MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

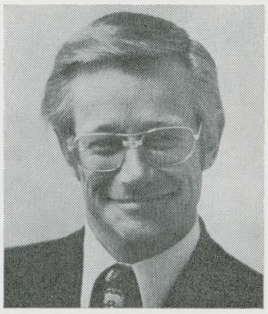
JUNE, 1974

Banking's Vital Issues

- Crippling Usury Laws
- Transmatic Money Service
- Electronic Funds Transfer System
- Nonbank Competition
- Multi-Bank HC Expansion
- Inflation and High Interest Rates
- Independent Banker Militancy

Spotlighted at State Conventions

These faces of Liberty... can give you a competitive edge with your customers.



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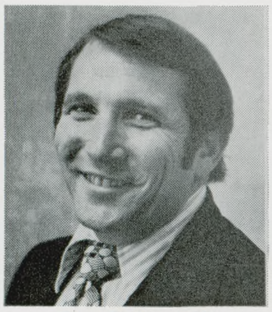

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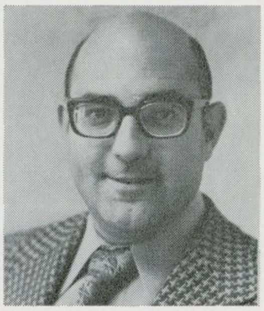

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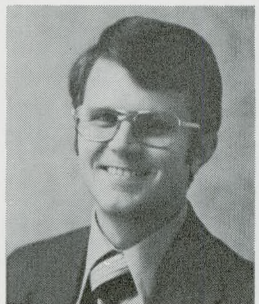

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Whether your immediate and long range assistance requirements are in Transit . . . Data Processing . . . Asset and Liability Management . . . Operations . . . Trust Administration . . . Fed Funds . . . Portfolio Management . . . International Banking . . . Factoring . . . Over-Lines . . . or Participations (just to name a few crucial areas) — here are the faces of Liberty who can provide the link between our entire organization and yours for the benefit of your customers.

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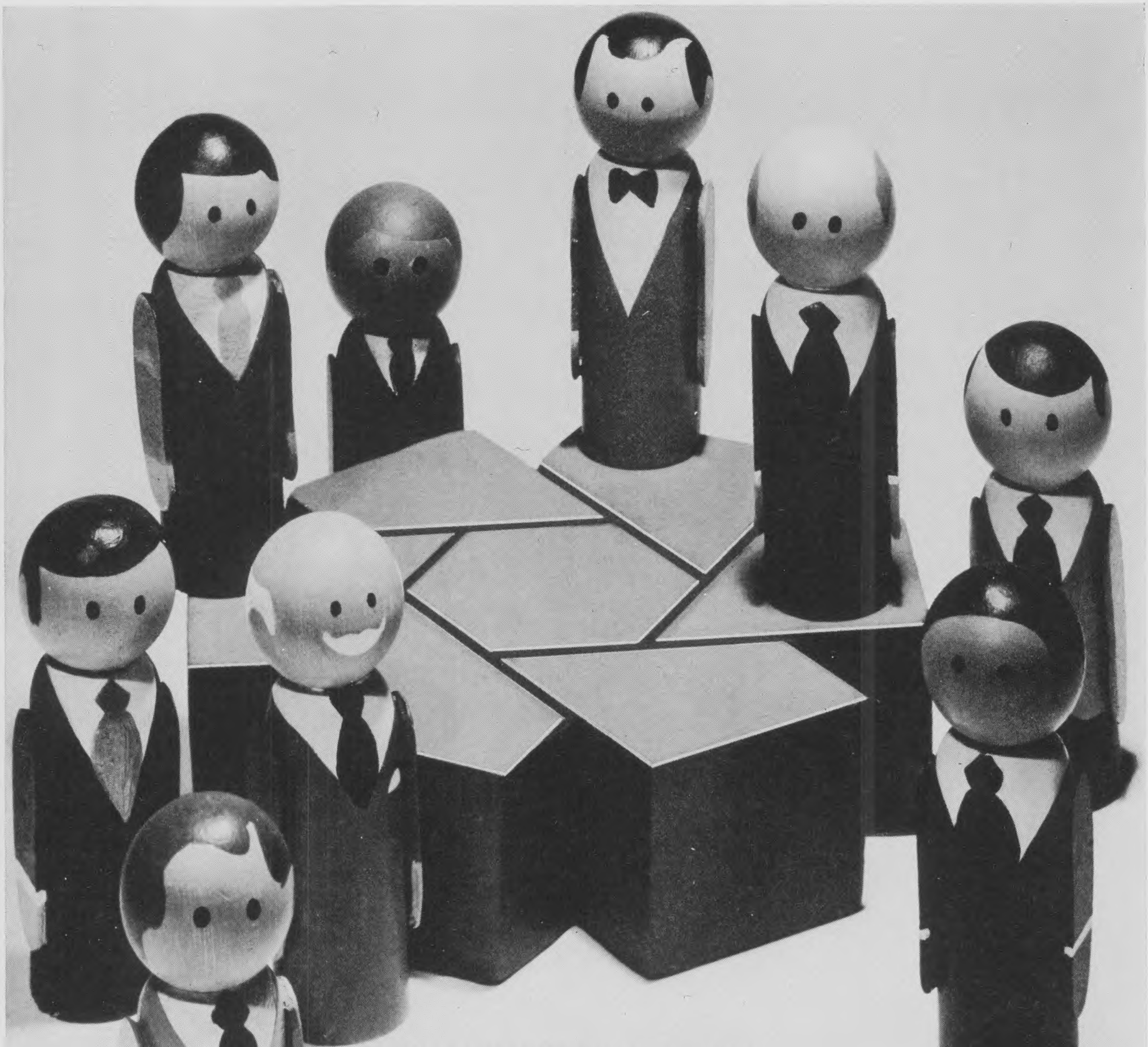

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 70, No. 7 — **June 1974**

FEATURES

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Convention Calendar

June

June 12-13: Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton Hotel.
June 13-15: New Mexico Bankers Association Annual Convention, Albuquerque, Hilton Inn.

July

July 11-14: ABA Central States Conference, Mackinac Island, Mich., Grand Hotel.
July 21-Aug. 2: Southwestern Graduate School of Banking, Dallas, Southern Methodist University.

August

Aug. 31-Sept. 3: Assemblies for Bank Directors, Colorado Springs, Colo., Broadmoor Hotel.

September

Sept. 8-10: ABA Correspondent Banking Conference, Atlanta, Regency Hyatt House.
Sept. 12-13: Young Bank Officers of Kansas Convention, Salina.
Sept. 15-18: ABA Personnel Conference, Minneapolis, Hotel Radisson.
Sept. 15-18: Bank Administration Institute Convention, Chicago, Palmer House Hotel.
Sept. 22-25: ABA Charge Account Bankers Division Convention, Chicago, Palmer House Hotel.
Sept. 22-25: Nat'l Assn. of Bank Women Convention, Disney World, Orlando, Fla.
Sept. 29-Oct. 2: Bank Marketing Assn. Convention, New Orleans.

October

Oct. 17-18: Association of Registered Bank Holding Companies Fall Meeting, Honolulu, Kahala Hilton Hotel.
Oct. 19-23: American Bankers Association Convention, Honolulu, Hawaii.
Oct. 27-30: Bank Marketing Assn.'s Electronic Funds Transfer System Conference, Chicago, Hyatt-Regency O'Hare Hotel.

November

Nov. 10-13: ABA National Agricultural and Rural Affairs Conference, St. Louis, Chase-Park Plaza Hotel.
Nov. 10-13: Robert Morris Associates Fall Conference, Atlanta, Regency Hyatt House.
Nov. 21-22: ABA Mid-Continent Trust Conference, Chicago, Drake Hotel.

January (1975)

Jan. 30-Feb. 5: Assemblies for Bank Directors, San Juan, P. R., El Conquistador Hotel.

February

Feb. 2-5: ABA Midwinter Trust Conference, New York City, Waldorf-Astoria Hotel.

March

March 2-4: ABA National Credit and Commercial Lending Conference, New York City, Americana of New York.
March 3-5: ABA National Marketing Conference, San Francisco, Fairmont Hotel.

Brittain Gets HC Post

NEW YORK—Alfred Brittain III, president, Bankers Trust, has been elected president of Bankers Trust New York Corp., the bank's parent.

He succeeds Lewis A. Lapham, who retired recently, having reached mandatory retirement age.

Mr. Brittain has served as president of Bankers Trust since 1966 and has been with the firm since 1947.

By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

The New Federal Financing Bank

MOST COMMERCIAL bankers are unaware of the new Federal Financing Bank, which was established December 29, 1973, by Congress.

Because it is designed to expedite the marketing of direct and guaranteed securities in their portfolios, banks have a strong interest in learning more about this as yet-untested organization. Basically, its goal is to centralize the market for federal agency securities and thus establish a better market than now exists for such securities. Further, as one projects the volume of securities that are potentially covered by the new bank, they achieve almost mind-boggling dimensions. Currently, over $70 billion of federal agencies securities are found in the United States. By the end of this decade, projections are that they will be well in excess of $100 billion.

The theory behind establishment of the Federal Financing Bank is that efficiencies of scale of size would result. This would not only lower interest costs to the federal agencies, but also would provide a vehicle for coordination of the issuance of the securities, so that they are not in conflict with the objectives of the Federal Reserve Board and the United States Treasury, which must roll over substantial amounts of government debt all too frequently.

The exact federal agencies that will be using the Federal Financing Bank are as yet unknown because it is up to each federal agency to take the initiative of utilizing the new bank's services. However, a number of major agencies have been excluded by Congress from participation in the Federal Financing Bank. For the most part, these are the larger and politically sensitive government agencies such as the Federal Home Loan banks, the Federal Land banks and the Federal National Mortgage Association. Thus, we still have another federal agency, but not the full degree of coordination that was one of the objectives of the Federal Financing Bank.

Not infrequently, these major agencies have floated securities some students of the money market would hold were at times embarrassing to and conflicting with the monetary policy of the Fed. However, agencies such as Student Loan Marketing, TVA, Export-Import Bank and the Farmers Home Administration will be eligible for using the Federal Financing Bank. More importantly, however, is the option that public housing community development and urban renewal agencies also may use this bank. In the past it was the latter securities in which the greatest premium probably was offered. The interest premium had to be offered simply to market these relatively small issues.

Some canny bankers have made a practice of picking up such agency issues in lieu of direct U. S. government securities because of their higher yield combined with their AAA ratings. For such bankers the Federal Financing Bank will be viewed as an adverse development to their investment policies.

At present, the bank is limited only to having outstanding taxable obligations up to $15 billion. However, it is anticipated that future congresses will provide increased borrowing authority as the bank becomes better established. In effect, the $15 billion will be used to purchase securities of the federal agencies that join it. Because of their volume and broader market, the yield of Federal Financing Bank securities probably will be materially below securities issued by smaller federal agencies. The eligible federal agencies, if they elect not to utilize the Federal Financing Bank, must obtain—for the most part—permission of the Treasury, and the Treasury will have authority over the specifics of the nonparticipating agencies issues such as its timing, probable interest rates, maturities and the like. The nature of this requirement quite likely is to nudge the smaller agencies into cooperating with the Federal Financing Bank.

As of this writing, the Federal Financing Bank was to begin operations in late March or early April. It is likely that the first agencies that will be using the Federal Financing Bank will be smaller agencies with poorly established marketing facilities. One interesting facet of this is the observation that existing debt limits established by Congress on the federal government are now provided with a more transparent loophole.

Failure of United States National Bank at San Diego revealed a glaring weakness in bank supervision in the area of reporting of contingent liabilities. In a similar context, these issues of the Federal Financing Bank are direct and guaranteed obligations of the government, yet the question is raised whether new issues of the Federal Financing Bank should be under existing debt limits established by Congress for the U. S. Treasury. Apparently, not. There is no inference here that there is an inability of the government to support the amount of agency debt, but rather that it has resulted in a situation in which Congress has permitted an escape hatch of considerable potential magnitude to develop.

The initial operation of the Federal Financing Bank in early summer or late spring of 1974 is not expected to produce a major impact on the money markets or bank investments. However, notwithstanding this, there certainly is the desirability of bankers to become familiar with this new financing mechanism. The major money market banks and major regional banks, no doubt, will be providing their correspondents with quotations and background material on the Federal Financing Bank. However, because it is new, it is quite probable that many banks will wish to hold off participating in this market until it has achieved a certain amount of seasoning.

Some believe that should it prove significantly successful, a similar move will develop in our several states. Thus, the bank could have a more important impact on yields of municipals held in bank portfolios. • •

THIS SUMMER A FAMOUS ACTOR GOES BACK TO WORK FOR YOU.

Selling/Marketing

LEFT: Representative of new First Security Bank, Downers Grove, Ill., passes out souvenir checks worth 15¢ each to visitors to bank's grand opening. High school student dressed like piggy bank is seen entering at center. RIGHT: Youngsters crowd around tellers window to cash in their souvenir checks, worth 15¢ each.

Live 'Piggy Banks,' Too:

Checks Worth 15¢, Barber Shop Singers Help Open New Bank

When First Security Bank, Downers Grove, Ill., held its grand opening, there were entertainment and giveaways for every age group.

The four-day celebration began with the cutting of a ribbon of oversized souvenir checks. These checks also were distributed to visitors, who redeemed them at the bank for 15¢ each. On one evening, the DuPage Valley Chapter of the Barber Shoppers sang, while a Saturday morning entertainer was WGN's "Cooky the Clown" from "Bozo's Circus." He greeted youngsters and signed autographs. Downers Grove High School students dressed as dimes and piggy banks distributed helium-filled balloons, newspapers and "Village Criers."

The grand opening also included a special free checking-account offer entitling individuals opening accounts before July 1 to no-service-charge checking. The first 250 persons to open accounts received free rose bushes. According to Ron Kowalski, chief executive officer, the response was so overwhelming that the bank decided to extend the offer with 200 additional plants.

As part of its public service activities, the new bank provides wheelchair facilities that include an outside ramp with wide entrance doors, a special section of safe deposit boxes in the vault to permit direct access to a box and an extra wide and deep coupon booth with a closing fan-fold door. In addition, the bank produces Braille checks at no extra charge for customers with limited or no sight.

Four-Minute Limit:

Free Car Washes Offered If Customers Delayed At Drive-Up Windows

Delays at bank drive-up facilities sometimes are inevitable, and customers caught in such delays usually aren't happy about them. However, in Houston, Galleria Bank has found a way to alleviate the situation at its new drive-up installation. During one 60-day period, the bank advertised, "If you have to wait more than four minutes, we'll give you a free car wash."

The promotion was advertised on local radio stations and in the city's two daily papers. During the two months, more than 700 free washes were given away, and drive-up traffic increased substantially.

The bank found an additional side benefit to good customer relations—use of the car washes as "customer soothers" for delays caused by factors other than heavy traffic jams. These delays resulted from check-verification time or information gathering necessary to complete a transaction.

Customer volume has increased from 8,500 cars a month at the old facility to an average of 14,000 a month at the new six-lane, visual-contact system.

A 'Live' Promotion:

Dog-Handling Exhibit Held in Bank Lobby

Want an attention-getter lobby display? Try dogs!

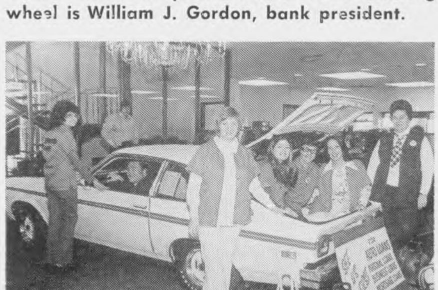
Millikin National, Decatur, Ill., turned over part of its lobby for two hours one afternoon for a demonstration of the handling of purebred dogs. The animals—of various breeds—were some of the entrants in a dog show at Millikin University. The area was cordoned off with movable gates, and the carpet was covered with plastic runners.

A bank spokesman reported that the exhibit was enjoyed by adults and children alike.

Purebred dogs with their handlers go through their paces in lobby of Millikin Nat'l, Decatur, Ill. Breeds pictured include puli, saluki, cairn terrier, shih tzu and affenpinscher.

Auto Loans, Anyone?

What better way to call customer attention to bank auto loan services than by driving an auto into the bank lobby and displaying it, along with a sign reminding customers to see the bank first for auto loans? Glenwood (Ill.) Bank got some extra "mileage" from its display by having members of the bank-sponsored bowling team pile into the auto to see how much room a compact car offered. At steering wheel is William J. Gordon, bank president.



Herb Richardson's kind of correspondent banking makes your money work harder.

Herb is our director of regional banking. And he believes, pure and simple, that good correspondent service is strong commercial and retail programs administered by experienced correspondent bankers.

First National has traditionally been the area's strongest and most innovative retail bank. We're the Louisville leader in savings and checking accounts and an affiliate of the largest trust administer in a seven state area, the First Kentucky Trust Company. And we've developed specialized programs like Master Charge and MINUTE MAN/agement bond portfolio service.

Herb and his staff have commercial, retail and credit experience. So they know the banking problems you face.

As Herb puts it, "Programs like these are what we know best. What our correspondent customers want to know most. And what correspondent banking is really all about."

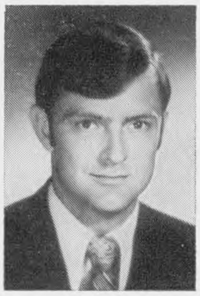
FIRST NATIONAL BANK
OF LOUISVILLE

NEWS OF THE

BANKING WORLD


McPETERS


BACON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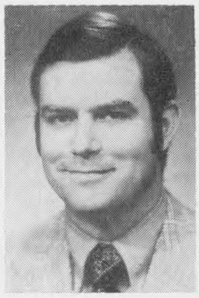
BAGGOTT


STOECKER


JASPER

• **W. Liddon McPeters,** president, Security Bank, Corinth, Miss., has been proposed for ABA president-elect in 1975 by the Mississippi Bankers Association. He is a past president of the MBA. Mr. McPeters' many ABA activities include being chairman of the ABA's Centennial Commission, 1972-75. He has been ABA state vice president for Mississippi and a member of its Governing Council, Economic Policy Committee and Government Relations Council. He is chairman of the Deposits Division of the ABA's Government Relations Council.

• **Mercantile Trust,** St. Louis, has given four members of its correspondent banking department additional duties. Another member, Daniel W. Jasper, who travels in several states including Arkansas, Alabama, Louisiana and Tennessee, has been promoted to assistant vice president. Vice President David T. Stoecker has been named head of the Illinois division, which includes Illinois, Indiana, Kentucky and Iowa. Assistant Vice President Richard R. Bacon now heads the Missouri division, with responsibility for outstate Missouri. Correspondent Banking Officer John W. McClure has responsibility for Kansas, Oklahoma and Texas. Representative George M. Baggott heads the St. Louis metropolitan division.


DRICK


ABBOUD


THOMAS


SCHMIDT

• **John E. Drick,** president of First National, Chicago, and First Chicago Corp., has been named to the newly created post of chairman of the executive committee as part of a realignment of top management posts at the bank and its parent HC. A. Robert Abboud has risen from vice chairman of the two firms to the newly created position of deputy chairman of both firms. Chauncey E. Schmidt, former bank vice chairman, has been named bank president and HC vice chairman. Richard L. Thomas, former bank and HC vice chairman, has been elevated to HC president, remaining as bank vice chairman.

• **Alfred F. Miossi,** executive vice president, Continental Illinois National, Chicago, has been elected president of the Bankers' Association for Foreign Trade. Other newly elected officers include Alexander McW. Wolfe Jr., senior vice president, First National, Boston—executive vice president; Robert N. Bee, senior vice president, Wells Fargo Bank, San Francisco, and Douglas Smith, vice president, Industrial National of Rhode Island, Providence —vice presidents; Jack Jessen, vice president, National City Bank, Cleveland—secretary; and Stanfield Taylor, senior vice president, First National, Miami—treasurer.

• **H. Robert Bartell Jr.** has resigned as Illinois banking commissioner to become president, Federal Home Loan Bank, Chicago. He was appointed to the banking post in 1971 by then Governor Richard Ogilvie. Before that, he was a college professor.

• **David R. Calhoun Jr.,** chairman, St. Louis Union Trust, died in New York City May 15 after collapsing at Penn Central Station. He was 71.


CALHOUN

He joined St. Louis Union Trust in 1940 as vice president and stayed two years. He rejoined the firm in 1945 and was elected president the following year. He was named chairman in 1966.

He was instrumental in the formation of First Union, Inc., HC formed by First National, St. Louis, and St. Louis Union Trust. He served as both chairman and CEO for a time.

• **Roy A. Thompson,** 56, senior vice president, Midwest area group, business development department, United Missouri Bank of Kansas City, died May 8.


THOMPSON

He joined the bank, then called City National, in 1937, became an assistant cashier in 1952, assistant vice president in 1956, vice president in 1960 and senior vice president in 1971.

Community Involvement

In New Orleans:

Superdome Completion Assured by Low Bid Made by Hibernia Group

Completion of the Louisiana Superdome in New Orleans was assured last month thanks to a syndicate headed by Hibernia National, New Orleans. The syndicate submitted a low bid of $8.25 million on construction-completion bonds.

