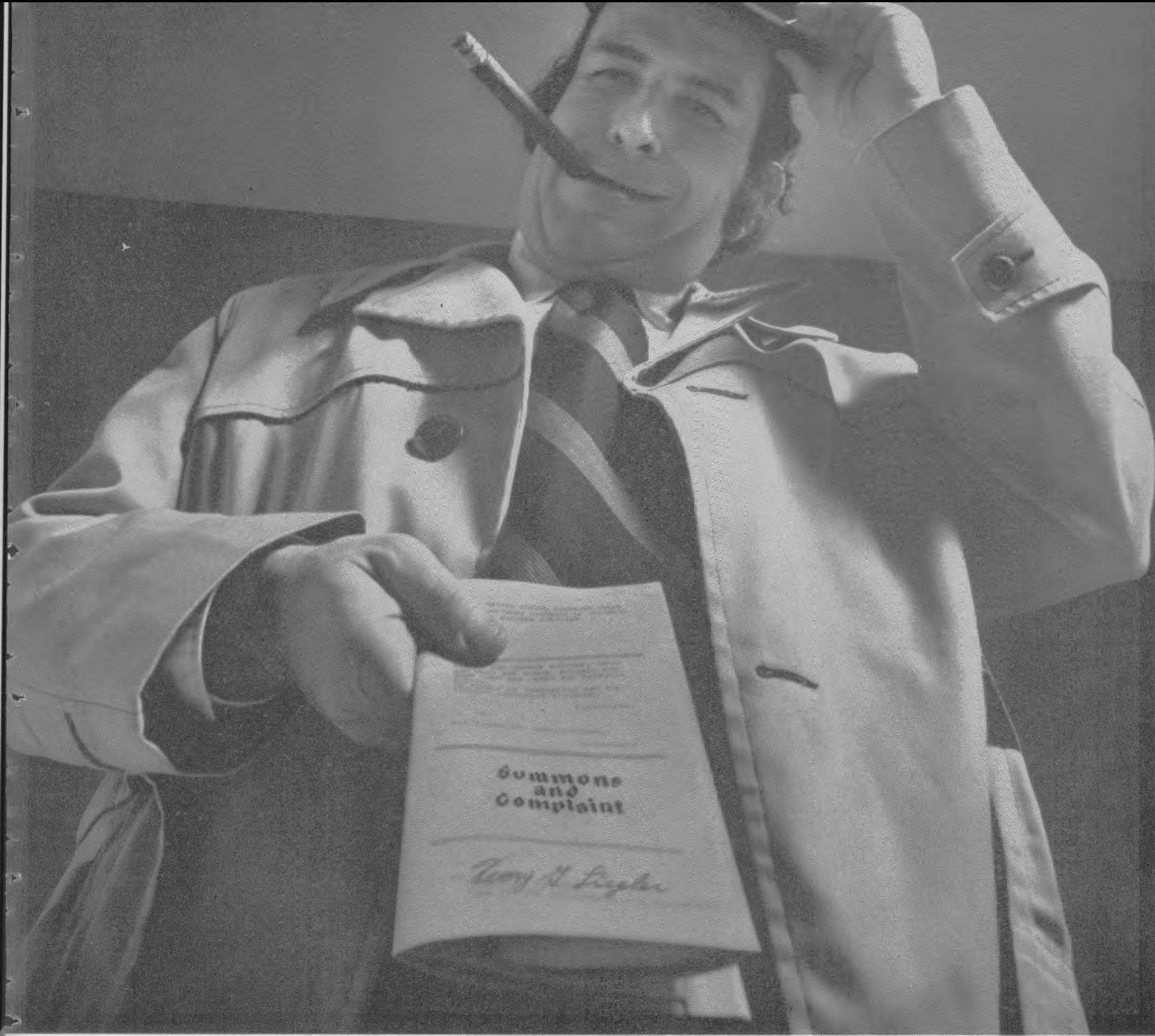
Among the first banks in the Mid-Continent area to offer sequentially numbered checks are Central Trust, Cincinnati; Citizens & Southern National, Atlanta; and American Bank, Baton Rouge, La. All three banks offer similar systems. For instance, checks that have not yet cleared the bank are noted on the bank statement with an asterisk beside the number of the next check. Thus, if check number 100 has not cleared, while checks 99 and 101 have, an asterisk will appear on the statement in front of number 101. This alerts the customer to the fact that check number 100 has not cleared the bank.

Participating banks consider sequential listing to be a boon for customers because it is expected to encourage customers who had not bothered to reconcile their accounts in the past to

101
102
103
* 105
106
107
* 110
111

MEMBER FDIC											
AMERICAN BANK Baton Rouge, Louisiana											
STATEMENT OF											
ACCOUNT NUMBER											
DATE 04/15/74											
JAMES C. MORRISON &/OR MARY A. MORRISON 1765 SHERIDAN DR. BATON ROUGE, LA. 70806											
STATEMENT PERIOD	BALANCE AT STATEMENT PERIOD	AMOUNT OF DEBITS	NO. OF ITEMS	AMOUNT OF CREDITS	NO. OF CHECKS	STATEMENT PERIOD	BALANCE AT STATEMENT PERIOD	AMOUNT OF DEBITS	NO. OF ITEMS	AMOUNT OF CREDITS	
852.26	465.30	888.30	31	595.86							
DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT	DATE	AMOUNT
DEP	369.15	3/15	113	13.00	3/28	3/15	834.45				
DEP	150.00	3/18	120	30.00	4/1	3/18	962.45				
DEP	369.15	4/1	121	14.00	4/2	5/19	907.26				
	22.00	3/18	122	14.80	4/2	5/21	895.30				
	5.75	3/21	125	12.91	4/12	3/22	883.02				
	55.19	3/19	124	6.75	4/8	3/25	871.57				
	0.21	3/21	*126	7.00	4/5	3/26	860.25				
	7.35	3/22	127	2.24	4/3	3/27	741.23				
	2.30	3/25	128	20.00	4/9	3/28	728.23				
	60.00	4/1	129	13.50	4/4	3/29	724.49				
	11.34	3/26	130	3.21	4/12	4/1	970.51				
	4.93	3/22	131	49.00	4/12	4/2	934.93				
	119.00	3/27	*134	18.01	4/10	4/3	932.69				
	6.78	4/2	135	21.16	4/12	4/4	919.19				
	35.13	4/1	136	12.00	4/11	4/5	912.19				
	3.74	3/29	*138	2.46	4/15	4/8	905.44				
	9.15	3/25	139	8.95	4/15	4/9	885.44				
						4/10	867.43				
						4/11	855.43				
						4/12	769.15				
						4/15	757.74				

American Bank's sequential-listing check statement includes three columns of figures. First column begins with deposits made during statement period, followed by sequential listing of checks, which continues in second column. Any deductions made by bank (such as service charge) would appear at end of sequential listing in second column. Third column contains running balance of account. Strip across middle of statement contains average monthly balance, balance of last statement, amount of deposits, number of items and amount of the checks debited on the statement. Statement has space for 82 debit listings, sufficient to limit statement to one page. Inset shows how asterisks are used to indicate checks that have not cleared bank.



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begin doing so. This is expected to take some burdens from bank personnel, who expect not to become as involved as formerly with assisting customers in reconciling their accounts.

Considerable effort has gone into the design of the sequential listing statements. For example, at American Bank, the statement can accommodate 82 check listings, since the checks are listed in two columns. Also, the running balance is not listed each day, but only when the balance changes. Both of these space-saving characteristics enable the bank to use only one sheet for the typical statement. Formerly, when a second sheet was often necessary, that second sheet was often responsible for making the statement package heavy enough to require additional postage.

Sequential listing is not possible for customers using "free" checks, since those checks are not numbered. The availability of sequential listing is expected to result in a decrease in the use of "free" checks—another saving for the bank.

As part of an orientation program conducted coincident with the introduction of sequential listing at American Bank, all bank personnel have been attending brief training sessions to enable them to understand the operation sufficiently to be able to cross-sell the service and to assist customers having questions about the new procedure.

Before offering sequential listing, American Bank conducted an extensive marketing survey to determine if customers wanted the service. The result was a definite "yes" from customers.

With the introduction of sequential listing at Citizens & Southern National, the bank plans to eliminate codes and symbols in favor of spelling out all

special notations on statements, making them easier to understand. For example, the code "LP" will be replaced with "loan payment" to indicate a pre-authorized deduction made by the bank for that purpose.

Central Trust has been offering sequential listing to all checking customers since late 1972. It has found that the new system has improved the bank's bookkeeping operations. The bookkeeping department is now able to determine which checks are missing from statements and the number of inquiries from customers has been reduced.

The bank also says that micro-encoding of check numbers has provided greater safety and efficiency in the handling of stop-payment orders and lost or stolen checks. A direct match by check number enables the bank's computer to identify and reject the stopped, lost or stolen item immediately. Thus the time-consuming method of handling these items manually is eliminated, along with losses due to human error.

This aspect of the program could not be put into operation until nearly all customers had received their checks with magnetically printed numbers.

Central Trust has made its system available to other banks as well as to affiliates of Central Bancorp., the bank's parent HC.

So far, banks report they have been making no additional charge for checks magnetically numbered for sequential listing. However, check printers contacted by MID-CONTINENT BANKER say the cost of preparing such checks is higher and that these costs are being passed on to banks. But the eventual savings banks are expected to gain through this system will far outweigh the increased cost of check printing, the printers say. • •

BMA Plans EFTS Conference

A special Electronic Funds Transfer Systems Conference has been scheduled by the Bank Marketing Association for November. The conference will focus on the interrelationships among finance, operations and marketing as they apply to two important EFTS services—direct pay deposit and intra-bank transfers.

Sessions will also cover enabling links, such as automatic clearing houses and the Federal Reserve System. Also, case histories of bank activity in intrabank transfer and direct pay deposit are planned.

Dates and location of the conference will be announced later.

Glen Smith Is Correspondent Head At National Boulevard, Chicago

CHICAGO—Glen E. Smith, vice president, has been named to succeed Daniel G. Priske as head of the correspondent bank division at National Boulevard Bank. Mr. Priske, who also was a vice president, has joined West Suburban Bank, Lombard, as executive vice president.



SMITH

Mr. Smith joined the bank in 1970 and has been a vice president since 1972.

In other action, the bank has elected John L. Haupt assistant auditor. Mr. Haupt comes from Illinois State, Chicago, where he was cashier.



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MID-CONTINENT BANKER for April, 1974

51

Private Phone System Installation At Bank Is Expected to Produce Savings of 40% in Utility Bills

A FUTURE SAVINGS of 40% in utility bills is anticipated by Glenview (Ill.) State thanks to installation of its own private telephone system. The savings projection was made by Robert M. Price, senior vice president, who explained that bank officials estimated, conservatively, that a savings in reduced utility charges would enable the bank to pay for the system completely within seven years.

"Although we bought the system outright," he added, "our projection takes into account the interest our investment in the system would have earned otherwise. After seven years, we will save at least 40%, and if utility bills continue to increase, the savings will be greater than that. And we will own our equipment, which we certainly expect will be usable for a good many years longer and still have trade-in value when the time comes that we might want to update it again. These were all substantial reasons for the acquisition, over and above the advantages of the system itself."

The bank decided to implement a decision, made earlier, to install its own telephone system when it moved into a new building in February, 1973. The foremost reason for doing so, of course, was to achieve a greater savings in utility costs than formerly. Further, the

bank said it has acquired a much more flexible, sophisticated system than that supplied by the telephone company on a rental basis. Also, through its new telephone system, Glenview State is using a typist pool that, according to the bank, is improving the quality of typed letters and documents, also at lower cost to the bank.

Glenview State—with \$110 million in assets—serves a city about 30 miles north of downtown Chicago. Like other Illinois banks, it cannot, by law, have branches, and so all facilities and its 110 employees are under one roof. As a suburban bank in competition with downtown Chicago institutions, Glenview State provides full services daily 7 a.m.-7 p.m., Monday through Saturday.

The bank acquired its telephone system through United Business Communications, an "interconnect" company that designs, sells, installs and services telephonic systems. The Glenview State system is fed by 14 trunk lines through the PABX console and has 250 extension telephones. In addition, there are three direct trunk lines serving the installment loan department.

The system serves not only the bank, but Cummins-Allison Corp., an affiliated firm. The latter is an electronic manufacturer with executive offices on

the bank building's second floor and engineering facilities in the basement. Most personnel served there are executives and engineers.

"This capability alone, of serving two organizations simultaneously, requires a sophistication not normally available from the telephone utility," said Mr. Price.

Serving both the bank and Cummins-Allison is a single PABX console and one operator. The electronic switchboard, about the size of a standard electric typewriter, permits transmission of calls rapidly and accurately. Calls are routed through the pushbutton-type console, which has a status display panel showing extensions in use. Therefore, the operator doesn't have to make the connection to find that a certain telephone is busy. Other features save additional seconds, which, repeated hundreds of times throughout a day, add up to several hours of daily operator time.

Calls to Glenview State go in over specific trunk lines, others to Cummins-Allison. Therefore, the operator is able to answer for the specific firm called, and callers never realize that calls to both firms are being received at the same board by the same operator. At the same time, incoming and outgoing calls are not limited to trunk lines serving a specific group of telephones. If one trunk is fully occupied, a new call automatically will seek out a trunk line that can accommodate it. As a consequence, the system can be utilized to its full capacity regardless of the proportion of calls that normally would be transmitted over particular trunk lines. In effect, this increases the system's total capacity.

The system's versatility is demonstrated by its ability to transfer calls between extensions, without going back



LEFT: This electronic console is heart of telephone system installed at Glenview (Ill.) State by United Business Communications. On it operator answers calls to bank and to Cummins-Allison Corp., affiliated firm



located in bank building. RIGHT: Dictation for bank's central IBM dictating system is delivered to stenographic pool over new telephone system.

There must be a reason over 250 other lenders have turned their student loan administration over to First Minneapolis.



Paperwork is just one of the burdens of student loan administration. It takes scores of man-hours, training, and proper equipment just to get the job done.

That's why so many lenders have turned this task over to the Student Loan Servicing Center of the First National Bank of Minneapolis. We're specialists in handling all

administration details. And our experience with lenders of all sizes has proven that we can save you money. And make your student loan program more profitable for you.

It may be well worth your while to bundle up your student loan problems and call us collect at (612) 370-4035.

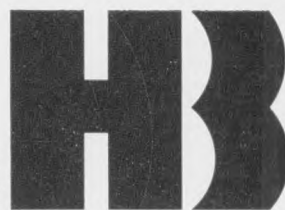
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Financial Control— The Hub of Bank Automation

By ROLAND WILLSHIRE, Bank Services Officer, First American National, North Little Rock, Arkansas

WHAT BANK has never had a problem of obtaining up-to-date and accurate financial information? The hangup could be that you don't know what this information is until the next week or next month; or that you have no way of comparing what the bank departments are now doing with what they said they would do; or that the effort involved in creating those comparisons consumes so much time and energy that, by the time the information is available, it is too late to make good use of it.

This is the situation First American National faced until last October. At that time we were entering our budgeting season for 1974, a project that usually took months to complete. But this time, it was different.

This difference was not an overnight thing, however. It all began in March, 1970, when we decided to retain the expertise of a facilities management group. Systematics, Inc., of Little Rock, was retained to run the data processing for the bank and assist in developing systems for use in the bank.

The time from March, 1970, to October, 1973, was spent in perfecting the systems of the bank that would feed a system called the Financial Management System (FMS). As the systems were developed, care was taken to make sure each system would connect to the financial system and, as a result, each of the systems feeds the

FMS with the information needed for the bank's general ledger requirements.

The FMS became the hub of the family of financial systems (see exhibit 1). The only parts needed to complete the cycle of financial information were the budgeting and responsibility centers. Dan Grundl, director of systems development for Systematics, stated, "The Financial Management System was purposely designed to tie all the bank's financial systems together and produce a working tool for management."

The whole idea behind making this system the hub of our other systems is the fact that vital information produced and processed by many areas of the bank can be entered directly into the FMS without intervention on the part of the department involved. This accomplishes two things. First, it provides a continuous flow of information with a single entry, and second, it provides a single unbroken audit path

from information entry to the general ledger.

The FMS is composed of five parts:

- General ledger and responsibility reporting
- Extended historical budgets
- Budget preparation
- Cost allocation
- Connection with all other systems.

Each of these parts meets a need of operating personnel charged with managing the bank's finances.

The first section of FMS is the automated general ledger. Each day the ledger is run and a status report is issued for the previous day's activity. This status report provides all the financial information regarding what happened in the bank the day before. This particular report was being prepared by the bank before implementation of the system; now it has become a by-product of the FMS system with a saving of time and effort on the part of bank personnel.

After obtaining a daily income and expense statement, the next phase is to determine the performance of each sub-unit of the bank. Here at First American, we have eight major divisions and up to nine "responsibility centers" below those divisions. With FMS, we are able to take the information accumulated in the general ledger and distribute it to the different cost or responsibility centers. We presently run three levels on our responsibility reporting. The system provides us with up to 10 levels of responsibility reporting and unlimited responsibility centers at each level so we have plenty of room to grow (see exhibit 2 on page 58).

The general ledger-responsibility reporting section of FMS also produces reports comparing actual expense and



FAMILY OF FINANCIAL SYSTEMS

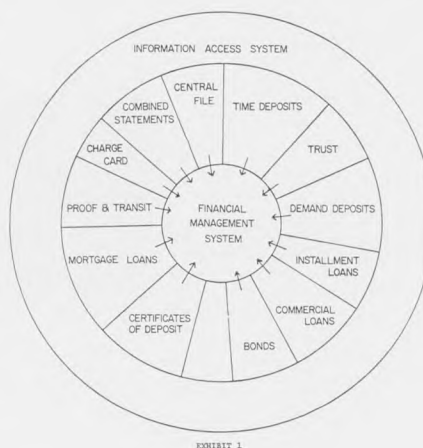


EXHIBIT 1



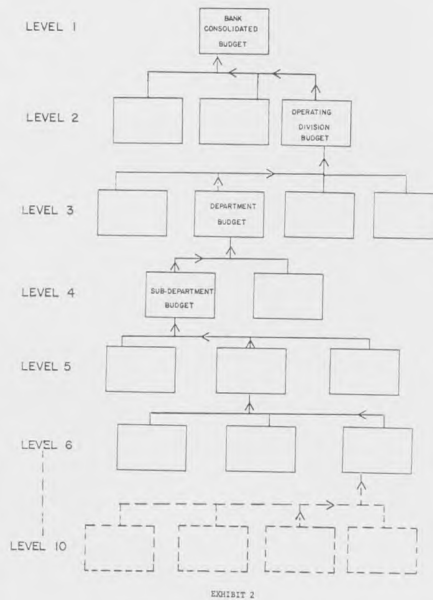
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revenue figures with the budget figures for the same period. It supplies the previous year's budget and actual information to be used in further comparison. This information is provided monthly within the first week after the end of a month. In the past, we would do the budget comparisons quarterly and by the time we got the information put together, it was so out of date it didn't mean too much. Now, as William Rice, our chairman and president, stated, "With this new system, I see more awareness of the impact of our day-to-day decisions. We can see the



time and have the opportunity of reviewing the content—not the mechanics—of these budgets.”

Mr. Rice also commented, “When we finished the budgets in the past and they didn't turn out like we thought they should, we would go back and revise. These revisions would take almost as long as the original budgeting. With the FMS system we can make revisions and get the results rapidly. This allows us to compress revision time significantly and cut the total budgeting time a great deal.”

The fourth section of the system, cost allocation, is used to provide the responsibility center managers with information regarding how much was spent centrally in their behalf. With this section, we can use a factor, such as cubic feet, to distribute cost (for example, heating and air conditioning) to each department using the central service. Any factor that can be defined can be used to distribute cost.

The connection between FMS and other systems provides a method for exchange of information between systems without human intervention and on the single entry of the information.

For example: The interest earned on an installment loan is automatically posted to the general ledger. This connection provides for the free passage of information from the source to the history with an audit trail every step of the way. If information is entered wrong and is not picked up in the edits, authorized personnel can change the information at any point in the system, although it is rare that mistakes get through.

The total FMS system ties our bank together. It is designed to provide flexibility and growth with ties for any future systems we might develop. The system provides for account analysis, exception reports, due-from-banks analysis, cyclic or on-call detailed transaction statements and many more. The system provides added flexibility by providing the report in the format our manager wants and can use.

We are looking forward to further use of this system in establishing a full direct cost system for the bank. With the flexibility of FMS, this will be a natural step. • •

■ NEILSON S. JACOBS has been elected to the board of First National, Shreveport. He has been a member of the law firm of Blanchard, Walker, O'Quin & Roberts since 1956. He is the great-grandson of the founder of a forerunner of First National.

effects of our decisions and take action if required.”

The second section of the system is especially helpful to auditors and others interested in history. The extended historical budget subsystem retains and reports actual performance and past and future budget information for as many years as we desire. This is stored on magnetic tape and can be consolidated each year to have all information on a convenient source. This provides information for use in making models and forecasting systems which will further help establish control and assist in determining the future of the bank.

The third section of the system is budget preparation. This is the section that saves the person making the budget time, effort and grey hair. FMS will allow the manager to use his old budget and to construct the new one based on his plans, the past year's actual figures and his own past budget figures. A manager may want to project a section of his budget on a rule such as, “take last year's salaries and add 5.5%.”

Or he might want to say, “Add \$100 to the building maintenance account for new mirrors and then add 6% for increased costs.”

In other words, the manager doesn't have to start from scratch and pull everything together. As John Wiseman, vice president and cashier in charge of accounting and financial reports, stated, “It used to take several months to prepare budgets and plans and when they were prepared, most of the people put more emphasis on the mechanics than on the real planning function. Now we can prepare budgets in a short

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45 tons of mozzarella came in this morning.

Your customer just hired five new spot cheesers. His crust ovens are blazing. And his new tomato squirter is working beautifully.

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You tell him it's still time to call Talcott in Chicago or Dallas.

We helped him get things moving. And we can help him keep things moving. Talcott's offices in Chicago or Dallas will get him the money he needs — and buy you some goodwill in the bargain. Whether he makes pizzas, ball bearings or junior dresses.

He'll find our experts in Chicago or Dallas can help him with financing for working capital, inventory, capital assets, plant and real estate and mergers or acquisitions. As well as other needs.

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For more information contact James Talcott, Inc., Business Finance Division, 230 West Monroe Street, Chicago, Ill. 60606. (312) 782-9044. Or 222 Republic National Bank Tower, Dallas, Texas 75201. (214) 742-2546.

Tell him to call Talcott.

He's a small tomato in the frozen pizza business and he wants to be a big cheese.

His little pizza factory is doing 10,000 pizzas a day. And he thinks there's a market out there for 200,000. So he's got some big decisions to make. And he's come to the bank for help.

You both agree he needs a crust bakery. A couple of flash freezers. Another tomato sauce mixer. And maybe a cheese shredder and pepperoni slicer.

But most of all, he needs dough. The green kind. You'd love to loan it to him. But right now, can't.

You tell him it's time to call Talcott in Chicago or Dallas.

Talcott's Business Finance offices in Chicago or Dallas can get him the cash. And, depending on the arrangement, you might want to be a partner with us. We might advance him money to buy his freezers or a tomato machine, and use the equipment as collateral. Or we might buy it directly and lease it back.

There are all kinds of possibilities.

The key thing is for you to help him get cash fast, so he can get his teeth into the pizza market.

Before somebody else eats it up.



Still tell him to call Talcott.

What to Do About EDP Fire Hazards —Spotting and Correcting Them

By ED SOLTIS
Product Manager
Alarm and
Security Products
Walter Kidde & Co., Inc.
Belleville, N. J.

WHEN do you expect a fire to break out in your computer room?

Obviously, you don't. But consider what would happen "just in case." Whether you house 500 or 15,000 reels of tape in your tape storage room, whether you're processing deposit accounts, customer records, inventory or research data on your electronic data processing equipment, your investment in time, information and equipment is a costly one. Chances are your data processing center functions as the "heart" of your bank.

Despite the deceptively non-combustible exterior of the computer and tape storage room, it's a particularly vulnerable "heart," susceptible at any moment to hidden attack. Indeed, damage from fire may be occurring without personnel being aware of what is taking place—until suddenly there's a major conflagration to combat.

Walter Kidde & Co., Inc., a firm that has provided engineered fire warning and protective systems for computer installations of major commercial and financial institutions, offers this advice on how to avoid fire hazards in the critical EDP areas.

First, take a close look at your computer facility in terms of hazards. Fires may start in the computer when circuits overheat or when there is arcing. Boards, liners, insulation and plastic harnesses are all combustible. Or fire may start in the computer service cables that generally run under a raised floor, out of sight. Since the floor panels must be easy to remove, waste material and dust often collect in these underfloor spaces inviting fire. When a blaze does occur in these concealed and confined areas, heat develops rapidly, igniting even fire-retardant insulation.