The Hibernia group, which also included Howard, Weil, Labouisse, Friedrichs, Inc., New Orleans, offered to buy the bonds, which mature over a period from 1976 to 1993, at 5.467%.

"We felt very strongly as a local bank that we should participate in local issues, and we want to help the community," said Hibernia Vice President Glen E. Bascom. "We want to see the Superdome completed. We have supported it since its inception and feel this is a good investment as well as evidence of our community support."

Ultimately Employ 200:

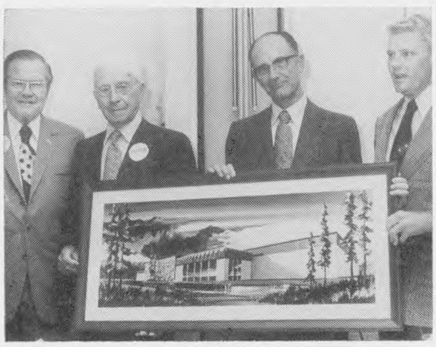
Texas Banker's Efforts Help Bring Steel Plant To His Community

Thanks to the efforts of V. A. Clements, chairman, Longview (Tex.) National, the city of Longview is getting a multimillion-dollar Armco Steel Corp. plant that, when it reaches full production, will employ 200 skilled workers. The new plant will be the Armco Building Systems Group of the Armco Metal Products Division.

Mr. Clements and Frank Abbott, a representative of a local construction firm, began working with Armco's site-selection team last December, when the group was on a tour of five or six Texas cities. The two men met with the officials several times and supplied complete information that eventually fulfilled Armco's requirement pattern.

On two occasions, Mr. Clements was host to the Armco group at the Cherokee Club, where they held informal discussions with local civic, city and county, employment, industrial, financial and educational leaders. The Armco representatives praised Mr. Clements and Mr. Abbott for their help.

Mr. Clements was lauded in a Longview *Morning Journal* editorial, which said he "long ago established a reputation for knowing what industries seek in a city and how to assemble and present that information to them. When Armco's team came to Longview to see what the area had to offer, Mr. Clements had marshaled a group of local citizens who collectively had all the answers Armco sought. . . ."



V. A. Clements (2nd from l.), ch., Longview (Tex.) Nat'l, is presented with sketch of Armco Steel's proposed Longview plant building by L. I. Williams (2nd from r.), pres., Metal Products Division of Armco. Sketch was given in appreciation of Mr. Clements' cooperation in helping Armco locate its new plant in Longview. Governor Dolph Briscoe is at left. At right is Frank Abbott, v.p., Abbott & Williams Construction, Longview, who also worked closely with Armco's site-selection team.

Save the Trees:

Scrap Paper Deposit Box Installed on Bank Lot

First Security Bank, Glendale Heights, Ill., is cooperating in a project that will help reduce the newsprint shortage and save thousands of trees. The bank, in conjunction with the Glendale Heights Chamber of Commerce, has set up in its parking area a reclamation center for old newspapers, magazines, punch cards and telephone books.

Area residents are being urged to deposit any scrap paper they may have in a container, which, when filled, is picked up by a paper stock firm for recycling.

Proceeds from the paper sold to the firm will be used for financing community-oriented events and scholarships for area students. Consumer organizations that take part in the paper drive will receive part of the funds to cover their expenses.

The bank pointed out that, in addition to reducing the need for fresh newsprint and saving trees, the project will keep used paper out of garbage dumps that use up precious land-fill space and out of incinerators that consume oxygen and pollute the air.

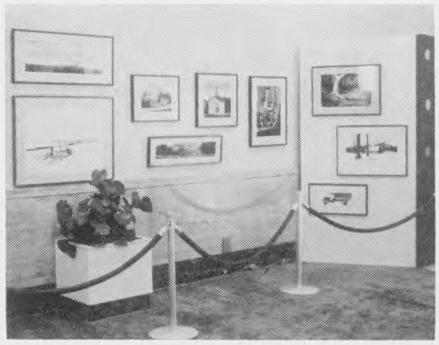
The collection box, open for paper deposits every day, is located behind First Security's drive-up area.

On Permanent Display:

Series of Watercolors Commissioned by Bank

Citizens National, Decatur, Ill., provided a young artist—Robin O'Dell—with his first commission to paint an entire coordinated series of watercolors, called "The Prairie Heritage Collection."

The O'Dell collection now is on permanent display at the bank, along with the monthly shows that have become so popular over the past seven years. In addition, the collection will be made available for showings in other locations through special arrangement with Citizens National's correspondent banking department.



This is portion of "The Prairie Heritage Collection" being shown at Citizens Nat'l, Decatur, Ill. Paintings by Robin O'Dell were commissioned by bank.

The bank's objective is not only to further the careers of promising area artists, but also to extend public appreciation of original art creations.

In connection with the O'Dell showing, the bank distributes brochures describing the collection and containing some comments from the artist. Included in the brochures is space for viewers to write their opinions of the collection and return to the bank.

8,500 Trees:

Bank Presents Tree Gift To Reforestation Project

St. Louis is 8,500 trees richer as a result of a gift from Commerce Bank. The bank donated the trees to the Project Greenback program, which is a community-wide reforestation effort.

According to a spokesman for the program, the contribution by Commerce Bank is equivalent—with matching funds—to a gift valued at more than $40,000.

Goal of the project is to plant 50,000 trees in the St. Louis area by the time the city celebrates the American Bicentennial.

NEWS ROUNDUP

News From Around the Nation

Variable-Rate CDs for Mutuals?

The FDIC is studying whether to allow mutual savings banks to offer CDs whose yields would be tied to Treasury bill rates.

It is believed that such a variable-rate CD would be attractive during periods when short-term interest rates are high. Such a CD might have a ceiling that would be announced monthly and be effective for one month. The rate would be linked to the average of the average yields in the prior month's weekly auction of 13-week bills.

T&L Deposit Interest Asked

The Treasury wants banks to pay interest on a portion of Treasury tax and loan deposits. It is expected to ask for legislation to that effect.

Questions about the fairness of allowing banks to have interest-free Treasury tax and loan accounts have arisen in light of the willingness of banks to pay 11% and more for overnight Fed funds and for time deposits. This makes the interest-free government deposits quite valuable.

Interest-free deposits were originally conceived as a way for the Treasury to compensate commercial banks for collecting taxes for the government and for other services.

Because interest rates are so high, the Treasury has concluded that banks are being overpaid for these services and some of the deposits should be transferred into interest-bearing form.

Auto Leasing Review Asked

The National Automobile Dealers Association (NADA) has filed a notice of appeal with the U. S. Court of Appeals seeking a judicial review of the recent Fed ruling that permits bank HCs to engage in auto leasing. The case is not expected to be argued until 1975.

NADA says that the Fed's personal property leasing rule not only eases bank HC entry into auto leasing, but encourages it.

FDIC Delegates Approval Authority

The FDIC has delegated approval of certain relatively routine applications to its division of bank supervision and to its 14 regional directors in an action to expedite application handling and to relieve the FDIC board of directors of part of its workload.

The delegated approval involves applications for de novo branches and other facilities as well as applications for relocations.

The new delegations permit the director of the division of bank supervision to use a "reasonableness" test in determining whether an applicant's aggregate fixed asset investment is satisfactory relative to its earnings capacity and in determining whether a commercial bank applicant's adjusted capital and reserves are adequate relative to its adjusted gross assets.

The new delegations authorize the director of the division of bank supervision to approve (but not to deny) applications by state member banks to retain their status as insured banks upon withdrawal from Fed membership, applications for approval of phantom bank mergers and applications for deposit insurance filed by new banks formed in connection with phantom mergers.

Larger Revenue Bond Role Sought

Congress has been asked to pass legislation to make more funds available to state and local municipalities for community development.

In testimony before a congressional subcommittee, the ABA asked that the Banking Act of 1933 be amended to allow banks to underwrite investment grade revenue securities issued by state and local governments.

The ABA argued that if these governments are to obtain the most advantageous interest rates and thus lower borrowing costs, their market access must be widened. The enactment of the ABA-favored amendment would also increase competitive bidding on new issues, improve the marketability of revenue bonds in the secondary market and broaden the number of investors attracted to municipal revenue bonds because of bank participation, the ABA said.

Chicago Banks Accused of Bias

The five largest banks in Chicago have been accused of bias against women by Women Employed, a new organization of working women. The alleged bias is in the areas of promotions and salary equality.

In an 18-page study, the organization said women bank employees are vastly underpaid and receive little advancement compared with male counterparts.

Spokesmen for the five banks have denied the charges and declared the study data to be erroneous.

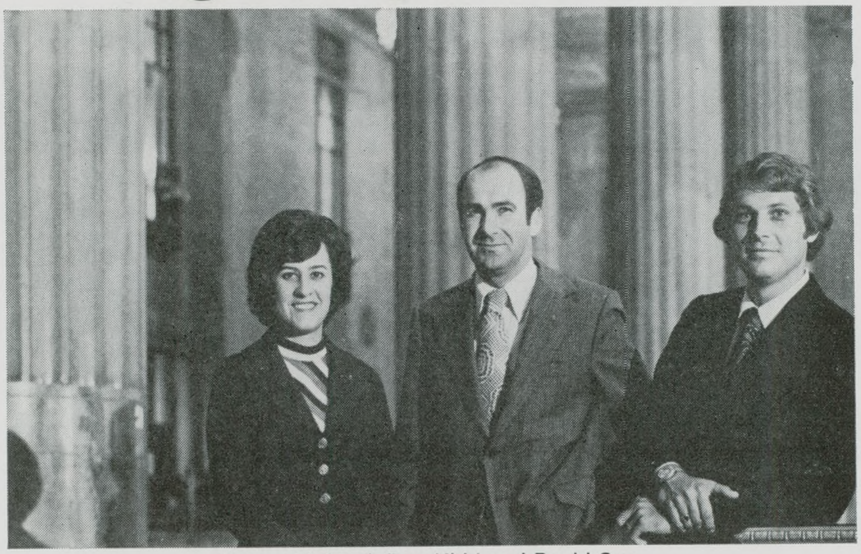
Compliance reviews of the institutions by the Office of Equal Opportunity Program have not been made since 1971-72. However, reviews are scheduled to be made soon.

Examination Experiment Instituted

The Fed and the Indiana Department of Financial Institutions have instituted a program in which the Fed will modify its state bank examination procedures in Indiana for an undefined period. Rather than conducting a complete examination, the Fed examiner will be present during the state examination and will complete reviews necessary to fulfill the Fed's statutory responsibilities.

State examiners will supply to the Fed reports of examination which will be used to prepare an internal evaluation of the bank's condition. The Fed will then correspond directly with the bank regarding any potential violations.

Let us give you F.A.C.T.S.



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Conventioneers Wrestle With Vital Issues In Changing World of Banking

Usury laws, structure changes, competition in spotlight

BY THE EDITORS OF MID-CONTINENT BANKER

USURY LAW restrictions, bank structure and competition were the three topics uppermost in the minds of bankers throughout the Mid-Continent area as state banker association conventions were held in April and May.

Several states seemed to be outbidding one another for the title of "worst off" regarding usury law restrictions, which bankers claim are inhibiting the business of banking. Most notable in this category were Missouri, Tennessee and Arkansas, with the latter emerging with the dubious honor of being in the worst "pickle" of them all.

The future of the multi-bank holding company movement and the status of branching held center stage in Illinois, which was the scene of *two* statewide banker association conventions, as well as in Louisiana, Texas and Arkansas. Almost every state convention reviewed the Hinky-Dinky situation in Nebraska, where an S&L made financial history this spring with the installation of Transmatic Money Service in two supermarkets.

The rapidly expanding area of competition from nonbanking quarters was a popular topic at conventions in Illinois, Kansas and Arkansas, where the encroaching financial services of firms such as Sears, Roebuck and General Electric (to name but two) were vividly described.

State banker association conventions are seldom arenas for action, but delegates in Alabama chose their 1974 convention as an opportune time to organize an independent bankers division (see page 38) and the executive council of the Tennessee Bankers Association called on the state governor to take action to remedy the usury law situation in that state at a meeting held during the Tennessee convention (see page 46).

Articles on the Hinky-Dinky situation and the status of nonbank competition appear on pages 21, 23 and 24.

One of the better-conducted campaigns to raise the usury law ceiling took place in Missouri during the past few months, under the direction of the Missouri Bankers Association. The attempt was not successful, as legislation had not come up for action when the legislature adjourned, but the campaign to raise the ceiling from 8% to 10% resulted in a study authored by Murray L. Weidenbaum, Ph.D. at Washington University, St. Louis, and consulting economist to First National, St. Louis.

Dr. Weidenbaum reported in the May issue of "First-St. Louis Bankers News" that Missouri's usury rate (as well as those in most other states) was not serving the best interests of the average citizen, even though the statute was originally intended to protect such citizens from usurious lending rates.

In reporting on studies made of various state usury laws, Dr. Weidenbaum wrote that all reports indicated that usury laws tend to act negatively toward people with poor credit ratings—the same group of people the law was designed to assist.

Bankers in states that have higher interest rate ceilings, he wrote, tend to lower their credit standards and expand credit opportunities, enabling them to absorb the losses associated with poor-risk loan applicants.

When a state is surrounded by states that have higher usury ceilings, he continued, funds tend to flow from the state with low rates into those with higher rates. Also, lenders tend to favor corporations and other investors, as these borrowers can be charged a higher rate (except in Arkansas, where the ceiling is across-the-board).

One of the major casualties of such a policy is the real estate industry, Dr. Weidenbaum wrote. The inability of many prospective home buyers to obtain mortgages has resulted in growing numbers of unsold homes, reduced construction activity and rising unemployment among construction workers.

A concerted effort to remedy the usury law situation in Arkansas is being undertaken by the Arkansas Credit Requirements Committee of Little Rock. Chairman of the committee is Pat Wilson, president, First Jacksonville Bank.

The committee is circulating petitions calling for a constitutional amendment that would place the question of usury laws under the jurisdiction of the state legislature so that the usury rate could be changed by legislative process rather than by cumbersome constitutional amendment.

A total of 69,000 registered voter's signatures is needed for the petitions to qualify by the July 1 deadline. A committee representative says there will be no problem in securing the necessary signatures.

The committee was formed earlier this year as a result of efforts by concerned businessmen in Little Rock, among whom was Edward M. Penick, chairman and CEO, Worthen Bank and First Arkansas Bankstock Corp.

The bank structure issue hits home in more states than the usury law controversy. The governor of Missouri has a bill on his desk setting limits on the rapidly growing HC movement in that state. The governor has until July 1 to sign the bill, which would limit any one HC's acquisition of deposits to 13% of the state's total. The bill represents a compromise between independent and HC banks and it's anyone's guess whether it will be signed.

Should it not be signed, the state's independent bankers vow they will resolve the issue by placing a more restrictive version on the November ballot. They have enough signatures to petition such action. Bankers are apprehensive of the scars from the battle that is predicted should such action be taken.

Two bank structure bills were introduced in the Illinois legislature this year on behalf of the Association for Modern Banking in Illinois (AMBI). An explanation of the content of the bills appears on page 30. At press time, no action had been taken on either bill and the legislative session will continue until the end of June.

Meanwhile, a group within the Illinois Bankers Association called the Independent Community Banks in Illinois has been formed to influence the leadership of the IBA to exert more pressure to promote the interests of unit bankers in Illinois. The group was successful in having its viewpoint adopted at the IBA convention last month in Peoria, a move that has been interpreted as further delaying any resolution of the rift that caused AMBI to be formed as a competing association with the IBA (see page 34).

Shortly after the Louisiana Bankers Association convention ended, two structure bills were introduced in the Louisiana legislature that would permit multi-bank HCs in the state. At present, only one-bank HCs are permitted.

According to Willard Whitmore, president and CEO, First National, Houma, and president, Louisiana Independent Association of Bankers, the bills are expected to die in the Senate Commerce Committee. However, should they be voted out of the committee, they face a tough fight in the legislature, he continued. At press time, more than 4,000 telegrams against the bills had been received by the committee.

Chief spokesman in favor of the bills is James H. Jones, chairman, First Commerce Corp., HC controlling First National Bank of Commerce, New Orleans. Mr. Jones has stated that states permitting multi-bank HCs have enjoyed accelerated industrial development, increased employment, higher per capita income and other benefits, all of which are needed in Louisiana.

Should the bills be defeated, there is little doubt that they will be submitted in subsequent legislative sessions.

Information about structure developments at other conventions appears in the various convention reports in this issue.

This year's state banker association conventions have reinforced the fact that conventions are no longer respites from work for bankers. Rather, they serve to provide valuable opportunities for bankers to be brought up to date on a multitude of critical situations that are drastically affecting the finance industry. • •

The 'Hinky-Dinky' Case:

Deposit, Withdrawal Services Provided By S&L at Supermarket Locations

By WILLIAM H. OSTERBERG
Executive Manager
Nebraska Bankers Association
Omaha

ALL STATE bankers associations, I am sure, have been studying the problem of competition, particularly competition from S&Ls. Recent developments in Nebraska have brought the question of this competition to the forefront.

In my state, First Federal S&L of Lincoln has created a "place-of-business" electronic funds transfer system called Transmatic Money Service (TMS). What is TMS? How does it affect commercial banking? What are the alternatives available to the banking industry to combat this type of competition?

First a little background: Last January 9, the Federal Home Loan Bank Board issued temporary regulations allowing federal S&Ls to establish "place-of-business" EFT terminals. These temporary regulations will be valid until July 9, 1974. Every indication is that the normal rule-making procedures will take place prior to expiration of the temporary regulations and that full authority to operate such terminals will be granted all federal S&Ls and, ultimately, all state S&Ls.

Let's look at how TMS operates. An S&L customer can apply for a TMS account at any First Federal branch or home office or complete a new-account form at a branch, by mail or at a TMS terminal in one of two Hinky-Dinky supermarkets. These new-account forms then are forwarded in postage-paid envelopes to the S&L's home office. The new customer receives a temporary paper card, and a plastic card is issued in 15 days.

At present, a TMS customer can use his card at two Hinky-Dinky locations in Lincoln, at First Federal's home office or at its branches. Other Hinky-Dinky stores, other grocery chains and retail merchandisers are negotiating to become part of the TMS system. Present card base on TMS is 24,000. First Federal has some 90,000 customers, and TMS or "place-of-business" terminals can be installed under the temporary regulations within 50 miles of any S&L branch or home office.

The TMS terminal is located at the supermarket's customer service counter, where checks are cashed, soda bottles returned, etc. To perform a transaction, the customer fills in the amount to be deposited or withdrawn on a transaction slip, which then is given to the teller along with the customer's Transmatic card. The customer also gives the teller a four-digit identification code. The teller imprints the slip and, placing the TMS card in the IBM unit, calls First Federal's computer in Lincoln. When the computer is ready to receive the transaction, it responds orally with the word, "proceed." Using the terminal keyboard, the teller sends a three-digit code for the type of transaction to be made, the customer's identification code and amount to be deposited or withdrawn. To complete the transaction, the teller pulls the drawbar over the card, and the IBM terminal reads the magnetically coded information to the computer. Then the teller accepts the deposit or gives the customer the money requested. The whole process takes less than a minute. There's no question as to the validity of the customer's credit. Deposits and withdrawals are quick and simple.

William H. Osterberg is shown speaking at the Missouri Bankers Association's convention last month in St. Louis. The article beginning on this page is based on the talks given by Mr. Osterberg at both the Missouri and Oklahoma Bankers associations' conventions.

Daily transaction data are posted to an activity-file display at the Hinky-Dinky Center in Omaha. First Federal reconciles and settles daily with Hinky-Dinky. There is no customer charge, either from the S&L or supermarket. Fees for terminal space are being negotiated by First Federal and Hinky-Dinky. Transactions are guaranteed both for Hinky-Dinky and TMS cardholders.

At the two terminals for the first 30 days of operation, there were 2,057 transactions. The preponderance of them were in the form of deposits—$242,868. Withdrawals totaled $37,856, and so net deposits were $205,012. Average savings deposits, net per day, were $6,837. There has been an average of 68 transactions per day, and 500 new accounts were opened in the first 30 days. Deposits ranged from $50 to $6,000. Assuming an average of $7,000 per day in deposits on a yearly basis, they would yield $2,555,000. However, First Federal has indicated it's averaging $10,000 per day in deposits, which, for a yearly yield, would be $3,650,000. If all Hinky-Dinky stores would install TMS terminals—and there are 15 throughout Nebraska—we could assume a generation of $54,750,000 in deposits in a year's time through Hinky-Dinky locations.

Fees are being negotiated between First Federal and Hinky-Dinky and probably will be between 30¢ and 40¢ per transaction. At first, this sounds like a tremendous figure. Let's see whether it is:

Assuming 40¢ per transaction times 2,057 for the first 30 days equals $822.80. Dividing that cost by the two locations gives us $411.40 per terminal. Dividing that by 30 days, we get a cost of $13.71 per terminal per day. I doubt that any financial institution can provide a 12-hour teller, seven days a week for $13.71 per day. (Cost of the IBM 2730 terminal is $500.)

What about the backup costs at

First Federal? They're almost zero because the S&L already had a computer operation and is merely tying to that via telephone lines. Thus, it's using existing technology and equipment, the cost of which already had been assumed.

I want to emphasize that negotiations are in progress at other Hinky-Dinky locations, other grocery chains and also sellers of retail merchandise in Nebraska. Also, other federal S&Ls have been offered the service through First Federal's computer. Two such S&Ls were scheduled to go on line early this spring. Joint advertising appeared recently in Omaha papers for Nebraska S&L in Omaha and a federal S&L in Council Bluffs, Ia. First Federal just announced that eight S&Ls would go on the system as soon as a suit filed by the state attorney general to prohibit the TMS operation is settled. First Federal now is temporarily restrained from continuing the operation. (Editor's note: The consensus is that First Federal probably will be allowed to go ahead with TMS.)

What effect can this "place-of-business" EFTS have on commercial banking? It can result in loss of individual checking and savings accounts. For instance, John Q. Public has three accounts—Master Charge, BankAmericard and TMS. He deposits his paycheck at a TMS terminal location, withdrawing his pocket cash and cash for groceries. He makes the remainder of his monthly purchases on either Master Charge or BankAmericard. Most restaurants, service stations, retail chains, etc., accept one or both of these cards. John Q. has a pre-authorized-payment agreement with the S&L on a monthly basis to pay his Master Charge or BankAmericard bills, utilities and home loan. He has use of the bank's money on his charge cards for approximately 45 days with billing cycle, interest free, plus getting 5¼% on his own money during that period. In no way does he require a checking account.

It's possible that a loss of commercial checking-account balances would occur because most retailers would carry accounts with S&Ls for settlement purposes on the TMS operation.

Both major S&Ls in my state, and I am sure in other states, too, have either transmatic or other types of service that allow a corporation to call and transfer from its checking account to its passbook account at the S&L. The latter pays interest on receipt of the call and transfers back to the checking account on notice from the corporation. Assume that XYZ Corp. would transfer via telephone on Friday demand accounts in commercial banks in the amount of $10 million to its passbook account at an S&L. The demand account over the weekend is zero; the passbook account, $10 million. The corporation receives 5¼% interest for three days—$4,315. The S&L invests in the money market at 10% for three days—$8,219. Net gain to the S&L—$3,904. Net gain to the corporation—$4,315. Net loss to banking—$8,219.

Increased uses of TMS in the traditional fashion could cause further disintermediation or loss of funds to banking and might possibly have adverse effects on the entire payments mechanism. Many bankers question what effect this might have outside major metropolitan areas. I can answer that question.

In Nebraska, the two largest S&Ls and their branches have assets totaling $1 billion. By drawing 50-mile circles just around the federal S&Ls and their branches in Nebraska, almost every locale is covered. When we add state S&Ls, just about the whole state is covered.

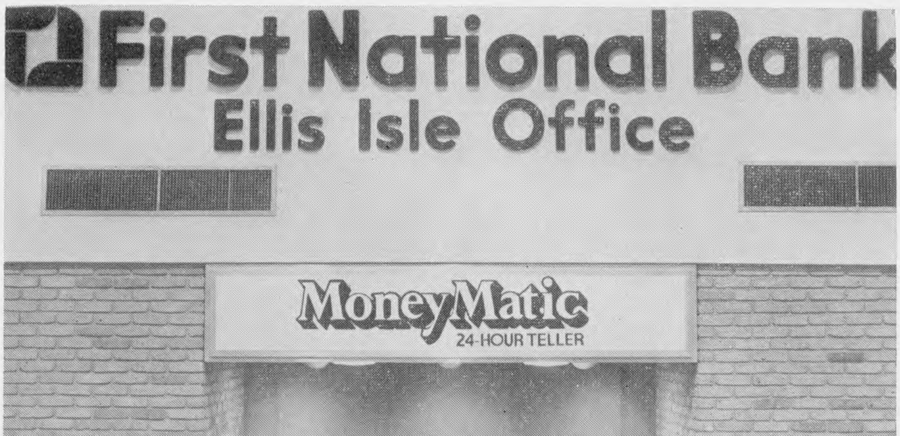
This could have an enormous effect in your state as well. It's evident that if S&Ls technically have the opportunity to provide these kinds of services, they will do so, and each bank in our states could be affected. In your bank, think how close you are to an S&L home office or branch.

We have covered the TMS operation and discussed how this might affect our states. Now what can be done to compete with S&Ls in offering retail financial services?

Let's look at a possible solution. Bear in mind that I, as a representative of the NBA, am not trying to sell bankers in other states a package or determine what avenues they might take. This possible solution is the Nebraska Electronic Transfer System—NETS. It's technologically feasible to provide competitive retail banking services for all banks and their customers through operation of the NETS system. Package retail banking services would include accepting deposits, accommodating withdrawals, providing access to all classes of bank accounts and facilitating third-party transfers. The NETS system would service those off-premise locations required to fit public demand and convenience.

We are talking basically about NETS point-of-sale terminals, where an individual banking customer could transact his financial business via electronic means. The NETS system would have to be built to accommodate many differing levels of both merchants and bank-processing capabilities. It's designed for three levels of sophistication for the merchants, ordinary telephone, "place-of-business" terminal or electronic cash register.

(Continued on page 44)



First Nat'l, Jackson, Miss., is expanding its service to customers and thus meeting thrift institutions' competition by installing automatic tellers in a supermarket called Warehouse Food Center. The two Docutel 24-hour teller terminals are located adjacent to the checkout stands. The supermarket is designed like a huge warehouse, and its customers may buy in the conventional retail way or may purchase in wholesale quantities, all in the same place. First National's MoneyMatic installation is on a wall along a mall containing a variety of retail stores. There are no doors or walls separating the machines from the public mall area. A night depository also is available near the automatic tellers. More than 85,000 persons shop at the supermarket each week, and additional thousands patronize the restaurants, retail stores and theaters in the surrounding Ellis Isle shopping center area. This high-traffic volume provides a customer potential not found in many places, and automated tellers make it possible to offer banking service to these customers without a costly installation or operation. According to a First National spokesman, before long automated banking service will be a regular fixture of most large supermarkets.

EFTS—An Effective Tool to Help Banks Meet Thrift Institutions' Competition

"EFTS"—electronic funds transfer system—is rapidly becoming a household term for bankers and for our energetic competitors, the thrift institutions.

By HENRY G. BLANCHARD
Chairman
Commercial National Bank
Kansas City, Kan.

Financial newspapers have devoted a great deal of space recently to the new Transmatic Money Service or TMS, which was put into operation by First Federal S&L in Lincoln, Neb. (See page 21.) Early this year, First Federal put two point-of-sale (POS) computer terminals in two Hinky-Dinky supermarkets in Lincoln. The terminals are connected on line to the central computer at First Federal and cost only $500 each. Any First Federal customer who has been issued a plastic card may take that card to the POS terminal at the customer service counter at either of the two supermarkets and make either a deposit or withdrawal.

During the first six weeks of operation, the two POS terminals processed 1,585 existing accounts. In addition, 672 new accounts were opened. There was a total of $645,000 in savings deposits and total withdrawals of $40,000, so the total net gain in deposits from the two terminals in just six weeks was $605,000. I think this amply demonstrates consumer acceptance of the POS terminal system.

One can quickly visualize that, with the third-party-payment powers S&Ls now have to handle consumers' regularly scheduled bills, such as utility, house payments and others, most of our customers could deposit their entire paychecks in S&Ls via supermarkets. They could withdraw some cash for personal use, then use bank credit cards, whose bills also could be paid regularly each month by an S&L, and thus have little need for bank checking accounts. More important to consider, perhaps, is the fact that there's no charge to either the customer or the merchant through TMS, and the deposit draws dividends, which are referred to as "interest."

The TMS system has been suspended because of pending court action. It's interesting to note, however, that both the Nebraska Bankers Association's general counsel and First Federal's general counsel believe the odds are overwhelming that this system will not be stopped in the courts. In fact, at a recent meeting, a First Federal S&L representative publicly said that when his association goes back "on the air," there will be nine Nebraska S&Ls tied into TMS, and First Federal has offered to make the system available to all S&Ls in the state. In addition, S&Ls from other states have been inspecting the First Federal operation and are seriously considering initiating a similar TMS system. One of these S&Ls is in Kansas. Most bankers conclude there certainly is nothing "rinky-dinky about Hinky-Dinky."

It's also important to note that the Nebraska TMS system is not just an isolated instance. There are many experimental projects going on today involving EFTS, and many of them are at the point-of-sale-terminal concept already.

The Federal Home Loan Bank System has an EFTS project director named Richard Collins, who coordinates the 12 districts and involves himself in research and investigation of needs to support EFTS for the thrift industries. In all 12 district banks, there is an EFTS coordinator whose job is to keep up with activities of individual S&Ls. A newly appointed director of the FHLBB was very active in the state of Washington in a project involving several S&Ls. This project is in Bellevue, Wash. A plastic card with magnetic stripe—called the Exchange Card—was initiated and used by 15 institutions. By June of this year, a 24-hour-a-day automatic teller service is to be installed in a building in the center of Bellevue Square, and customers of the 15 thrift institutions will have complete access to it via the card 24 hours a day.

Also, the U. S. Savings & Loan League has an exceedingly active EFTS research department.

There are other specific examples. The Ohio S&L League has an ongoing EFTS committee with seven task forces and is in the process of establishing a full-time EFTS staff. The Florida S&L League is establishing an EFTS subsidiary. The Virginia S&L League has just hired a full-time EFTS staff person. A New England Council of Thrift Institutions has just been formed and is studying crossing industry lines, similar to the Washington project. S&Ls in Philadelphia and St. Louis are studying the same possibility and are ready for experimentation.

The FHLBB has issued a temporary regulation that gives S&Ls the authority to install TMS point-of-sale terminals in any store located within a 50-mile radius of the home office or branch of an S&L. There's hardly a community in Kansas—or probably any other state—that could not be touched

(Continued on page 65)

The article beginning on this page is based on a report given by Mr. Blanchard as president of the Kansas Bankers Association during the 1974 KBA convention.

Large Retailers and Manufacturers —New Competitors for Banks

By REX J. MORTHLAND
President
American Bankers Assn.

THERE WAS a time when the only competition a banker really had to worry about was the banker across the street, or perhaps in the next town. And while none of us really wanted competition, we recognized that it made us try a little harder and thereby provided better service to our customers. It also generated banking innovations—new services designed to attract more customers by better meeting the financial needs of our clientele. We weren't afraid of fair competition—as long as we were all competing under the same ground rules.

Then the game became a little more complicated. Nonbank thrift institutions entered the field, limited in the types of loans they could make but armed with an array of special privileges to help them attract funds. And for at least the past decade, we've seen them attempt to expand their operations into new territory—territory we had come to consider our own. Again, while we didn't exactly welcome these new competitors, bankers generally have been willing to compete in consumer services with nonbank thrifts—as long as all are competing under the same ground rules. Thus, new powers for thrifts had to mean an end to special privileges—it's as simple as that.

But while we have been focusing on bank and nonbank thrift competition, new challengers have entered the field—challengers many bankers have not yet recognized as strong competitors in the finance business. I'm not talking about the travel and entertainment card companies, although they are certainly important competitors for our credit card operations. Nor am I talking about insurance companies—long recognized as significant competition in some financial areas. I'm talking about the expanded financial operations of the larger retailers and manufacturers.

More than three years ago, the ABA pointed out that large retailers could become major competitors for banks in offering consumer financial services. In a report on "Competition for the Commercial Banking Industry in . . . an Electronic Payment System," the ABA said: "Major competition between banks and large retailers will not only exist for customer credit but for a more important goal, which is management of the family's finances."

That was three years ago. Today much of that potential has been realized. More and more retailers and manufacturers are beginning to offer financial services—and they are offering a wider variety of them than ever before. Nor are they content to stick simply to the consumer market—today many of these companies are heavily involved in all kinds of commercial lending. In short, while banks have been caught up in a series of skirmishes with nonbank thrift institutions and other banks, these nonregulated competitors have taken a sizable bite out of our financial market. And their appetites show no signs of abating.

Although most of my remarks will be devoted to this new competition in the area of assets, we also need to recognize that these retailers and manufacturers are becoming important competitors for funds as well as for loans. The reason is obvious: You can't make loans unless you have something to lend.

Mr. Morthland gave the speech on which this article is based at the Illinois Bankers Association's annual convention last month. Mr. Morthland is ch., Peoples Bank, Selma, Ala.

Where do retailers and manufacturers get their funds? They get them from borrowings, including activities in the commercial paper market. And an increasing number are getting them from short-term notes or debentures, some in denominations as low as $50 offering attractive interest rates. Through these activities it's clear that manufacturers and retailers will become increasingly important competitors for funds, particularly during periods of rising interest rates.

What exactly are the dimensions of their competition for loans and financial services? To begin with, Ford, ITT, Control Data, Gulf & Western and Marcor are all engaged in short-term commercial lending. They also offer long-term commercial loans, as do General Electric and Westinghouse. Control Data provides factoring services. Equipment and personal property leasing are available through Ford, ITT, General Electric, Borg-Warner, Westinghouse and Control Data; and many of these large nonfinancial companies also provide venture capital, inventory finance and insurance.

These new competitors also are heavily involved in consumer financial services. A recent study published by First National City Corp.[1] documents the extent of their participation. As of January, 1973, the study says, the nation's three largest retail chains had consumer installment receivables outstanding equal to more than 11% of total consumer installment loans held by the nation's 14,000 banks. Sears Roe-

(Continued on page 77)

1. *Cleveland A. Cristophe, "Competition in Financial Services" (New York City); CitiCorp. (1974)*

Now what do you do?

It's the tough thirteenth and you're under a tree. To pull this one off, you'll have to make a solid decision and carry it through. But to make the right decision, you'll have to know exactly what your options and your capabilities are.

The banking business produces the same types of problems . . . moments of crisis when you have to assess the situation accurately, mobilize your resources, and act quickly to profit from your opportunities. In these moments you'll learn to appreciate the kind of correspondent **Action** you get from Fourth National of Tulsa.

Fourth provides both the financial facilities you'll need, and the kind of alert, clear-eyed correspondent know-how that produces profitable results.

If you're ready for a really "pro" correspondent, call Glenn "Red" Ward or Wilber Waters. They'll provide the driving "will to win" to get things moving—and keep them moving toward the championship. Remember: When you need an Action correspondent, recruit Fourth National . . . the Action Bank of Tulsa. It's the way to win.

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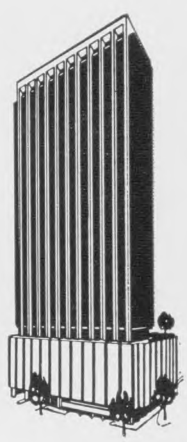


Multi-Office Banking Goal Attainable in Illinois, AMBI Conventioneers Say

Press conference during AMBI's first convention is held by Walter J. Charlton (l.), AMBI pres., and Henry E. Seyfarth, ch. of AMBI's board. Mr. Charlton is pres., First Trust, Kankakee; Mr. Seyfarth is ch., First Nat'l, Blue Island.

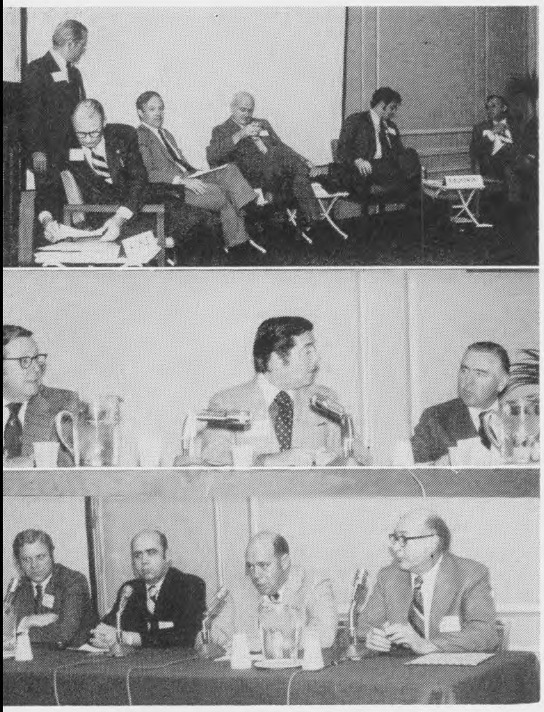
By ROSEMARY McKELVEY
Managing Editor

IF ANY DESCRIPTION fits the first annual convention of the Association for Modern Banking in Illinois (AMBI), it's "confident."

Despite the fact that the state has had an anti-branching law for about 50 years, AMBI's leaders and members firmly believe they will get branching and multi-office banking bills passed next year. This confidence was reflected in topics such as "Successful Marketing Management in a Multi-Office Environment," "Problems and Possibilities in Running a Multi-Office Holding Company," and "Observations on Multi-Office Banking From the Regulatory Authorities," in a press conference held on the first morning of the two-day meeting, in talks by AMBI's top officers, Walter J. "Jack" Charlton, its president, and Henry E. Seyfarth, its chairman, and in conversations between sessions and at luncheons and dinners.

However, no one connected with AMBI is overconfident. All members realize they have a fight ahead of them, and this feeling, too, was evident throughout the meeting, held April 29-30 at the Drake Oakbrook in Oak Brook, Ill. Delegates were urged many times to contact their legislators, to get their employees active in promoting AMBI's aims and to take their case to their customers and line them up behind the proposed liberalization of Illinois' banking laws.

Two bills—SB 1312 and SB 1313—were introduced at this year's General Assembly to bring full-service facilities and multi-bank HCs to the state, but are given little chance of passage. The big push for such legislation, according to AMBI spokesmen, will come at the 1975 General Assembly.



TOP: Legislative panel members prepare for their appearance before AMBI's first annual convention. Standing is Walter R. Lohman, ch. of AMBI's executive committee, and pres., First Nat'l, Springfield, who introduced panel. Seated, l. to r., are: Albert Imle, legislative consultant to AMBI and member of Chicago law firm, Maher & Imle; Harvey B. Stephens of Springfield law firm, Brown, Hay & Stevens; Representative William Walsh of Illinois House of Representatives; Senator Philip J. Rock of Illinois Senate; and Robert H. Bukowski, ch., AMBI's legislative committee, panel moderator and sr. v.p., Continental Illinois Nat'l, Chicago. Representative Walsh and Senator Rock were principal sponsors of bills that would introduce multi-office banking into Illinois.

CENTER: William N. Flory (c.), ch., AMBI's public information committee, and v.p., Harris Trust, Chicago, moderates panel on "Successful Marketing Management in a Multi-Office Environment." Panel members are Raymond O. Herman (l.), director of research, Citizens & Southern Nat'l, Atlanta, and Eugene J. Callan (r.), v.p., First Nat'l City, New York City.

BOTTOM: "Observations on Multi-Office Banking From the Regulatory Authorities" are made by panel consisting of (l. to r.) H. Robert Bartell Jr., at that time Illinois commissioner of banks; James A. Davis, Chicago regional director, FDIC; Charles B. Hall, regional administrator of national banks, Chicago; and James R. Morrison, sr. v.p., Chicago Fed. Mr. Bartell recently resigned his Illinois banking post to become pres., Federal Home Loan Bank, Chicago.

AMBI, by the way, was formed early in 1973, but didn't become operational until after the Illinois Bankers Association's 1973 convention, at which the IBA's traditional stand against any type of multi-office banking again was adopted. Bankers disenchanted with such a stand activated AMBI, and many banks that had been IBA members—including several big ones in Chicago—pulled out to join AMBI. Since then, the latter's membership has grown to 257 (which also was the official registration at its first convention), and—according to Mr. Charlton—its members control more than 75% of the state's banking assets.

Mr. Charlton's Message. In his report, Mr. Charlton (president, First Trust, Kankakee) said that, unfortunately, arguments about multi-office banking in Illinois, as well as in most other states, are emotional and, for the most part, revolve around issues that are taken out of context of the whole picture and, in many cases, relate to an individual preference. He believes that a few people pick out some very strong points they don't like about the program and then design their entire thinking around those few points, completely forgetting the objective of the entire program.

"Our system," he continued, "is built on free competition, and in that climate to survive, you must provide the best of the choices in the market place. There are no geographic or product monopolies in our market. Managements in small banks have the assets to compete with any large banks . . . *if they choose to do so*. Too often, we have used the smoke screen of public safety to emphasize the need for regulatory restrictions on our business."

According to Mr. Charlton, competition has never produced bank fail-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ures, and today—more than ever before—deposit insurance and national economic policy have largely solved this problem.

Mr. Charlton said that the sharing of management talents and providing better opportunities for training and development of bank managers are two of the best arguments for multi-office banking. He preceded this argument by stating that finding competent bank management people is one of banking's biggest problems today.