Fire also may start in equipment outside the computer, such as motor-driven fans, filters, air conditioners, mechanical and hydraulic controls, overheated incandescent lamps, fluorescent lamp ballasts and



Fixed thermostats located under computer room flooring can detect any abnormal rise in heat and signal system to release carbon dioxide in affected area. Kidde-designed system goes to work only in zone affected by fire. Fire-extinguishing Halon 1301 is stored in centrally located cylinders and routed automatically through directional valves to fire. No harm is done to electrical equipment, and room is operational moments later.

other electrical equipment and danger points. Simple carelessness should not be overlooked: emptying ash trays into a waste basket or placing a cigarette on a box of punched cards.

This itemization of hazards is not meant to be alarming, but to stress the importance of building detection and prevention systems into your EDP facility. The place to start is with a survey by your underwriters and by experienced protection engineers. They understand the nature of EDP fire hazards and the most effective ways of dealing with them. Early detection and rapid response are the keys to effective control.

Increasingly, firms are turning to engineered extinguishing systems that detect fires in the first crucial seconds and automatically deliver a knockout punch before a minor nuisance escalates into a major disaster. A typical Kidde installation in one major financial institution is a Halon 1301 "total flooding" system for its 260,000-square-foot EDP area. It consists of ceiling and underfloor smoke detectors which immediately activate the system when a fire occurs. A signal is transmitted to a bank of steel cylinders where Halon 1301 is stored under pressure. At the same time, an alarm sounds warning personnel to leave the protected area. After a few seconds' delay,

which permits clearing the area, the cylinders are discharged.

When released, the stored pressure acts as a propellant and directs the Halon 1301 gas through a pipe line to the hazard area. There the piping system breaks down into subdivisions, each of which has a number of discharge nozzles. When discharged, the Halon 1301 builds up an inert atmosphere in the immediately surrounding area and extinguishes the fire.

While all mechanical ventilation to the hazard space is automatically halted when the system is activated, the computer or tape storage area does not have to be completely closed off for the Halon 1301 to prove effective.

The Halon 1301 does not damage either the electrical wiring or the equipment. Because the gas has no "wetting effect" on insulation and is not a solvent, no dry-out period is required, nor is there any corrosive effect.

A heavier-than-air gas, Halon 1301 flows around obstacles, covering the entire area.

After its work is done, it simply disappears. The system should be designed so as to conform to the National Fire Protection Association Standard No. 12, dated 1968.

Variations on the system depend on customer requirements. The important point is to provide protection that will work for you automatically in time of need. Since the investment in EDP is rising steadily, an ounce of engineered protection could be a wise investment. • •

Plan BMA Convention



The first New Orleans meeting of the Bank Marketing Association's 1974 convention committee was held recently. Pictured there are (l. to r.) Rodney S. Brutlag, BMA's director of membership services, Chicago; Martin J. Allen Jr., sr. v.p., Old Kent Bank, Grand Rapids, Mich., and program chairman, and Paul F. Steen, v.p., Bank of New Orleans, and convention publicity chairman. The 59th annual BMA convention will be held September 29-October 2 in New Orleans.

'Professionalizing' Bank Examiners Through In-bank Training Program

HOW DOES a professional reach that status? To achieve a high level of proficiency, any aspirant must devote a good deal of time to study and training. To maintain a high standard of professionalism, the study and training must be ongoing, focusing on new and improved techniques. We live in a time when change is so rapid that training must be an intrinsic aspect of any profession. This is particularly true in banking. To best describe precisely how the Massachusetts bank examiner attains and maintains a high degree of professionalism, I'll begin with an idea.

Early in 1968, Massachusetts Banking Commissioner Freyda P. Koplow recognized the need for an organized training program for bank examiners and examiner trainees. Her plan was to implement a coordinated program, designed to professionalize state bank examiners. Her idea was geared to the fundamental concept that greater motivation will stimulate greater incentive. Out of this thinking, a two-part training program was born.

The dynamic growth of the banking industry in Massachusetts required a program that would achieve greater efficiency in the examination of supervised institutions. It was recognized that banking practices, procedures and techniques had become very sophisticated in recent years and would continue at even a more rapid pace over the years ahead. With this in mind, Commissioner Koplow set forth to develop the original training program. After it was drawn up, it was presented to banking groups and labor representatives of the examiners. Each of these groups responded enthusiastically and was willing to cooperate fully in any way possible to insure its success. Quickly seeing the long-range benefits, bankers were eager to have the training program implemented.

Armed with the newly developed program along with the endorsement of bankers and labor representatives, Commissioner Koplow presented her proposal to the Great and General Court of the Commonwealth for approval. Seeing the merits of her plan, the Legislature granted her request and the first training program got off the ground.

Part one of the two-part program was designed as a 24-month training period for newly hired examiners. Dur-

By **JOSEPH C. BETZ**
Director
Research & Training
Banking Department
Commonwealth
Of Massachusetts
Boston

ing this original two-year program, the trainee spent one year in an in-bank training program following a specific curriculum, established and controlled by the Banking Department and carried out by participating banks. The second year was spent in the field, participating in actual bank examinations under the supervision of a principal bank examiner. The program was designed so that trainees' salaries would be paid by the commonwealth, not by the banks in which they were training.

Part two was development of a continuing education program for presently

The program being conducted for Massachusetts bank examiners is divided into two parts:

PART ONE is a 24-month training period for newly hired examiners.

PART TWO is development of a continuing education program for presently employed examiners.

employed examiners. This program, to be conducted from within the Banking Department, would provide the means for examiners to continue to develop the skills necessary to do a more effective job and qualify for promotions. Both parts of the plan were set into motion and have been functioning successfully since mid-1968. For the purpose of this discussion, however, I will deal solely with the training program for newly hired examiners, as this is a unique one.

Notices of the new training program and date of a qualifying examination were prepared and distributed. They were sent to examiners in the department, legislators, placement officers in colleges and to a mailing list of persons who had inquired recently about employment.

This notice briefly described the program, stated the date, time and location of the examination and set forth the starting salary. Qualifications re-

quired of candidates also were listed. To take the examination, the candidate must meet one of the following: 1. Graduation from a recognized institution of higher learning. 2. Practical banking experience as a regular full-time employee or officer of a financial institution. 3. Experience in the field of accounting, finance or economics. 4. A satisfactory equivalent combination of the above.

On June 8, 1968, the first qualifying examination was administered to 60 applicants, for 20 trainee positions. The examination consisted of a psychological aptitude test and a written exercise. The aptitude test was used to measure the applicant's ability to learn quickly and thoroughly. The written exercise consisted of an essay question that asked the following: "In no less than 100 words, tell why, based on your education, work experience and personal interests, you feel qualified to become a bank examiner." This question was to determine the applicant's ability to present himself logically and intelligently in writing as this is certainly an important qualification of an examiner. Those taking the examination also were required to supply a current resumé and complete an employment application. Using examination grades as a basis, the commissioner then interviewed the top 40 applicants. Out of this group, she selected the first class of 20 bank examiner trainees. This class started with the Banking Department July 1, 1968.

Since the program began there have been five classes. Eighty-seven men and women have been or are right now involved. Eighty-two of these 87 are still with the department, proving that the retention rate is remarkably high.

Currently, group four, with 17 trainees, and group five, with 15, are in various stages of training. Group four will complete its training and be permanently assigned to a division within the department at the end of August. Those in group five will receive their division assignments in mid-June, 1975.

Some interesting statistics came out of the most recent examination, which was given last November 3. Of the 163 persons taking the examination, 16 had only a high school diploma, but all of these had some banking ex-

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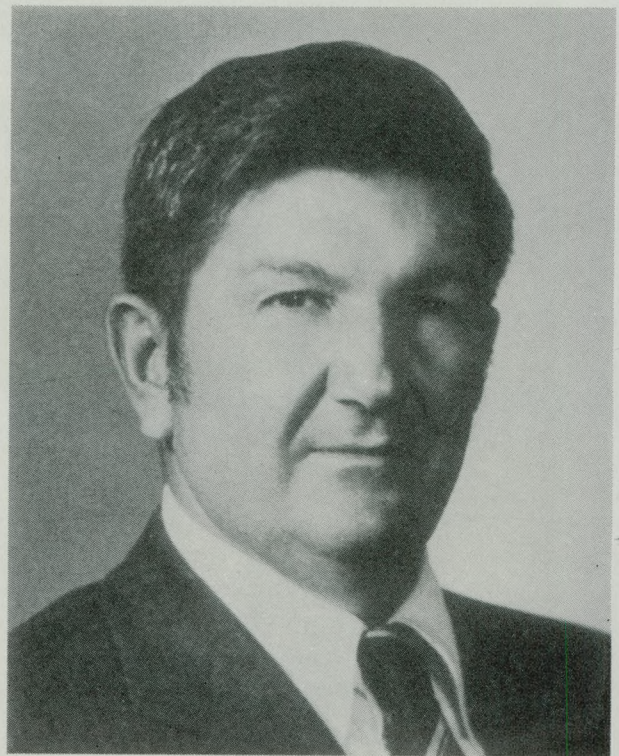


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A new direction in a tradition of Arkansas banking leadership.

The new organizational structure for FABCO is designed to give our holding company the flexibility and direction needed as it faces the challenges of the years ahead. Moving from the utilization of key executives in dual roles in its formative years, FABCO now will have a central staff to direct the use of all affiliate resources to produce maximum profit. It will put our best people in positions where they can contribute their judgment and depth of managerial talent to a maximum effort as we continue to expand our financial services to the people of Arkansas.



JAMES PENICK, JR.
President
WORTHEN BANK & TRUST COMPANY, N.A.

The changes we're making at Worthen.

We're making changes in our top level management.

Edward M. Penick has been elected Chairman and Chief Executive Officer.

James H. Penick, Jr. has been elected President.

James H. Penick has been elected Senior Chairman of the Board.

These changes represent a new look in our long-standing tradition as the leading financial institution in Arkansas.



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Chairman and Chief Executive Officer
FIRST ARKANSAS BANKSTOCK CORPORATION
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JAMES S. HALL
President
FIRST ARKANSAS BANKSTOCK CORPORATION



JAMES H. PENICK
Senior Chairman of the Board
WORTHEN BANK & TRUST COMPANY, N.A.

The changes we're making at FABCO

We're giving a new look to the FABCO management team.

Edward M. Penick has been elected Chairman and Chief Executive Officer.

James S. Hall has been elected President.

Now, the most comprehensive financial organization in our state has a stronger executive structure to meet the financial needs of a growing Arkansas.

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LITTLE ROCK

perience. Of the remaining, six had some college background; nine had associate degrees; 128 had bachelor degrees; three held M.B.A.s, and one had earned his Ph.D. This points out the high scholastic level of applicants from whom we had to choose.

As I mentioned earlier, the inbank program has been modified from time to time whenever needed. However, the following is an outline of areas being covered by trainees currently in commercial banks.

In-Bank Training Curriculum for Banking Department of Commercial Banks.

(Six Months)

1. **COMMERCIAL TELLERS DEPARTMENT (One Week):**
 - a. Count currency.
 - b. Receive deposits, cash checks, accept payments, etc.
 - c. Make settlements (teller and branch).
 - d. Certification of checks.
 - e. Cash items, etc.
 - f. Money room.
2. **OTHER FUNCTIONS (Four Weeks):**
 - a. Safe deposit.
Procedures, records, etc.
 - b. Night depository.
Procedures, records, etc.
 - c. Types of accounts.
Review of all types of accounts.
 - d. Investment division.
Review portfolio.
Money division management.
Purchases, sales.
 - e. Credit cards.
 - f. International department.
3. **PROOF AND TRANSIT DEPARTMENT (One Week):**
 - a. Processing of clearing received from Federal Reserve and other banks.
 - b. Processing of deposits and checks received from tellers.
 - c. Processing outgoing transmittal letters—microfilming.

- d. General settlement of proof department.
4. **DATA PROCESSING (Two Weeks)**
 - a. Basic concepts of computers and other equipment.
 - b. Work flow and procedures.
 - c. Proof, reconciliation and control sections.
 - d. Analysis of output of hard copy furnished to departments and branches.
 - e. Record maintenance and control.
5. **LOAN CAGE (Three Weeks):**
 - a. Notes—execution, alteration, interest, authorization, etc.
 - b. Collateral—receipt, pricing, control, etc.
 - c. Safekeeping—foreign drafts, collections, etc.
 - d. Collection—incoming—outgoing.
 - e. Money orders—savings bonds.
 - f. Official checks—withholding tax receipts.
 - g. Proof of notes, bonds, travelers checks, etc.
 - h. Brokers' loans.
6. **CREDIT FILES (Three Weeks):**
 - a. Review of files for completeness as to statement of condition, authorization, trade checking, repayment, comments, etc.
 - b. Filing of documents, statutory requirements, etc.
 - c. Reports of loans made to directors.
 - d. Analysis of recent loans made.
7. **INSTALLMENT LOANS (Three Weeks):**
 - a. Interview, investigation, discounting, billing and disbursement.
 - b. Collection, charge-off and valuation reserves.
 - c. Purchasing of dealer paper, floorplan, trust receipts, hold-back of reserves, etc.
8. **GENERAL ACCOUNTING (Three Weeks):**
 - a. Posting of daily general ledger and subsidiary ledgers.
 - b. Accrual of income and expense.

- c. Reconciliation of due from banks.
- d. Statutory reports.
9. **AUDITING DEPARTMENT (Six Weeks):**
 - a. Review of manual of procedures with auditor.
 - b. Review of controls over all types of accounts.
 - c. Participation in surprise and other audits.
 - d. Review of reports of directors and management.

In-Bank Training Curriculum for Trust Department of Commercial Banks.

(Five Weeks)

1. **SECURITIES DEPARTMENT:**
Free receipts/deliveries.
Vault procedures.
2. **ORDER DEPARTMENT (buying/selling securities):**
Trader's procedures.
3. **CLEARANCE SECTION:**
Brokers' clearing buys/sells.
4. **INCOME COLLECTION SECTION.**
5. **DISBURSEMENTS SECTION:**
Calculating bank fees.
Calculating beneficiary payments.
6. **INVESTMENT TRUST SECTION:**
Common trust funds special books.
7. **EDIT & SETTLEMENT SECTION:**
Ticket clearing (all areas to computer).
8. **COMPUTER OPERATIONS:**
Input—prepared from tickets.
Output—reports distributed.
Trial balances.
9. **PROBATE DEPARTMENT:**
Preparation of annual accounts.
10. **INVESTMENT DIVISION.**
11. **TRUST ADMINISTRATIVE DIVISION.**
12. **AUDITING DEPARTMENT:**
Trainee given accounts to audit to bring him back into contact with all the various procedures he already has been through.

As you can see, this is a very comprehensive program that gives the trainee exposure in nearly every department of a commercial bank.

Periodically, usually about every three weeks, trainees come into the office for a full-day seminar. These meetings are planned to coincide with what the trainees are doing at that particular time in banks. For instance, when they are working in the lending area, a meeting may center around loan administration. A team of senior bankers will come in and discuss commercial, real estate and installment loans in detail. Another meeting may be de-

(Continued on page 112)

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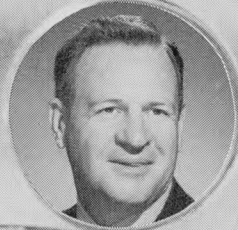
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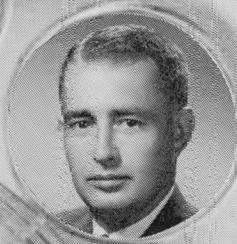
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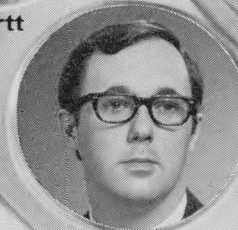
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Even With Postage Increase: Newly Designed Envelopes Can Help Cut Costs On Bank-by-Mail Operations

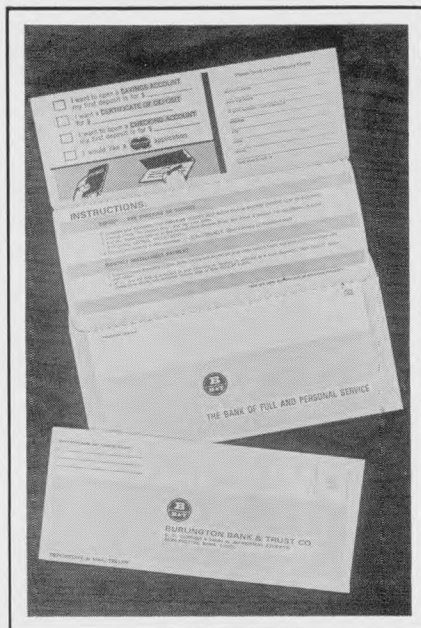
THE BOOST in postal rates that became effective March 2 is just the latest in a long list of rising costs facing businesses, including banking. However, two money-saving ideas—both having to do with bank-by-mail—have been reported to MID-CONTINENT BANKER. They are being used successfully by banks and, incidentally, are saving bank employees' time, too.

The ideas were reported by Tension Envelope Corp., Kansas City. The first, being used by many Minneapolis/St. Paul banks, can save \$1 or more a month on every deposit-by-mail account, according to Tension Envelope. As the latter pointed out, the increase in first-class-postage rates—from 8¢ to 10¢ an ounce—will have a marked impact on the costs of those deposit-by-mail operations where a verified receipt and deposit documents are returned by mail to a customer.

The Minneapolis/St. Paul idea consists of using a packet bank-by-mail system instead of individual-deposit verifications. Under such a setup, a bank mails a packet of 12 return envelopes to a customer and uses deposit slips bound into checkbooks. Unless otherwise requested by a depositor, the banks send the verified deposit slips with monthly statements. The packets are produced with deposit envelopes already inserted in mailing envelopes. All that remains is addressing and affixing postage to prepare them for mailing. Instructions are printed on the backs of the mailing envelopes and reorder labels are inside.

Tension Envelope said savings from this system are substantial: The envelope packet is mailed at third-class rates, rather than first class. Thus, mail-out postage amounts to 16¢ for a packet (under the new rates), or 1½¢ per deposit envelope, instead of 10¢ per envelope (under the new rates) if mailed individually. The firm added that packet-system savings amount to about \$1 a month on accounts that deposit monthly, \$2 per account with semimonthly deposits and more than \$4 per account on weekly deposits. In

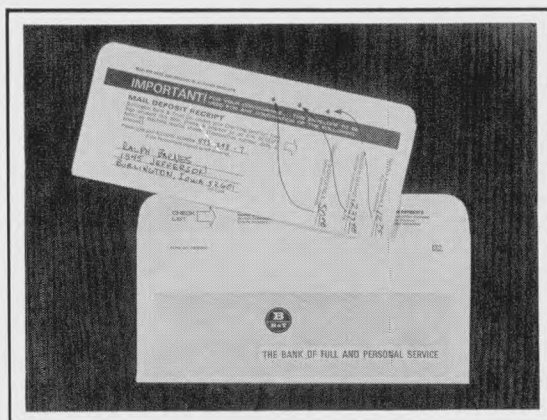
(Continued on page 108)



TOP: These are samples of bank-by-mail packets many banks are using to help reduce postage costs. Such packets contain 12 return envelopes and substitute for individual deposit envelopes. Packets are produced with deposit envelopes already inserted in mailing envelopes so that all that remains for banks to do is address and affix postage to them.

CENTER: This modified bank-by-mail envelope simultaneously verifies three accounts, thus eliminating three separate verification forms and reducing time needed to promote mail transactions.

BOTTOM: This is back of modified bank-by-mail coupon showing how customer can indicate how enclosed payment is to be distributed: loan payment, savings or checking account.





When equipped with optional TABS 500 Plus System, the Diebold TABS 500 video screen invites customer to ask for teller assistance.



A remotely-located teller then appears on the video screen . . . talks with the customer and guides her through the transaction.

If bank customers won't use an automatic banking system, **WHY HAVE ONE?**

The key to economic justification of an automatic banking system for any bank lies in broad and frequent use of the system by bank customers. The way to generate such usage is by developing customer familiarity with and confidence in operating the system.

Diebold helps banks overcome customer qualms about automatic banking with its exclusive optional Diebold® TABS 500 Plus™* system. Better than a personal demonstration, Diebold TABS 500 Plus enables the customer to call a remotely-located teller for assistance . . . the teller then appears on the Diebold TABS 500 video screen and with a "show and tell" approach, guides the customer through any transaction. This way the customer learns first-hand how easy the system is to use and accepts it as much a matter of banking routine as writing a check.

Diebold offers additional total automatic banking flexibility: our TABS 500 Automatic Banking System is available in on-line or off-line modes, and the on-line mode can embody off-line reversion as needed.

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*Patent Pending

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a quick quiz for the community banker...

What is marketing?

- A. Offering a new bank service?
- B. Having a first-name acquaintance with every businessman in town?
- C. Planning for increased deposits?
- D. Supporting the 4-H Club?

Actually, marketing is simply the way in which you go about increasing deposits and profits. That can include all of the above answers, plus a great deal more. It depends on your particular situation.

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BANK MARKETING ASSOCIATION

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Enclosed is my member application and check. Please send me my Profit Planning Kit.

Send me a Profit Planning Kit with membership information. I'll let you know in 30 days whether to bill me for a membership or the Kit.

Enclosed is \$5 payment for the Profit Planning Kit. I understand that this may be applied toward a future BMA membership.

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To transact business via Personal TV Teller, customer talks to teller on phone, if private conversation is desired, deposits transaction materials in captive carrier, pushes button, and materials are on way to teller via pneumatic tube. Teller completes transaction and returns materials in same manner.



Tellers work in secure room. Two shifts of three tellers handle average of 600 transactions per day from 9:30 a.m.-9:30 p.m., all via Diebold® Personal TV Tellers.

TELEVISION COMMUNICATION between customers and tellers is used for all routine banking transactions at Security State, Pompano Beach, Fla., located in what is described as the state's largest regional shopping center. Communication is provided by three Diebold® Personal TV Tellers located in the bank lobby and linked to tellers in a separate and secure area by means of video and audio circuits and by pneumatic tubes, through which transaction materials are carried back and forth from customer to teller.

Speed and convenience of customer service were foremost considerations in Security State's decision to use TV banking, but the bank wanted to satisfy other requirements as well. One of these involved maintaining hours parallel to the hours (9:30 a.m.-9:30 p.m.) during which the shopping center is open. Because the Diebold Personal

TV Teller system enables one teller to serve more than one customer at a time, the bank has been able to provide 64 hours of banking service a week using only two shifts of two tellers. In addition, the bank occupies only 3,800 square feet of space, and it was determined that three Diebold Personal TV Tellers would require significantly less floor space than would conventional teller counters with the same customer capacity.

The Diebold Personal TV Tellers allow bank customers to see and talk with tellers very much as they would on a face-to-face basis. However, should additional privacy be desired, a customer also can talk with a teller by using a direct-line telephone located at each customer station.

Customers also can talk with the bank's president, Richard M. Harder, because his office is equipped with

closed-circuit TV capacity tied into the customer-teller circuits. Thus, Mr. Harder can join into conversations or answer questions whenever necessary.

As a special service for Security State commercial co-tenants in the shopping center, there's a "Gold Key Room," a set-apart area where such customers can prepare their deposits. Admission to the room is gained only with a key issued by the bank, and access from the room to the teller area is via a two-door "man-trap" system visible from the teller area through a bullet-resistive window.

How well are Security State's customers accepting these new ideas in bank services? Apparently with great enthusiasm—assets reached \$3 million within 10 weeks after the bank opened last year and, as of this writing, are \$9 million. The bank has more than 3,000 accounts. • •

New Top-Management Posts Go to Penicks and Hall At FABCO and Worthen

LITTLE ROCK—A restructuring of top managements has been announced for First Arkansas Bankstock Corp. (FABCO) and its lead bank, Worthen Bank.

Effective March 1, Edward M. Penick, who was president of both organizations, became their chairman and chief executive officer. James S. Hall, formerly executive vice president of Worthen and a vice president of FABCO, moved up to HC president. James Penick Jr., who had been executive vice president of the bank and HC vice president, became Worthen's pres-

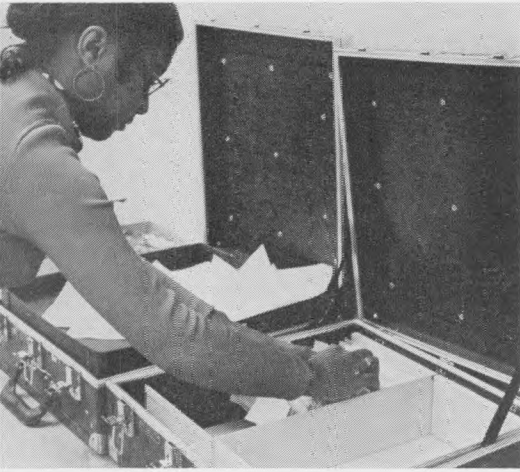


Holding new titles at Worthen Bank and FABCO, Little Rock, are (seated, l. to r.) Edward M. Penick and James H. Penick and (standing, l. to r.) James H. Penick Jr. and James S. Hall.

ident. In an accompanying move, James H. Penick was named Worthen's senior chairman. He had been the bank's chairman.

Edward Penick had been the bank's president since 1961. Mr. Hall, a member of an Oklahoma banking family, was president, City National, Fort Smith, before going to Worthen. As executive vice president of the bank, James Penick Jr. had been responsible for the investment, commercial, properties management and correspondent bank divisions. The senior Mr. Penick started with the then W. B. Worthen, Bankers, as a bookkeeper in 1919. He rose to president in 1940.

FABCO was formed as a one-bank HC in 1968 and, in 1970, became the state's first registered bank HC.



Outside Computer Center Saves Time, Money, Staff For Bank in Kentucky



CITIZENS STATE, Owensboro, Ky., has a motto: "Service Makes the Difference." Bank President Morris Smith and his 79-member staff admit that the bank, despite starting out as the smallest of three in the city, now has the reputation of "delivering the goods" when it comes to customer service.

A major reason for this is that Citizens State was the first in Owensboro to automate. This came about in 1967, when the bank became an Automated Customer Service account of Citizens National, Evansville, Ind. The Indiana bank is served by National Sharedata Corp., a bank facilities management and data processing firm and a subsidiary of Western Union Corp.

Since then, the Owensboro bank has grown from \$32 million in assets to \$65 million and now has three full-service branches in addition to its main office. It also has moved up to the No. 2 spot in banking size within the community it serves.

During the time that the bank has more than doubled its assets, it has had to add just one proof machine and one

machine operator to its bookkeeping department.

"If we didn't have National Sharedata processing our applications," said Mr. Smith, "we would have had to expand our bookkeeping department by another 100% or we would have had to install our own on-site computer."

Mr. Smith said the bank's success couldn't have been achieved without automation. "Having Sharedata handle our banking processing has enabled us to spend more time on business development," he said. "We haven't had to be so concerned about the bookkeeping or accounting functions.

"Like any sound business operation, we're interested in making money by providing service, and we want to concentrate our energies in this area. We know more about banking functions than computer functions. And although we understand what a computer does for us and how it helps our management, we don't want to have two or three people tied up deciding whether to buy new computer equipment, and then have to pay for this 'study' time plus the cost of the computer itself."

Mr. Smith said that with Sharedata, he knows that his data processing costs have been leveled and he knows what they are. "There's no possibility of my being surprised by some enormous amount for new equipment or personnel," he said.

Six Years of Automation. From its Evansville, Ind., center, where it manages the complete data processing facilities of Citizens National of Evansville, Sharedata provides Owensboro's Citizens State with nine processing applications. These include demand deposits, savings, CDs, payroll, customer's payroll, student loans, account reconciliations, installment loans and certain commercial services.

Since 1967, when Citizens State automated its processing, the bank's DDA accounts are up 38%, DDA items up 53%, installment loans up 38%, sav-



TOP: At Citizens State, Owensboro, Ky., courier boxes are unpacked in bookkeeping department. Work processed during night by National Sharedata is sorted out within hour after it's received, and special reports are distributed to bank's officers.

SECOND FROM TOP: As insurance against loss or damage, all bank materials are micro-filmed by Citizens State's bookkeeping department before and after they are sent to and returned from National Sharedata Center in Evansville, Ind.

THIRD FROM TOP: Before checks are fed into computer, Hubert G. Humphrey, v.p. and mgr., National Sharedata Center, Evansville, batches them for processing at center.

BOTTOM: New program scheduled to be run for Citizens State's commercial loan processing is discussed by Mr. Humphrey (l.) and his data processing manager at center in Evansville.



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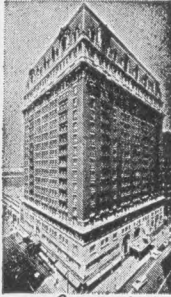
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ings accounts up 93% and CDs up 151%. Also, earnings to stockholders in just one year have increased 33% (1973 from 1972).

Correspondent Banking. As a correspondent bank customer of another bank, Citizens State feels confident about having its banking operations run by an independent firm. "Since National Sharedata is doing all our processing, I don't feel there are any security risks involved," said Mr. Smith. "Sharedata never allows any of our data to be viewed by Citizens of Evansville or by any outside auditors who visit the center to audit a particular bank. Also, the Evansville premises are always locked, and no bank is ever permitted to see the data files of any other bank."

Citizens State was founded during the depression years and grew slowly through its small consumer accounts. But in the 1960s, the bank's management began intensively seeking corporate accounts, and today there is a mixture of both large and small banking clients.

"We never say 'no' to customers who need special service," said Edward (Jerry) Johnson, vice president and cashier of the bank, "because we know that somewhere in Sharedata's

files the firm has exactly what we're looking for or can get it or design it."

Now freed of concerns about data processing operations, the bank's management is concentrating energies on corporate-account growth and community-development projects.

"Citizens State has many business and merchant accounts now," said Mr. Johnson, "but we've been weak in the commercial area. So we've been concentrating on new industry coming into this area, and Sharedata has helped us in several ways. For example, we've been able to provide extra service requested by an aluminum firm that needed special reconciliation information. And, in another case, we put together, proposed and won in competition the first revenue bond issue the city has ever had for the expansion of a bakery that will provide 50 new jobs.

"If we had our own computer operations to worry about, we might have been bogged down instead in priorities. The mortgage loan department wants this application, the student loan department wants that application, etc. Now all we do is call Sharedata and tell it what we want, and the firm handles it all."

Mr. Johnson said that one customer required a huge computer to run off a large cost-distribution report. "We couldn't supply it from our facility," he said, "but Sharedata already had the necessary computer, so it handled the job easily."

"We were even able to keep an account local from a corporation whose headquarters are in another state," said Mr. Smith. "This was a \$3-million-per-month account, and if it weren't for Sharedata, we might have lost that one. It's a payroll account, and since the firm has its own computer equipment, it was using a different computer setup than the one Sharedata uses in its Evansville center. But Sharedata suggested a tape-to-tape reconciliation to handle the noncompatibility of equipment, and because of that solution, we kept the account."

Through Sharedata, the bank is assured that this account will be processed and reconciled.

"Another customer, one in Louisville, left us and then came back because it said we continually followed up and helped it plan more efficient operations for its business," said Mr. Johnson. "Again, if it weren't for Sharedata, we might not have been able to do that for the Louisville firm."

During the last few years, the bank has cooperated with the federal government in paying out \$1,093,000 in student loans. Through the student loan program, the government pays the interest on these loans while the stu-

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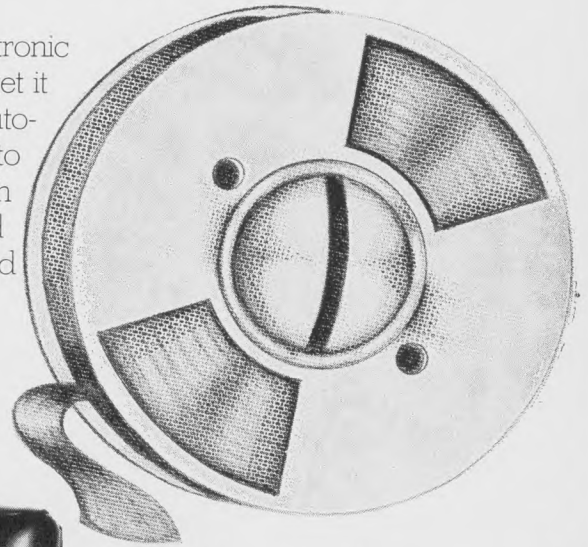


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dent is in school, and the student pays the money back after graduation. About 960 of these student loans have been handled to date, with monies of from \$500 to \$2,500 per year loaned to a student. Sharedata designed the application for this program and presently processes the loan payments. During the 1972-73 year, totals on these loans increased 68.7%—from 571 to 963.

National Sharedata Center. In Evansville, the National Sharedata Center runs three shifts, 24 hours a day, six days a week and employs 32 persons, trained in data processing, marketing

and management procedures.

Equipment at the center includes one IBM 360/30 computer (with 64K core storage), six 2314 disc drives, one IBM 1403 printer, one 1419 magnetic character reader, one 2540 card read punch unit and two 3410 tape drives.

Hubert Humphrey, vice president of Sharedata and manager of the center, reports that applications for Citizens State have increased from one in 1967 to seven in 1973. A new CD system and branch analysis system were added in 1971, and a system for student loans was added in 1972. Present applications being planned include a system

for commercial and real estate loans. These will be converted in the first and second quarters of 1974.

On Time. "During the years we've been a Sharedata customer," said Mr. Smith, "they've been late only twice in delivering our processed work. The Sharedata courier delivers about 6:30 a.m. every day, but once he delivered at 8:30 a.m. and once at 10 a.m."

"What's important to us is that we know Sharedata takes full responsibility in running our work and having it back on time. It knows we depend on having that work every morning between 6:30 and 7:30—and no matter what—if any equipment breaks down or the courier has a flat or whatever—we know the work will be processed and delivered."

Another instance where Sharedata supports the bank's efficiency is its processing of the Federal Reserve letter. Citizens has arranged for the Fed letter (with checks drawn on the bank) to be sent directly to Sharedata. Sharedata then processes these checks, charges the customer accounts and ships the checks back to the bank to send with customer statements.

"This process alone really takes a loan off of us," said Mr. Johnson.

How System Works. Citizens State is one of 13 banks and 40 commercial customers being processed in the Sharedata Evansville center. This is how the system works for Citizens State:

1. Deposits from customers are validated by the teller.
2. The deposit goes to the proof department of the bank. The check and deposit slip go through the proof machine for separation of "on-us" foreign items and general book items. All checks and deposits are separated.
3. Balances are made on the proof machine; items are totaled and micro-filmed.
4. All pertinent documentation is packed and placed in transport boxes for courier pickup.
5. Courier picks up boxes and delivers to National Sharedata's Evansville center by 7:30 p.m.
6. Processing is done from 7:30 p.m. to 4 a.m. Checks are batched and fed into the computer. Totals are balanced again, and any corrections are sent back with materials the next morning. Boxes are then packed for delivery.
7. Courier picks up packed boxes and delivers to bank at 6:30 a.m.
8. In the bank's bookkeeping department, all the overnight processed work is sorted out. Reports are separated and certain reports sent to the bank's officers. This enables the officers to see only the reports they want to see, without having to wade through volumes

38th

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9. Officers get exception report of returned checks. By reviewing this report, officers can choose which checks to pay, which checks to send back.

10. An overdraft list also is reviewed daily. Officers can check on length of time an overdraft has been listed.

11. Checks are filed manually, according to account-number sequence, in appropriate customer files.

Bookkeeping Comparison. Sharedata saves Citizens' bookkeeping department from manually posting 10,000 to 12,000 items daily. At its computer center, Sharedata does the posting automatically, totaling the number of checks, subtracting that from the account total and running the exceptions report list.

Citizens' bookkeeping department files the checks in the proper account file, without having to post each account separately.

"What takes our accounting staff one hour now, sorting out the previous day's work, used to take seven hours," said Mr. Johnson. "We were always processing the previous day's work until 4 p.m. This always made us a day late."

Before and after materials are sent to and returned from Sharedata, they are microfilmed as insurance against any loss or damage of records.

"Another change with having Share-

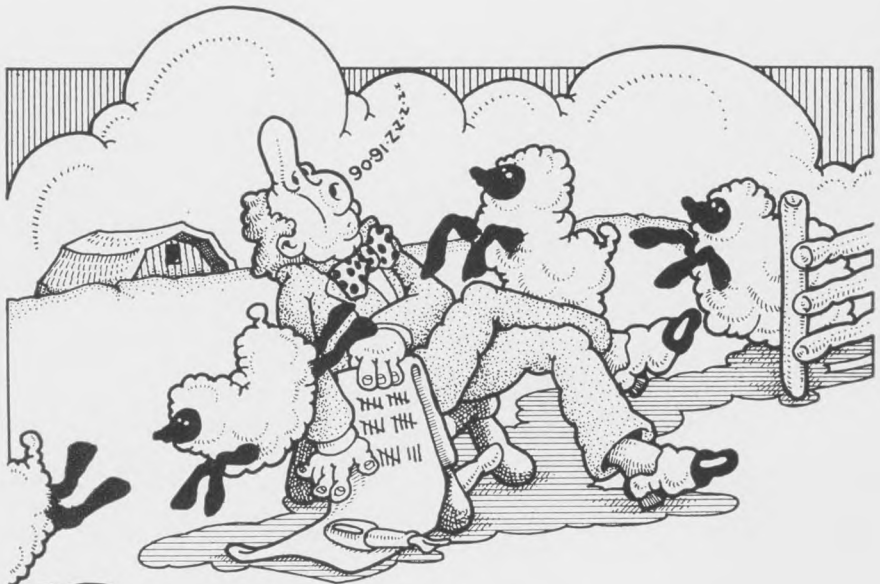
data is that only one person is needed to handle our daily savings," said Mr. Johnson. "Citizens currently has 5,500 savings accounts totaling \$30 million. That's half the bank's assets. If we didn't have Sharedata, we'd be hiring three more people to help out."

The savings bookkeeper balances the cash total of 27 tellers and posts the bank's liability ledger each day.

"Sharedata is really helping us keep our reputation of high standards of excellence in customer service," said Mr. Smith. "With Sharedata's help, we plan to keep right on 'delivering.'"

Sharedata Growth. Formed in 1969, National Sharedata, headquartered in Dallas, presently processes work from its 14 computer centers for over 900 customers, 200 of which are banks with assets of over \$9 billion.

Since August, 1973, the firm has been a wholly owned subsidiary of Western Union Corp. and currently employs over 700 persons throughout the country. • •



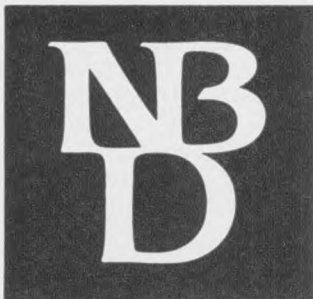
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What Today's Banker Should Know About Hedging

THE FOLLOWING interview with John Goodridge, second vice president, Continental Illinois National Bank, Chicago, was conducted recently. Mr. Goodridge is treasurer of the Chicago Board of Trade Clearing Corp., and a member of the Commodity Club of Chicago and Robert Morris Associates.

Q. Should a bank ever require its customers to hedge; that is, buy or sell commodities on the futures market?



A. Since you use the word "require," I think the answer has to be no. Whether to hedge is basically a management decision. I don't believe it should be the role of a bank to dic-

tate a customer's management decisions.

On the other hand, one of the management decisions a bank has to make is whether to extend credit to a customer, how much credit and on what terms. Thus, there are situations in which a bank's management decision may be dictated, or at least influenced, by whether a borrower hedges. During the past year or so, these situations have occurred with increasing frequency.

Furthermore, as we look ahead, we are more firmly convinced hedging is going to become an even more important consideration in the extension of credit when raw agricultural commodities are offered as collateral: More important for the customer and more important for the bank.

Q. What, exactly, does hedging in-

volve and what is its purpose?

A. Let me answer the second question first. In two words, the purpose is price protection. That is, protection of inventory against the risk of a price change.

For example, if a firm has 100,000 bushels of grain in inventory and the price drops 50¢ a bushel, there is a \$50,000 loss. The reason for hedging is to minimize this kind of risk.

Now, as to what hedging involves, it involves the use of futures contracts to "lock in" an eventual selling price. It amounts to a kind of insurance against price changes.

Q. How does it work?

A. The mechanics can be quite complex, but for the sake of a simple example, assume a local elevator buys wheat from farmers at, say, \$4 a bushel in July and intends to store it until next March. If the elevator doesn't hedge, it is entirely at the mercy of the market. The price may go up, or it may go down. In effect, the elevator is speculating.

Hedging—through the sale of a futures contract—minimizes this risk while still providing the elevator a reasonable profit for storing the grain. Let's say, in July, the elevator is able to sell a futures contract for delivery of wheat to Chicago in March at a price of \$4.50 a bushel. It figures 20¢ of the 50¢ price difference reflects transportation and the other 30¢ is a carrying charge—reflecting storage, insurance, interest, etc.

So, to summarize, the elevator buys wheat from farmers in July at \$4. It has its broker sell wheat on the futures market for March delivery at \$4.50. Since cash and futures prices tend to move up and down together, any decline in the cash value of its inventory

will be approximately offset when it is able to buy back the futures contract at below the selling price of the contract.

Q. Let's assume the price of wheat—both the cash and futures—declines 40¢ a bushel from July to March.

A. Then the wheat in inventory is now worth \$3.60 a bushel. But the futures contract sold at \$4.50 can be bought back at \$4.10. So the elevator has lost 40¢ in the cash market, but made 40¢ in the futures. The profit in one offsets the loss in the other. This is what hedging is all about.

Q. But in this example, the elevator has gotten back no more than it paid for the wheat—\$4 a bushel. Where is its storage profit?

A. That involves a slightly more complex explanation, but it's an important point. You'll recall we said the difference between the local cash price of \$4 in July and the Chicago futures price of \$4.50 was due partly to transportation and partly to a carrying charge. The thing to keep in mind is that as the delivery month approaches, this carrying charge gradually decreases. Or, to put it another way, the difference between the cash price and the futures price narrows, reflecting the reduced need for a carrying charge.

Thus, in the previous example, the futures price in March would likely be only about 20¢ above the local cash price. If the cash price were \$3.60, the futures price should be about \$3.80.

So look what happens. The elevator bought wheat from farmers in July at \$4. Come March, the cash price has dropped to \$3.60. But the March futures contract sold in July at \$4.50 can be bought back in March at \$3.80—a profit of 70¢ a bushel. Added to the cash selling price of \$3.60, this gives the elevator \$4.30 a bushel, 30¢ more than it paid.

Q. What if the price of wheat had gone up instead of down?

A. Then the increase in the cash value of wheat in inventory would have been offset by a loss in the futures market. That is, the futures contract would have had to be bought back at a higher price than it was sold.

Q. Then what hedging really accomplishes is to insulate the hedger from price changes, either up or down?

A. Exactly.

Q. You cited the example of hedging by a grain elevator: Who else can use the futures market to hedge?

A. Anyone with an inventory who wants to protect it against price fluctuations. This could be a farmer or a cattle feeder. Or it could be a processor.

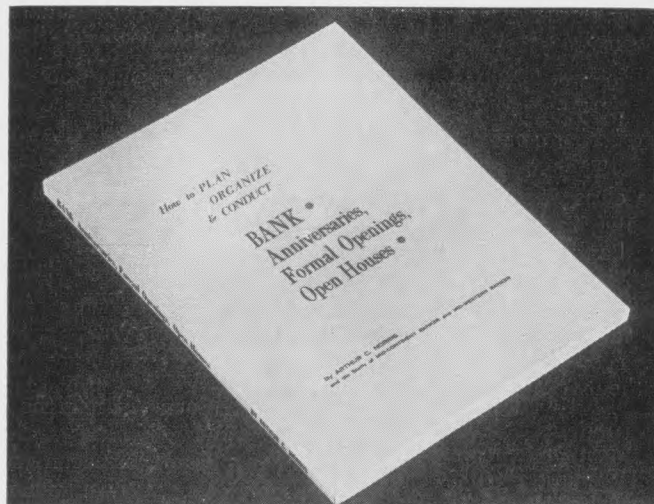
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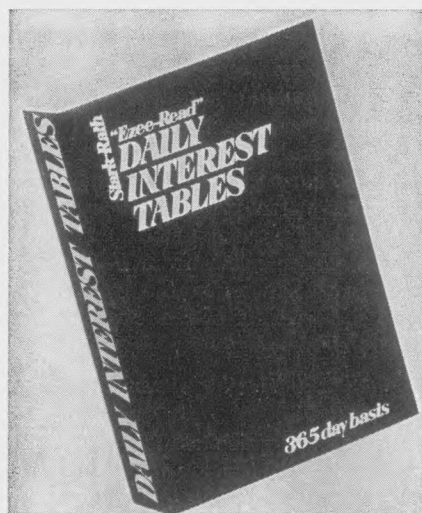
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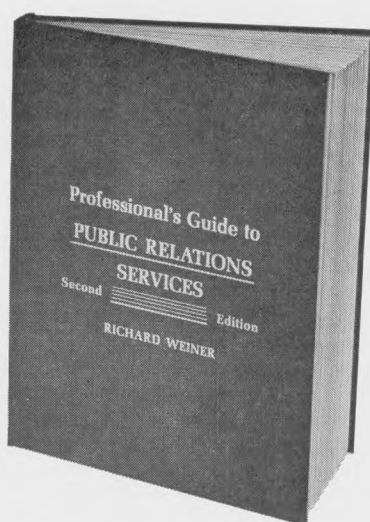
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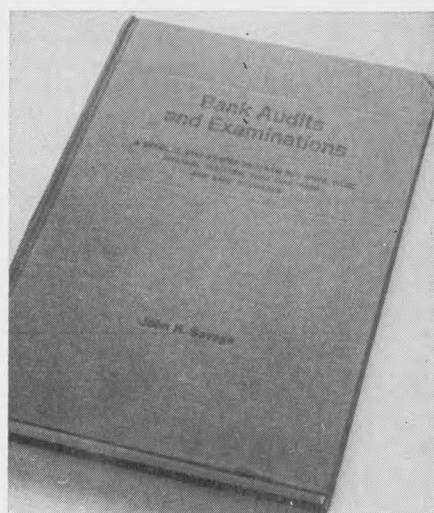
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It should also be pointed out that a hedge can be used to establish an eventual buying price—as well as an eventual selling price.

A grain processing firm, for example, often has to commit itself to a selling price for its product before it has actually acquired the grain. By hedging, it can protect itself against an increase in price.

Q. Why should a bank be interested in whether a customer hedges?

A. There are two reasons, and they are closely related. Any time commodities in inventory are used as collateral, the bank has an interest in assuring itself that the value of that inventory is protected. The bank needs to know that it is protected against physical loss, such as fire and against being sold without the bank's knowledge. Since one of the greatest risks is the reduction in value that could result from a price decrease, the bank needs protection against this, too. No lender wants to find himself with a \$100,000 loan out against collateral that is suddenly worth only \$80,000.

In the absence of a hedge, most lenders protect themselves against such a possibility by lending no more than, say, 80% of the market value of collat-

eral, and by requiring the borrower to maintain his margin.

This brings up the second reason a bank should be interested in hedging: The fact that hedging enables the bank to do a better job of serving its customers.

Q. In what ways?

A. For one thing, most lenders are willing to lend 90% or more on the market value of commodities that have been hedged, versus the 80% or less that's typical on unhedged commodities. This can greatly increase the borrower's leverage.

Say a firm in the grain business has \$100,000 of its own capital that it can use to purchase grain. If the bank is willing to lend only 80%, the firm can purchase \$500,000 worth of grain using its own \$100,000 plus a \$400,000 loan. But if the grain is hedged and the bank is willing to lend 90%, the same firm can purchase \$1,000,000 of grain, using its own \$100,000 and a \$900,000 loan.

Q. Why can a bank safely lend more money on hedged commodities?

A. For the simple reason that there's less risk. Any decrease in the value of the collateral as a result of a price reduction is offset by a profit in the fu-

tures market. This profit in the futures provides a source of funds with which to keep the loan fully margined.

Q. Could you give an example?

A. Let's assume a bank has loaned \$90,000 on \$100,000 worth of hedged grain, and that a sharp price decline reduces the value of the grain to, say \$80,000. At 90%, the maximum loan now declines to \$72,000. The borrower thus needs \$18,000 with which to pay down the loan from \$90,000 to \$72,000.

If he is fully hedged, the decline in cash prices should be roughly matched by a decline in the futures price, giving him approximately an \$18,000 profit in his futures account. This profit can be transferred from his futures account to his bank in order to keep his loan properly margined.

Q. But what if the price goes up instead of down: Won't the customer begin receiving margin calls from his broker? And, if so, should the bank lend him this money?

A. The situation you describe is, of course, exactly what happened in 1973. Prices soared and firms which had hedged needed huge sums of money to meet brokerage margin calls.

The overwhelming majority of banks loaned the money necessary to meet these margin calls. The reason they were able to do this is that the value of the physical inventories—the collateral—was increasing. The higher the value of the collateral, the larger the loan it can support.

Q. To the extent customers had to borrow money to meet increased margin calls from their brokers, didn't this increase their interest expense?

A. Yes, and in some cases very substantially. Bear in mind, however, that in a year when prices are decreasing rather than increasing, just the opposite is true. Using profit from the futures account to pay down the outstanding loan has the effect of reducing the borrower's interest expense.

Q. Wouldn't a borrower have been better off not having hedged in 1973?


A. From a price standpoint during the first half of the year, the answer is yes. A person or firm owning grain would have made more money if he had speculated. On the other hand, there were certainly many cases where, without hedging, the borrower couldn't have gotten adequate financing; and, without financing, he couldn't have bought the grain to speculate with. So it's difficult to say flatly yes or no to the question of whether a customer was better off.

Remember, too, that prices didn't

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just go up in 1973. It was also during 1973 that soybeans dropped from \$13 to around \$6, and that cattle declined from \$60 to about \$40. So it's also accurate to say there were situations in 1973 where hedging enabled some people to avoid substantial losses. The situation wasn't all black or white.