Mr. Charlton quoted Walter B. Wriston, chairman, Citicorp, New York City, as saying, "We in the banking community are losing our position as the premier deliverer of financial services across the country." Mr. Charlton continued that facts show that financial assets owned by banks, which constituted a 57.4% market share in 1946, dropped to 38.1% at the end of 1972. Yet many bankers, he said, are not willing today to face who their competitors really are. Some have the misguided opinion, according to Mr. Charlton, that as long as they don't have another bank in their area, they have no competition. He pointed out that AMBI has gained some new members over the past year because those bankers finally saw branches of S&Ls springing up across the street from their banks. Many fail to realize, said Mr. Charlton, the danger of giving direct competitors like S&Ls and credit unions the privilege of multiple offices and, at the same time, keeping banking in Illinois in a straitjacket.

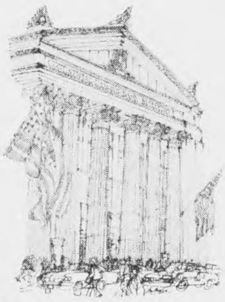
Again quoting Mr. Wriston, the AMBI president said the largest private bank for personal business in the world is Sears, Roebuck, which has more credit cards outstanding than either Master Charge or BankAmericard.

There is nothing to prevent Sears from developing a personal investment instrument that could be sold to consumers through its catalogs and retail outlets, continued Mr. Charlton, who added that this instrument could easily, in this market, yield more than the allowable savings rates of banks and would be another means to syphon off important savings dollars from large and small banks.

"While the people in our industry are arguing with one another about the advisability of extending branch banking to one more block, or one more county, or one more state," warned Mr. Charlton, "our nonbank competitors are opening outlets for delivery of financial services anywhere in the country."

Mr. Charlton told his listeners that AMBI banks aren't afraid of competi-

Pictured during AMBI luncheon are (l. to r.): J. Robert Effinger, pres., Oak Brook Bank; Marion G. Hocker, v. ch., Gary-Wheaton Bank, Wheaton; Lee M. Howerter, pres., Mercantile Bank, Quincy; Leslie V. Bjork, v.p., First Nat'l, Chicago; and David A. Sawyer, director of equal opportunity and chief compliance officer for banks, U. S. Treasury Dept., Washington, D. C. Mr. Sawyer spoke at AMBI convention on "Developing an Affirmative-Action Program for Banks."



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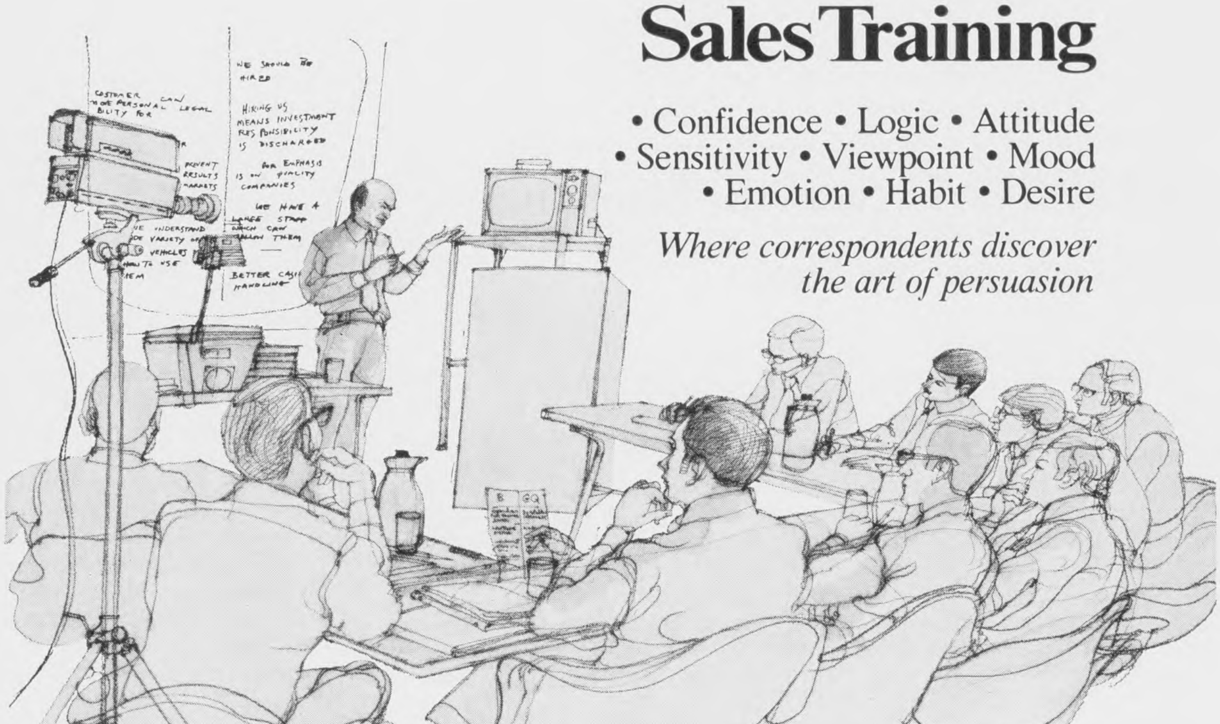

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tion; they want competition, and what they need is the freedom to compete. The association, he said, realizes that banking's survival may well be at stake in whether we achieve this freedom. AMBI banks, he emphasized, don't want to sue one another in an attempt to divide up markets, they want to go out and compete with one another.

The AMBI president said bank regulatory authorities have come to realize the importance and advantage of broadening bank structure and operating regulations. The Fed, Comptroller, FDIC, state banking department, he continued, all moved in that direction. Even the Illinois Bankers Association, he pointed out, made an intelligent study that came up with a broad program of structure change, which coincidentally is the basis of AMBI's legislative proposals.

In a press conference that followed his speech, Mr. Charlton told reporters that there can be no reconciliation between the IBA and AMBI unless the IBA moves to AMBI's position. He maintained that small banks have as much of a stake as large banks in obtaining multi-office banking because of the large capital needed to finance Illinois agriculture. He also pointed out that if a large bank in Illinois should fail, it would have to be closed now, but the type of legislation sought by AMBI would allow the case to be settled without closing as was done in the branching and HC state of California in the case of San Diego's U. S. National.

Mr. Seyfarth's Remarks. In his talk, Mr. Seyfarth (chairman, First National, Blue Island) said Illinois residents are getting a "bad shake" as a result of the state's antiquated and highly restricted banking laws. He pointed out that the economies of Illinois, New York and California are relatively equal in terms of goods and farm products produced, yet Illinois is a poor third in bank resources—New York having $252 billion, California $102 billion and Illinois $69 billion. The commercial banking industry in New York affords employment to 146,000, continued Mr. Seyfarth; in California to 115,000 and in Illinois to only 59,000.

"Proper development of Illinois' commercial banking industry," said the AMBI chairman, "would bring about employment of many more thousands of persons and would have the direct effect of lessening Illinois' rate of unemployment. Creation of more and better jobs is one of the more potent influences in the development of a healthier and more prosperous economy."

In the face of a growing need for capital throughout the world in the decade ahead, said Mr. Seyfarth, Illinois clings to an archaic system of commercial banking that, if persisted in, will have the inevitable effect of further retarding Illinois' growth.

According to Mr. Seyfarth, Illinois cannot develop a commercial banking system comparable to that of New York and California and achieve its rightful status as a financial center as well as an agricultural and manufacturing center unless it eliminates the restrictions on location and organizational structure that prevent banking units from expanding if they choose. He believes the inefficiencies and delays inherent in the strict unit system of commercial banking are a negative force that will continue to prevent Illinois from competing successfully in the world of finance and will continue to deprive Illinois of the benefits that will flow naturally from a broader-based, bigger and better commercial banking industry.

Mr. Seyfarth said Illinois minorities are being seriously disadvantaged by the state's "horse-and-buggy" banking laws. He backed this statement by saying that thousands of economically favored whites have left the cities for the suburbs, and—unless there is a heavy concentration of immobile business in the affected city area—blight and decay set in immediately. Affected bankers, S&Ls and lenders who must depend on economic activity and the flow of funds immediately look for ways to follow their old customers. Unregulated lenders and S&Ls have promptly abandoned such areas, he went on, and banks are faced with the choice of liquidation, prompt or gradual. The sufferers, he pointed out, are the inhabitants of these areas and the banks' staffs and stockholders.

According to Mr. Seyfarth, a logical solution to this serious problem is appropriate change in banking laws that would permit banks that want to follow their customers or relocate to do so only on condition they retain banking facilities in affected areas to adequately serve communities' needs and play constructive roles in rebuilding.

Multi-office banking, as proposed by AMBI, continued Mr. Seyfarth, would go a long way in achieving this result, particularly in view of the association's

Two AMBI Bills Seek Multi-Bank HCs And Full-Service Facilities

LEGISLATION proposed this year by the Association for Modern Banking in Illinois consists of two major bills:

1. SB 1312 would amend Sections 2 and 5 of the Illinois Banking Act to provide for establishment of full-service facilities within the marketing area of an individual bank.
2. SB 1313 would repeal the existing Bank Holding Company Act of 1957 and adopt a new Bank Holding Company Act that would allow establishment of multi-bank HCs subject to certain restrictions.

The facility amendments to the Illinois Banking Act would give a bank the power to establish and maintain a full-service facility within the county in which the bank's home office is located or within 20 miles of its home office, whichever is greater. There is protection for all established banks in the state or those chartered prior to the act's effective date.

The second act proposed would repeal the existing Bank Holding Company Act of 1957 and adopt a new act to be known as the Illinois Bank Holding Company Act of 1974. The act provides for establishment of bank HCs in Illinois and defines such a company in the same manner as it is defined in the Federal Bank Holding Company amendments of 1970.

The act provides that a multi-bank HC shall operate within one of five banking districts in Illinois. Within these five districts, a bank HC may acquire or establish control of two banks in Illinois the first year after adoption of the act, two banks the second year and four banks each year thereafter, with the proviso that in the event a bank has not acquired or established two banks the first year, it may cumulate its allowance in the second year, but it may not cumulate thereafter. No bank HC may acquire more than 10% of the domestic deposits less negotiable CDs of all the banks in Illinois located in the banking district where the bank HC is located. This would preclude certain large banks in the state from acquiring any additional banks because they already control more than 10% of domestic deposits. The act further prohibits acquisition of any Illinois bank by any out-of-state or foreign bank.

Both bills are fully integrated so that no matter which form of multi-office structure, facility or HC a banker elects, his expansion rate is the same. • •

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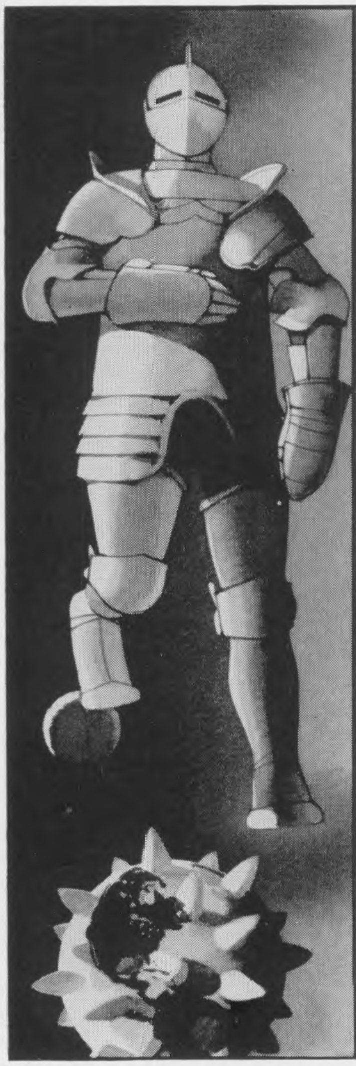

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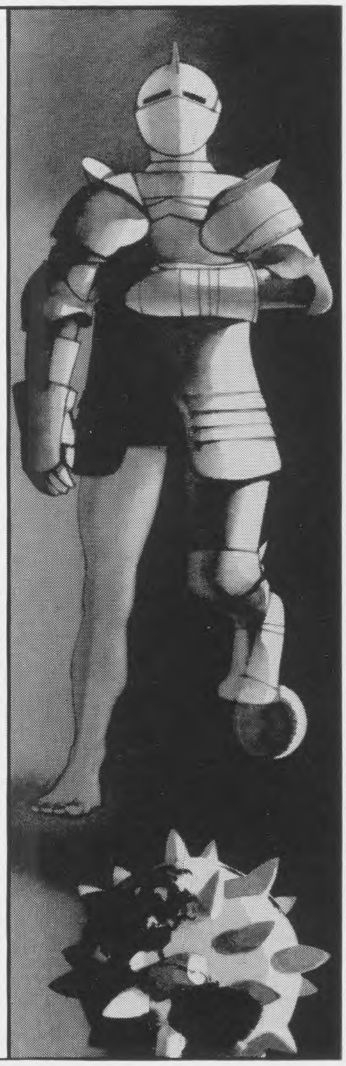

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support for the type of legislative solution just mentioned.

To further prove his case, Mr. Seyfarth said Illinois has the lowest number of bank offices per thousand of population of any state in the union. According to the latest available statistics, he continued, Illinois has one bank for every 10,000 persons, whereas the average nationally is one bank for every 5,500 persons.

He believes it's obvious that with Illinois having only about half as many banking offices per thousand of population, consumers of banking services are relatively inconvenienced from a location point of view, and this physical inconvenience to consumers is compounded by mass shifting of population in recent years. This shift, said Mr. Seyfarth, has left vast areas in the state totally unbanked or insufficiently banked simply because the state's banks are immobilized by Illinois law. Of the 1,272 cities, towns and villages in Illinois, he said, 557 are without a bank and inhabitants must go elsewhere for banking services. In many of the 715 communities with banks, said Mr. Seyfarth, there has been population erosion to the extent that in over 200 smaller communities, existing banks are marginally profitable and would serve more people if relocation and retention of a branch were permitted under state law. Capital requirements of starting a new bank are too great to justify a return on investment, he told convention delegates, whereas establishment of a branch or facility could and would be justified.

He showed his confidence in AMBI's gaining its objectives by saying that the state's governor, lawmakers and the public itself cannot help but be persuaded by the overwhelming and massive evidence in favor of the prompt adoption of modern and progressive banking laws.

Legislative Panel. One of the highlights of AMBI's first convention was a legislative panel moderated by Robert H. Bukowski, chairman of AMBI's legislative committee and senior vice president, Continental Bank, Chicago. Participants included the two principal sponsors of AMBI's proposed legislation—Senator Philip J. Rock and Representative William Walsh. Delegates were treated to a candid round-table discussion of life in politics, its effects on personal and family life, role of legislative consultants or lobbyists, as they are more often called, how legislators work in their respective parties and a step-by-step description of the life of a bill. Of course, the emphasis was on the AMBI legislation and how the association's members could help get it passed in 1975. It was acknowledged that the two bills introduced at this session had little chance and that they were introduced mainly to keep the issue in the forefront. Delegates were warned that, although the 1975 session doesn't start until next January, there really isn't much time to get plans underway to get the bills passed. They were asked to contact their legislators, to organize teams in their legislative districts, to get their employees interested in seeking new legislation and, if possible, get people outside banking who favor multi-office banking to work for it.

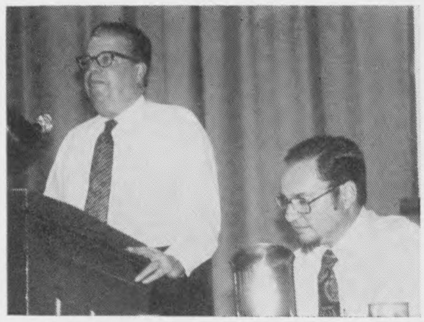
The business-packed program was not entirely focused on multi-office banking. Other topics included "The Evaluation of Bank Stocks," "Developing an Affirmative-Action Program for Banks," "The American Economy—Is There Light at the End of the Tunnel?," "Competition in the Retail Marketplace" (given by a representative of the S&L industry) and a look ahead via "Banking in the '80s . . . Are You Ready?" • •

New Department Is Organized At Harris Bank, Chicago

CHICAGO—John L. Stephens, senior vice president at Harris Bank, has been named head of corporate and employee relations administration, a newly organized area in the bank. Consolidated in the area are public relations, advertising and marketing services and personnel administration. Public affairs functions will be added later this year.

Lambert W. Bredehoft, senior vice president and head of the international banking group, retired April 30 after 40 years with the bank.

A VOTE ON POLICY CHANGES filled every seat in the convention hall. Each bank was permitted one vote and the bank's official delegate was designated by badge. Below: "Heated" session caused presiding officer William O. Kurtz, incoming IBA president, and the convention's official parliamentarian to doff their coats.



Illinois Bankers Amend Policy On Multi-Office Banking

By RALPH B. COX
Editor & Publisher

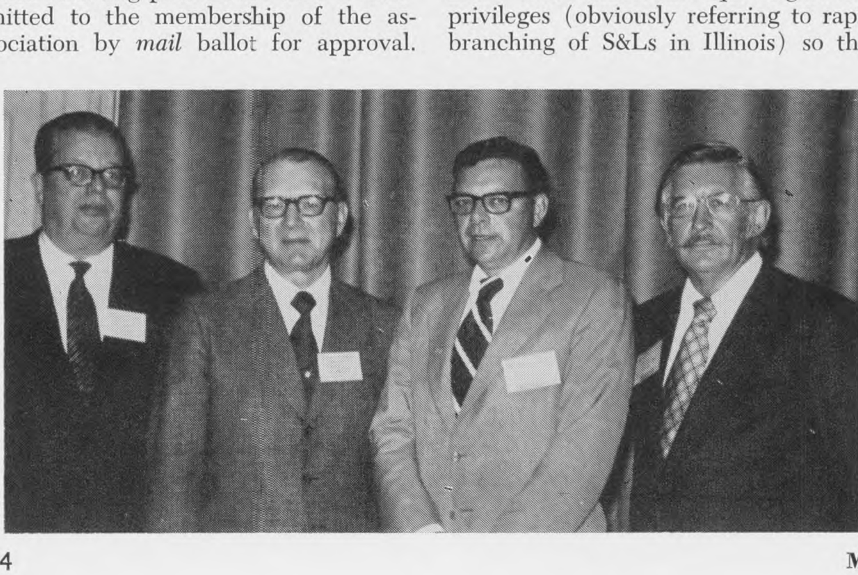
ILLINOIS bankers, at their annual convention in Peoria last month, amended their perennial policy against branching or multi-bank holding companies. They agreed, by almost unanimous vote of 900 "official" delegates, to consider a bank structure bill by the end of 1974.

In official terminology, the resolution passed by Illinois bankers said they would "Take immediate steps to develop a plan for possible structure change which could adequately compete with these developments (rapid expansion of S&Ls and credit unions). Such resulting plan would then be submitted to the membership of the association by *mail* ballot for approval. Until the membership approves such a plan, the officers and administration of the association shall continue to oppose any structure change. However, realizing the importance of expediency, this action should be completed before the year-end 1974, at the latest."

A preamble to the resolution recognized that a change in structure *might* be needed in order to allow Illinois banks to continue to fully serve the consumer and to establish equal rights and privileges (obviously referring to rapid branching of S&Ls in Illinois) so that the maximum public benefit may be achieved through competitive equality among all types of fifinancial institutions and systems.

In previous years, Illinois bankers had been steadfast in a policy which opposed all forms of multi-office banking in the state. As a result, advocates of a change in policy to a position of "neutrality" withdrew from the association in 1973 when Illinois bankers reaffirmed their long-standing policy by a vote of approximately two-to-one. This group, some 300 strong and representing as much as 75% of the state's banking assets, formed a new association called the Association for Modern Banking in Illinois. Members of AMBI held their own convention this year and have advanced their own legislative proposals in the state capital. (See pages 26-32 for a complete report on the AMBI convention and its legislative aims.)

The new IBA policy, while acknowledging a change "may be" needed and agreeing to develop a plan for "possible" structure change, does not spell out whether the form of that change would be in the form of limited branch-



NEW IBA OFFICERS: President, William O. Kurtz, pres., Metropolitan Bank, Chicago; 1st v.p., Arthur F. Bushboom, pres., Bank of Rantoul; 2nd v.p., Ray G. Livasy, pres., Millikin Nat'l, Decatur; and treas., H. Hurst Gibson, pres., City Nat'l, Rockford.

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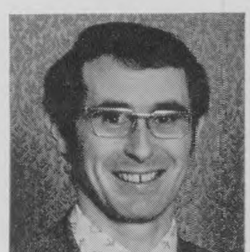

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LaSalle at Washington/LaSalle at Wacker 60690/Phone (312) 661-5000/Member FDIC ing, multi-bank holding companies, or increased use of facilities. It is understood that once a "plan" can be agreed upon by the IBA that legislation probably would be introduced during the 1975 state legislative session.

Retiring IBA President James P. Ghiglieri, while approving of the association's willingness to consider a change in banking structure for the state, disagreed with the delay that would be involved. In his opinion, the Illinois banking industry could not afford to postpone action any longer and he therefore offered a proposal—not as IBA president but as a member banker—which would have allowed the IBA council of administration to create a bill (subject to IBA membership approval) which could be introduced in the state legislature *this* year. His proposal was defeated by standing vote following an hour of floor discussion.