Q. You mentioned earlier that hedging is becoming increasingly important: Why is that?

A. There are several reasons. One is that with the Commodity Credit Corp. practically out of business and the non-recourse loan program all but inoperative, the burden of financing agricultural commodities has shifted dramatically to the banking industry. When this development is coupled with the increased production of commodities and with the higher level of prices, it is clear that this poses a tremendous challenge to our industry. The amount of credit needed is double, triple and even quadruple what it was just a few years ago.

Consequently, I see no way banks are going to be able to provide the ever-increasing amounts of credit required unless the inventories offered as collateral for this credit have been properly hedged. Without hedging, banks are faced with a choice of either lending less money than is needed, or assuming a degree of risk that is not prudent for a bank to assume.

Another consideration to keep in mind is that, at the current level of commodity prices, there is considerably more "down-side price risk" than existed when prices were lower. I think this is all the more reason for a well-planned and well-executed hedging program.

Q. What role should a bank play in a customer's hedging program?

A. The first thing the bank is likely to be asked to do is lend the money needed by the customer for his initial margin requirements; that is, the margin the customer must deposit with the broker at the time he hedges. Assuming the borrower is otherwise qualified, most banks are willing to lend the funds needed for this purpose. The bank needs to assure itself that the customer is fully and properly hedged, and that the inventory used as collateral remains fully and properly hedged at all times.

On a day-by-day basis, the collateral should be priced to the market. If the customer has hedged inventories by selling on the futures market, a decrease in the price will necessitate calling on the customer for additional funds to keep the loan fully margined.

(Continued on page 108)

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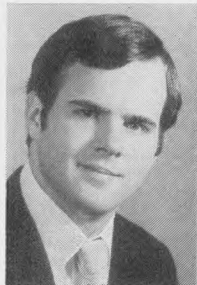
Convention 'First-Timers'

These new faces will be representing city-correspondent banks at the Arkansas, Louisiana and Texas conventions this year. They are introduced here.

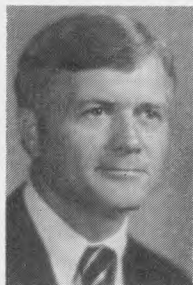
Arkansas Convention

• **Claude H. (Corky) Springfield III** is a correspondent banking officer at Union Planters National, Memphis. He joined the department last October and also will attend the Louisiana convention.

• **Howard L. McMillan Jr.** is senior vice president and head of the cor-



SPRINGFIELD



McMILLAN



MORGAN



HOPKINS

respondent bank department at Deposit Guaranty National, Jackson, Miss.

• **Ed Morgan** recently joined the correspondent bank department of Deposit Guaranty National, Jackson, Miss. He services the bank's correspondents in the Delta area.

• **John Hopkins** is a member of the correspondent banking department of Union National, Little Rock. He was formerly in the bank's data processing department.

Louisiana Convention

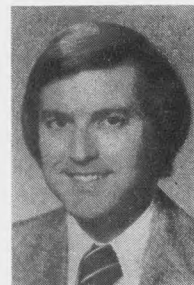
• **Claude H. Springfield III** joined Union Planters National, Memphis, in

1969 and became a member of the correspondent banking department last year. He also will attend the Arkansas convention.

• **J. Frederick Scott** is an assistant vice president with Mercantile National, Dallas, joining the bank's correspondent bank division last November. He also will attend the Texas convention.

Texas Convention

• **J. Frederick Scott** of Mercantile National, Dallas, is a former senior examiner of the Dallas Fed. He joined Mercantile last year and also will attend the Louisiana convention.



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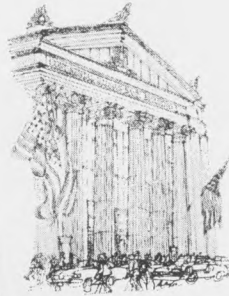
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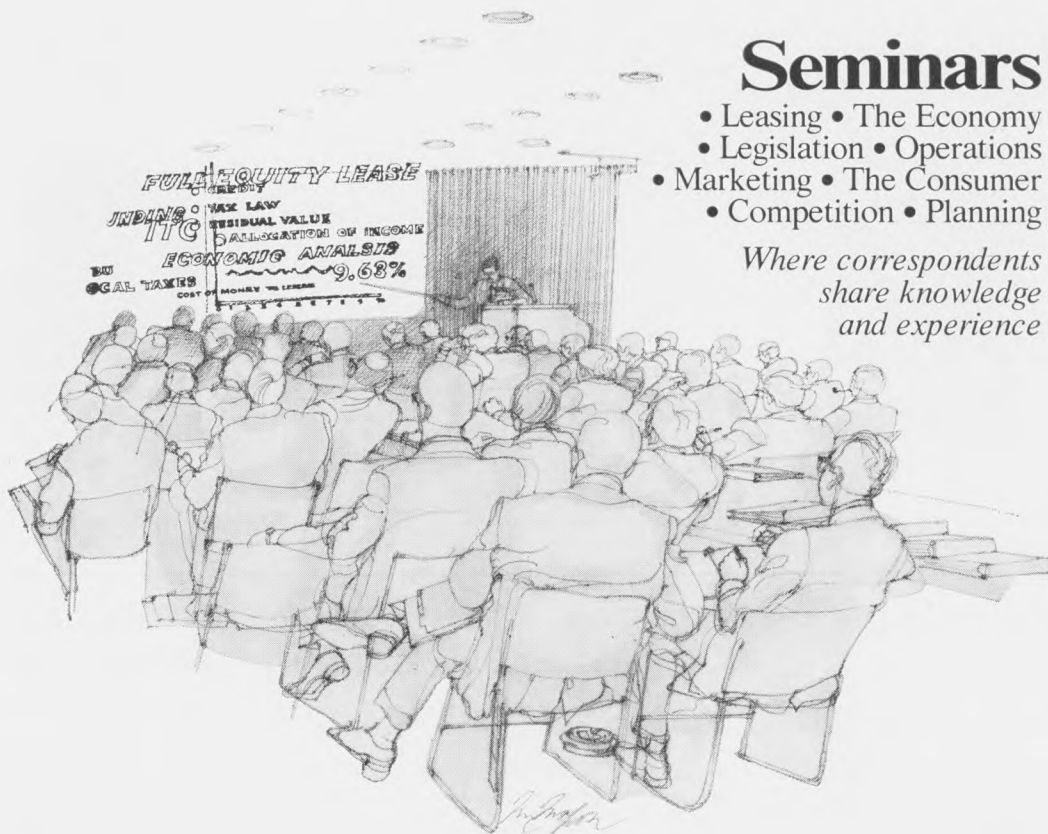


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AMBI Convention

(Association for Modern Banking in Illinois)

Oak Brook, Ill., April 28-30, DRAKE OAKBROOK

AN ILLINOIS banking group that was barely in existence a year ago will have a full-fledged convention this spring—April 28-30 at the Drake Oakbrook in Oak Brook. The organization is the Association for Modern Banking in Illinois, whose membership currently is 237 and whose president is Walter J. Charlton, president, First Trust, Kankakee. Chairman of the convention committee is Charles H. Barrow, senior vice president, Northern Trust, Chicago.



CHARLTON

Described by an AMBI spokesman as "full of work sessions and hard information," the convention will feature panels on "The American Economy . . . Is There Light at the End of the Tunnel?," "Successful Marketing Management in a Multi-Office Environment," "The Legislative Scene in Springfield . . . Politics in Action" and "Observations on Multi-Office Banking From the Regulatory Authorities."

Talks are scheduled on: "Problems and Possibilities in Running a Multi-Office Holding Company," "Developing an Affirmative-Action Program for Banks," "The Evaluation of Bank Stocks," "Competition in the Retail Marketplace" and "Banking in the '80s . . . Are You Getting Ready?"

The entertainment portion will be

highlighted by "An Evening With Thomas Jefferson," which will include an actual meal served by the third President at his Monticello home during April. All foods served will be the same as those he raised on his Virginia plantation. Wandering minstrels dressed in colonial costumes and playing period instruments will add to the early American atmosphere. Also on the entertainment agenda are a wine- and cheese-tasting party, a breakfast at Stouffer's Inn, cocktail buffet reception and luncheon.

For the women, there will be talks on "Paramedics and People" by Mrs. Jan Schwettman, executive coordinator, Public Safety Officers' Foundation, Chicago, and "Kampsville, Ill.—Cradle of

(Continued on page 86)

PROGRAM

FIRST SESSION, 9 a.m., April 29

Welcome—WALTER J. CHARLTON, president, AMBI, and president, First Trust, Kankakee.

Panel—"The American Economy . . . Is There Light at the End of the Tunnel?" Panelists: ROBERT G. DEDERICK, senior vice president and economist, Northern Trust, Chicago; THEODORE R. ECK, chief economist, Standard Oil Co. of Indiana, Chicago, and WILLIAM J. KORSVIK, vice president, business and economic research division, First National, Chicago.

Panel—"Successful Marketing Management in a Multi-Office Environment." Moderator: WILLIAM N. FLORY, chairman, public information committee, AMBI, and vice president, Harris Trust, Chicago. Panelists: (site selection) RAYMOND O. HERMAN, director of research, Citizens & Southern National, Atlanta, and (multi-office marketing) EUGENE J. CALLAN, vice president, First National City, New York City.

Address—"Problems and Possibilities in Running a Multi-Office Holding Company"—JAMES H. DUNCAN, president, First National Financial Corp. and First National of Michigan, Kalamazoo.

SECOND SESSION, 1:30 p.m., April 29

Presiding—WALTER R. LOHMAN, chairman, executive committee, AMBI, and president, First National, Springfield.

Panel—"The Legislative Scene in Springfield . . . Politics in Action." Moderator: ROBERT H. BUKOWSKI, chairman, legislative committee, AMBI, and senior vice president, Continental Illinois National, Chicago. Panelists: SENA-

TOR PHILIP J. ROCK, Chicago, Illinois State Senate; an as yet unnamed member, Illinois House of Representatives; HARVEY B. STEPHENS, Brown, Hay & Stephens, Springfield; ROBERT B. MAHER and ARTHUR R. SWANSON, legislative consultants to AMBI.

Address—"Developing an Affirmative-Action Program for Banks"—DAVID A. SAWYER, director of equal opportunity and chief compliance officer for banks, U. S. Treasury Department.

Address—"The Evaluation of Bank Stocks"—HARRY V. KEEFE, president, Keefe, Bruyette & Woods, Inc., New York City.

THIRD SESSION, 9 a.m., April 30

Presiding—HENRY E. SEYFARTH, chairman, AMBI, and chairman, First National, Blue Island.

Address—"Competition in the Retail Marketplace"—NORMAN STRUNK, executive vice president, U. S. League of Savings Associations, Chicago.

Panel—"Observations on Multi-Office Banking From the Regulatory Authorities." Moderator: H. ROBERT BARTLETT JR., Illinois commissioner of banks and trust companies. Panelists: JAMES A. DAVIS, Chicago regional director, FDIC; CHARLES B. HALL, regional administrator of national banks, Chicago, and JAMES R. MORRISON, senior vice president, Federal Reserve, Chicago.

Address—"Banking in the '80s . . . Are You Getting Ready?"—JON C. POPPEN, vice president, Booz, Allen & Hamilton, Inc., Chicago.

AMBI business meeting and committee reports.

Adjournment.

MID-CONTINENT BANKER for April, 1974

AMBI Convention

(Continued from page 85)

Civilization" by Stephen Noble, director, Research Foundation for Illinois Archeology, Evanston.

Mr. Charlton, current AMBI president, entered banking with First Bank Stock Corp. in Minneapolis (he's a Minnesota native) and went to First Trust, Kankakee, in 1950. He was elected a director in 1953, executive vice president in 1962 and president in 1965. Mr. Charlton also is chairman, First Bank, Meadowview. For many years, he has been an instructor and section leader at the Illinois School of Banking at Carbondale.

Mr. Charlton, as chairman of AMBI's executive committee, helped organize the association last year following the 1973 convention of the Illinois Bankers Association. The split among the state's bankers came following adoption at the IBA convention of a declaration of policy that placed the association in opposition to multi-office banking. Such a stand has been traditional with the IBA, but last year—before the annual meeting—the IBA council of administration voted to adopt a position of neutrality on multi-office banking and inserted it in the declaration. However, those IBA members strictly opposed to any type of multi-office banking heard about this action and introduced an amendment that would reinstate the association's usual opposition to multi-office banking. On the final afternoon of the 1973 convention, speakers for both sides of the issue were heard, and a standing vote was taken, with each member bank allowed one "accredited" vote. Those opposing the neutrality stand won—396 to 187—and the IBA once again went on record as opposing any change in Illinois' banking laws.

As a result, AMBI became operational. It had been created the previous February as an outgrowth of an earlier group, Association for Full-Service Banking. About 10% of banks belonging to the IBA withheld their dues over the multi-office banking issue, and most of the dissident banks—including most of the big Chicago banks—joined AMBI. In the intervening months, AMBI has become a not-for-profit corporation chartered in Illinois, and its membership has grown to 237 as of press time. A pamphlet published by the group says membership is composed of banks of all sizes in all parts of the state and represents about 70% of Illinois' banking resources. Its affairs are



Walter J. Charlton (2nd from l.), AMBI pres., congratulates Frank M. Strieby, newly elected 1st v.p. of AMBI's Region IV and pres., Illinois State, Quincy. Other new officers of region are: treas., Stuart Brown Jr., a.v.p., Springfield Marine; 2nd v.p., William B. Hopper, ch., First Trust, Taylorville, and sec., Grant Fleenor, v.p. & cash., First Nat'l, Mattoon. Not pictured is Region IV's pres., John J. White, pres., First Nat'l, Beardstown. Mr. Charlton is pres., First Trust, Kankakee.

controlled by a board of 30 persons representing each of AMBI's five regions. In addition, there is an executive committee of nine persons plus a chairman, president, two vice presidents, a treasurer and a secretary. A full-time executive director—Harry B. Allison—has charge of AMBI's headquarters in Springfield.

AMBI's purpose, also as stated in the pamphlet, "is to continuously promote improvement in the principles and practices of banking so that multi-unit and unit banking can be accommodated in Illinois; to develop a better understanding of banking throughout the state; to raise the standards of performance in meeting the obligations of Illinois banking to the consumers, business and industry; to provide a means of communication and exchange of ideas between banks and, thereby, to foster the future economic growth of the state and to exert continuous efforts to make the banking laws responsive to the needs of the people and the banking industry." • •

Program Is Announced By Alabama Young Bankers For Convention May 1-3

An oil firm representative, a banker and a Treasury Department spokesman will be on the program of the Alabama Young Bankers' convention May 1-3 at Gulf State Lodge, Gulf Shores.

The keynote address May 2 will be given by John E. Swearingen, chairman, Standard Oil Co. of Indiana. He will be followed by talks to be made by Chauncey E. Schmidt, vice chairman, First National, Chicago, and Samuel C. Evans, Equal Opportunity Program, Treasury Department, Atlanta.

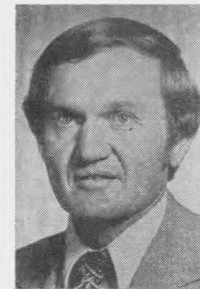
The following day, there will be a seminar on "Self Management and Per-

sonal Values" to be conducted by Dr. Robert G. Kelly, Indiana University. Also on May 3, delegates will hear reports from Young Bankers officers and resolution, convention site and nominations committees, to be followed by election of officers.

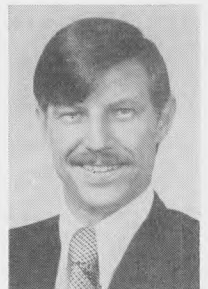
Officers of the Alabama Young Bankers are: president, Marion P. "Red" Hamilton Jr., administrative vice president and cashier, Central Bank of Alabama, Decatur; vice president, J. S. Nelson, vice president, City National, Selma, and treasurer, William R. Haley Jr., vice president and cashier, Exchange Na-



HAMILTON



NELSON




HALEY

tional, Montgomery. The secretary's post has been vacant since the resignation a few months ago of William D. Hart, vice president, Bank of Atmore.

Mr. Hamilton joined his bank in 1964 after having been a field examiner for the FDIC from 1958 through 1963. At Central Bank, he is administratively responsible for system-wide accounting and bank operations, personnel, administrative services and audit functions. He also is secretary to the board.

Mr. Nelson entered banking in 1963 at Birmingham Trust National and went to City National of Selma in 1969 and has primary responsibilities in loans and marketing. He is a graduate of the School of Banking of the South, Louisiana State University, Baton Rouge.

Mr. Haley entered banking at Bank of Heflin in 1956 and, since then, has been with First National, Anniston, attended college, taught chemistry and physics in Decatur, Ga., and was an insurance consultant. He returned to Bank of Heflin in 1967 and, last December, was elected vice president and cashier, Exchange National, Montgomery.



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Louisiana Convention

President



BROUSSARD

Arthur J. Broussard, LBA pres., joined Guaranty Bank, Lafayette, in 1946. He was promoted to several official posts before being named ch. & pres. in 1967.

New Orleans, April 27-30

Headquarters—FAIRMONT HOTEL

FIRST SESSION, 9:30 a.m., April 29

Call to Order—ARTHUR J. BROUSSARD, president, Louisiana Bankers Association, and president, Guaranty Bank, Lafayette.
Welcome to New Orleans—MOON LANDRIEU, mayor of New Orleans.
President's Address—ARTHUR J. BROUSSARD.
Meeting of Louisiana Members of ABA—J. E. PIERSON, ABA state vice president, and president, City Bank, Natchitoches.
Treasurer's Report—TRAVIS GORE, executive vice president, Concordia Bank, Vidalia.
CPA Audit Report—To be read at designation of the president.
Address—GEORGE L. WHYEL—president-elect, American Bankers Association, and vice chairman, Genesee Merchants Bank, Flint, Mich.
Address—RUSSELL B. LONG, U. S. senator from Louisiana.
Resolutions—L. J. HEBERT JR., president, Lafourche National, Thibodaux.

President-Elect



JOHNSON

A. R. Johnson III, LBA pres.-elect, has been with Guaranty Bank, Alexandria, since 1970. He practiced law in Baton Rouge before entering banking in 1954.

SECOND SESSION, 9:30 a.m., April 30

Call to Order—ARTHUR J. BROUSSARD.
Necrology—JOHN DOLES JR., president, First State Bank, Plain Dealing.
Committee on Rules and Calendar—L. J. HEBERT JR.
Report of Board of Directors and Executive Vice President—ROBERT I. DIDIER JR., executive vice president, Louisiana Bankers Association, Baton Rouge.

Treasurer



GORE

Travis Gore, LBA treas., is exec. v.p. & cash., Concordia Bank, Vidalia, which he joined in 1959. He is a former ch. of the LBA employee benefit com., a past pres. of Northeast Louisiana Clearing House Assn. and a past pres. of BAI's Northwest Chapter.

REPORTS OF COMMITTEE CHAIRMEN

Agricultural—T. E. HANKINS, vice president, Bank of Dixie, Lake Providence.
Bank Management—LEON MINVIELLE JR., president, Peoples National, New Iberia.
Education—CHARLES F. LUCIEN, vice president, Hibernia National, New Orleans.
Chair of Banking at Louisiana State University—DR. WILLIAM STAATS, professor, LBA Chair of Banking, LSU.
Employee Benefits—LARRY J. COMEAUX, executive vice president, St. Martin Bank, St. Martinville.
Federal Affairs—J. A. DUNNAM JR., president, Bank of Benton.
Forestry—ROBERT D. SCHAEFER, president, Merchants & Farmers, Leesville.
Installment Credit—WILLIAM M. BENARD, president, American Bank, Shreveport.
Legislative—C. W. McCOY, president, Louisiana National, Baton Rouge.
Legislative Study—HERMANN MOYSE JR., president, City National, Baton Rouge.
Public Relations—ED B. NOLAND JR., vice president, Commercial National, Shreveport.
State Bank Affairs—ENOCH T. NIX, vice chairman, American Bank, Shreveport.
Trust—J. LUTHER JORDAN JR., senior trust officer, Louisiana National, Baton Rouge.
Junior Bankers Section—A. HARTIE SPENCE, vice president, First National, Shreveport.

Busy Calendar Arranged For LBA Conventioneers

NEW ORLEANS—An action-packed three days is in store for delegates to the 74th annual Louisiana Bankers Association convention, beginning Sunday, April 28, at the Fairmont Hotel in New Orleans.

Sunday's activities include a women's convention committee meeting in the Orleans Room at noon; a luncheon for LBA officers, members of the LBA board and LBA past presidents at 12:45 p.m. in the Gold Room; a luncheon for wives of LBA officers, board members and past presidents at 12:45 p.m. in the Rex Room; a board of directors' pre-convention meeting at 2:30 p.m. in the Mayor's Chamber; and a cocktail party and dance beginning at 5:30 p.m. at the Marriott Hotel Grand Ballroom, sponsored by New Orleans Clearing House banks.

Monday's activities begin with a breakfast for graduates and students of the School of Banking of the South at 8 a.m. in the University Room of the Fairmont; the first general business session at 9:30 a.m. in the Grand Ballroom; a men's social and luncheon in the International Room at 12:15 p.m.;



Allen & Rossi

a golf tournament at the Chateaux Golf and Country Club beginning at 1:30 p.m.; a cocktail party at 6:15 p.m. in the Grand Ballroom; and the annual banquet at 7:30 p.m. in the International Room. Entertainment will be supplied by Rene Louapre and his Orchestra and the comedy team of Allen and Rossi.

Tuesday's activities include the second general business session at 9:30

a.m. in the University Room; cocktails at 11:45 a.m. in the Grand Ballroom, followed by luncheon at 12:30 p.m. in the International Room. R. Lee Vanderpool, chairman, LBA nominating committee, will give his report during the luncheon. He is president, Ouchita National, Monroe.

Special Program for Women To Highlight LBA Convention

NEW ORLEANS—A special program for women has been announced for the LBA convention.

On Monday, April 29, bingo will be played in the International Room of the Fairmont Hotel starting at 9 a.m. A women's social will begin at noon in the University Room, followed by a luncheon at 12:30 p.m. in the Emperor's Room. The cocktail party will begin at 6:15 p.m. in the Grand Ballroom, followed by the annual banquet at 7:30 p.m. in the International Room.

Tuesday's events include cocktails at 11:45 a.m. in the Grand Ballroom and luncheon at 12:30 p.m. in the International Room.

Attendance at Monday's events is limited to women who are officially registered at the convention. Convention badges will serve as admission tickets.

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MEMBER F.D.I.C.

Boyer Is General Chairman Of 74th LBA Convention

NEW ORLEANS—James G. Boyer, president, Gulf National, Lake Charles, is general chairman of the 1974 Louisiana Bankers Association convention, to be held at the Fairmont Hotel here April 28-30.



BOYER

Convention committee chairmen are as follows: *program*—Walter B. Stuart III, vice chairman, First National Bank of Commerce, New Orleans; *entertainment*—P. J. Laiche, vice president, Whitney National, New Orleans; *registration*—William A. Morris, senior vice president, City National, Baton Rouge; *ladies*—Mrs. Arthur Broussard, wife of the LBA president, who is president, Guaranty Bank, Lafayette; *golf*—Robert S. Rehm, vice president, Bank of New Orleans; *rules and calendar*—L. J. Hebert Jr., president, LaFourche National, Thibodaux; and *necrology*—John Doles Jr., president, First State, Plain Dealing.

Convention Registration

Registration for the LBA convention will take place on the mezzanine level of the Fairmont Hotel during the following hours:

Saturday, April 27—9 a.m.-5 p.m.
Sunday, April 28—9 a.m.-5 p.m.
Monday, April 29—8:30 a.m.-noon.

Convention badges will take the place of ticket books for admittance to all official functions.

Reflective Armband Program Sponsored by Central Bank

MONROE—Central Bank is sponsoring a program to provide safety reflective armbands for school children. The bands consist of 12-inch strips of reflective material and can be obtained free from any of the bank's offices.

The bands, reflecting in auto headlights, will remind motorists to slow down and use extra care in passing school children walking in early morning darkness, a bank officer said.

They can also be used after dark in the evening by both children and adults.

■ JOHN F. MARZULLO, president and CEO of Colonial Bank, New Orleans, has been elected chairman, succeeding Adrian G. Duplantier, who resigned to serve as a civil district court judge.

MID-CONTINENT BANKER for April, 1974

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Member F.D.I.C.

Legislative Committee Holds Hearings On Proposed Bank Structure Changes

AS IS the case in many Mid-Continent-area states, multi-bank holding companies are in the spotlight as the Louisiana Bankers Association prepares for its annual convention April 27-30 in New Orleans.

In fact, Senator Michael O'Keefe of New Orleans has set April 17 as a tentative date to hold a hearing in Baton Rouge on proposed changes in state banking laws. These changes in-

clude introduction of multi-bank HCs into the state and extension of branching across parish lines. Senator O'Keefe is to report back to the legislature when it convenes in May. Senator O'Keefe is chairman of the Joint Legislative Committee to Study State Banking Laws.

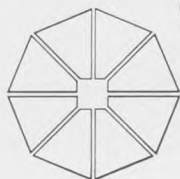
Wilmore W. Whitmore, president and CEO, First National, Houma, and president, Louisiana Independent As-

sociation of Bankers (LIAB), told MID-CONTINENT BANKER he and other opponents to banking law changes will attend the meeting and give their views. However, he pointed out, advocates of multi-bank HCs and state-wide branching hadn't revealed whether they will be present. Mr. Whitmore said he's confident, though, that the proponents will be at the meeting because he knows they—just as he does—want both sides of the question to be candidly examined so that legislators can get a good perspective of the entire subject.

During the recent Constitutional Convention, a delegate—Chris Roy of Alexandria—introduced to the Bill of Rights Committee a provision that would have banned multi-bank HCs in Louisiana. The Roy provision was not sponsored by the LIAB or LBA. In fact, said Mr. Whitmore, he had no prior knowledge of the provision, which was voted favorably out of committee, 5-2. However, Mr. Whitmore, as head of the LIAB, asked that it be withdrawn because he didn't want a provision adopted that favored any special-interest group, even his own. Mr. Roy then submitted to the Bill of Rights Committee a compromise provision that would have made a two-thirds vote of the legislature mandatory before any change could be made in the state banking structure. The committee voted it out favorably, and it passed in the convention, 86-24. Then, "at the 11th hour," as Mr. Whitmore phrased it, Governor Edwin W. Edwards appeared before the convention and asked that this two-thirds-vote provision be removed, and his request was granted.

In addition to the April 17 meeting, Senator O'Keefe has held two or three previous meetings, and Mr. Whitmore appeared at the first one to tell

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your
way...



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Easterly Favors Status Quo

One of the advocates of the status quo in banking structure in Louisiana is Embree K. Easterly, who moved up from first vice president to president of the Independent Bankers Association of America at its annual convention last month. Mr. Easterly is president, Capital Bank, Baton Rouge.

Mr. Easterly believes the current parish-wide branching law in the state is sufficient and enables banks to compete with one another. Also, he said, one-bank HCs currently allowed can meet competition effectively because of the nonbanking affiliates now available to them. Therefore, he added, multi-bank HCs are not needed.

committee members what the LIAB is and what its objectives are. The LIAB was formed last spring by representatives of independent Louisiana banks. Its main objective is to see that the status quo of the state's banking laws is maintained; that is, that multi-bank HCs and state-wide and metropolitan-area branching continue to be banned.

The LIAB is not officially connected with the LBA—which is remaining

neutral on the banking-structure issue—but members of one group can and do belong to the other. There is not now, nor has there ever been, any kind of disagreement between the two associations. The LIAB was formed specifically to prevent multi-bank HC formations and the spread of branching.

Mr. Whitmore told MCB that he doesn't believe there will be any banking-structure changes made in the 1974 legislative session. • •

Poitevent Honored as King Of New Orleans Mardi Gras

NEW ORLEANS—Crescent City's banks were well represented in this year's Mardi Gras celebration, held in late February.

King of the Carnival was Eads Poitevent, president, CEO and chairman of International City Bank and ICB Corp. Queen of the carnival was Miss Anne Cameron Kock, daughter of Mr. and Mrs. Edouard James Kock Jr. Mr. Kock is a director of Whitney National.

Mr. Poitevent was accorded the city's highest civic honor by the Rex organization, which symbolically rules the annual carnival. He was recognized for his years of civic work and leadership, culminating in the presidency of

the Chamber of Commerce of the New Orleans Area in 1972 and of the board of commissioners, Port of New Orleans, in 1973.

Mardi Gras royalty is no stranger to the Poitevent family. Rex of 1974 counts some 18 members of his family among Rex kings, queens, maids and other members of the carnival nobility.



Eads Poitevent, pres., ch. & CEO, International City Bank, New Orleans, dressed as Rex, king of the 1974 New Orleans Mardi Gras.



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Seven new oil refineries and two expansions are presently being considered for Louisiana. This refinery at Lake Charles handles more than a million barrels of crude oil daily.

In Louisiana

Energy Crisis Spurs Plans To Construct Oil Refineries

By **STANLEY PASSMAN**, Executive Director, Louisiana Department of Commerce and Industry, Baton Rouge

THE ENERGY situation is having a mixed effect on the Louisiana economy, but on balance the state is expected to post another good year.

On the positive side is the fact that the energy emergency has spurred plans for constructing seven new oil refineries and expanding two others, has undoubtedly hastened the day that a Superport will be built off the Louisiana coast and is the reason for the proposed construction of several large synthetic natural gas plants in the state and for preparations to build a terminal to receive liquefied natural gas (LNG) carriers and the necessary gasification facilities at the Port of Lake Charles.

The energy crisis has also resulted in increased drilling and exploration activity, both onshore and offshore, which not only means more jobs for Louisiana's oil field workers, but increased activity in the shipyards that build offshore drilling equipment and the array of vessels that are needed to supply and maintain the rigs. It is estimated that more than \$2 million a day is spent on this kind of activity in the state.

Another major plus has been registered in the state's treasury. State-

owned lands are a major producer of oil and gas and as the price of these fuels increases, Louisiana's royalty income increases also. In addition, the state levies a severance tax on oil and natural gas and from these two commodities about a third of all state tax revenue is produced.

The oil severance tax is tied to the price of oil, and tax income rises as the price of oil goes up. Each dollar increase means approximately \$25 million in additional taxes. The natural gas severance tax is fixed at 7¢ per thousand cubic feet (MCF), and the state produces over six billion MCF annually.

On the minus side, there have been some spot interruptions at certain industries due to temporary halts in supplies of natural gas and occasionally key feedstocks—also due to oil or gas shortages. The sugar refining industry in the state took some losses when gas supplies were curtailed at the height of the refining season.

The need for industries and utilities to switch over to fuel oil from their traditional—and cheaper—fuel source, natural gas, has driven some costs up-

ward. Fortunately, the electric power situation in the state remains good, despite these changes.

To date, no announced plans for new industrial construction have been canceled due to the energy crisis, although some projects have been delayed and others stretched out somewhat. In most cases, these are projects that have a need for large natural gas or oil supplies on a long-term basis, or are in some way connected to foreign crude supplies.

Manufacturing operations of a more general nature and which have nominal energy requirements have not been affected very much. It has been generally possible to obtain natural gas for their needs from intrastate supplies. And as the price of this fuel climbs to a realistic level, more of it is expected to become available as heretofore marginal fields are opened and the incentive to invest in further exploration becomes more attractive.

Although Louisiana expects to continue to export roughly 75% of its natural gas production to other states to heat homes and power industry elsewhere, it is also taking steps to keep enough of new discoveries at home to keep its own economy growing.

Although it is still too early to predict what the ultimate, long-term effect the profoundly changed national energy situation will have on Louisiana, a recent statement by Governor Edwin Edwards would appear to be a reasonable assessment of the state's prospects under any circumstance: "Whatever happens, it is certain that Louisiana, as the nation's largest producer of natural gas and second largest producer of oil, will be in better shape for these fuels for a longer time than almost any other state in the nation." • •

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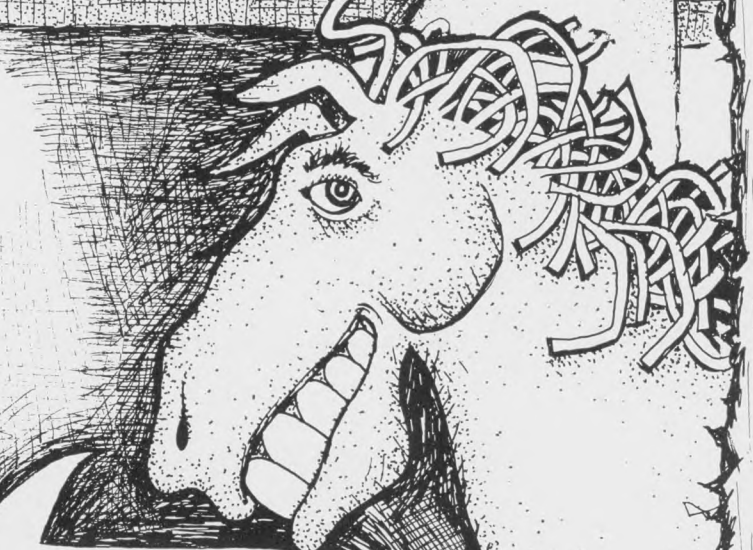
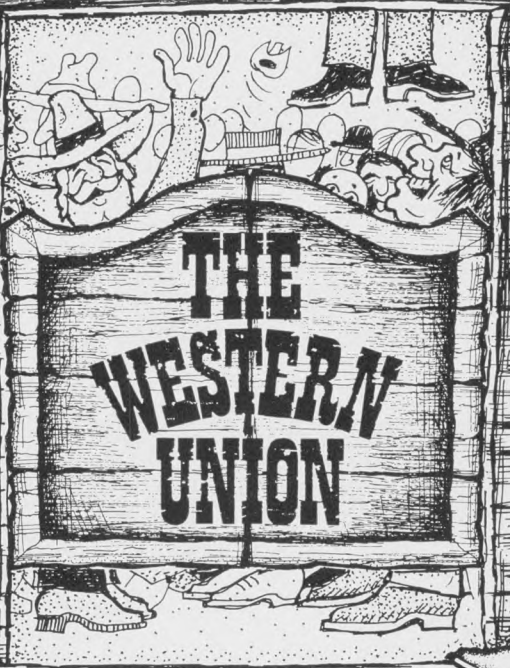
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Union National Bank of Little Rock MEMBER FDIC

Arkansas Convention

President



SMITH

Van Smith, Ark.BA pres., is pres., Bank of Tuckerman, which he joined as a bookkeeper. He is a former ch. of the School of Basic Banking of the Ark.BA.

President-Elect



HAYES

Thomas E. Hays Jr., pres.-elect of assn., is pres., First Nat'l, Hope, which he joined in 1962. He is a former assn. treas., ch. of Group Four and exec. council member.

Vice President



BUSHONG

Dorman F. Bushong, Ark.BA v.p., is pres., Farmers & Merchants Bank, Rogers, which he joined in 1956. He is a former ch. of Ark.BA Group Three and is a member of the State Bank Board.

Hot Springs, May 5-8

Headquarters—ARLINGTON HOTEL

TENTATIVE PROGRAM

FIRST SESSION, 9:30 a.m., May 6

Call to Order—VAN SMITH, president, Arkansas Bankers Association, and president, Bank of Tuckerman.

Invocation.

President's Address—VAN SMITH.

Address—JAMES E. SMITH, Comptroller of the Currency, Washington, D. C. Title: "A View From the Comptroller."

Address—WILLIAM A. GLASSFORD, executive director, BankPac, Arlington, Va.

Announcements and Awarding of Door Prize.

Adjournment.

SECOND SESSION, 9:30 a.m., May 7

Call to Order—VAN SMITH.

Report of the Treasurer—DOUG SIMMONS, president, Merchants & Farmers Bank, West Helena.

Meeting of Arkansas Members of the American Bankers Association—W. M. CAMPBELL, American Bankers Association vice president for Arkansas, and chairman, First National Bank of Eastern Arkansas, Forrest City.

Address—GEORGE WHYEL, president-elect, American Bankers Association, Washington, D. C., and vice chairman, Genesee Bank, Flint, Mich.

Address—LAWRENCE E. KREIDER, executive vice president/economist, Conference of State Bank Supervisors, Washington, D. C. Title: "What Kind of Banking Structure Do We Want in the Future?"

Resolutions Committee Report—I. B. FULLER, chairman of committee and president, Citizens National Bank, Arkadelphia.

Election of Officers.

Announcements and Awarding of Door Prize.

Convention Speakers



SMITH



WHYEL



KREIDER

Among the speakers appearing at the Arkansas Bankers Association convention will be James E. Smith, Comptroller of the Currency, whose title will be "A View From the Comptroller"; George Whyel, president-elect of the American Bankers Association, and vice chairman, Genesee Bank, Flint, Mich.; and Lawrence E. Kreider, executive vice president/economist, Conference of State Bank Supervisors, Washington, D. C., whose topic will be "What Kind of Banking Structure Do We Want in the Future?"

Meetings, Entertainment Planned for Agenda Of Arkansas Convention

Registration for the 84th annual Arkansas Bankers convention will begin at 2 p.m., Saturday, May 4, on the mezzanine of the Arlington Hotel in Hot Springs.

Tentative convention plans call for Digby West, chairman, First National, Berryville, to preside as president at a dinner meeting of the Past Presidents' Club at 8 p.m., Saturday, May 4, following a reception. Vice president is Sam Bowman, president, McGehee Bank, and secretary-treasurer is P. O. Copeland, president, Merchants & Planters, Newport.

The resolutions committee is tentatively scheduled to meet on Sunday morning, May 5, with its chairman, I. B. Fuller, president, Citizens National, Arkadelphia, presiding. Vice chairman is Digby West, president, First National, Berryville.

Committee members include Ralph D. Abramson, president, Merchants & Planters, Clarendon; Charles A. Beasley, vice president and trust officer,

First National, Fort Smith; Johnny Brannan, president, Bank of Prescott; Robert C. Conner, vice president, Union National, Little Rock; P. L. Copeland, president and trust officer, Merchants & Planters, Newport; Clayton Franklin, president, Clark County Bank, Gurdon.

Also on the committee are John M. Freeman, vice president, Benton State; Guy Humphries, president and trust officer, First National, Warren; Boyce Lanier, executive vice president, Commercial National, Texarkana; John M. Lewis, vice president, First National, Fayetteville; Sam L. Manatt Jr., executive vice president, Corning Bank; Glenville Rhodes, president, Bank of Malvern; Rabie Rhodes, chairman and president, First National, Harrison; Edward Snider, vice president, National Bank of Commerce, Pine Bluff; and R. L. Twyford, vice president and cashier, First National, Fordyce.

The nominating committee is scheduled to convene in the afternoon of May 5. Members (two from each group) include Doug Simmons, president, Merchants & Farmers, West Helena, and J. C. Stuckey, chairman and president, Bank of Trumann—Group One; Tom Vinson, president, First National, Batesville, and Ray

Cash, senior vice president, Arkansas Bank, Hot Springs—Group Two; Means Wilkinson, chairman, Farmers Bank, Greenwood, and Robert Moore, president, First National, Springdale—Group Three; Edwin M. Horton, president, First National, Camden, and R. M. LaGrone Jr., president and chairman, Citizens Bank, Hope—Group Four; and Sam Bowman, president, McGehee Bank, and Robert Trout, president, Bank of Star City—Group Five.

Exhibits will be open from 1-5 p.m. throughout the convention.

A women's luncheon is set for Tuesday, May 7, and the annual golf tournament will take place Tuesday afternoon.

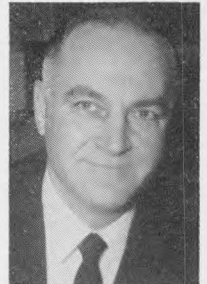
The closing banquet will be held Tuesday evening. Golf prizes will be awarded and special entertainment will be on tap.

Doug Simmons of West Helena Serves Year as Assn. Treasurer

Doug Simmons, president, Merchants & Farmers Bank, West Helena, has served as treasurer of the Arkansas Bankers Association for 1973-74.

Mr. Simmons began his banking career his senior year in high school at Bank of Sherman, Miss. Subsequent service was with Bank of New Albany, Miss., and First National, Blytheville, Ark. In 1941 he was one of the organizers of Helena National. Following service in World War II, he joined his present bank in 1951 as executive vice president and director.

He is a member of the Helena-West Helena School Board and has been president of the Phillips County Fair Association for the past 17 years. He is chairman of the West Helena Housing Authority, vice president of Helena-West Helena Chamber of Commerce and a member of the West Helena Water Commission.



SIMMONS

■ MACK L. TAYLOR has moved up from vice president and cashier to executive vice president, Metropolitan National, Little Rock. He joined the bank in August, 1970, during the staff organization prior to its opening that October. He was named a director in 1972. Mr. Taylor was formerly an assistant vice president, First National, Magnolia. In other action, Metropolitan National named three new assistant cashiers—Alan W. Bailey, Mrs. DeLores Massengale and Mrs. Madge Carter.

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**New Group Officers Appointed
By Arkansas Bankers Association**

New group officers have been named by the Arkansas Bankers Association. They are:

GROUP ONE: chairman, George Delaney Jr., executive vice president, Mercantile Bank, Jonesboro; vice chairman, W. J. Tomlinson, executive vice president, First National, Blythe-

ville; secretary-treasurer, Jack Owen, president, First National, Newport.

GROUP TWO: chairman, William H. Bowen, president, Commercial National, Little Rock; vice chairman, Floyd Parker, executive vice president, Malvern National; secretary-treasurer, G. Harold Neal, president, Bank of Russellville.

GROUP THREE: chairman, John Lewis, president, First National, Fayetteville; vice chairman, Joe Miller, executive vice president,

First National, Paris; secretary-treasurer, John Fryer, senior vice president, Bank of Bentonville.

GROUP FOUR: chairman, Ben Sandefur, cashier, State First National, Texarkana; vice chairman, Max Taylor, executive vice president, Smackover State; secretary-treasurer, Clayton Franklin, First National, Nashville.

GROUP FIVE: chairman, Harold Reid, president, First State, Gould; vice chairman, Gates Williams, vice president and cashier, First State, Crossett; secretary-treasurer, Louis L. Ramsay Jr., president, Simmons First National, Pine Bluff.

Welcome to ABT Country. May 5-8.

ABT Arkansas Bank & Trust
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Charter Application Filed

DE QUEEN—Application for a charter for First State Bank of DeQueen has been filed with the Arkansas bank commissioner. The proposed new bank has seven organizers and plans to capitalize at \$750,000. Thirty thousand shares have been offered and 125 stockholders have already subscribed to the stock offering.

Chairman of the organizing group is Bob Harris, a pharmacist. None of the organizers are bankers.

■ **RAYMOND E. WRIGHT** has been promoted to assistant cashier, commercial loan department, First National, Hot Springs. He joined the bank in 1971 as a commercial note teller. Since April, 1973, Mr. Wright has been assistant manager, commercial note department.

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Two Executive Councilmen To Retire at Convention

The terms of two executive councilmen of the Arkansas Bankers Association will expire this year. Retiring are Dorman F. Bushong, president, Farmers & Merchants, Rogers, and Daman Bowersock, president, Merchants National, Fort Smith.



BOWERSOCK

Mr. Bushong began his banking career in 1946 at Bank of Gainesville, Mo., and was later associated with banks in San Diego, Calif., and Marshfield, Mo.

He joined the FDIC examining force in 1952, resigning in 1956 to accept the position as executive vice president with Farmers & Merchants, Rogers. He was elected president and CEO in 1964.

He has served on various Ark.BA committees and is a former chairman of Group Three. He was appointed to the State Bank Board last year for a four-year term. Mr. Bushong's photo appears elsewhere in this section since he is Ark.BA vice president.

Mr. Bowersock is a native of Oklahoma and is a graduate of Oklahoma State University. He began his banking career in 1937 as a messenger for City National, Oklahoma City.

After attaining officer rank at City National, he moved to First National, Kansas City, in 1949 as an assistant vice president. In 1966, he moved to First National, Albuquerque, as president. He assumed his present duties as president of Merchants National, Fort Smith, in 1970.

■ **FIRST NATIONAL**, Mountain Home, has elected Charles F. Vandegrift trust officer and A. Nils Florentz assistant trust officer. Mr. Vandegrift was previously in the trust department, Security Pacific National, San Diego, Calif. Mr. Florentz comes from Little Rock, where he was formerly senior vice president, secretary and a director, Union Life Insurance Co.

■ **CITY NATIONAL**, Fort Smith, has promoted James N. Harwood and Jeral Q. Looper to senior vice presidents from vice presidents, Elizabeth Ann Winn to vice president from assistant vice president and Bob W. Doss to assistant vice president from assistant cashier.

■ **GEORGE SMITH** has been named manager, Park Plaza Branch, Worthen Bank, Little Rock. Formerly loan officer at the branch, Mr. Smith joined Worthen in 1969.

MID-CONTINENT BANKER for April, 1974

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Left to Right: Hubert Barksdale, Frank White, Norman Farris, Jim Lake



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We're the sixth largest bank holding company in Texas.

Our roster of subsidiaries already comprises a number of outstanding banks and financial institutions, and our goal is to be represented in all of the major population areas of Texas.

Our holdings now include:

The Fort Worth National Bank
Exchange Bank and Trust
Company, Dallas
American National Bank, Amarillo
Commercial Bank and Trust
Co., Midland
Levelland State Bank

Foster Financial Corporation,
mortgage bankers
The Fort Worth National Company
of Texas

Acquisition awaiting closing:
Southern National Bank, Houston
(approved by Federal Reserve
Board)

We own an approximate 25%
interest in:

Bank of Fort Worth
Central Bank and Trust, Fort Worth
North Fort Worth Bank
Riverside State Bank, Fort Worth
Tarrant State Bank, Fort Worth

Completion of our pending acquisition
will increase our total assets to approxi-
mately \$1.5 billion and our total deposits
to approximately \$1.1 billion.

The Southern National Bank
acquisition will give us entry into the

booming Houston market and major
representation in the three top financial
centers of Texas — Houston, Dallas and
Fort Worth.

What this means to our shareholders
is a sound base for the Corporation's
future profitability and growth.

To our member banks, it means the
ability to provide their customers with
broadened banking and financial ser-
vices, and the capability of handling
larger and more diversified credits.

There's just a lot more you can do
with a billion dollars.

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Consolidated Statement of Income The Fort Worth National Corporation and Subsidiaries

	(In Thousands)	
	Year Ended December 31	
	1973	1972
Operating income:		
Interest and fees on loans.....	\$ 44,813	\$ 27,489
Interest and dividends on securities.....	10,557	8,042
Other operating income.....	12,238	8,206
	<u>67,608</u>	<u>43,737</u>
Operating expenses:		
Interest expense.....	35,059	18,510
Employees' compensation and benefits.....	12,194	9,584
Other operating expenses.....	11,937	8,591
	<u>59,190</u>	<u>36,685</u>
Federal income taxes.....	8,418	7,052
	<u>1,456</u>	<u>1,188</u>
Income from continuing operations.....	6,962	5,864
Discontinued operations — net of tax.....	494	667
Income before securities transactions.....	7,456	6,531
Securities gains and (losses) — net of tax.....	(576)	385
Net income.....	<u>\$ 6,880</u>	<u>\$ 6,916</u>
Per share, based on weighted average shares outstanding (1973—2,836,817; 1972—2,592,208)		
Income from continuing operations.....	\$2.45	\$2.26
Income before securities transactions.....	2.63	2.52
Net income.....	<u>2.43</u>	<u>2.67</u>

The Fort Worth National Corporation and Subsidiaries Consolidated Balance Sheet

	(In Thousands)	
	Year Ended December 31	
	1973	1972
Assets		
Cash and due from banks.....	\$ 276,672	\$ 143,956
Investment securities.....	235,354	214,177
Loans and discounts.....	619,419	479,287
All other assets.....	117,680	86,793
Total assets.....	<u>\$1,249,125</u>	<u>\$ 924,213</u>
Liabilities and Capital Funds		
Deposits.....	\$ 920,273	\$ 712,462
All other liabilities.....	242,951	147,572
Capital funds.....	85,901	64,179
Total liabilities and capital funds.....	<u>\$1,249,125</u>	<u>\$ 924,213</u>

Texas Convention

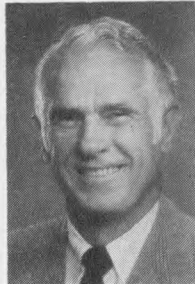
President



SMITH

C. Truett Smith, TBA pres., is pres., First State, Wylie, which he helped organize. He is a former ch. of TBA District 5 and of the TBA's State Bank Division as well as former TBA treas.

Vice President



EDWARDS

Gene Edwards, TBA v.p., is pres. & CEO, First National, Amarillo, which he joined in 1949. He has served as member of the TBA's legislative committee and is a member of the ABA's Task Force on Reg. Y.

Treasurer



PETERS

Bookman Peters, TBA treas., is pres., City National, Bryan. He has been ch. of TBA's national bank division, education committee and conference planning committee. He is a dir. of the Houston Br. of the Dallas Fed.

Fort Worth, May 5-7

Headquarters—SHERATON HOTEL

PROGRAM

SUNDAY, MAY 5

1-6 p.m.—Registration and Exhibits, Sheraton Hotel.
6-8:30 p.m.—Reception-Buffer, Kimbell Art Museum.