Basically, Mr. Ghiglieri, who is president of the Citizens National, Toluca, suggested "guidelines" for structural change that would permit city-wide branching, plus 10 miles from the city limits; home office protection of one mile, with one-half mile protection for new branches; multi-bank holding companies within a 50-mile radius of the main office. Acquisitions by holding companies and establishment of branches would be limited to one per year.

In pleading for "action" before the close of 1974, Mr. Ghiglieri expressed a personal opinion that "recent actions of our competitors make it necessary for the banking industry to move off dead center on this issue." He was referring to recent branching activities by S&Ls made possible, he said, by a court decision in the branching case of Talman Federal Savings & Loan Association of Chicago. Since this court decision in early 1974 regarding branching powers for federally chartered S&Ls, and with increased activity on the part of state S&Ls, Mr. Ghiglieri reported that over 175 branches and facilities had been established by S&Ls in Illinois. "They are physically *positioning* themselves in our markets," he warned.

"We will see further rapid branching by S&Ls," he argued, "and what is more important is that this industry is gaining ground and will obtain other tools and powers which will enable it to become, in fact, another banking system."

Despite Mr. Ghiglieri's pleas for "action now," Illinois bankers preferred to proceed more carefully and stick with their resolution which provides for a vote by mail ballot on any proposal that would be submitted to the legislature in 1975.

Illinois bankers also voted to change their constitution and bylaws. Most of the changes were of a "housekeeping" nature. Independent bankers in the state, however, suggested a number of amendments to the proposed new constitution, the most important of which imposed limitations on the number of representatives the IBA president could appoint to the association's council of administration. After limited debate, the changes were approved.

CONVENTION SPEAKER William W. Erwin (c.), is flanked by IBA officers James P. Ghiglieri and William O. Kurtz Jr. Mr. Erwin is assistant secretary for rural development, U. S. Department of Agricultue.

PANEL DISCUSSION by a trio of "bank examiners" held attention of convention delegates. From left: Charles B. Hall, regional administrator of national banks; James A. Davis, FDIC regional director; and H. Robert Bartell Jr., Illinois commissioner of banks, who since has become president of Chicago's Federal Home Loan Bank.

Officers Elected. In their annual elections, Illinois bankers advanced William O. Kurtz to the presidency to succeed James P. Ghiglieri. Mr. Kurtz is president of the Metropolitan Bank of Chicago.

Arthur F. Busboom, president, Bank of Rantoul, was named first vice president; Ray G. Livasy, president, Millikin National, Decatur, second vice president; and H. Hurst Gibson, president, City National, Rockford, treasurer.

Illinois bankers also named five representatives to posts within the American Bankers Association. Irving Seaman Jr., chief executive of National Boulevard, Chicago, was named a member of the nominating committee; and Myron Heins, president, Bank of Pontiac, was elected an alternate.

Three representatives also were named to the ABA governing council for terms of two years: outgoing IBA president, James P. Ghiglieri; incoming IBA president, William O. Kurtz; and Fred W. Heitmann Jr., president, Northwest National, Chicago.

Convention Speakers. Among headline speakers at the convention was Rex J. Morthland, president of the American Bankers Association, who spoke to bankers about the mounting competition banks face from retailers and manufacturers.

"More and more retailers and manufacturers," said Mr. Morthland, who is chairman of the Peoples Bank, Selma, Ala., "are beginning to offer financial services—and they are offering a wider variety of them than ever before.

"Nor are they content," he continued, "to stick simply to the consumer market. Today many of these companies are heavily involved in all kinds of commercial lending. In short, while banks have been caught up in a series of skirmishes with nonbank thrift institutions and other banks, these non-regulated competitors have taken a sizable bite out of our financial market."

Mr. Morthland pointed out that these competitors get their funds from commercial paper, short-term notes or debentures. "They are becoming important competitors for funds, particularly during periods of rising interest rates."

Ford, ITT, Control Data and Gulf & Western and others, he said, are engaged in short-term commercial lending. They offer long-term commercial loans, factoring services, equipment and personal property leasing. Many of these firms also provide venture capital, inventory financing and insurance.

These new competitors also are heavily involved in consumer financial services, he warned. The nation's three largest retail chains, for example, had consumer installment receivables (Jan., 1973) equal to 11% of total consumer installment loans held by the nation's 14,000 banks. Sears Roebuck by itself had consumer receivables greater than the combined totals for the 28 largest banks in Chicago and New York City.

As a result of this new competition, he said, banking has been steadily losing its share of the financial market. Why, he asked? Banks are hampered in their flexibility to offer new services and are limited in their ability to move into new geographic markets.

To compete effectively in a rapidly changing environment, he said, banks must be willing and able to respond quickly and effectively to changing customer preferences and demands. "We cannot do so," he added, "if we are hampered by outdated or unnecessarily restrictive regulations." • •

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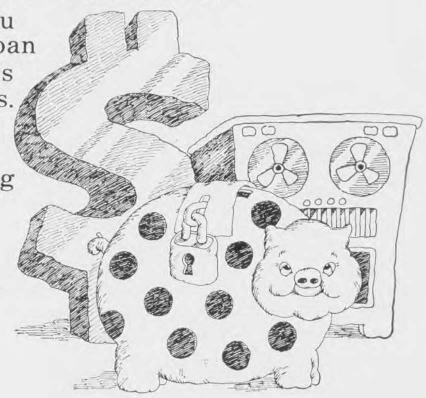

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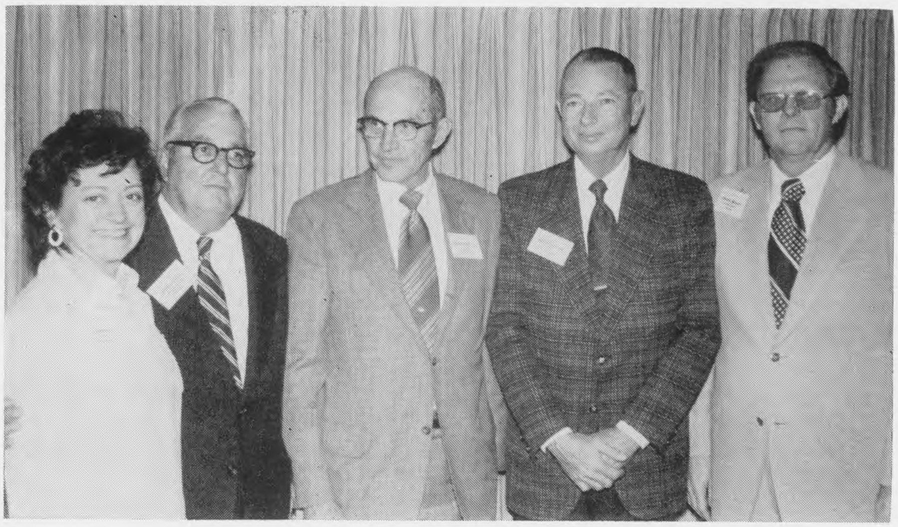

Officers of Ala.BA for 1974-75 include (from l.) Mrs. Sue Morris—assn. sec.-treas.; Ernest F. Ladd Jr., ch., Merchants Nat'l, Mobile—assn. pres.; Howard J. Morris Jr.—assn. exec. v.p.; Robert H. Woodrow Jr., ch. & CEO, First Nat'l, Birmingham—2nd v.p.; and Horace W. Broom, pres., Citizens Bank, Hartselle—assn. 1st v.p. More than 900 were registered at convention.

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By JIM FABIAN
Associate Editor

VOWING that he would never be associated with any group that would do anything to damage the Alabama Bankers Association, Harry I. Brown, chairman and president, First National, Sylacauga, accepted the position as chairman of the Independent Bankers Division of Ala.BA. The new division was formed at the association's 81st annual convention in Mobile last month.

Patterned after a similar division of the Tennessee Bankers Association, formed last year, the Alabama division is expected to give the state's independent bankers better representation in the Ala.BA. It was repeatedly stressed that the division was being formed as an arm of Ala.BA, rather than as an independent organization, in an effort to work within the existing organization, thereby avoiding the disruption that has been evident in other states—notably Illinois, where the split between independents and those with opposing views has resulted in the creation of a second state association.

The formative meeting of the new division was conducted by John W. Gay, president, First National, Scottsboro, who stated that the purpose of the division was to protect the interests of unit bankers, to protect independent bankers from further encroachment from other businesses and, simply—self-preservation.

Mr. Gay said the holding company movement in Alabama has resulted in HC interests trying to influence the state legislature to "change the rules" of banking in Alabama. He quoted from an editorial appearing in the *Independent Banker* magazine that stated that independent bankers need to protect themselves and that whenever a state association declares neutrality on bank structure issues, it's time for independents to organize and use their numerical strength to counteract the economic strength of the HCs.

Earlier in the year, a committee of independent bankers had met with Ala.BA officials and it was agreed that formation of an independent bankers division would be proposed at the convention, and that it would be patterned

Threesomes attending past presidents' luncheon at Ala.BA convention include (1. photo, from l.) John H. Neill Jr., pres., Union Bank, Montgomery; John W. Gay, pres., First Nat'l, Scottsboro; C. W. Nelson, v. ch., Central Bank, Decatur. Middle photo: Fred Bloodworth, Thomasville, Ga.; Howard J. Morris Jr., Ala.BA exec. v.p.; and Harold O. Glass, pres., Bank of Thomasville. Mr. Morris was named honorary past pres. at luncheon. Right photo: Gerald M. Lowrie, exec. dir., gov't relations, ABA, and convention speaker; E. E. Anthony Sr., ch., Commercial Bank, Andalusia; Horace W. Broom, pres., Citizens Bank, Hartselle, and assn. 2nd v.p.

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after the Tennessee Bankers Association's division.

The proposed charter of the division declares that the division will be autonomous, funded separately from Ala.BA. Its activities will be confined to unit vs. chain banking. Its purpose will be to conduct research studies and public relations programs and to represent the philosophy of the division at the state legislature. An annual meeting will be held during the Ala.BA convention, at which officers will be elected.

In addition to Mr. Brown as chairman, division officers include Harold O. Glass, president, Bank of Thomasville—vice chairman, and J. B. Striplin, chairman and president, Bank of Prattville—secretary-treasurer.

Nine directors were elected for staggered terms. Elected to serve for one year were E. E. Anthony Sr., chairman, Commercial Bank, Andalusia; C. L. Turnipseed, president and trust officer, First National, Brewton; and J. F. Hollis, chairman and president, Security Bank, Arab. Named to serve two-year terms were J. P. Willis Jr., president, First National, Guntersville; Mr. Gay; and J. M. Barrett, president, First National, Wetumpka. Elected for three-year terms were L. Y. Dean III, president, Eufaula Bank; W. O. Dunlap, president, Leeth National, Cullman; and O. D. Mason Jr., president, First National, Butler.

First board of Ala.BA Independent Bankers Division is made up of these men. First row, from l., O. D. Mason Jr., pres., First Nat'l, Butler; W. O. Dunlap, pres., Leeth Nat'l, Cullman; Harold O. Glass, pres., Bank of Thomasville—div. v. ch.; Harry I. Brown, ch. & pres., First Nat'l, Sylacauga—div. ch.; J. B. Striplin, ch. & pres., Bank of Prattville—div. sec.-treas. Second row: J. P. Willis Jr., pres., First Nat'l, Guntersville; C. L. Turnipseed, pres., First Nat'l, Brewton; John W. Gay, pres., First Nat'l, Scottsboro; E. E. Anthony Sr., ch., Commercial Bank, Andalusia; J. M. Barrett, pres., First Nat'l, Wetumpka; J. F. Hollis, ch. & pres., Security Bank, Arab. Not present: L. Y. Dean III, pres., Eufaula Bank.

Speakers. Bank structure and the energy crisis were the principal topics of convention speakers, who included George A. LeMaistre, FDIC director, and former Ala.BA president; Gerald M. Lowrie, executive director, government relations, ABA; and Stewart Udall, former U.S. Secretary of the Interior.

Mr. LeMaistre's talk covered financial restructuring, curbing self-dealing and reforms needed in banking. He said there is little chance that a bank structure bill will be reported out of Congress this session, due to the breadth of the inquiry being held by

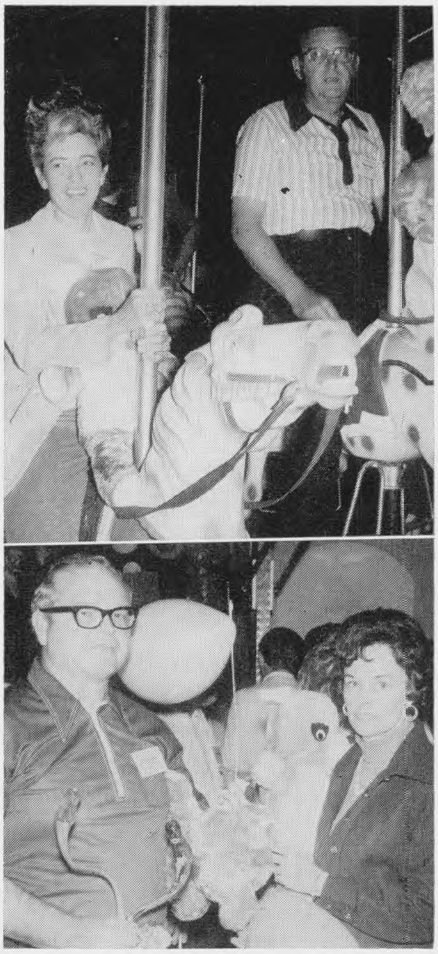
the Senate's Financial Institutions Subcommittee, which plans hearings for most of the summer months.

He predicted that a spirit of compromise must be attained before any real progress can be made. He said the issue has been pushed aside by the current impeachment investigation in Congress, which is taking precedent over all other activity. He also said that a dramatic change in the makeup of Congress, expected after the fall election, could have an effect on the disposition of the Financial Institutions Act of 1973.

He said that self-dealing had been a significant factor in almost 60% of the bank failures since 1960. Similarly, the vast majority of the FDIC's "problem banks" are classified as being such due to self-serving practices on the part of management or controlling interests.

"In my view," Mr. LeMaistre said, "any transaction between an insider or his interests and a bank, which is significantly more favorable to the insider than a comparable transaction with a non-insider is not a sound banking practice and should, within the limits of our resources, be the subject of firm supervisory action. To follow any other policy is to allow banks to subsidize the nonbanking financial activity of preferred insiders at the ultimate expense of minority or non-interested shareholders and, in the case of bank failure, at the expense of many creditors and depositors as well."

Mr. LeMaistre said the FDIC's approach to curb insider favoritism is to insure that insiders derive no benefit in transactions with their bank that is not available to non-insiders. He suggested three ways of strengthening this approach, including increasing disclosure requirements, a tougher stance by regulatory agencies and increased education of directors to inform them of their liability and responsibility to oversee their bank's transactions adequately.



Full-scale indoor carnival provided entertainment for final night of convention. TOP: Mrs. & Mr. Wayne Scott, exec. v.p. & cash., Bank of Arab, enjoy carousel ride. BOTTOM: Mr. & Mrs. Earl D. Griffin, pres., Bank of Camden, carry assortment of prizes won at concession stands.

He said that banks could avoid government restraints if they would enter into a dialogue with critics of banking and if they were willing to give up apparent immediate competitive advantages in the interest of a healthier and more stable financial environment. "Without acceptance of this principle," he said, "industry groups, fighting one another, will stymie a comprehensive program of financial restructuring."

Mr. Lowrie discussed the Hinky-Dinky situation in Nebraska, as well as the Financial Institutions Act of 1973 and the ABA's role.

He said the Hinky-Dinky situation, where an S&L arranged for its depositors to transact a portion of their financial business at a local supermarket, is a reflection of the wishes of the marketplace for more convenient financial services. He said the marketplace is the ultimate regulator and that bankers should be alert to follow the dictates of the marketplace.

Evidence of this desire for more convenient financial services can be traced back to the early postwar era, he said, when the prolific increase in the number of banking offices began. Then there were the charge card, the drive-in window, bank-by-mail and automated teller terminals.

"People are all basically trying to tell all who offer financial services that these services should be available to the public wherever, within reason, they want them, whenever they want them and with some choice of the terms they select to utilize for each and every financial transaction with which they are involved," Mr. Lowrie said.

He said that the game plan of the thrift industry is to increase the scope of powers and capabilities to serve the public without having to make many tradeoffs in terms of equality of bearing some of the burdens borne by banks. This is the reason the S&Ls are against portions of the Financial Institutions Act of 1973.

If S&Ls can become family service institutions, Mr. Lowrie continued, without assuming uniformity in reserve requirements, taxation, interest rates paid to depositors and regulatory bur-

First night of entertainment at Ala.BA convention was salute to ABA convention set for Honolulu this fall. TOP: Mrs. and Mr. James C. Andress, sr. v.p., First Nat'l, Mobile. Mr. Andress was convention registration ch. BOTTOM: "Hawaiians" from Farmers & Merchants, Centre, include (from l.) Mrs. and Mr. J. W. Hampton, sr. v.p.; Mrs. Mary George Jordan Waite, ch. & pres.; William L. Lipsey from University of Alabama, Tuscaloosa; and Miss Nell Kilgore, asst. to Pres. Waite.

dens assumed, then they will have been imminently successful at the expense of the banking industry.

The ABA, he said, believes that the thrift industry game plan should be challenged forcefully. The ABA feels the Financial Institutions Act "is basically the correct approach to assuring the proper public overview of the attempts of regulated depository institutions to respond to the changing needs of our markets."

Although the ABA has some disagreements with the pending legislation, he said, "we do, however, hope to come through loud and clear in terms of expressing the industry's willingness to get started with the process of changing the distribution of powers and responsibilities of financial institutions and in expressing a willingness as an industry to actively and aggressively compete on a level playing field."

Mr. Udall said the interdependence of the world is becoming a fact of life and that our great consumption makes us a target of world opinion. The rest of the world will react to our waste.

He also stated that the energy crisis is real and that it will do more than anything in our history to change our lives.

He cautioned bankers to keep close watch over loans that go to high-energy consumers and he warned that the era of the super tanker is about over, since the tankers were designed for transportation of cheap fuel from overseas.

Entertainment. The convention was unique in that it held two evening parties in lieu of permitting correspondent banks to have hospitality rooms, which, apparently, will be a continuing policy of Ala.BA. One party was a carnival, featuring rides and concessions, held inside the Mobile Municipal Arena. True to show-business form, all traces of the gaudy carnival midway were gone by the time the convention convened for business the following morning, encouraging delegates to wonder if

Principals at first general session of Ala.BA convention were (from l.) George A. LeMaistre, FDIC dir.; Ernest F. Ladd Jr., assn. 1st v.p. and ch., Merchants Nat'l, Mobile; J. M. Barrett, assn. pres. and pres., First Nat'l, Wetumpka; and Dr. Andrew D. Holt, pres. emeritus, University of Tennessee. Messrs. LeMaistre and Holt were speakers.

Fivesome at First Alabama Bancshares breakfast were (from l.) Mr. and Mrs. S. Gerald Whitley, pres., Sweet Water State; Mr. and Mrs. Frank A. Plummer, ch., host HC and First Nat'l, Montgomery; and W. H. Mitchell, pres., First Nat'l, Florence.

the carnival had been merely a pleasant dream.

Officers. Ernest F. Ladd Jr., chairman, Merchants National, Mobile, was elected president of Ala.BA for the coming year. Also elected were Horace W. Broom, chairman, Citizens Bank, Hartselle—first vice president; and Robert H. Woodrow Jr., chairman and CEO, First National, Birmingham—second vice president.

At the ABA meeting, J. M. Barrett, president, First National, Wetumpka (and outgoing Ala.BA president) was elected to a two-year term on the ABA governing council. John R. Thomas, vice chairman, First National, Alexander City, was elected to the ABA nominating committee, with Fred O. Braswell Jr., president, Robertson Banking Co., Demopolis, named as alternate. • •

'Hinky-Dinky' Case

(Continued from page 22)

Under the NETS system, let's assume that a bank in any town is on ledger card with no computer facilities and has issued electronic transfer transaction cards to some of its customers. Locally, a merchant not having an electronic terminal would receive the transaction card, use the necessary transaction slip, dial the local bank number via telephone for an authorization number. The individual at the bank monitoring transaction accounts would receive the call, memo-post the account and provide the merchant with an authorization number. End of transaction.

Let's go one step further, with the merchant and a customer from out of town using a transaction card. The merchant would call a designated number in Wats, to the switch (electronic computer center that accepts incoming transaction data and, in turn, refers that data electronically or otherwise to participating banks). The switch, from information presented, would—via Wats line or other means—call the issuing bank, relaying the same authorization number to the merchant. End of transaction.

Let's move to the next step—a merchant with terminal POS, which would be an electronic terminal. The transaction card would be inserted into the terminal, automatically relaying the information for the transaction to the switch. The switch then would transfer to the issuing bank in any one of four methods, receiving authorization, relaying that electronically to the terminal (transaction complete).