MONDAY, MAY 6

9 a.m.-5:30 p.m.—Registration and Exhibits, Sheraton Hotel.
9 a.m.—Business Session, Sheraton Hotel.
11:15 a.m.—National and State Bank Division Meetings, Sheraton Hotel.
11:30 a.m.—Reception, Sheraton Hotel.
12:30 p.m.—Luncheon, Sheraton Hotel.
5:00 p.m.—Reception, Tarrant County Convention Center.
6:30 p.m.—Dinner, Tarrant County Convention Center.
8:30 p.m.—Entertainment, the Doc Severinsen Las Vegas Show, Tarrant County Convention Center.

TUESDAY, MAY 7

9 a.m.—Registration and Exhibits, Sheraton Hotel.
9 a.m.—Business Session, Sheraton Hotel.
11:30 a.m.—Reception, Sheraton Hotel.
Noon—Luncheon, Sheraton Hotel.

GUEST SPEAKERS

WILLARD C. BUTCHER, president, Chase Manhattan Bank, New York City.
CHARLES A. AGEMIAN, chairman, Garden State National Bank, Hackensack, N. J.
JAMES E. SMITH, Comptroller of the Currency, Washington, D. C.
ROGER E. ANDERSON, chairman, Continental Illinois National Bank, Chicago.



ANDERSON



AGEMIAN



BUTCHER

Widdecke Is Gen'l Chairman Of TBA Convention

FORT WORTH—General chairman of the TBA convention this year is Henry A. Widdecke Jr., senior vice president, Fort Worth National.

Serving with Mr. Widdecke are the following committee chairmen, all from Fort Worth banks:

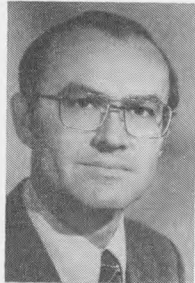
Registration—Jack G. Lobingier, vice president, Fort Worth National; *publicity*—Morris F. Rodgers, banking officer, Continental National; *entertainment*—Gordon A. Crow, vice president, First National; *ladies*—Mrs. Karl T. Butz Jr., wife of the president of First National; *food*—V. W. Young Jr., vice president, Fort Worth National; *refreshments*—John H. Cope, assistant vice president, First National; *transportation*—Barry H. Hill, vice president, Continental National; *exhibits*—Lee A. Smith, senior vice president, Bank of Commerce.

Hedrick Named Vice President At Fort Worth National Bank

FORT WORTH—Fort Worth National has elected Charles Hedrick a vice president. He joined the bank last month as advertising manager.

For the past seven years, Mr. Hedrick was with First National, Dallas, where he was a vice president and assistant director of advertising and public relations. During his career, he has been vice president and account executive for an ad agency and public relations supervisor for Texas Eastern Transmission Corp., both in Shreveport, La.

He is a 1969 graduate of the School of Bank Marketing at Northwestern University, Evanston, Ill.



HEDRICK

Hall, Six Others Promoted At First Nat'l, Ft. Worth

FORT WORTH—First National has announced seven promotions, including that of Ronald R. Hall of the correspondent banking department from commercial account officer to assistant vice president. He joined the bank in 1971.



FLORES GREEAR EVANS HALL

Also advanced were James H. Evans and Alan S. Greear from assistant vice presidents to vice presidents, James P. Flores from trust officer to vice president and trust officer, James B. Kelley from commercial loan officer to assistant vice president and Ronald J. Shettlesworth and Eddie L. Stamps to commercial loan officers. Mr. Evans also was named manager, Master Charge department.

Mercantile of Dallas Gets Award For Local Patriotic Advertising

DALLAS—Mercantile National and Ratcliffe Advertising Agency have received the Freedoms Foundation's top awards for the best local patriotic advertising during 1973.

Encased George Washington honor medals were presented to R. L. Thornton Jr., the bank's chairman, and M. K. Ratcliffe Jr. of the ad agency at special awards ceremonies at Valley Forge, Pa., honoring the first President's birthday.

Mercantile National's ad program utilized the theme, "Let's All Pull Together," and appeared in newspapers, outdoor media, Chamber of Commerce and banking magazines preceding last Independence Day.

Capital National Buys Property As Site for Future High-Rise

AUSTIN—Capital National has acquired a city block in this city's downtown section and will erect a high-rise bank and office building on it. Additionally, the bank signed a long-term lease on property that will be developed this year as a drive-in facility for the bank.

Although no commitments have been made as yet for the new high-rise, Capital National hopes construction will begin early in 1975, with occupancy by sometime late in 1976 or early in 1977.

The bank is observing its 40th-anniversary year.

Southern National Acquisition Approved for Fort Worth HC

FORT WORTH—Fort Worth National Corp. has received Fed approval to acquire Southern National, Houston, ninth largest bank in the city with 1973 year-end assets of \$195.5 million and deposits of \$173.4 million.

Southern National is the principal subsidiary of Southern National Corp. Under acquisition agreement terms, Southern National Corp. shareholders will receive one share of Fort Worth National Corp. stock in exchange for each share of Southern National stock held. A total of 650,000 Fort Worth National Corp. shares will be issued in exchange for 100% of the outstanding Southern National Corp. stock.

■ JOHN R. CHILDERS has joined First National, McAllen, as vice president. He was formerly vice president and manager, correspondent banking division, Corpus Christi State National.

■ HOUSTON CITIZENS BANK has elected F. Hagen McMahan Jr. assistant vice president, Douglas L. Goss trust officer and Steven Winston assistant cashier. Messrs. McMahan and Goss are new to the bank.



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When you need dependable Correspondent Bank Services, you need to know Chas. S. Signor and Bryan Williams of Lubbock National Bank. Together, Charley and Bryan represent a wealth of experience and management in all phases of correspondent banking. They're the reasons why, in 1973, Lubbock National's Correspondent Bank deposits increased 41 percent. Depend on Charley and Bryan. Call them today at (806) 765-7661.



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Established July 1, 1969.

Statement of Condition

December 31, 1973

Resources

Cash & Due From Banks	\$ 28,190,647.74
Federal Funds Sold	21,000,000.00
U.S. Govt. & Federal Agency Obligations	28,642,184.59
U.S. Govt. Guaranteed	
Municipal Bonds and Notes	4,252,820.81
Other Municipal Bonds	19,129,521.49
Trading Accounts	2,512,983.60
Loans & Discounts	105,061,243.43
Leasehold Improvements	1,358,137.78
Furniture & Fixtures	729,162.62
Other Assets	3,793,006.94
Customer Liability-Letters of Credit	2,692,247.66
Total Resources	\$217,361,956.66

Liabilities

Capital Stock	\$ 3,250,000.00
Surplus	3,750,000.00
Undivided Profits	3,081,395.46
Reserve for Possible Loan Losses	1,236,147.00
Other Liabilities	3,515,943.57
Federal Funds Purchased	4,995,000.00
Deposits	194,841,222.97
Liability on Letters of Credit	2,692,247.66
Total Liabilities	\$217,361,956.66

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Isaac Arnold, Jr.
Oil, Real Estate,
Investments

Wofford Cain*
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Aztec Oil & Gas

O. H. "Ted" Cox
Regional Vice President
Lone Star Industries, Inc.

Harry H. Cullen
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Investments

W. N. Finnegan III
Attorney
R. E. Smith, Oil Operator

Robert G. Greer
President
Cullen Center Bank & Trust

Allan C. King
President
GoldKing Production Co.

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Linbeck Construction Corp.

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W. Oscar Neuhaus
Treasurer
Quintana Petroleum
Corp.

Dee S. Osborne
Financial Advisor
Quintana Petroleum
Corp.

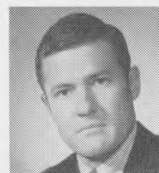
Corbin J. Robertson, Jr.
President
Olympia Travelers, Inc.

A. Frank Smith, Jr.
Partner
Vinson, Elkins
Searls, Connally & Smith

Vivian L. Smith
R. E. Smith, Oil Operator

George W. Strake, Jr.
Independent
Oil Operator

These progressive young bankers are at Houston's dynamic financial center.



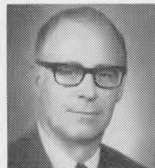
Robert G. Greer



Byron E. Mills, Jr.



J. Donald Squibb, Jr.



Milton E. Black



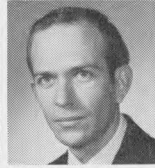
W. Allen Gage



Bedford F. Hunter



Edward H. LaMair



Dahl Marshall



J. Gordon Muir, Jr.



F. A. Odom



Stephen C. Stone



Charles E. Tucker

Officers

Dee S. Osborne
Co-Chairman of the Board

W. Oscar Neuhaus
Co-Chairman of the Board

Robert G. Greer
President and
Chief Executive Officer

Byron E. Mills, Jr.
Executive Vice President and
Chief Operations Officer

Trust Division

J. Donald Squibb, Jr.
Executive Vice President and
Chairman, Trust Committee

Trust Administration

Charles E. Tucker
Vice President
and Trust Officer

Nolan R. Morris
Trust Officer

Investment Department

Dahl Marshall
Vice President and
Investment Officer

Robert E. Shrigley
Investment Officer

Commercial Banking Division Commercial Loans

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Senior Vice President

F. A. "Andy" Odom
Vice President

David W. Beck, Jr.
Assistant Cashier

Mark Stubblefield
Assistant Cashier

Sully Woodland
Assistant Cashier

Personal Loans

Bill M. Whitworth
Assistant Vice President

H. B. Bunyard
Assistant Cashier

John F. Norton
Assistant Cashier

Construction & Real Estate Loans

Edward H. LaMair
Senior Vice President

Jim Bell
Assistant Vice President

Correspondent Banking & Marketing

Milton E. Black
Senior Vice President

Craig Pemberton
Assistant Cashier

Bond Department

Stephen C. Stone
Vice President

David R. Lambert
Assistant Cashier

Administration

W. Allen Gage
Senior Vice President

Bedford F. Hunter
Vice President and Cashier

Vern Corley
Assistant Vice President

Bill S. Graham
Assistant Vice President

Rhett Beavers
Assistant Cashier

Barbara Broz
Assistant Cashier

Edward E. Rose
Assistant Cashier

Correspondents
in principal cities

*Advisory Director

TBA Opposes HC Limitation, Removal of Branching Ban in Proposed Constitution

THE TEXAS Bankers Association's legislative committee has gone on record to recommend that a proposed constitutional amendment restricting bank holding companies to 8% of the state's total deposits be stricken. It has also reaffirmed the association's opposition to branch banking.

The action came as the state constitutional convention continued in session to act on a short, modernized constitution. The convention recommends the HC limitation and also has omitted any reference to branch banking from the proposed constitution. The latter action was taken to make the constitution silent on the issue of branching so that the state legislature can have the discretion to establish policy in this area.

The majority of TBA members have indicated they wish to retain the branch banking ban in the constitution.

TBA President C. Truett Smith, president of First State, Wylie, has asked the convention delegates to eliminate any limitation on the size of bank HCs, since it would establish a

precedent because no similar provision exists in the constitution of any other state.

In his argument against a constitutional limitation on the size of bank HCs, he declared, "There is no similar proposal that we have heard about to limit the growth of any other type or kind of business enterprise, by a constitutional provision, pending before the convention."

He noted that "neither the majority report nor the minority report of the constitutional revision commission recommended or made mention of a constitutional limitation on the size and growth of HCs."

He said that omission of restrictive language from the constitution gives the legislature greater flexibility to deal with future circumstances. If the limitation is inserted, he said, it would take a major effort to make any change, should one be deemed wise in the future.

Among the critics of the HC limitation was Ben F. Love, chairman, Texas Commerce Bancshares, Houston, who has stated that, since the development of bank HCs, "The Texas banking industry has begun to build up the resources necessary to finance Texas companies formerly dependent on large East and West Coast investment banks.

"The proposed amendment would reverse this trend and tend to centralize financial power even further in New York banks."

Among other changes in the proposed constitution affecting banking is one that would permit the legislature to eliminate the requirement that drive-in or other facilities be connected to a bank office as is now required. Also, under the proposed draft, the legislature could permit the establishment of such facilities at any distance from the bank.

The elimination of mention of branch banking in the proposed constitution was made so that the matter of branch banking could be decided by the legislature because repeal of the ban would put the legislature in a better position to respond either to congressional enactment permitting branch banking for all national banks in all states or to the unharnessed growth in the number of affiliate banks, bank mergers and bank HC acquisitions, a constitutional convention majority spokesman said.

The minority report, representing members of the revision commission who opted for keeping the branching ban, maintained that "to permit big-

city banks to establish branches over Texas would be to permit these corporate giants to siphon off the lending power of the local communities in order to make high-yield loans to national corporations in the urban areas. This drain of lending power from the smaller communities would stifle local progress and growth."

Opposition to removal of the ban on branching has come from the Finance Commission of Texas and the Texas AFL-CIO in addition to TBA. • •

Gus Groos III Named AVP At Frost National Bank

SAN ANTONIO—Frost National has elected four new assistant vice presi-

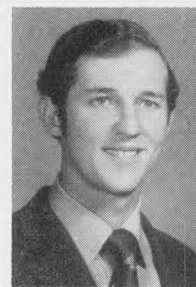
dents, including Gus J. Groos III, a correspondent banking officer. The others are Mrs. Billie Ferrell, Thomas M. Karam and David W. Rece.

Mr. Groos entered banking in 1970 and was elected correspondent banking officer in 1971.

Mrs. Ferrell, with the bank since 1952, is a new accounts counselor, personal banking center. Mr. Karam went to the bank in 1965 and became a personal banking officer in 1972. Mr. Rece, who joined the bank in 1969, is manager, accounting department.

■ STATE NATIONAL, Corpus Christi, has elected two new officers—George MacDonald as retail loan officer and Raymond Rivas as assistant cashier. Mr. MacDonald went to the bank last year and Mr. Rivas in 1967.

■ FIRST NATIONAL, Amarillo, has announced plans for a major addition to its drive-up facilities. When completed in July, the new facility—to be located across the street from the present drive-up installation—will increase the bank's motor bank operation by about 50%. It will utilize a push-button remote installation designed for maximum speed in completing banking transactions. The new system is built and will be installed by Diebold, Inc., Canton, O. Besides the drive-up facilities, there will be a small lobby with two walk-in teller windows to be located near a new nine-car customer parking area.



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FINANCIAL HIGHLIGHTS

	1973	1972	Percent Increase
Deposits	\$381,623,842	\$345,141,783	11
Loans	239,857,405	218,942,002	10
Total assets	459,026,704	404,013,393	14
Total stockholders' equity	35,816,170	33,270,958	8
Income before securities gains	3,430,316	2,646,040	30
Net income	3,499,434	2,913,251	20
Dividends declared	828,451	735,690	13
Per Share	1973	1972	Percent Increase
Income before securities gains	\$1.61	\$1.25	29
Net income	1.64	1.38	19
Cash dividends declared	.39	.35	11



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Bassett National Bank of El Paso • Metro Bank of Dallas • Franklin National Bank of El Paso • PanNational Leasing Inc
BANK-RELATED SUBSIDIARIES Bancology Inc • State National Plaza Corporation

Newly Designed Envelopes

(Continued from page 68)

addition, the usual window envelope used for deposit-by-mail receipt mailings is eliminated.

"Hot Potato" Updated. The second idea—a bank-by-mail coupon that simultaneously verifies three accounts—is the brainchild of two employees of Burlington (Ia.) Bank and one Tension Envelope employee. It was designed to eliminate three separate verification

forms and reduce the time needed to promote mail transactions. Actually, it's a modification of a "hot potato" deposit coupon. "Hot potato" is the name Tension Envelope gave a specialized return envelope it developed as a means whereby banks may use their return envelopes to cross-sell services. This type of envelope has a flap on which a cross-sell message is printed and which must be detached before the return envelope can be used.

At Burlington Bank, the "hot potato" has two detachable coupon flaps instead of one. A customer can use one coupon to mail in a payment and/or deposit

by detaching it and indicating how the enclosed payment is to be distributed: loan payment, savings or checking account. The bank—by printing the deposit information across the narrow dimension of the envelope and placing special inserting marks along the edge of the coupon—can verify each amount by insertion in its teller machines. Inserting the coupon to the correct mark for each transaction allows the machine to enter the correct amount just below the figure written in by the customer for that amount.

A second coupon on the envelope promotes both loans and deposits. By using a convenient checkoff, a customer can request forms for opening three different types of deposit accounts or a telephone call regarding three types of loans. Instructions for correct use of the envelope and coupons are printed on the coupon panel.

The increase in postage rates is now a fact of life and must be lived with. However, there usually are ways to cut any costs, and the two ideas described in this article, according to the banks using them, are two of those ways. • •

Hedging

(Continued from page 81)

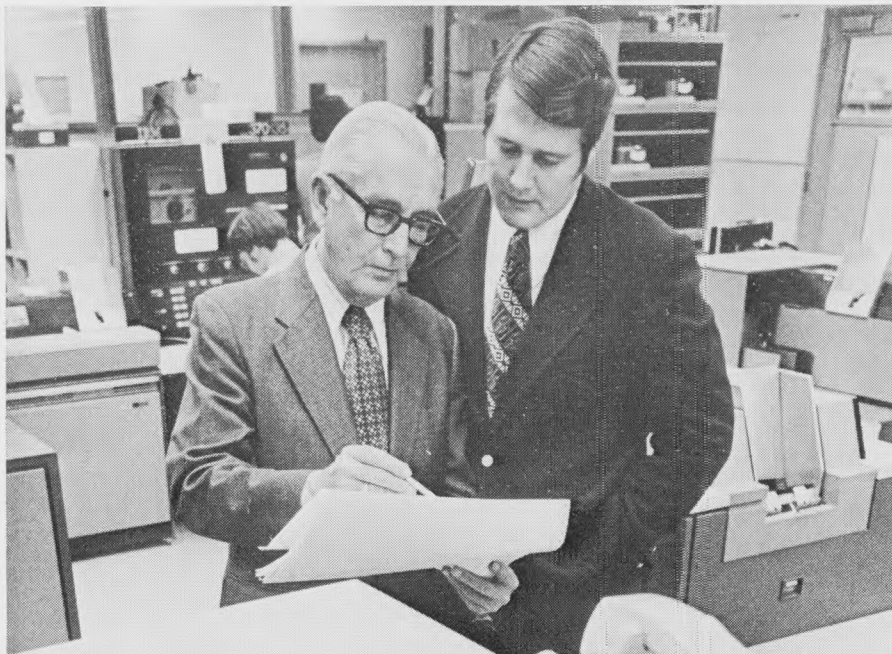
When the customer is properly hedged, there should be no problem in having these funds transferred from his brokerage account to the bank.

On the other hand, as mentioned earlier, if the price of the commodities increases, the customer will probably need an increase in the loan to meet margin calls from his broker.

As in the case of any type of collateral, the bank needs assurance of its physical security—that it is adequately protected against natural disasters or other damage. Certainly the bank should be kept informed of any changes or anticipated changes in the customer's inventory or financial situation.

Q. Because of the complexities of futures markets, aren't some bankers still reluctant to become involved in hedging programs?

A. There are some that are, but with the increasing amounts of credit needed and with the volatile prices which I think we can continue to expect, the handwriting is on the wall, so to speak, for these banks. A bank that understands hedging and helps its customers hedge when there is a need for it is able to do a better job of financing its customers. It doesn't take a crystal ball to predict that customers are going to go where the best financing is. • • •



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Constitution Changes and Legislation Hold Spotlight at TBA District Meetings

By LAWRENCE W. COLBERT
Assistant to the Publisher

THE PROCEEDINGS of the Texas Constitutional Convention and legislation affecting banking in the national Congress were among the many topics dominating the programs of this year's eight district meetings of the Texas Bankers Association, which got underway February 17-18 in Fort Worth.

C. Truett Smith, TBA president, and president, First State, Wylie, reported that the general provisions committee of the Constitutional Convention had approved the following recommendations for submission to the convention:

- That no bank shall engage in business in more than one place, which shall be designated in its charter.
- That no holding company shall acquire control of any lending institution by merger, charter, purchase or otherwise when the effect of such acquisition would result in the holding company having more than 8% of the total domestic funds on deposit in the state.

Mr. Smith reported the results of a TBA survey concerning branching and HC expansion.

Two out of three bankers responded to the survey, he said, and almost nine out of 10 were opposed to branch banking. Almost 19 out of 20 of those who were opposed to branch banking felt that the prohibition against branch banking should be retained in the Texas constitution. Many of the 90% opposing as well as the 10% favoring branch banking were quite strong in their viewpoints, he said.

He called attention to House passage of a bill providing for 100% insurance of public funds and an increase in account insurance from the present \$20,000 to \$50,000.

While it was generally believed prior to the vote, he said, that the House would look with favor on the insurance of public funds, many were hopeful that it would act favorably on the issue of interest rate equality between banks and other financial institutions on amounts under \$100,000. However, when this issue was raised, it was ruled

not germane, and the House went on to overwhelmingly vote approval of the measure.

Mr. Smith said he hoped that all bankers are opposed to full insurance of public funds and particularly so if there is no provision for equal rates paid on such funds. On all deposits below that level, the differential between banks and their competitors will almost surely require public authorities



SMITH



McCULLOUGH

to move their funds where they will earn a higher return, once equal insurance is available.

"Obviously," he said, "a concentrated effort will be required if banks are not to be essentially eliminated from holding public funds in amounts under \$100,000, so we recommend strongly that you go back home, discuss this matter with your local city and school officials and the impact this legislation will have on the municipal bond market—since it eliminates the need for pledging—and secure, if you can, the active support of your local government officials. Then we should roll up our sleeves for the fight in the Senate on this measure."

In commenting on a bill calling for an audit of the Fed by the General Accounting Office, Mr. Smith said his chief concern was not that the measure calls for another audit, but that there is a possibility that the Comptroller General, who heads the General Accounting Office, might be placed in the role, or might assume the role, of



TBA Pres. C. Truett Smith (l.), pres., First State, Wylie, chats with Dr. L. S. (Bill) Pope, associate dean, Texas A & M University, at 7th District Annual Meeting in Fort Worth. Both spoke at the meeting.

second-guessing the monetary policies of the Fed. Many doubt that the Congress is in a position to assume the monetary policy making decisions of this country, he said.

At the Fort Worth meeting, L. S. Pope, associate dean of agriculture at Texas A & M University, spoke on "New Horizons for Agriculture."

He commented that perhaps one of the most far-reaching changes in agriculture in the early part of this decade was the marked shift in public attitude toward the American farmer. This shift has given the farmer a new image in the minds of the public, resulting in agriculture's rescue of a sagging U. S. dollar in world trade as seen by the nearly \$17 billion in farm exports during 1973.

This stepped-up agricultural trade is the only reason the U. S. has been able to maintain a positive world trade balance, Dr. Pope said. As a result, farming and ranching are now looked upon by many as America's number one growth industry and our best means of saving the U. S. dollar abroad.

This fact has not gone unnoticed by



Attending annual breakfast at 7th District meeting sponsored by City National, Wichita Falls, were (standing, from l.) Gary Shores, v.p. & tr. off., City National, Austin; Harold Jones and Donald H. Wills, pres. and v.p., respectively, host bank; Mrs. and Mr. John H. Sedwick, pres., First National, Albany; and H. A. (Gene) Pullam, v.p., host bank. Seated are City National employees (from l.) Sally Smith, Nelda Thomson, Mary Ann Cook, Dorothy O'Brien, Faye Owensby and Mrs. Marie Manley.

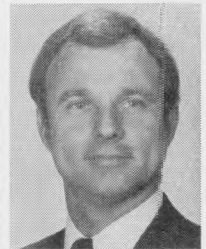
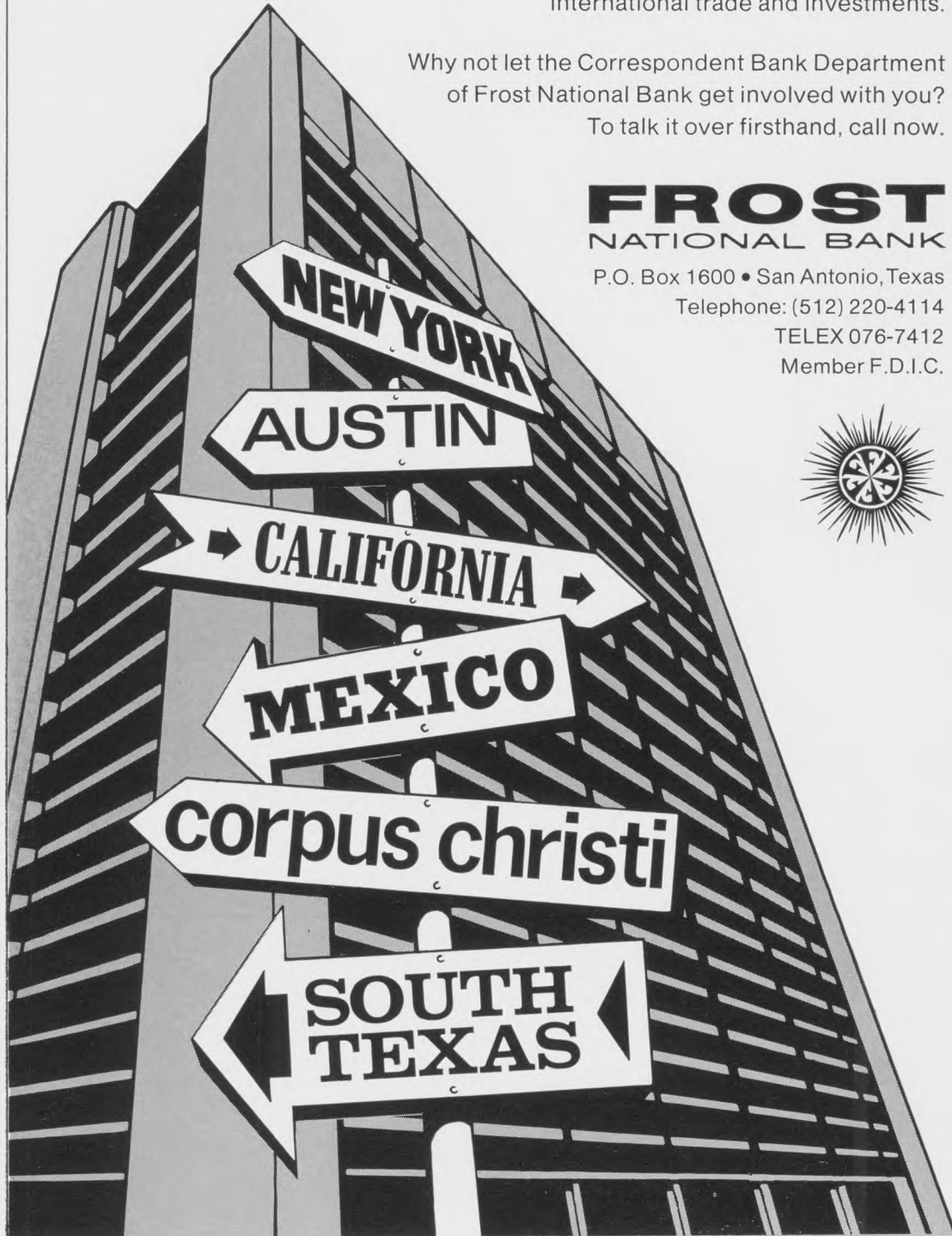
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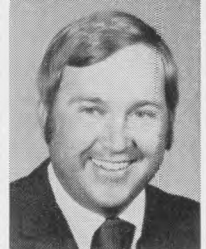
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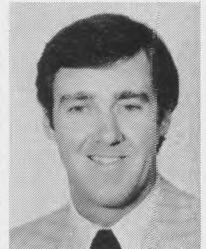
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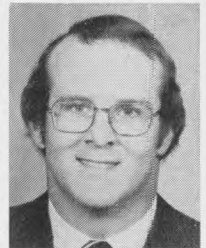
A. Leonard C. Magruder
Senior Vice President
Correspondent Banking
(512) 220-4181



Perry H. Finger
Vice President
Correspondent Banking
(512) 220-4183



Brad Sledge
Correspondent
Banking Officer
(512) 220-4185



Ernest L. Caldwell, Jr.
Correspondent
Banking
(512) 220-4117



Weldon Carter
Senior Vice President
Investments
(512) 220-4119



Earl H. Chumney, Jr.
Vice President
International Division
(512) 220-4191

many young people, who see an active job market and opportunity in dynamic and progressive U. S. farming, Dr. Pope said.

Dr. Pope called on banks in the plains states and the Midwest to pay more attention to agricultural development in their regions. He said that money earned from the soil and livestock is, in a manner of speaking, new wealth, with each dollar earned by U. S. agriculture turning over nearly three times before it leaves the community. Meeting the financial needs of modern agribusinessmen will challenge the best and most resourceful financial leaders in the years ahead, he said.

At the First District meeting in Houston, an Export-Import Bank seminar was held under the direction of R. Alex McCullough, director of the bank. He surveyed the problems facing exporters today and told how the Export-Import Bank is working to solve them.

New Officers. Officers elected at the six meetings held before press time were as follows:

District One—Chairman, Perry W. Britton, president, Peoples State, Baytown; administrative council member, Pitser H. Garrison, chairman and president, Lufkin National.

District Two—chairman, Gary G. Jacobs, executive vice president, Laredo National; administrative council member, A. R. Galloway, president, Security State, Pearsall.

District Three—chairman, Freddie R. Miller, senior vice president, Austin National; administrative council member, M. L. Everett, president, Washington County State, Brenham.

District Four—chairman, F. W. Straw, vice president and cashier, National Bank of Gatesville; administrative council member, Robert B. Lane, executive chairman, Farmers State, Clifton.

District Five—chairman, Pat H. Neill, president, First State, Athens; administrative council member, Luther R. Keitt, president, Citizens National, Henderson.

District Seven—chairman, William

A. Craig, president, First National, Breckenridge; administrative council member, Bayard H. Friedman, president, Fort Worth National. • •

Bank Examiners

(Continued from page 66)

voted to the audit function. For this meeting, a bank auditor speaks to them about the internal audit department and an accountant from a leading C.P.A. firm will present the role of the outside auditor. These meetings prove to be very meaty and serve to broaden the trainee's knowledge base.

Trainees spend one full week at a computer center, where they learn, from scratch, just what a computer is and what it can do. Also, incidentally, what it cannot do. The course teaches the trainee, step by step, how to program a computer. It is truly amazing to observe a group, who having never seen a computer before, writes its own program by the end of a week. The purpose of this course is not to produce computer programmers, but rather to explode the mystique surrounding computers and show the trainee that he need not be intimidated by a machine.

Following the nine-month inbank phase, trainees are placed in the several divisions within the Banking Department. These months are spent gaining practical experience in the trust company division, three months in the savings bank division and one month in each of the other three divisions, co-operative bank, credit union and small loans. They work with seasoned examiners, getting their "feet wet in the field." This gives the trainee an opportunity to choose the division in which he would prefer to be permanently assigned. When possible, it is our policy ultimately to place the trainee in the division he desires.

After completion of the 18-month program just described, the trainee is given a final examination. It consists of true-false, multi-choice and essay

questions based on everything covered during the training program. The material, by this time, should be second nature to the trainee and, while it isn't a "shoe-in," he should be able to handle the examination easily.

It should be obvious by now that we want our people to know the banking business even before they step into their first bank as an examiner. We want them to know how these functions interrelate, and we want them to know the banking jargon. When trainees go out to banks on their first examination assignment, they are not greenhorns. They know what to look for and where to find it. According to the feedback I've received, they prove to be a genuine help to the examiner in charge. No more do they look over shoulders to observe; these trainees dig in and do the work.

How has all this worked out? Has it been worth the expense? How do the bankers feel about the program? The commissioner and others in the department have received positively top-rate comments from bankers, both from the standpoint of having trainees in their banks, and even more importantly, regarding the quality of examinations. Bankers voluntarily have spoken up about the marked upgrading of the examination force and the quality of reports since the inception of the training program.

This is really what the training program is all about, to upgrade and professionalize the examining force. From this standpoint, it has—without the slightest doubt—succeeded. But it has had a definite collateral benefit too: A goodly number of bankers have become actively involved in creation of a decidedly more knowledgeable department. By doing so, the bankers themselves have become decidedly more knowledgeable about the department's activities.

The bank examiner training program is here to stay because it is producing a corps of keenly knowledgeable, highly professional examiners. The Banking Department wants it that way, and so do the banks it regulates. • •

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'Hot Dots' Identify Kids



School children in Decatur are easily seen at night and early morning hours, thanks to Millikin National, which has been distributing free "hot dots" to children through the school system. The "dots" consist of white reflector adhesive buttons that can be attached to clothing. Showing students how to affix "dots" are Marvin Schlosser (second from left), coordinator of physical education, athletics and safety for the school district, and Frank C. Schroeder Jr. (third from left), vice president of public relations at Millikin National.

Illinois News

■ **FIRST STATE**, Olmsted, has declared a 100% stock dividend, which raised outstanding shares from 1,000 to 2,000 and increased capital from \$50,000 to \$100,000.

■ **FIRST STATE**, Morrisonville, has elected Mrs. Betty A. Stephens and Robert E. Blount directors. Frank R. Pratt has resigned as a director due to ill health.

■ **THOMAS WRIGGINS III** has joined Central National, Rockford, as vice president, trust and investment services division. He was formerly with U. S. Trust, New York.

■ **MERCHANTS NATIONAL**, Aurora, has promoted Robert J. Stolp to vice president, Bill Linden to assistant vice president and Peter A. Dickes and Roger A. Hart to assistant cashiers. New directors include Bill R. Dorion, William C. Roeder and William C.

Wake Jr. Mrs. Mary Jefferson and Mrs. Viola MacDonald have retired from the bank.

FNB, Decatur, Observes Centennial



John Luttrell, president, First National, Decatur, is shown with cake baked for bank's recent centennial observance. Mr Luttrell announced expansion plans for the bank, including four new drive-in windows and a second lobby entrance area with walk-up windows. The bank's assets have risen from \$100,000 in 1873 to more than \$100 million in 1973.

Nelson Named Military Div. Head At Merchants Nat'l, Indianapolis

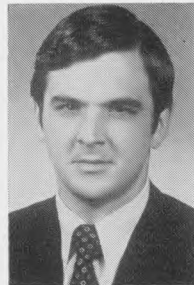
INDIANAPOLIS—Carl S. Nelson, vice president, Merchants National, has been named to head the bank's new military banking division. He joined a predecessor of the bank in 1939 and has been responsible for the correspondent bank division for the past three years. He is president of the Association of Military Banks.

James I. Mackay, assistant vice president, is responsible for the bank's Indiana division, which includes corporate and correspondent bank relationships. He joined the bank in 1967.

Kenneth C. Carr, Thomas B. Crosley, Deane K. Smith and Newton F. Smith were all promoted from branch



NELSON



MACKAY

Indiana News

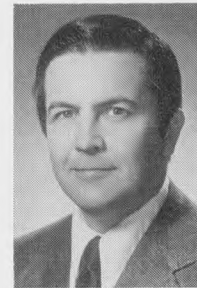
managers to assistant vice presidents. Norman C. Kleifgen Jr. was promoted from assistant trust officer to trust officer.

■ **R. CALVIN WHITE** has been elected vice president and trust officer of First Bank, South Bend. He joined the bank in 1961 and has been assistant vice president and trust officer since 1969.

■ **ROBERT J. CROTHERS** has been promoted to vice president at St. Joseph Valley Bank, Elkhart. He joined the bank last October as assistant vice president. He was formerly with First Bank, South Bend.

■ **CHARLES C. FIELD** has been named assistant cashier and manager of the Taylorsville Office of Irwin Union Bank, Columbus. Mr. Field's prior service was with Pittsburgh (Pa.) National.

Two New Officers Elected At Indiana National Bank



HINSHAW

INDIANAPOLIS—Indiana National has elected R. Dale Hinshaw a vice president in the personnel division and Meredith L. Wilson an assistant manager in the mortgage loan department.

Mr. Hinshaw was formerly supervisor of personnel relations for Armco Steel Corp., Kansas City. Mr. Wilson was formerly with an Indianapolis mortgage firm.

■ **KENTLAND BANK** has promoted Don E. Wilson, trust officer, to vice president and trust officer, Linwood C. Brown to vice president and director and Frank E. Thompson and Stephen L. Pluimer to assistant vice presidents.

■ **MERRILL E. MATLOCK** has been promoted to banking center manager at American Fletcher National, Indianapolis. He joined the bank in 1972.

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AMERICAN FLETCHER NATIONAL BANK AFNB
INDIANAPOLIS, INDIANA

Miles Ends 44-Year Career With First Security National

LEXINGTON—LeRoy M. Miles has retired as chairman of First Security National, following 44 years of service with the bank. Walter W. Hillenmeyer Jr. has assumed the duties of chairman in addition to his presidential duties.

Prior to his position as chairman, Mr. Miles was president of First National from 1958 to 1961. After First National merged with Security Trust, Mr. Miles became president of the resulting First Security National and served in that capacity until 1972. He was named chairman in 1973.

■ FARMERS DEPOSIT, Eminence, recently celebrated the completion of a remodeling and construction program with an open house. The bank more than doubled its floor space by adding a second story to the existing building. The second floor overhangs the first and is supported by 19 brick columns. Existing facilities were remodeled and the lobby was equipped with a modernistic chandelier made up of 75 smoked glass lights.

Kentucky News

■ RANDY L. TODD has moved up from assistant vice president to cashier, Peoples Commercial Bank, Winchester. Douglas L. Crowe, formerly assistant cashier, now is assistant vice president.

■ JOHN TOMPKINS has retired from First Security National, Lexington, where he was assistant vice president and manager, Eastland Branch. He was with the bank 28 years. James Powell, assistant vice president, has succeeded Mr. Tompkins as branch manager. He joined the bank in 1966.

■ WALTER W. HILLENMEYER JR., president and CEO, First Security National, Lexington, has been elected a director of Ashland Oil Co. in Ashland.

■ NATIONAL BANK of Paris has promoted J. H. Ensminger to executive vice president, William L. Lamb to vice president and Elizabeth Shuman to assistant trust officer.

■ JOHN D. GRIDER has been elected a vice president and trust officer, effective in October, at Citizens National, Bowling Green. Since 1963 Mr. Grider has been associated with J. C. Holland Co. as a partner. He will continue with the firm until October. William H. "Billy" Briggs retired March 1, after 40 years of service. He was senior vice president and will continue to serve as a director.

■ FIRST NATIONAL, Georgetown, has broken ground for its new Washington Square Branch, south of Georgetown. Completion is expected by May 1.

■ DON ROGERS has been promoted to cashier at Corbin Deposit Bank. He was formerly assistant vice president.

■ BILL DONOVAN has been promoted to vice president, First National, Carlisle. He joined the bank in 1970 and was formerly assistant vice president. Marjory M. Burnaw and Billy C. House were promoted to assistant vice president and assistant cashier, respectively.

Changes at American Nat'l

CHATTANOOGA—American National has announced several promotions and appointments.

Charles A. Holder, vice president and senior loan officer in charge of the commercial loan department, has been named senior vice president in that department. Robert J. Sudderth Jr. moved up from assistant vice president to vice president, metropolitan division. Larry D. Putnam, formerly trust officer, now is senior trust marketing officer; and Assistant Vice President Don A. Davis, who was in the retail division, has been named manager of the newly created consumer banking center. Paul W. Head has been made manager, Park Central Branch, where he was formerly assistant manager and branch officer.

■ HENRY T. (TED) BERGLUND III, assistant vice president, First American National, Nashville, has been named head of the international division. He has been with the bank since 1968.

■ VOLUNTEER-STATE, Knoxville, has promoted John Williams Morrell and Mrs. Clara Balentine Morton to assistant cashiers. Mr. Morrell has charge of accounting, and Mrs. Morton is responsible for personnel and purchasing.

Tennessee News

■ BANK OF HENDERSONVILLE has promoted Cosmer Mir from executive vice president to president, R. N. Parrish Jr. from senior vice president to first vice president, Clifton C. Cole and Marvin F. Pinson Jr. from assistant vice presidents to vice presidents and Donnie Sloan from cashier to vice president and cashier. In other action, the bank elected Bill Breedlove to the board. He is owner of a realty firm.

■ GEORGE JEFF CULBREATH has retired as vice chairman, Farmers-Peoples Bank, Milan, and Edd Clifton DePriest has retired as assistant cashier. Mr. Culbreath joined the bank in 1933 and is a former president. Mr. DePriest went to the bank in 1965.

■ HAMILTON BANCSHARES, INC., Chattanooga, has received Fed approval to purchase a majority of the stock of Citizens State, McMinnville. Affiliation was made through an exchange of stock, and the plan was consummated April 1.

■ FIRST NATIONAL OF FRANKLIN COUNTY, Decherd, has promoted Dennis M. Walker from assistant vice president to assistant vice president and cashier; Mrs. Gwyn R. Holland and James L. Kelley Jr. from assistant cashiers to assistant vice presidents; Mrs. Janice Patrick from assistant cashier and secretary to executive secretary and Mrs. Emelyn Holland, Miss Sandra Trussell and Mrs. Judy Tucker to assistant cashiers. In addition, the bank announced the appointment of B. B. Looney as financial consultant and public relations representative. He retired December 31 as president, Bank of Cowan, after 34 years there. His headquarters are at First National's Winchester Office.

■ CITIZENS BANK, Hendersonville, opened its West Main Office April 1, with Frank Jernigan as manager. He was an assistant branch manager, Third National, Nashville. Citizens Bank also announced the appointment of Chairman Nobel C. Caudill as vice chairman of the newly organized Middle Tennessee Trustee Council, an affiliate of the Tennessee Hospital Association.

■ E. B. COPELAND has been elected to the board of Volunteer-State Bank, Knoxville. He is president of an appliance distributorship.

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when you open you'll have all the necessary reports waiting for you: such as daily recaps, new accounts, significant activity reports. We also prepare monthly, quarterly, and year end reports. It's all the information you need to make your banking decisions.

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And there are other benefits to converting to our ACS system. Like the fact we offer over 60 options to fit different banking situations. It's the most sophisticated system of its kind in this area. Whether you're large or small we can help you evaluate your needs



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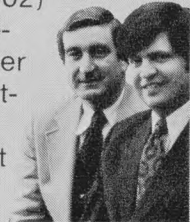
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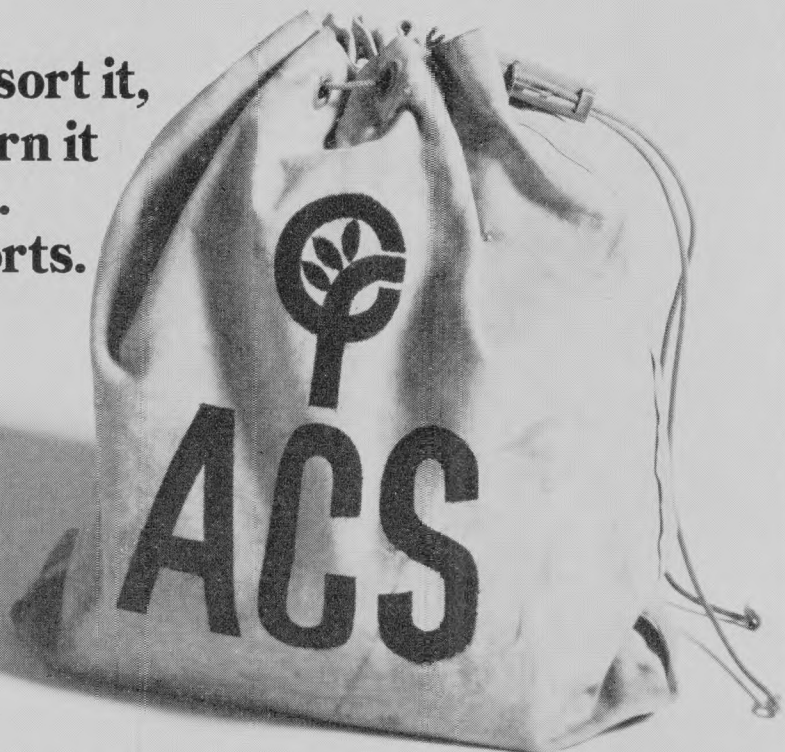
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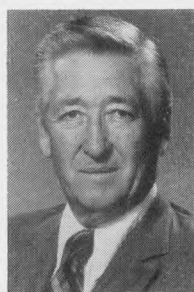
First National, Mobile, Announces Management Shifts, Plans to Purchase Building

MOBILE—Changes in top management have been announced by First National. James S. Crow was elevated from president and CEO to chairman and CEO; Dwain G. Luce went from senior vice president to vice chairman; and William Armbrecht went from board chairman to chairman of the executive committee. In addition, William J. Gehlen was named president. Mr. Gehlen was formerly with Scott Paper Co.

Mr. Crow has been with the bank 15 years and is currently president and CEO of First Bancgroup-Alabama,



CROW



LUCE



GEHLEN



ARMBRECHT

Inc., HC controlling First National. Mr. Luce has been with the bank since 1960. Mr. Armbrecht was elected to the bank's board in 1960 and had been chairman since 1969. Mr. Gehlen had been with Scott Paper Co. since 1947 and served as division vice president of southern operations since 1967.

In other action, the bank has made arrangements to purchase its 34-story building. Full title is expected to be acquired in 1993 at an aggregate cost of \$7.4 million. The structure was built in 1965.

Alabama News

Burr Named Vice President At First of Birmingham

BIRMINGHAM—First National has promoted Borden H. Burr II to vice president and industrial development officer. He was formerly the bank's director of marketing. He joined the bank in 1969.

The bank has elected two new directors—Mrs. Katherine M. McTyeire, president, Iron Art, Inc., Stores, and Richard J. Stockham Jr., vice president and secretary, Stockham Valves and Fittings, Inc.

■ G. RAY STONE has been named vice president at Central Bank, Birmingham. He joined the bank eight years ago.

■ WILLIAM C. RICE has been elected an assistant investment officer at First National, Montgomery. He joined the bank as a management trainee in 1972.

■ CITY NATIONAL, Dothan, has promoted J. H. Eason to executive vice president, Jesse S. Doyle to senior vice president and William B. Bauer to vice president and comptroller. They joined the bank in 1969, 1970 and 1973, respectively.

Promotions, Director Changes Announced at Deposit Guaranty

JACKSON—Deposit Guaranty National has promoted John M. Hutchison and Robert L. Stainton Jr. to assistant vice presidents and named M. Hunter Cade Jr. an investment officer.

The bank has also made changes in its board of directors and advisory board, which saw the naming of Julian L. Clark, Harris B. Henley and Patrick A. McMahan, all former advisory board members, to the board of directors.

Also, James Kelley Williams was named to the advisory board, George A. Gear moved from the board to the advisory board and D. C. Mieher retired from the advisory board.

Mr. Clark has been with the bank since 1951 and is chairman of the ex-

Mississippi News

ecutive committee. Mr. Henley is a senior partner in the law firm of Henley, Lotterhos and Bennett. Mr. McMahan is executive vice president of Southern Farm Bureau Life Insurance Co.

Mr. Mieher had been a board member of the bank since 1962. He recently retired as executive vice president of Southern Farm Bureau Life. Mr. Gear is chairman, Standard Life Insurance Co.

■ FIRST NATIONAL, Laurel, has promoted John W. Openshaw to vice president, and Larry Glorioso, Richard Odum and Fred Thompson to assistant cashiers. Robert E. Kimbrough was elected assistant cashier.

■ BRITTON & KOONTZ FIRST NATIONAL, Natchez, has promoted Mrs. Marie Wesley to vice president, L. Conway Aubic Jr., John W. Christian Jr. and Ronald W. Bryant to assistant cashiers.

Banks in Tupelo and Grenada Announce Plans to Merge

Bank of Mississippi, Tupelo, and Grenada Trust have announced plans to merge under Bank of Mississippi's charter.

Grenada Trust, a \$14.6-million bank, was established in 1903, and its president is Henry J. Ray. Bank of Mississippi, which dates back to 1876, had year-end assets of \$163 million. Its president is J. C. Whitehead. The merger, subject to approval of both bank stockholders and federal and state supervisory authorities, will bring to 14 the number of cities served by Bank of Mississippi.

■ FIRST NATIONAL, Meridian, has announced a one-third percent capital stock increase—from \$750,000 to \$1 million. Bank employees receiving five-year service pins include Walter Collins, Durward Smith, Kathy Pollizzi, Evelyn White and Joe Williams.

■ BANK OF UTICA has changed its name to Fidelity Bank to reflect the expanded geographic area served by the bank. A free checking policy has been inaugurated. The bank is an affiliate of Affiliated Investments, Inc., Jackson.



HENLEY



CLARK



McMAHAN

New Gallup Bank Opens

GALLUP—Citizens Bank opened for business March 4 and planned to hold a grand opening toward the end of the month. The bank's interior decor features a western motif.

Officers are: president, Peter J. Racki; vice president and cashier, Wayne C. R. Hudson, and assistant cashier, Nada F. Cline.

■ **FIRST NATIONAL** of Dona Ana County, Las Cruces, has elected three vice presidents—Dwain E. Bradshaw, in charge of installment loans; Rodney A. Chamness, trust officer, and Herbert H. Lett, manager, Anthony Office. All were assistant vice presidents. R. Steve Bell, assistant operations officer, was promoted to assistant vice president.

■ **CHARLES R. MYNARD** has joined First National, Santa Fe, as vice president and manager, Los Alamos Branch. He succeeds Howard Irwin, who has gone to First National, Roswell, as senior vice president. For the past year, Mr. Mynard was assistant manager, LASL Employees Credit Union, and treasurer, New Mexico Credit Union Share Insurance Corp. Prior to holding these posts, he had his own CPA office in Corpus Christi, Tex.

New Mexico News

■ **FIRST NATIONAL**, Farmington, has promoted Richard I. Ledbetter and Vincent May from vice presidents to senior vice presidents, Mrs. Margery Moffitt from assistant cashier to assistant vice president and Mrs. Maurice Warren, Reba Miller, Barbara Hunter, Mrs. Orville Smith and Gary Howlett to assistant cashiers.