The same method is possible through the electronic cash register; however, this is a highly sophisticated retail machine, but it's being incorporated now into some of the larger stores in metropolitan areas. Any method could automatically transfer from the customer's account to the merchant's account.

Many bankers probably are worried about the time frame. A few months ago, a test was run on a Master Charge terminal at a North Carolina bank. The card was inserted for authorization; the line of communication went from North Carolina to Lake Placid, N. Y., to Atlanta, to St. Louis, to Omaha MABA Center. Authorization from the center went back the same route. Net time elapsed—three seconds.

Next, there could be a regional setup for switches tied together for Nebraska in the NETS system, connected either by leased line or microwave facilities. Capabilities of a transaction card through electronic means could access any account within a bank. The present method of checks, service charges, demand accounts, etc., eventually would become obsolete.

Hand in hand with the NETS or similar systems will come an automated clearinghouse system for electronic transfer of funds among financial institutions. This is in its infant state at this point with the Fed. The NETS system would enable all participating banks to provide a full range of services, made possible by emerging technology, thus strengthening the customer's relationship with his own bank in his own community. Creation and operation of the system in Nebraska would be dependent on legislative changes to provide that any bank may purchase, install, operate, lease, use or so share with another bank or banks remote, automated, unmanned facilities for the purpose of electronically transacting the business of banking. What are the costs? They're not known at this stage, but such a system will take a considerable investment by commercial banking. • •

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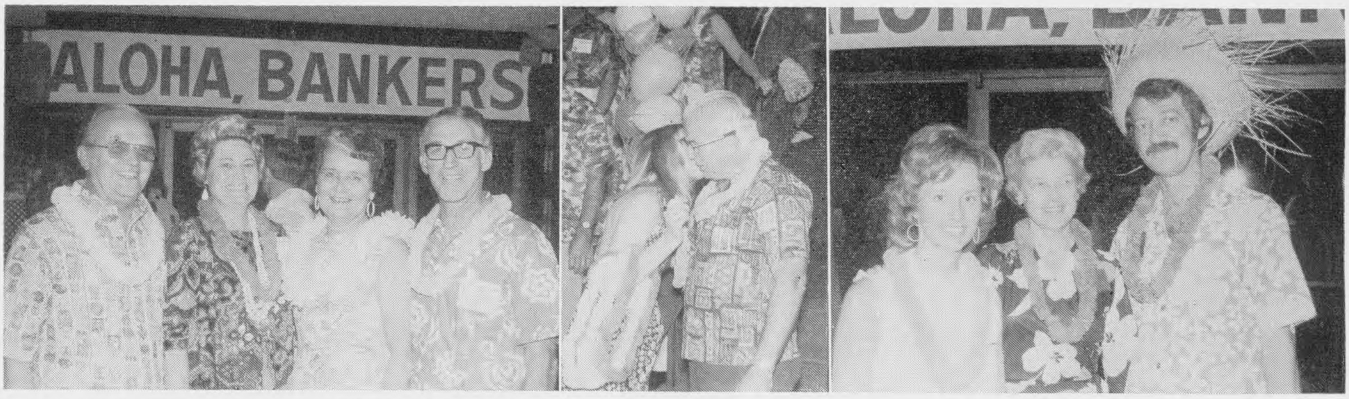


Hawaiian luau gave bankers opportunity to show off island fashions. LEFT: Foursome from Trenton and Cookeville include (from l.) Mr. and Mrs. R. F. Patterson, pres., Bank of Trenton & Trust Co., and Mrs. and Mr. Charles R. Miller Jr., pres., Citizens Bank, Cookeville. Mr. Miller was outgoing TBA ch. CENTER: Outgoing TBA pres., John P. Wright, pres., American Nat'l, Chattanooga, received traditional kiss along with lei at luau. RIGHT: Trio from Hamilton Nat'l, Knoxville, include (from l.) Mrs. Warren; Argie Hilbert, a.c.; and E. Jerry Warren, a.v.p.

Tennessee Bankers to Take Action To Meet Usury Ceiling Situation

Call for special legislative session anticipated

By JIM FABIAN

Associate Editor

A STATE constitutional limit of 10% on interest rates at a time when prime interest rates are soaring has placed Tennessee's financial community in a "crippling vise," Tennessee Governor Winfield Dunn said before the combined State and National Bank Division meeting at the 84th annual Tennessee Bankers Association convention in Knoxville last month.

The governor's remarks were good news for the assembled bankers. The general consensus following the talk was that bankers could count on the governor's support of attempts to call a constitutional convention prior to the scheduled 1977 convention to consider adjustment of usury ceilings, including the incorporation of a special corporate lending rate.

Governor Dunn made a surprise visit to the convention, speaking in place of Commissioner Pat Choate of the Department of Economic and Community Development.

"Never in our history have we had a prime interest rate of 11%," Governor Dunn said. He said efforts are underway to find a solution to the interest-rate problem and asked bankers for help.

"It will take the leadership of all of you here today to overcome this barrier and move toward constitutional reform," he said.

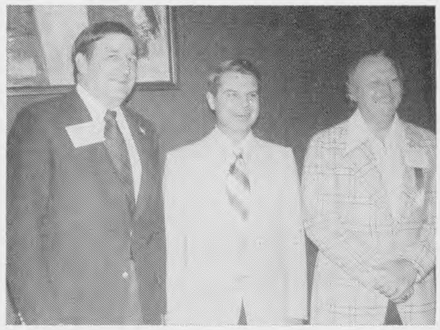
Outgoing TBA President John P. Wright, president, American National, Chattanooga, announced to the convention that the TBA board of directors had voted—at a meeting following the governor's remarks—to adopt a program of action to meet the usury situation. Action will probably include a call for a special session of the legislature to deal with the situation.

Mr. Wright stated that it is difficult to believe that Tennessee is restricted by a constitutional usury ceiling limitation of 10%, which applies to corporations as well as to individuals. Although many states have usury ceilings, he said, only three have 10% ceilings on corporate loans, while 32 states have no limits on the rates that can be charged to corporations.

"Our situation is worse than all the rest," Mr. Wright said, "simply because our usury ceiling of 10% is written into the constitution and the constitution can be changed only every six years. At today's market, the 10% ceiling doesn't even allow us to cover the cost of the money we must buy, much

TBA officers for 1974-75 include (from l.) Hugh Willson, pres., Citizens Nat'l, Athens—1st v.p.; John P. Wright, pres., American Nat'l, Chattanooga—ch.; W. W. Mitchell, ch., First Nat'l, Memphis—pres.; Jack O. Weatherford, ch., Murfreesboro Bank—pres.-elect; and Jack R. Bulliner, pres., First State, Henderson—2nd v.p. More than 1,000 were registered at convention.

TOP: Representing host banks at Memphis luncheon were (from l.) R. Molitor Ford, sr. v.p., First Nat'l; Edward E. Sanders, v.p., Nat'l Bank of Commerce; and Joseph B. Rives, v.p., Union Planters Nat'l. MIDDLE: Representing host banks at Nashville luncheon were (from l.) C. M. Ozier Jr., v.p., Commerce Union; Thomas Butts, sr. v.p., Third Nat'l; and T. Scott Fillebrown Jr., pres., First American Nat'l. BOTTOM: Representing host banks at Chattanooga breakfast were Jack R. Crigger, exec. v.p., American Nat'l; Bert L. Hicks, v.p., United Bank; and John Vorder Bruegge, pres., Hamilton Nat'l.



New officers of TBA Independent Bank Division include J. R. Fitzhugh, exec. v.p., Bank of Ripley—sec.; W. G. Birdwell Jr., exec. v.p., and cash., Citizens Bank, Carthage—ch.; and C. G. Williams, pres., Bank of Commerce, Morristown—v. ch. Division observed first anniversary at convention and made bylaw changes at meeting.

less provide a margin for expenses and profits.

"Not only does this create a serious profit squeeze for us, it can also lead to a real credit crunch for the borrowing customers in the state. If current market rates continue, the banking industry will be forced to curtail its lending, thereby seriously affecting the economic conditions of this state.

"In short, a ceiling originally constructed to protect the public from unscrupulous lenders has been changed by the mysterious laws of economics into a barrier limiting the public's access to needed funds.

"This situation is not one that leaves room for halfway measures. We cannot resolve it by talking to our legislators, or helping draft a bill. I think we need courageous action, publicized action, and—most of all—cooperative action.

"What I am proposing is a constitutional convention. As part of the change growing out of this convention, we should move the authority to set a rate ceiling to the legislature. This will allow a flexibility in the ceiling that will achieve the basic purpose of such ceilings—protecting the public from the unscrupulous—while accommodating changes in the money market so funds continue flowing into our state's economy."

Mr. Wright said that the support of all segments of the financial community will be needed to bring about usury reform. This support must transcend the short-range goals of holding company banks, independent banks or thrift institutions.

"We are not competitors in the dog-eat-dog, every-man-for-himself sense, but cooperators, each of us supplying a public need," Mr. Wright said. "And if we are to continue supplying the public needs, and consequently enjoying the public confidence, we must have the vision to determine what is the true public interest, and the courage to act on that determination."

Frederick W. Deming, vice president and senior economist at Chemical Bank, New York, spoke on "The Big Economic Experiment," referring to attempts to gain control of the economy by federal agencies.

The experiments, he said, have a common theme, in that they turn loose the price system and rely essentially on "market mechanisms" as a way of restoring a new rationality to the economy. Some of the experiments seem to be working, he said.

Mr. Deming made two points about the increased reliance on the price system. He said it was a major reason for keeping the business slump relatively mild and has helped in getting the downturn past its bottom, ready to resume some moderate uptrend. The long-run health of the economy requires that the Fed maintain reasonably tight control over the growth of money and credit in the future, resulting in high interest rates that financial markets will have to learn to cope with.

Mr. Deming takes a middle course regarding the economic outlook. He said the recession has reached bottom and that slow, irregular growth will occur. Sub-par growth is what the economy needs now if inflation is to be controlled. Attempts to stimulate the economy must be resisted because they would be dangerous at this point.

He said it appears the Fed has taken a middle road policy, one in which it will try to hold this year's growth of money and credit to a little less than last year's and then to try to make sure that next year's growth is still lower. In this way, he said, the gradual acceleration in the growth of the money and credit aggregates that has occurred during the past few years would gradually be unwound, making a positive contribution to an eventual slowing of inflation.

He predicted that interest rates would remain on a roller coaster for some time to come. The lower rates eventually fall, however, he said, the more likely they are to rise again in response to the Fed's continuing concerns with avoiding excessive growth in money and credit totals.

He said that individual borrowers have little choice but to maintain financial postures that can withstand the wide fluctuations in financial conditions that will persist, and also banks and other lenders should assure themselves that their borrowing customers have achieved such a position.

Officers for the 1974-75 year were elected at the business session. President John P. Wright moved up to chairman, succeeding Charles R. Miller Jr., president, Citizens Bank, Cookeville. President-elect W. W. Mitchell, chairman, First National, Memphis, moved up to president; Jack Weatherford, chairman, Murfreesboro Bank, went from first vice president to president-elect; and Hugh Willson, president, Citizens National, Athens, assumed the first vice president spot after serving as second vice president last year. Newly elected to fill the second vice president

Robert Gwaltney (l.), regional dir., and John O. Sharp (c.), v.p., both with Cherokee Nat'l Life, chat with Guy T. Mathis, a.c., McKenzie Banking Co., during break at TBA business meeting.

Christmas was theme of annual Knoxville-Kingsport breakfast. Representatives of host banks raise candy canes in salute to Santa. From l., they are W. E. Newell, ch., First Nat'l of Sullivan County, Kingsport; Nic L. Knoph, v.p., and E. Jerry Warren (Santa), a.v.p., both of Hamilton Nat'l, Knoxville; Ernest C. Newton, pres., Park Nat'l, Knoxville; and J. W. Andersen, pres., First Nat'l of Sullivan County, Kingsport.

Following well-attended talk at combined State and National Bank Division meeting, Tennessee Governor Winfield Dunn (l.) received greetings from bankers. In center is John Wilder, lieut. gov., and partially hidden at far r. is Hugh F. Sinclair, Tenn. supt. of banks.

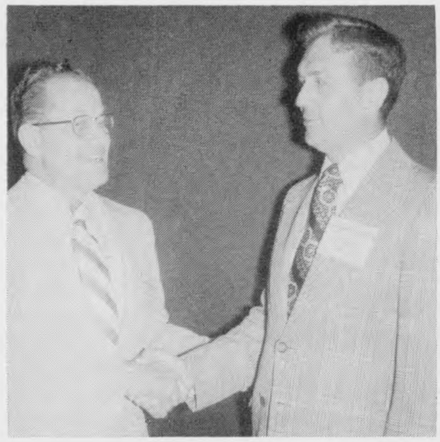
post was Jack Bulliner, president, First State, Henderson.

Elected director from east Tennessee was Robert S. Lane, president, Citizens Union, Rogersville. Dan Andrews, president, First National, Dickson, was elected director from middle Tennessee and Billy M. Stover, president, Farmers & Merchants, Dyer, was named director from west Tennessee.

During the ABA members' meeting, W. E. Newell, chairman, First National of Sullivan County, Kingsport, was elected to the ABA governing council. Jack Weatherford, chairman, Murfreesboro Bank, was named to the nominating committee, and Walter Barnes, president, First National, Jackson, was named as alternate.

The Independent Bankers Division elected Walter G. Birdwell Jr., executive vice president and cashier, Citizens Bank, Carthage, as its chairman. C. G. "Buck" Williams, president, Bank of Commerce, Morristown, was named vice chairman, and James R. Fitzhugh, executive vice president, Bank of Ripley, was elected secretary.

New directors included James R. "Pete" Austin, president, Peoples National, Shelbyville; Darwin Lankford, president, Peoples Bank, Lebanon; Carl E. Panter Jr., president, Ducktown Banking Co.; A. M. Beeman Jr., presi-



Newly elected ch. and v. ch. of State Bank Division congratulate each other. At l. is C. R. Arendale, ch., Jackson State—div. ch. At r. is B. S. Kimbrough, pres., First Trust & Savings, Clarksville—v. ch. New sec., Jere Williamson, pres., First State, Brownsville, was not at meeting, at which Hugh F. Sinclair, Tenn. Supt. of banks, was speaker. At National Bank Division meeting, Robert E. Curry, pres., First Nat'l, Pulaski, was elected ch. in absentia. No speaker was scheduled. The two divisions elected officers at separate meetings after hearing Tenn. Gov. Winfield Dunn at combined meeting.

dent, Bank of Loudon County, Lenoir City; Ray U. Tanner, president, Second National, Jackson; Stallings Lipford, president, First-Citizens National, Dyersburg; and Charles P. Wilson, president, Commercial Bank & Trust, Paris.

C. R. Arendale, chairman, Jackson State, was elected chairman of the State Bank Division. B. S. Kimbrough, president, First Trust & Savings, Clarksville, was named vice chairman, and Jere Williamson, president, First State, Brownsville, was named secretary.

Robert E. Curry, president, First National, Pulaski, was elected chairman of the National Bank Division.

Attendance was between 1,000 and 1,100. Next year's convention will be in Nashville. • •

New Bank Opens in Memphis; Fred James Is Top Officer

MEMPHIS—This city's newest bank, City National, held its grand opening May 3, with William F. Greenwood, vice chairman, First Amtenn Corp., Nashville, officially cutting the ribbon. The new bank belongs to the First Amtenn Bankgroup, made up of seven Tennessee banks.

JAMES

President and chairman of City National is Fred W. James, at one time senior vice president and head of the metropolitan division at First National, Memphis. He has more than 25 years' banking experience.

Other City National officers are: vice presidents, Louis A. Mullikin and Charles W. Ogilvie Jr.; assistant vice president, Ted R. Cutshaw, and cashier, W. E. Eanes. All four are experienced bankers. Mr. Ogilvie also is a director of the new bank.

City National received more than $4 million in deposits on opening day and during the pre-opening period. Capital and surplus are $2 million each. The bank plans to establish additional offices in Memphis.

First American Takes Top Place In TV Commercials Festival

First American National, Nashville, has won first place in the U. S. Television Commercials Festival. The winning entry, which advertised First American's grand opening, was developed by Noble-Dury & Associates of Nashville. It also captured local and

district first-place honors. Looking over award in photo are (from left) J. Lillard Templeton Jr., senior vice president, marketing, First American; William R. Stejskal, Noble-Dury account executive; R. Sydney Smith, vice president, marketing, First American; and William Mostad, creative director, Noble-Dury.

• **American National,** Chattanooga, has begun a public information program entitled "The Energy Crisis—Everyone's Concern," in which energy-oriented exhibits are displayed in the bank's Main Office lobby throughout 1974. New displays are provided each month. The February display was a replica of the Sequoyah Nuclear Plant being built by the Tennessee Valley Authority on the Tennessee River, 18 miles from Chattanooga.

NEW LBA OFFICERS pictured here, l. to r.; pres., A. R. Johnson III, pres., Guaranty Bank, Alexandria; pres.-elect, J. D. Acklin Jr., ch. & pres., Planters Bank, Haynesville; and treas., Nolen Miller, pres., Guaranty Bank, New Roads.

Louisiana Assn. Is 'Neutral' On Holding Company Issue

By RALPH B. COX
Editor & Publisher

LOUISIANA BANKERS, at their recent convention in New Orleans, gave no outward expression of the divided opinion that exists in the state on the subject of holding company banking. Yet it was apparent from private conversations that bankers in the state were fairly certain that multi-bank holding company legislation would be introduced in the legislature within a matter of days after their convention had adjourned.

Hearings on the subject had been conducted in the state capital prior to the convention by Senator Michael O'Keefe, chairman of the legislature's Joint Legislative Committee to Study State Banking Laws. Testimony was heard from opponents as well as advocates of multi-bank holding companies and the state banking convention was to serve as a "breather" until the state's 60-day legislative session began in early May.

TWENTY-FIVE-YEAR HONORS went to Allie C. Kleinpeter Jr. (r.), who now serves LBA as government relations officer. LBA President Arthur J. Broussard is shown congratulating Mr. Kleinpeter for his 25 years of service to association.

Recognizing the divided opinion that exists within the Louisiana Bankers Association, the LBA's outgoing president recommended that the association continue its policy of "neutrality" on this subject.

Arthur J. Broussard, in a final address to convention delegates, said that if the association were to adopt an official position it "would merely serve to polarize the difference of opinion and to fragment our association." In his opinion, such a position "would not serve in any constructive manner toward reaching a conclusion as to what form of structure is best for the state. We are, therefore, reiterating the fact that the Louisiana Bankers Association is maintaining a neutral position on the subject of multi-bank holding companies, statewide branching and metropolitan-area branching."

Mr. Broussard, president, Guaranty Bank, Lafayette, reminded LBA members that in Illinois, where the IBA had taken a perennial stand against multi-bank holding companies and branching, the association had split apart, with those favoring liberalized banking laws breaking away to form a new group, the Association for Modern Banking in Illinois.

Purpose of the LBA, he argued, was to provide a common meeting place for the state's banking industry and "to secure unity of action in all matters affecting the common welfare of such institutions."

CONVENTION SPEAKER Senator Russell B. Long (D.,La.), is shown addressing Louisiana bankers. Seated is George L. Whyel, pres.-elect, American Bankers Association, who addressed LBA on subject of community and urban affairs.

"Our association," he said, "needs to serve as the agency through which bankers can discuss their common problems, both of our industry and of our state. We wish to be the agency," he continued, "through which a consensus can be expressed both in the matters that promote our industry and which best serve the general welfare . . . of our state."

Mr. Broussard stated that despite divided opinion on multi-office banking, there was agreement on how to handle the subject during the recent state constitutional convention. There was an at-

tempt, he said to include in the new constitution a ban on multi-bank holding companies. Any future change, he said, would have required a two-thirds vote of both houses of the state legislature.

The Louisiana Bankers Association, he said, as well as the Louisiana Independent Association of Banks, agreed that the subject of multi-bank holding companies should be decided on a legislative basis rather than having it spelled out in the state constitution. The new constitution, he said, did not contain the holding company provision and it was ratified in a state referendum prior to the LBA convention.

Holding Company Bills Introduced. As predicted privately during the convention, holding company bills were introduced in the state legislature three weeks after the close of the LBA meeting.

One bill (S.B.448) would repeal Chapter 12 of Title 6 of a law enacted in 1950 which forbids multi-bank HCs and protect independent banks in the state. A second bill (S.B.447) would permit multi-bank HCs to be established in the state. Both bills are sponsored by Senator Nat Kiefer of New Orleans.

It is recognized by the opponents as well as the advocates of multi-office banking that both bills will receive further study by the committee headed by Senator Michael O'Keefe before any action is taken.

New LBA Officers. In an election of new officers for their association, Louisiana bankers followed tradition and advanced A. R. Johnson III to the presidency. He is president, Guaranty Bank, Alexandria.

The association's new president-elect is J. C. Acklin Jr., chairman and president, Planters Bank, Haynesville; and the new LBA treasurer is Nolen Miller, president, Guaranty Bank, New Roads.

Mr. Johnson also was named to serve on the 1974 ABA nominating committee, with Mr. Acklin to serve as alternate.