■ **FIRST NATIONAL**, Portales, has promoted Mrs. Joan Nuckols from assistant cashier to assistant vice president and Grant T. (Bill) Brown to assistant cashier.

■ **MRS. SUZANNE CLEAR** has been promoted to vice president by American Bank of Commerce, Albuquerque. She joined the bank in 1967.

■ **FARMERS & MERCHANTS**, Las Cruces, has promoted Robert Merritt to assistant vice president and Margaret Rosas and Edward Ybarra to assistant cashiers.

New Bank to Open

TRUTH OR CONSEQUENCES—The new First State Bank of Sierra County will open here April 15 in temporary quarters adjacent to its permanent building. Groundbreaking for the permanent structure was held last month.

William I. Buhler is chairman of the new bank, and Travis Waller is president.

■ **WILLIAM ROBERTSON** has joined Citizens Bank, Las Cruces, as president. He came from First National, Alamogordo, where he was senior vice president and cashier. At Citizens Bank, Mr. Robertson succeeds Albert Armijo, who resigned the post to enter the land development business with Mrs. Armijo.

■ **ROSWELL STATE** has promoted Jack T. Cargill from senior vice president to executive vice president and trust officer, Steve Staeden Jr. from administrative vice president and cashier to senior vice president and cashier, Kemp McMillan from vice president to senior vice president and Robert R. Drobek from assistant vice president to vice president.

McClintock Retires Early From Tulsa Bank, HC; Robertson in New Posts

TULSA—F. G. McClintock last month was named chairman emeritus of First Tulsa Bancorp. and First National Bank following his early retirement as an active officer of both firms. John L. Robertson was elected chairman, president and chief executive officer of the holding company and bank. Russell F. Hunt is their vice chairman.

William C. Douce, president, Phillips Petroleum Co., was elected a director of the HC and bank.

Mr. McClintock will be available as a consultant in both bank and HC



ROBERTSON



MCCLINTOCK

MID-CONTINENT BANKER for April, 1974

Oklahoma News

affairs, will maintain offices in the First Place complex and continue residence on the First National building's 20th floor. He joined First National in 1959.

Mr. Robertson was a rancher in Nowata before going to the bank in 1953. He became executive vice president in 1961, a director in 1966 and president in 1967.

■ **FIRST NATIONAL**, Oklahoma City, has elected the following assistant vice presidents—Jerry P. Enloe, manager, transit department; Earnest L. Upton Jr., head, systems development division, data processing, and Robert L. Shotts and Edwin L. Ward, both in the information systems division.

■ **ROY C. HARRIS JR.** has joined First National, El Reno, as assistant vice president, installment loans. Mr. Harris, who has worked in finance and banking since 1963, was formerly with Exchange National, Moore.

■ **MISS VICTORIA E. COGGBURN**, bookkeeper at City Bank, Tulsa, since 1968, has been elected auditor.

■ **WELCH STATE** has promoted Ernest L. Callison to vice president. He joined the bank in 1972.

■ **FIRST NATIONAL**, Bethany, elected Dr. Stephen Nease to its board last month. He is president, Bethany Nazarene College.

■ **FIRST NATIONAL**, Guymon, has promoted Bob J. Hays and Raymond C. Neu from vice presidents to senior vice presidents, Ronald D. Huckins from cashier to vice president and cashier, J. D. Ford and Ray Peacock from assistant vice presidents to vice presidents, Elizabeth Lewis from assistant cashier to assistant vice president and Yvonne Ralstin and Edith Russell to assistant cashiers.

■ **PATRICK C. POOLE** has advanced from assistant cashier to assistant vice president, Guaranty National, Tulsa. Also, Jerry Holbrook and Dean Collins were elected commercial loan officers and John Herndon assistant cashier.

Lincoln Heights Office Opened by Kansas State; Governor, Mayor Guests

WICHITA—Kansas State has opened its Lincoln Heights Office, said to be the first permanent detached banking facility in this city. Guests at the opening ceremony included Governor Robert Docking, Wichita Mayor James Donnell and Chamber of Commerce President Jack DeBoer. The bank's president and chairman, Kenneth E. Johnson, presided. At the conclusion of the program, all guests signed a giant greeting card, which was displayed in the lobby.

During three grand-opening days, the public was invited to go to the facility and register for prizes that included three TV sets, gift certificates good at Lincoln Heights stores, safe deposit box rentals and various other items.



TOP: Governor Robert Docking speaks at official opening of Kansas State of Wichita's Lincoln Heights Office, said to be first permanent detached banking facility in Wichita. CENTER: Bank's pres. & ch., Kenneth E. Johnson, signs giant greeting card, which also was signed by other guests at opening and then displayed in new facility's lobby. BOTTOM: This is artist's sketch of Lincoln Heights Office.

Kansas News

As another part of the opening, Kansas State entertained area merchants and residents with a wine and cheese preview party.

The facility has four drive-up lanes and walk-in banking service. Three of the lanes are equipped with a Diebold pneumatic-tube system, and the fourth is manned by a teller. The interior features a traditional decor, with amber carpet and dark teakwood furniture. The lobby contains a customer lounge area decorated in blue, white and burgundy. The facility also has a conference room that's available for meetings and a kitchen and lounge for employees.

Assistant Vice President Gay S. Baldwin is manager of the facility.

April 15-20 to Be Observed As 'Kansas Bank Week'

TOPEKA—April 15-20 has been proclaimed "Kansas Bank Week" by Governor Robert Docking. Theme of the observance is "Kansas Banking Is for Everyone."

The state's more than 600 state and national banks are expected to sponsor open house events and special activities during the observance week to show their appreciation for community support and to exemplify the observance theme.

Kansas is said to be the first state to inaugurate a week-long banking observance. This year's event will be the sixth. It is sponsored by the Kansas Bankers Association.

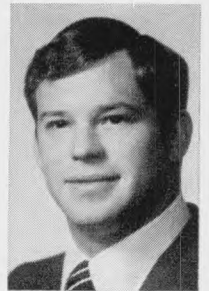
New Ch. at First of Hutchinson

HUTCHINSON—Leonard J. Beutler has been elected chairman of First National. He was formerly executive vice president. Nation Meyer continues as president and CEO.

Kent J. Longenecker, who joined First of Hutchinson last year, has been named marketing officer.



CHENOWETH



STRUBE

Commercial National, KC, Promotes 10 Officers

KANSAS CITY—Commercial National has announced 10 promotions, including that of Robert W. Chenoweth from second vice president to vice president.

Named second vice presidents were Joseph P. Fabac, Bernard J. Jaksetic and John H. Strube. Mr. Strube is in the correspondent division.

New assistant vice presidents are Robert W. Monk Jr., Robert D. Rankin, Mildred Sutter and Olga Walker. Named assistant cashiers were Marcella A. Caldwell and Doris J. Shumate.

Mr. Chenoweth was named credit card division manager in 1968; Mr. Fabac joined the bank in 1936, Mr. Jaksetic in 1948, Mr. Strube in 1972, Mr. Monk and Mr. Rankin in 1970, Miss Sutter in 1947, Miss Walker in 1965. Miss Caldwell, who is assigned to the correspondent division, has been with the bank since 1967.

■ **FIRST NATIONAL**, Hays, has elected Guy Bemis president and trust officer, succeeding Robert P. Ebersole, who is now chairman. Mrs. Evelyn Schumacher was elected assistant vice president and assistant trust officer.

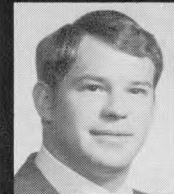
■ **OLIVER H. HUGHES** has been elected a director and vice chairman, Merchants National, Topeka. He continues as chairman, Citizens National, Emporia.

■ **DR. D. CRAMER REED**, vice president for health education at Wichita State University, has been elected to the board of Central State, Wichita.

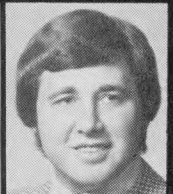
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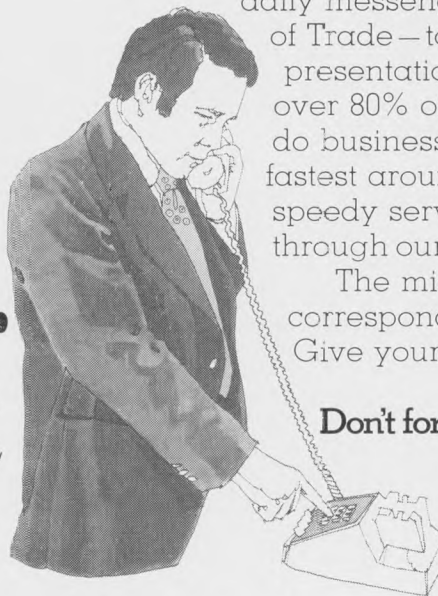
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- Steven K. Summers 234-2487



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Hartkopf Retires From Banking After 50 Years of Service

ST. LOUIS—Harry C. Hartkopf retired as chairman of Cass Bank March 18, after completing more than 50 years in banking. He will continue to be a director of the bank.



HARTKOPF

Mr. Hartkopf's first bank was Central National in St. Louis, which he joined in 1914. Central National consolidated with

Liberty Bank to become Liberty Central Trust in 1921 and the bank was merged with First National, St. Louis, in 1929.

First National sent Mr. Hartkopf to New York City to run its office there in 1929, when he was an assistant vice president. The office was closed four years later, and Mr. Hartkopf joined Union Trust of East St. Louis as president in 1933, serving in that capacity until he joined Cass Bank in 1936 as executive vice president.

He was elected president of Cass Bank in 1938 and was named chairman in 1969.

Osborn to Serve Missouri

William A. Osborn, commercial banking officer at Northern Trust, Chicago, has recently transferred to the southwestern division of the banking department and will call on banks in Missouri. He joined the bank in 1970.



Obermann Heads Assoc. Bankers



OBERMANN

ST. LOUIS—John H. Obermann, president of Mercantile-Commerce Trust, has been elected president of the Associate Bankers of St. Louis and St. Louis County.

Other officers elected for one-year terms include: Alfred R. Naunheim, president, First Charter Bank, Jennings—vice president; Norman J. Tice, president, City Bank—second vice president; Wilson Bell, president, Big Bend Bank, Webster Groves—treasurer; and J. Richard Furrer, executive vice president, South Side National—secretary.

Missouri News

First National, St. Louis, Announces Officer Promotions

ST. LOUIS—First National has announced numerous promotions.

Bill R. Cato, John M. Crow, Henry T. Fahr, Richard A. Murray and Wilbert F. Sieckman were promoted to assistant vice presidents. Jack Crawford, Ray McCormick and James White were named operations officers. David V. Essex Jr. was promoted to commercial banking officer and John H. Fischer was named cash management officer.

Messrs. Cato, Crow and Fahr were formerly operations officers; Mr. Murray was formerly international banking officer; and Mr. Sieckman was formerly an assistant cashier. They joined the bank in 1948, 1968, 1948, 1972 and 1926, respectively.

Mr. Crawford has been with First National since 1959, Mr. McCormick joined the bank in 1964, Mr. White in 1960 and Messrs. Essex and Fischer in 1971.

New Officers Elected At Commerce Bank, HC

KANSAS CITY—David A. Rismiller has joined Commerce Bank as a senior vice president in charge of the metropolitan division. He was formerly with Huntington Bank, Columbus, O.

Commerce Bancshares has named seven new officers, including Gary L. Callaway and Donald R. Selby—regional vice presidents; Arthur J. Donnelly—assistant controller; Lynn W. Bryant and Laura L. Kemper—marketing officers; and Gloria D. Johnson and Winona L. Sturgeon—personnel officers.

Exchange Nat'l, Jefferson City, Announces Promotions, Retirement

JEFFERSON CITY—Exchange National has promoted Luella Henley, Beverly J. Lewis and Herbert C. Logan to assistant cashiers and named Robert J. Crede and James N. Reichard assistant cashiers and assistant trust officers. In other action, Hugh A. Hutinger was elected cashier to succeed Raymond Hollerorth, who retired as cashier recently.

James R. Loyd, executive vice president and trust officer, was elected to the board to succeed Mr. Hollerorth as director.

Graham, Miller Are Sr. VPs At First National, Joplin

JOPLIN—Gale A. Graham and R. Donald Miller have been named senior vice presidents at First National. Bruce Harris, John Meyer and Steve Williams were promoted to second vice presidents; and Leon Royer and Harry Sorg were elected assistant cashiers.

Mr. Graham has been with the bank 37 years and was recently named to head the newly formed banks and bankers division. Mr. Miller joined the bank in 1959 and is in charge of marketing.

Mr. Harris and Mr. Williams joined the bank in 1968, Mr. Royer in 1972 and Mr. Sorg in 1967.



R. Donald Miller (l.) and Gale A. Graham are new senior vice presidents at First National, Joplin.

United Missouri Makes Promotions; HC to Make Two Acquisitions

KANSAS CITY—United Missouri Bank has advanced Robert F. Henricksen to assistant vice president and Michael R. Hart to assistant cashier, both in the commercial loan division. David C. Shindeldecker was elected assistant cashier in the credit analysis division and Barbara A. Carlson, Larry V. Parman and Phillip L. Youngs were elected bond investment officers. Paul A. Skrede was elected assistant auditor.

Messrs. Henricksen and Hart joined the bank in 1972, Mr. Shindeldecker in 1973, Mrs. Carlson in 1957, Mr. Parman in 1972, Mr. Youngs in 1970 and Mr. Skrede in 1969.

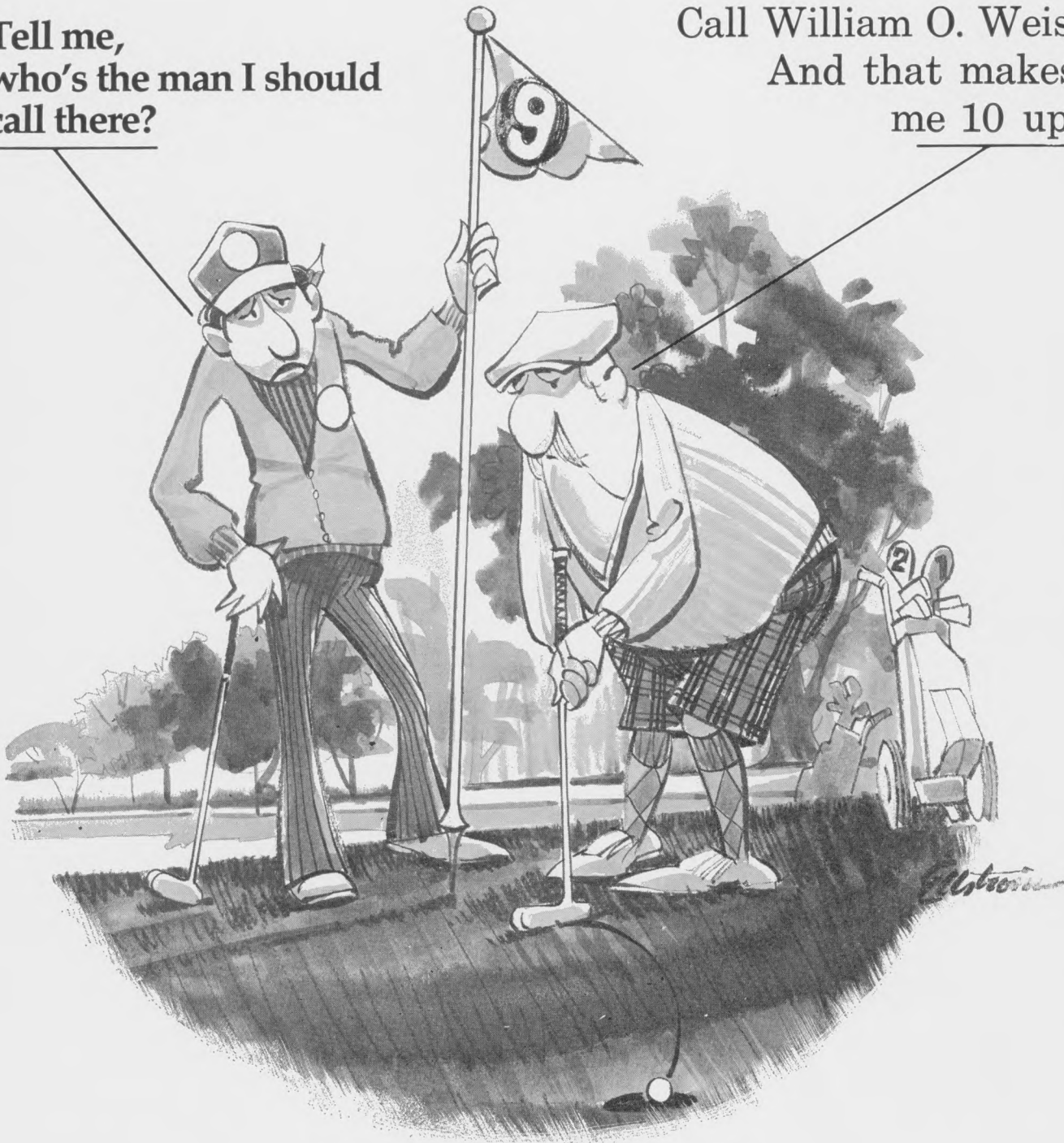
United Missouri Bancshares, Inc., has received Fed approval to acquire United Missouri Bank, Jefferson City, and First National, Milan.

■ JAMES E. McCLURE has been elected chairman, Commerce Bank of Lebanon, succeeding Charles Hughes, who resigned. Mr. McClure has been president since 1970. Frank N. Wright has been elected senior vice president and a director of the bank. He was a vice president.

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St. Louis County National Elects Wolford, Toczylowski

CLAYTON—Robert C. Wolford and Matthew S. Toczylowski Jr. have joined St. Louis County National as executive vice president and auditor, respectively.

Mr. Wolford was formerly vice president of Edward K. Love Mortgage Co., and prior to that, was vice president of Mercantile Trust, St. Louis. Mr. Toczylowski is a CPA and was formerly with Peat Marwick, Mitchell & Co.

20th Anniversary Noted

ST. ANN—Bank of St. Ann celebrated its 20th anniversary last month with a two-day open house. Free cake and coffee were served during regular banking hours and children received free balloons.

During its 20-year history, the bank's deposits have grown from \$2.5 million to more than \$22 million.

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Promotion, Election in Clayton

CLAYTON—St. Louis County National has promoted Rodney F. Hill from vice president to senior vice president in commercial loans and elected William L. Hoeman trust officer.

Mr. Hoeman was formerly with Mercantile Trust, St. Louis.

■ **LESTER A. WOOD** has been promoted to assistant vice president at First National, St. Peters. He was collection manager with First National, Clayton, before joining First National, St. Peters, as assistant cashier.

■ **RICHARD M. CATLETT** has been elected president of Broadway National, Kansas City. He was also elected to the board, along with Sherman Dreieszun, William S. Morris, Milton B. Ozar, M.D., and William R. Park.

■ **FIRST MIDWEST BANCORP., INC.**, St. Joseph, has elected J. P. Barclay Jr. and L. M. Pinkston to its board. Mr. Barclay is president, Wire Rope Corp. of America. Mr. Pinkston is a retired real estate investor.

■ **HAROLD F. HELMKAMPF** has been elected a director of Tower Grove Bank, St. Louis. He is president of Harold F. Helmkampf General Contractors, Clayton.

■ **FRED J. HICKMAN** has been elected vice president and cashier, First National, Liberty. He had been cashier and has been with the bank 13 years.

Association Officers Elected

ST. LOUIS—The Savings Association of St. Louis Banks has elected Edmund L. Vorhes, assistant trust officer, Manufacturers Bank, its new president.

Named vice president was James B. Courier, commercial banking officer at First National. Secretary is Gail Niehaus, Clayton Bank, and treasurer is Judith K. Brown, First North County Bank, Jennings.

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AIR LINES

Boatmen's National and Equitable Life To Erect Bank Bldg. as Joint Venture

BOATMEN'S NATIONAL, St. Louis, and the Equitable Life Assurance Society of the United States have announced an agreement to build the Boatmen's Tower as a joint venture. Simultaneously, the two organizations also announced that a contract had been signed with McCarthy Brothers Co. to erect the 22-story office complex, which will house Boatmen's National. Plans for the tower originally were announced early in 1973.

Construction on the 500,000-square-foot building will begin soon and will be completed around the end of 1975. Considerable preliminary work already has been done on site, including the razing of the Cotton Belt Building and the beginning of some excavation work. The structure will be located on the square block bounded by Broadway, Fourth, Chestnut and Pine streets.

The new building's lobby area will be dominated by a garden-like area accented with natural skylight lighting. Two sub-level floors will contain inside parking.

Energy-saving materials will be used throughout the building to ensure efficient heating and cooling qualities, according to Robert T. Kist, vice president of Equitable in St. Louis. • •

Senior Vice Presidents Named at Drovers Nat'l

CHICAGO—Two senior vice presidents have been appointed at Drovers National. They are Claude J. Cimino Jr., who joined the bank in 1971, and Patrick C. O'Malley. Both were formerly vice presidents.



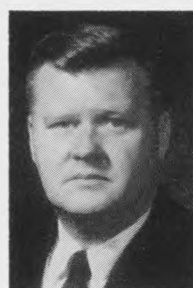
O'MALLEY

Edward L. Rietz Jr. was appointed a vice president. He joined the bank in 1969 and has been an assistant vice president since 1970. Andrew M. Collins Jr. was named an assistant vice president. He joined the bank last year.

Elected a director was Donald M. Norris, executive vice president. He has been with the bank since 1970 and was elected senior vice president in 1971.



NORRIS



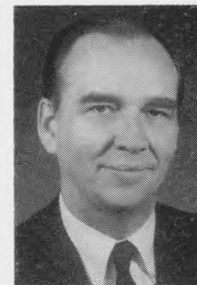
RIETZ

Merchants Nat'l, Mobile, Names Five Senior VPs, Promotes 14 Officers

MOBILE, ALA.—Merchants National has named five new senior vice presidents: Henry F. Schaub, William E. Buckley Jr., Harry A. Dinham, Carl E. Jones Jr. and Peter C. Petroustson. Mr. Schaub is in the correspondent bank department.

Other promotions included: to vice presidents—Robert G. Myers and Richard S. O'Neill; and to assistant vice presidents—J. Ronald Harrison and John L. Singley.

The bank announced the retirement of E. Ward Faulk as vice chairman, completing 49 years of service with the bank. He has been reelected to the board and will serve as a consultant in the organization of the proposed holding company in which Merchants National will be the lead bank.



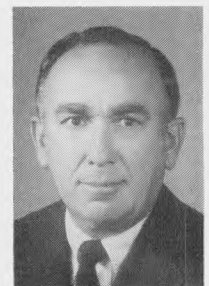
DINHAM



SCHAUB



BUCKLEY



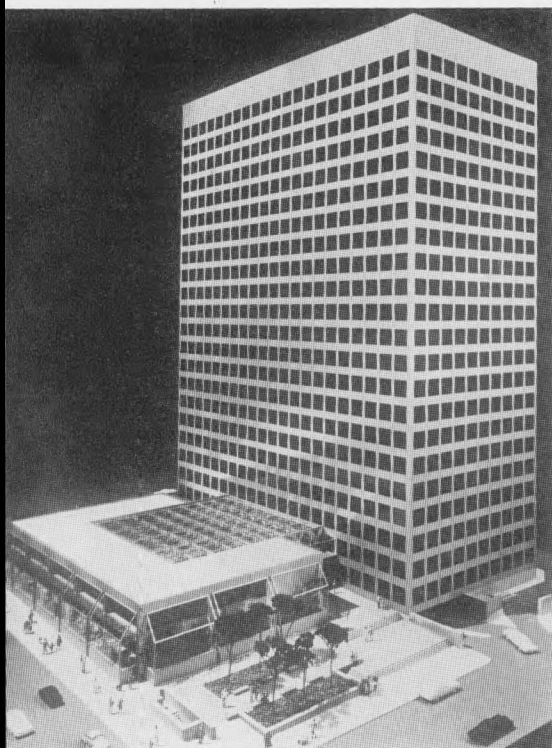
PETROUSTSON

BAI Set for New Orleans

The Southern Regional Convention of the Bank Administration Institute will be held at the Marriott Hotel, New Orleans, April 21-23.

Convention theme will be "Banking . . . and all that Jazz!" and speakers will discuss audit, control, operations and personnel topics. Keynote will be Charles W. McCoy, president and chairman, Louisiana National, Baton Rouge.

Registration information is available from Marvin S. Mayer, BAI registration chairman, P.O. Box 369, Gretna, La. 70053.



The new tower, said Robert Schlageter, Equitable vice president, will complement his firm's structure, the Equitable Building, located in the same area as the tower site, and will strengthen Equitable's substantial investment in this property and other downtown projects such as Stouffer's River Front towers, Busch Memorial Stadium and related parking garages, which Equitable has financed for Civic Center Re-development Corp.

Donald N. Brandin, Boatmen's chairman and president, said, "We are very pleased to have Equitable as our partner in this project, which we feel will make a significant contribution to the further development of downtown St. Louis."



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