Two new LBA directors also were named to serve for two-year terms: Richard C. Heard, president, Bank of Winnfield; and Louis Roy, executive vice president, Vermillion Bank, Kaplan.

LBA members also named two new members to the Governing Council of the American Bankers Association: J. Grayson Guthrie, president, Central Bank, Monroe; and J. E. Pierson, president, City Bank, Natchitoches.

In other association activities, a special resolution honored Allie C. Kleinpeter Jr. for his 25 years of service to the LBA. Mr. Kleinpeter, who now serves the association as government relations officer, joined the LBA fulltime in September, 1948. Previously he assisted Irby Didier (now retired) with convention coverage photographs at both the 1947 and 1948 conventions.

He served the LBA first as publicity director, then as associate editor and editor of the "Louisiana Banker," until his appointment to his present post in 1973.

Convention Speakers. One of the convention's two headline speakers was Russell B. Long, United States senator from Louisiana. Senator Long concerned himself principally with the energy crisis. Reliance on cheap Arab oil, he said, put the United States in a vulnerable position. The only real answer to the problem, he argued, is for domestic oil companies to produce greater amounts of oil. And these companies must be allowed to make enough money to encourage a great deal more drilling and discovery of new oil sources.

The alternative, he inferred, is for this country to become even more dependent on Arab oil and thus more vulnerable to political decisions as well as further imbalance of foreign trade.

Another headline speaker, George L. Whyel, president-elect of the American Bankers Association, discussed the role of the bank and the banker in the problems of community and urban development. Private enterprise, said the Michigan banker (v.ch., Genesee Merchants Bank, Flint), is expected to play a role in solving the major problems of society. "And that includes pollution, unemployment, discrimination, poverty, urban blight—all the problems that have come to be grouped under the heading of urban affairs."

Banks are specifically chartered, he said, to meet the needs and convenience of the community. When the community changes, the bank also must change.

If a community begins to have problems, he continued, banks do not have the option of "pulling up stakes" and moving away. By law, banks are required to serve the needs of that community—and of necessity that service must include helping the community solve its problems.

Community banks everywhere, he said, have a practical and ethical obligation to play a major role in developing solutions to urban problems. And this obligation, he argued, is not confined to a few large-city banks in urban areas. "Indeed, in many cases, it is more pressing for those of us who work in less urbanized areas. We should not delude ourselves," he warned, "with the belief that community action is a luxury that can be afforded only by very large banks in urban centers." • •

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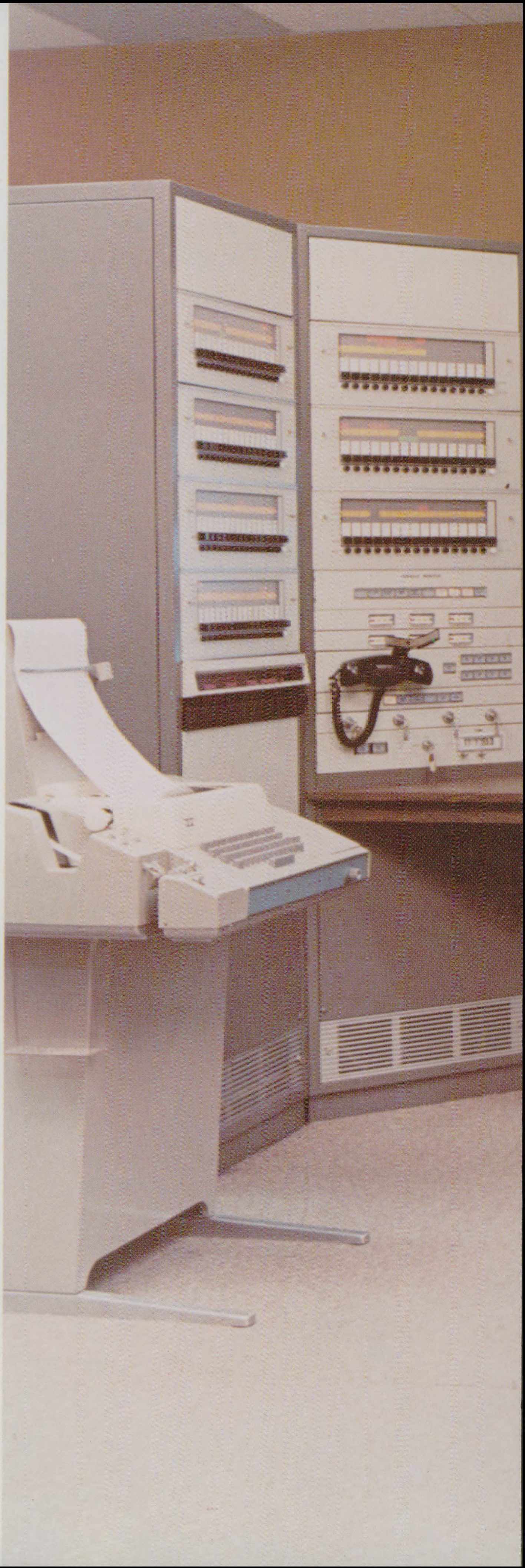

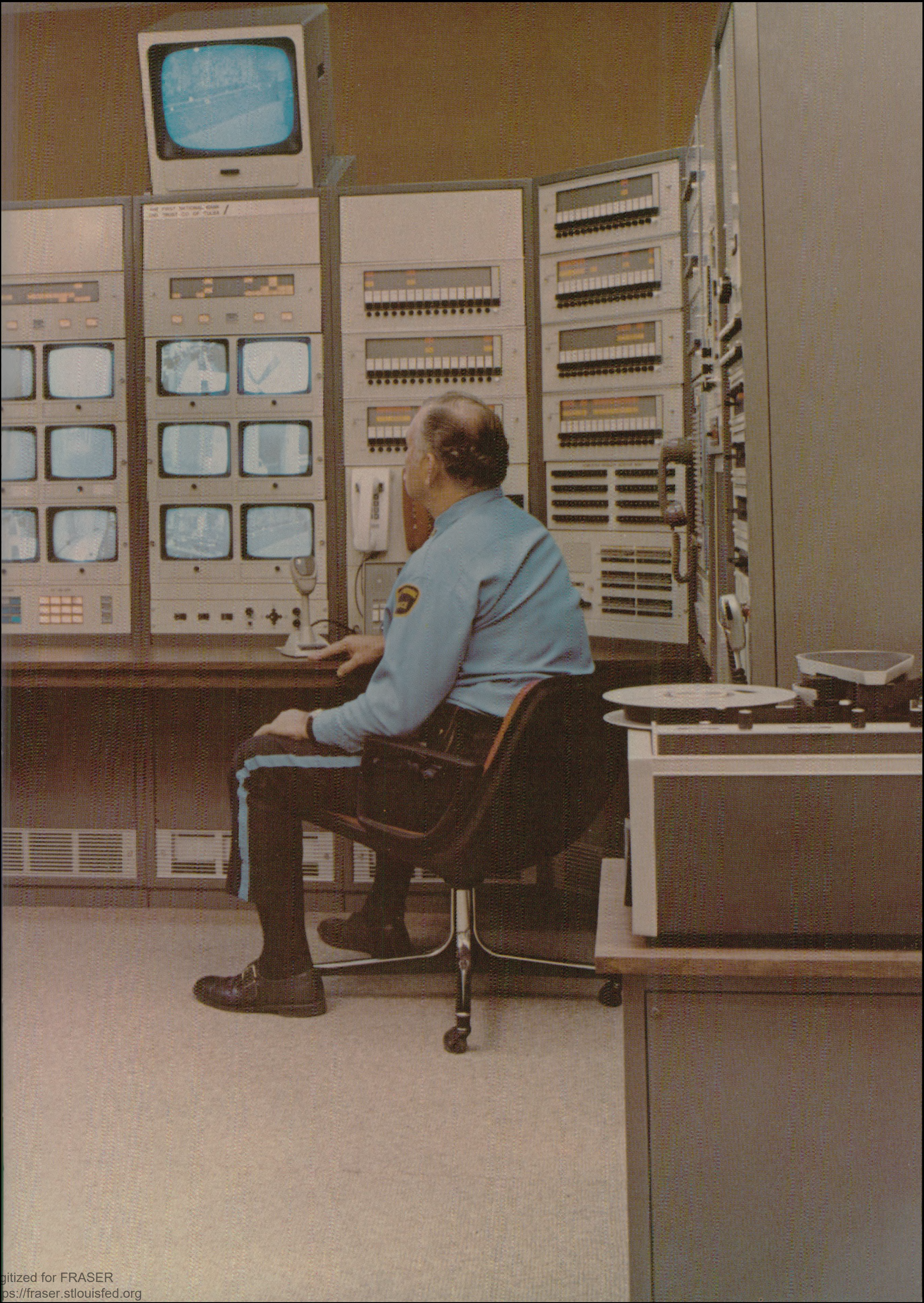

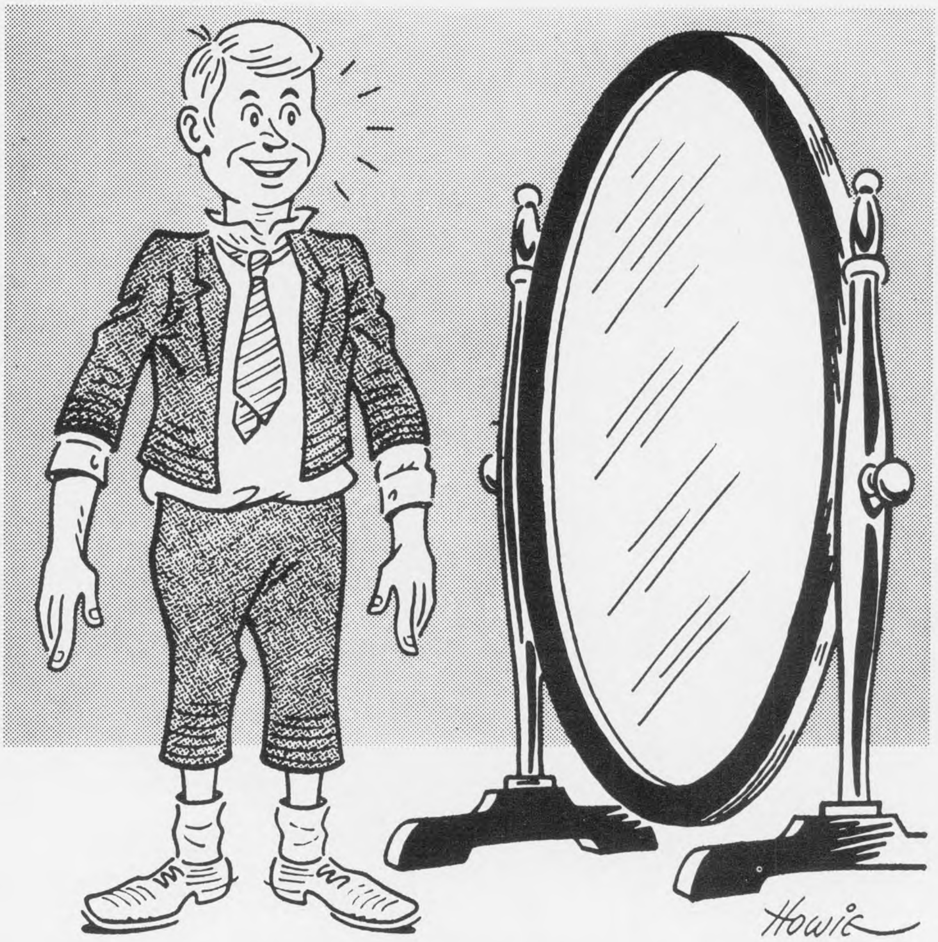
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New MBA officers for 1974-75 pose with outgoing Pres. Leo W. Seal Jr. (l.). They are R. Ben Lampton (2nd from l.), pres., First Nat'l, Jackson—assn. pres.; W. E. Howard Jr., pres. & CEO, Commercial Nat'l, Laurel—assn. v.p.; and John H. Mitchell Jr., v. ch. & CEO, Nat'l Bank of Mississippi, Starkville—assn. treas.

Liddon McPeters' ABA Candidacy Bid Celebrated at Mississippi Convention

By JIM FABIAN, Associate Editor

MISSISSIPPI bankers are bursting with pride that one of their own, W. Liddon McPeters, appears to be "home free" in his candidacy for ABA president-elect for 1975-76. A resolution supporting Mr. McPeters' candidacy was passed unanimously during the 86th annual Mississippi Bankers Association convention, held last month in Biloxi.

Mr. McPeters received a boost for his candidacy from rather high quarters during the convention, when J. Grant Bickmore, current ABA treasurer, and a speaker at the convention, commented from the platform that he looked forward to seeing Mr. McPeters as ABA president in 1976.

The candidacy of Mr. McPeters, who is president of Security Bank, Corinth, was announced officially late in April by the Mississippi Bankers Association. The announcement was made shortly after it was made known that A. A. Milligan, president, Bank of A. Levy, Oxnard, Calif., had withdrawn his name as a possible candidate for the 1975-76 president-elect position.

Mr. McPeters has been president of his bank since 1961 and a director since 1943. He was elected an officer of the bank in 1947. He served Mississippi bankers as their association president in 1967-68, following service as MBA vice president and treasurer.

He is currently chairman of the commission that is developing plans for the ABA's 100th anniversary next year.

But Mr. McPeters' candidacy wasn't the only thing that Mississippi bankers were happy about at their convention. They are happy with the new usury rate bill that raised the interest rate ceiling in the state from 8% to 10%, legalized and set the credit card rate and allows banks to finance autos direct at the same rate provided under the motor vehicle sales finance law.

The MBA is planning a series of regional meetings this month to familiarize bankers with the new usury law.

Delegates were reminded that it is important that they keep abreast of legislative developments on the national scene as well as at the state level. In support of this, the convention voted a resolution putting the MBA on record as opposing the proposed 100% insurance of public funds legislation. The resolution pointed out the danger of thrift institutions benefiting from the legislation, should it be passed, as well as the adverse effect such legislation would have on the municipal bond market.

Outgoing MBA President Leo W. Seal Jr., president, Hancock Bank, Gulfport, urged bankers to establish communications with elected officials in their areas, so they would be in a position to give banking's side of any legislative issue, should there be a need for it. He said most bankers had done a fair job of keeping contacts with legislators open during the past year, but that no one could afford to rest on his laurels.

He urged bankers to enlist the efforts of personnel in their banks in this effort. "Learn the connections of your personnel with elected officials," he said, "and record this information and use it when appropriate. In regard to national issues, contact all elected of-

Discussing candidacy of Liddon McPeters (r.) for ABA pres.-elect are Wade W. Hollowell (l.), ch., First Nat'l, Greenville, and MBA Pres. Leo W. Seal Jr., pres., Hancock Bank, Gulfport. Mr. McPeters is pres., Security Bank, Corinth.

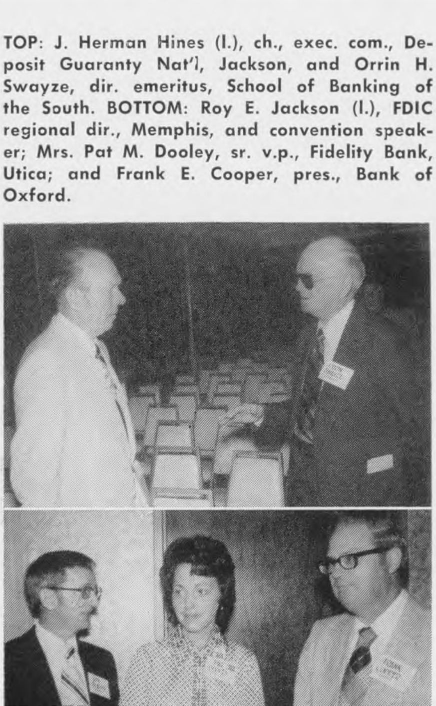
Present and past ABA treasurers swap stories at MBA convention. At l. is J. Grant Bickmore, pres., Idaho Bank, Pocatello, and at r. is Joe H. Davis, exec. v.p., First Nat'l, Memphis. Mr. Bickmore was convention speaker.

ficials with your opinions, not just those from Mississippi."

Among the convention speakers was Roy E. Jackson, FDIC regional director from Memphis, who cautioned bankers about taking on too many high-risk loans and thereby finding themselves in a weak liquidity posture which could require borrowing to provide liquidity.

Mr. Jackson called attention to the fact that 180 new branches had been opened in the state in the past seven years, which suggested to him that, despite the increasing difficulty in maintaining a profit margin, despite the increasing difficulty (due to the proliferation of new bank offices) in finding and keeping capable management personnel and despite the adverse publicity that invariably accompanies bank failures, there is still a certain attraction about owning a piece of a bank—there is still a strong feeling about the desirability of owning bank stock.

TOP: J. Herman Hines (l.), ch., exec. com., Deposit Guaranty Nat'l, Jackson, and Orrin H. Swayze, dir. emeritus, School of Banking of the South. BOTTOM: Roy E. Jackson (l.), FDIC regional dir., Memphis, and convention speaker; Mrs. Pat M. Dooley, sr. v.p., Fidelity Bank, Utica; and Frank E. Cooper, pres., Bank of Oxford.



He advised bankers to review their lending and investment policies and put them in writing and enforce their observance.

ABA Treasurer J. Grant Bickmore, who is president, Idaho Bank, Pocatello, spoke on the image of banking and the need of bankers to work hard to maintain this image. He called on bankers to recognize the legitimate needs of certain groups—namely the elderly, minorities and women.

"Bankers have a responsibility to develop innovative programs that will help the elderly deal with their financial problems," he said. "I'm afraid that so far we haven't addressed this responsibility adequately." He said many banks desiring to assist the elderly have found it worthwhile to work with senior citizen organizations.

Bankers should recruit minorities and women personnel as quickly as possible to fill vacancies at the management level, he said. Although banks have a good record of staffing their lower-level echelons with minorities and women, they have found it difficult to attract these people for higher-level positions.

He predicted that more women would be calling upon banks for business and home loans and that these women will expect their ability to turn a dollar into profit to be judged on its own merits and their earnings to be evaluated in the same light as a man's.

"By voting in favor of moving forward with society," he said, "we are protecting our industry and our image, while contributing to the goals of the nation. Let's continue to stress our responsibility to our customers, our community and our nation."

R. Ben Lampton, president, First National, Jackson, was elected MBA president for 1974-75, moving up from vice chairman and chairman of the executive committee. Succeeding Mr. Lampton and moving up from MBA treasurer was W. E. Howard Jr., president, Commercial National, Laurel. Elected new MBA treasurer was John H. Mitchell Jr., president, National Bank of Mississippi, Starkville.

During the ABA members' meeting, J. C. Whitehead Jr., ABA vice president for Mississ'ppi and chairman, bank of Mississippi, Tupelo, was elected to the ABA governing council for a two-year term. Elected to the ABA nominating committee was Mr. Lampton, with Mr. Howard named as alternate.

More than 1,400 were registered at the convention, making it one of the best-attended in the association's history. • •

TOP: Frank E. Allen (l.), pres., Canton Exchange Bank, and Orrick Metcalfe, ch., Britton & Koontz First Nat'l, Natchez. BOTTOM: Sidney D. Davis, pres., Peoples Bank, Mendenhall; S. E. Babington, dir., Brookhaven Bank; and W. E. Howard Jr., pres. & CEO, Commercial Nat'l, Laurel (and assn. treas.).

20th Directors' Assembly Planned Aug. 31-Sept. 3 In Colorado Springs

"Bank Ethics—Need for a Code?" will be the opening speech at the 20th Assembly for Bank Directors August 31-September 3 at Colorado Springs' Broadmoor Hotel. The talk will be given by William H. Bowen, president, Commercial National, Little Rock.

Other key addresses will be "The Financial Situation" to be given by Bruce MacLaury, president, Federal Reserve, Minneapolis, and "Evaluating Management" to be given by Eugene Swearingen, chairman and CEO, National Bank of Tulsa.

Also scheduled are "Legal Responsibilities of Bank Directors," "Credit Administration," "Analysis and Planning," "What a Bank Supervisor Expects From Directors," "Trust Business," "The Place of the Independent Bank" and "What's Happening to the Holding Company?" Special discussion groups will be held on new banks and trust business. James L. Cooper, chairman, Atlantic National, Atlantic City, N. J., will be chairman of the new banks' discussion. Gibbs McKenny, attorney-at-law, taxes and estates, Baltimore, will lead the special discussion on trust business. Twenty-six faculty members will be group counselors for the general discussion groups.

The assembly will be directed by Theodore D. Brown, president, First National, Denver. Dr. William H. Baughn, dean, School of Business, University of Colorado, Boulder, and director, Stonier Graduate School of Banking at Rutgers, will be co-director.

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NEW OFFICERS of Ark.BA are pictured here, l. to r.: Pres., Thomas E. Hays Jr., pres., 1st Nat'l, Hope; pres.-elect, Dorman F. Bushong, pres., Farmers & Merchants, Rogers; v.p., William H. Kennedy Jr., pres., Nat'l Bank of Commerce, Pine Bluff; and treas., Wayne Hartsfield, pres., 1st Nat'l, Searcy.

Usury Law, Holding Co. Study: Topics of Concern in Arkansas

By RALPH B. COX
Editor & Publisher

A HOLDING COMPANY study and the need to change the state's usury law appeared to be uppermost in the minds of Arkansas bankers during their annual convention in Hot Springs last month.

Outgoing Ark.BA President Van Smith reported to convention delegates that a holding company study begun last year would be completed and ready for the state's 1975 legislative session. Educational programs also have been begun, he said, to effect a change in the state's constitution, which presently limits the legal interest rate in Arkansas to 10% (on both individual and corporate customers). Considerable research has been done on the subject in Arkansas in an effort to demonstrate the negative effects of the limitation on interest rates. (A further discussion of usury laws will be found in this issue beginning on page 19.)

The association's holding company study, to be distributed to members soon, was discussed briefly during the convention by Dr. John Dominick, who holds the chair of banking at the University of Arkansas.

The study, reported Dr. Dominick, will review the reasons for the study. It will show, he said, how holding companies are formed, their competitive aspects, how they are regulated by the Federal Reserve, their nonbanking activities and how expansion in other states has been controlled.

The study, he said, will contain input from various interested groups, i.e., holding companies, independent bankers, Federal Reserve and state banking authorities.

It also will analyze in detail Arkansas' economy and abilities of Arkansas banks to meet credit needs of businesses and individuals. Large companies domiciled in the state, he said, were surveyed on the subject of loan need as well as their willingness to keep money on deposit in the state's banking system. This portion of the study, according to Dr. Dominick, was received enthusiastically by the business community and information compiled will be most revealing.

The Arkansas Bankers Association, like most banking associations throughout the country, is neutral on permissive or controlling legislation regarding HCs. However, the association does recognize the need for factual information on the subject, particularly during a period when the state's banking system faces competition from many sources.

Outgoing Ark.BA President Van Smith recognized banking's growing competition in a pre-convention message to the state's bankers in which he queried: "Who is your competition?

CONVENTION SPEAKERS are pictured in two photos with Ark.BA President Van Smith (at left). James E. Smith, Comptroller of Currency, is pictured at left; and at right: George L. Whyel (l.), pres.-elect, American Bankers Association; and Lawrence E. Kreider (r.), exec. v.p., Conference of State Bank Supervisors.

I submit that it is not the banker across the street or in a neighboring town. We tend to think of our competition only as other banks, especially banks with different structures from ours, i.e., unit vis-a-vis branch; branch vis-a-vis holding company affiliates; holding company vis-a-vis unit; etc."

Mr. Smith, who is president, Bank of Tuckerman, enumerated several of banking's competitors. Savings and loans, he pointed out, loom on the horizon as potentially greater competitors if the NOW accounts are allowed to spread beyond their experimental stage in two eastern states. Also, he said, there are strong possibilities that the Hunt Commission report will precipitate legislation that will give S&Ls "even more of the powers which have traditionally belonged to banks without charging them a price of entry."

Credit unions also are a growing competitive factor in Arkansas, he said. Mr. Smith noted that credit unions now provide many of the services of commercial banks without the same regulations and safeguards. Also, they are allowed to charge 12% interest under present federal regulations.

Retail chain stores also are a powerful competitive factor. Sears & Roebuck alone, he said, has receivables of $4.2 billion, which surpasses total consumer receivables of the 28 largest commercial banks in New York and Chicago. The Sears credit card program also is larger than either Master Charge or BankAmericard and with 18.5 million customers, Sears credit card receivables equal 80% of the total amount owed on all major bank credit card accounts.

Mr. Smith suggested that banking cooperate with these competitors "when we have mutual problems." Above all, however, he urged banking to remain united, to analyze who its major competition is and to "remain competitive."

New Officers. In official action taken at the convention, Arkansas bankers elected as their new president, Thomas E. Hays Jr., president, First National, Hope. The post of president-elect went to Dorman F. Bushong, president, Farmers & Merchants, Rogers.

William H. Kennedy Jr., president, National Bank of Commerce, Pine Bluff, was named vice president; and Wayne Hartsfield, president, First National, Searcy, was named treasurer.

Mr. Hays also was appointed a member of the 1974 nominating committee of the American Bankers Association, with Mr. Bushong to serve as alternate.

In other action taken, Arkansas bankers supported the candidacy of W. Liddon McPeters, president, Security Bank, Corinth, Miss., for the post of president-elect of the American Bankers Association in 1975.

PAST PRESIDENTS of Ark.BA pose for cameraman during traditional luncheon at Hot Springs. Young man in top center is son of outgoing President Van Smith (3rd from left). James H. Penick (seated, top right), Worthen Bank, Little Rock, has distinction of being association's oldest living past president.

Other Speakers. Another speaker who took a close look at the structure of banking was Lawrence E. Kreider, executive vice president, Conference of State Bank Supervisors. "Bankers must take the lead," he said, "in establishing the goals, criteria and characteristics of the future banking and financial structure, or it will be done with relative insensitivity by government agencies.

"In trying to influence the banking structure," he stated, "we should recognize patterns already in motion." As an example, he said, "We already have passed the point where the elimination of extended facilities for banking-type services is a viable option. The real questions now are, 'What shall be the form of the extended facilities structure in each state?,' and 'How can each state most nearly self-determine its own banking and total financial structure?'"

DOOR PRIZE drawing went to Miss Cathy Feild, only woman examiner on staff of Arkansas Banking Department. Miss Feild is pictured here with two bankers who conducted drawing, Cecil Cupp Jr., pres., Arkansas Bank, Hot Springs; and Edward Hurley, pres., Exchange Bank, El Dorado. Miss Feild's father, Talbot Feild Jr., is pres., Bank of Chidester.

George L. Whyel, president-elect, American Bankers Association, also considered effects of competition in a discussion of the electronic funds transfer systems (EFTS). Point-of-sale terminals have clearly demonstrated, he said, that competitors can move into a market quickly and effectively.

Mr. Whyel, vice chairman, Genesee Merchants Bank, Flint, Mich., referred to the "Hinky-Dinky" operation in Nebraska, where an S&L established a point-of-sale terminal in a supermarket and within 45 days had acquired $644,000 in deposits. During the same time, S&L customers withdrew only $40,000 from their accounts!

Everyone benefited from the transaction, he said, with the exception of

(Continued on page 70)

OBA officers for 1974-75 include (from l.) Tracy Kelly, pres., American Nat'l, Bristow—assn. v.p.; Morrison G. Tucker, ch., Will Rogers Bank, Oklahoma City—assn. pres.; Glenn P. Ward, sr. v.p., Fourth Nat'l, Tulsa—assn. ch.; and H. Harber Lampl, pres., American Nat'l, Shawnee—assn. treas.

Detente Among Various Bankers Factions Called for at Oklahoma Convention

By LAWRENCE W. COLBERT, Assistant to the Publisher

TAKING HIS cue from the relaxation of world tensions between certain nations, Glenn P. (Red) Ward, outgoing president of the Oklahoma Bankers Association, called for a mood of detente among the various factions of bankers in Oklahoma.

Mr. Ward, senior vice president, Fourth National, Tulsa, spoke at the OBA convention, held in Oklahoma City last month. He said a mood of detente is necessary for the advancement and protection of the banking industry in Oklahoma without favor to any segment of banks—large, medium or small.

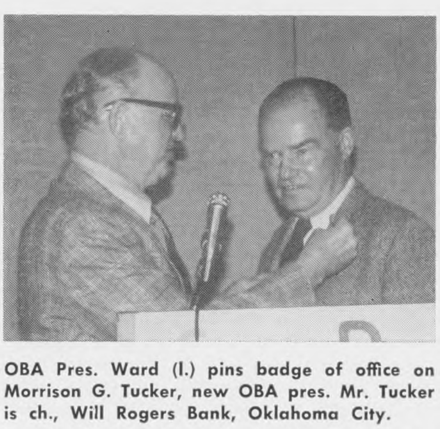
"Perhaps the collision course direction that is inevitably pursued when change of banking structure situations arise could be avoided if each faction would set aside long-time prejudices, adopt detente as a philosophy and work from the core out in finding the solution to the difficulties of competing with outside financial organizations.

"We discuss and agree (majority) that we must adapt our bank structure to such an extent that we can compete with the unlimited branching, Transmatic Money Service, Docutels and prepaid credit plans that are now in action or definitely committed that give our outside financial forces an extreme advantage over banks in attracting customers," Mr. Ward said.

Inflation was the topic of a talk by F. J. Spencer of International Management Services, Houston. "Inflation must be stopped dead, *now*, or we are all dead!," Mr. Spencer exclaimed. Mr. Spencer called for a four point program of action:

1. The heart of the federal government's weapons system for debt management is the periodic funding of recurring deficits and of the interest on our present national debt currently over $400 billion in actual fact. No more severe roadblock to these attempts exists than the combined, unified refusal by banks, holding companies and bond houses to bail out Uncle Sam one more time.

2. Mandatory amortization of the federal debt. There comes a time when it is sheer suicide to continue "kicking-forward" the note, especially a $400 billion monster with average annual interest payments of $35 billion!



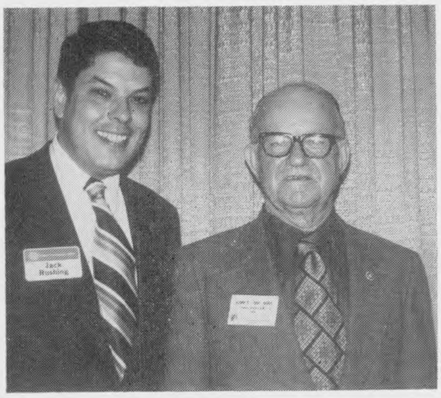
OBA Pres. Ward (l.) pins badge of office on Morrison G. Tucker, new OBA pres. Mr. Tucker is ch., Will Rogers Bank, Oklahoma City.

3. Use of unspent appropriations (currently estimated at some $42 billion) to (a) retire a portion of the federal debt or (b) retire the most recent Treasury offerings or (c) replenish the nation's funding pool for export expansion so as to create balance-of-payment surpluses toward strengthening the dollar.

4. Finally the banking industry should insist that this nation return forthwith to the gold standard, but at a price closer to $180 to $200 per ounce on an official basis. Following this there should be a two-tier interest-rate system set up for attracting foreign-held dollars back into the country in specific investment categories such as one-, five-, and 10-year U. S. government-backed certificates of deposit available *only* to nonresident aliens holding U. S. dollars.

Competition was the underlying theme of most convention talks. A speech that concerned itself exclusively with competition from S&Ls was one given by William H. Osterberg, executive manager of the Nebraska Bankers Association, Omaha. Mr. Osterberg's complete text may be found on page 21 in this issue.

A task force to study S&L competition with specific emphasis on electronic fund transfer systems was announced by Morrison G. Tucker, chairman of Will Rogers Bank, Oklahoma City, in an acceptance speech for the OBA presidency. Mr. Tucker said that



Jack Rushing (l.), a.v.p., First Nat'l City Bank, New York, and Glenn P. (Red) Ward, OBA pres., visit following Mr. Rushing's talk at convention.

bankers must place their business in a position to compete on equal terms for financial services.

Frank G. Kliewer Jr., president, Cordell National, and a former OBA president, reported on the progress of the Oklahoma Business Development Corp. following almost a year of operation. He reported that $338,000 of a goal of $500,000 capital has been raised from 51 shareholders. He also reported that 153 Oklahoma banks have pledged $6 million for a loan pool on the basis of 3% of capital and surplus. Ninety-two inquiries have been received by the corporation for loans, and seven applications have been approved.

In the elections, Mr. Ward was elevated to chairman of the board from president, and Mr. Tucker from president-elect to president. Elected new president-elect was Tracy Kelly, president, American National, Bristow. Elected treasurer was H. Harber Lampl, president, American National, Shawnee.

In a meeting of ABA members, Philip C. Kidd Jr., president, First National, Norman, was elected to the ABA Governing Council. William W. Rodgers Jr., president, Security Bank, Blackwell, was elected as the state's member of the ABA nominating committee, and Edward F. Keller, president, Rogers County Bank, Claremore, was named alternate.

Registration for the convention was 1,025. • •

Effective Tool

(Continued from page 23)

by this innovative marketing tool.

Although not as active as the S&L industry, credit unions certainly are not ignoring the tremendous potential EFTS has to offer. The National Cash Register Employees Credit Union in Dayton, O., has issued plastic cards with magnetic stripes to more than 25,000 members. In Dayton, 24-hour automated teller stations have been installed by the NCR Credit Union. These stations offer the following services: 1. Deposits and withdrawals. 2. Line of credit. 3. Utility-bill payments. 4. Pre-authorized payments. 5. Regular payments. The name devised for this system is called "Rite on-Line."

In addition to the automated teller stations, the Rite on-Line card may be used for a line of credit through any retail outlet. At present, this is a paper transaction, but could easily be converted to an electronic transaction. The Rite on-Line concept is being looked at by many other credit unions. It's anticipated that the Teachers Credit Union of Philadelphia will begin a similar project June 1.

The important thing to remember is that 25,000 NCR Credit Union members now have the key to EFTS in their pockets, and this could be true for any other credit union in the nation. All credit unions in Virginia plan to join together to get Rite on-Line this summer. Our competitors in credit unions obviously aren't missing the advantages EFTS would have to offer them in creating a favorable competitive balance.

What about banks around the country? Have they progressed as far as our competitors? Some banks have been very active in this field. Georgia is developing a system through the Atlanta Clearinghouse that would provide an automated clearinghouse system for all banks in the state, with every bank on line in a computer operation. Forty-eight percent of all Georgia banks belong to the clearinghouse. A National Automated Clearinghouse Association has been formed, and it appears that California, Georgia, New England, Minneapolis-St. Paul, New York, Columbus, O., and Baltimore clearinghouses will form the basis for such an organization.

Many of you have read about a pilot project in Massachusetts called the Pittfield Project. There, credit unions, cooperative banks, S&Ls, mutual savings banks and commercial banks decided to get together to build an on-line system utilizing EFTS and POS terminals. It's too early to judge the effectiveness of the Pittsfield Project, but work is progressing at a rapid rate and it will be completely operative in the near future.

First National City of New York City has 2,000 POS terminals in merchant locations, mostly in department stores. In the near future, six grocery stores will be installing Citibank's POS terminals. The Citibank operation includes a debit card with Master Charge credit. To compete with Citibank, a number of other NYC banks, Chase Manhattan, Bankers Trust, Chemical Bank and Manufacturers Hanover, have joined together and have asked the Fed for permission to install an EFTS system state-wide in 1976.

It's clear that the larger banks now are moving rapidly in the EFTS field and hope, within two years, to capture a large part of the national market before any kind of national switching system comes into play and before most other banks are into EFTS.

We must look on EFTS not as a problem, but as an opportunity, an opportunity that must, first and foremost, be advantageous for the people we serve—our bank customers. EFTS will provide them with the greatest banking convenience they have ever known. It will allow large and small banks to offer their customers packages of services they have not previously had. It will offer banks a great deal of safety because transactions can be on line with main computer facilities. Therefore, proper authorizations for transactions will be immediate and physically secure.

We mustn't allow commercial bank customers to become second-class citizens and to receive second-class services. Banks also must not be followers, but must be leaders. We have been the leaders of financial institutions throughout out history, and I'm confident that we will face EFTS with an optimistic attitude and with the concept of how we can best utilize this technological tool for the betterment of our customers, our banks and the economy. • •

Retirement and Appointment Announced by Tulsa Bank, HC

TULSA—Vice President Frank A. Barnett has retired from National Bank of Tulsa, and Mrs. Betty Shaull has been named treasurer of the bank's parent firm, NBT Corp. She continues as vice president and cashier of the bank.

BARNETT SHAULL

Mr. Barnett joined the bank in 1925 as a messenger and served in 11 different capacities, spending the last 35 years in lending operations. He was in the commercial loan department at the time of his retirement.

Mrs. Shaull was employed as NBT's first woman management trainee in 1965, was elected assistant cashier in 1970, assistant vice president in 1971, vice president last September and was given the added duties of cashier in October. She recently received certification as a CPA.

New TBA officers for 1974-75 include (from l.) J. B. Wheeler, pres., Hale County State, Plainview—assn. v.p.; Gene Edwards, pres., First Nat'l, Amarillo—assn. pres.; and Harold M. Luckey, pres., Rockdale State—assn. treas.

Structure Study Heads List of Topics Discussed at Texas Convention

By LAWRENCE W. COLBERT, Assistant to the Publisher

A CALL for a comprehensive study of Texas banking structure, a recommendation for a new way of reporting bank earnings, a possible study of the Comptroller's examination processes and a candid discussion of capital adequacy were among the topics highlighted at the Texas Bankers Association convention last month in Fort Worth.

The recommendation for a comprehensive, in-depth study of the structure of Texas banking was made by outgoing TBA President C. Truett Smith, president, First State, Wylie, at the convention's opening session.

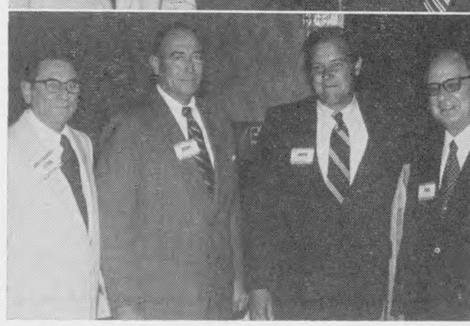
Mr. Smith stated in his address, "I would hope that President Edwards and the council would consider seriously the creation of a blue-ribbon committee of Texas bankers to really study the make-up and structure of our industry and, after a number of months, hopefully, to make recommendations for changes, if any, to our organization and to our state legislature. I believe we have the leadership ability within our membership to be honest, fair and completely objective in such a study, and I would recommend that if such a committee be constituted that it be composed of bankers representing all shades of opinion, from all size banks and from all sections of the state, taking into consideration that the dual banking system is very much a part of the Texas structure."

Mr. Smith went on to say, "Now, please do not misunderstand me! I am not advocating at this time that any changes are needed or that any changes be made. Very honestly, the system under which we have operated these many years has served us well. Texas has made great strides economically, agriculturally and industrially. I am saying that we ought to be willing to study the situation. Many of us tend to be shackled by old habits of thought, by dogmas of the past, and we have extreme difficulty in changing the pattern of our thinking to meet new conditions and new challenges. To me, such a study of Texas banking should challenge all of us to the best there is in us."

The convention featured several top-flight guest speakers, including Willard C. Butcher, president of Chase Manhattan Bank, New York City. Mr. Butcher urged the adoption of a new standard measure "to clarify bank earnings in a period of inflation and flux." He recommended eliminating the general banking procedure of reporting "two bottom lines"—one for income before investments and securities transactions and the other for income after these transactions.

"This procedure is a severe impediment to asset-liability management," Mr. Butcher said. The New York banker noted that the current reporting practice falsely assumes that securities transactions are not manageable. He added that the procedure also "strongly biases investment portfolio decision-making."

"When one believes rates are at a peak, it is relatively easy to invest in longer, high-yield securities and thus lock in income. However, when rates are believed to be at the bottom, it is difficult to sell a high-yielding security for a short-term, low-yielding one, since



TOP: Gene Edwards (l.), pres., First Nat'l, Amarillo, and incoming TBA pres., chats with Willard C. Butcher, pres., Chase Manhattan, New York, one of convention speakers. At right is C. Truett Smith, outgoing TBA pres., and pres., First State, Wylie. Mr. Smith called for a comprehensive study of Texas banking structure. BOTTOM: Pictured at TBA convention were (from l.) Leon Stone, pres., Austin Nat'l; James D. Berry, v. ch., Republic Nat'l, Dallas; James E. Smith, Comptroller of the Currency (and convention speaker); and S. R. Jones Jr., pres., First Pasadena State.

the lower yield would affect performance but the capital gain would not be accounted for in managed results," Mr. Butcher said.

To eliminate the duality in reporting, Mr. Butcher suggested treating gains and losses the same way banks handle loan losses; above the bottom line on the basis of a five-year average, rather than below the line as a single-year figure.

James E. Smith, Comptroller of the Currency, announced that he is recommending a study of the Comptroller's office with emphasis on examination processes. An independent accounting firm will be engaged to do the study.

Mr. Smith also stated that there would be greater emphasis by his office in policing "self-dealing lending," in view of the recent problems at U. S. National, San Diego. Mr. Smith anticipates issuing a regulation that will require the business affiliations of all officers and directors of national banks to be listed and available upon demand.

In his usual flamboyant manner, Charles A. Agemian, chairman, Garden State National, Hackensack, N. J., outlined the responsibilities of a chief executive officer. He stated the most important responsibility is acceptable financial performance. He stated that a CEO should strive for a return on stockholders' equity somewhere between 16 and 18%, and a 1.1 to 1.2% return on total assets.

Mr. Agemian called on bankers to treat their correspondent balances as investments, not as sources of baseball or football tickets.

"Bank Lending and Capital Adequacy in an Environment of Shortages" was the title of a talk by Roger E. Anderson, chairman, Continental Illinois National, Chicago, "No magical fixed formula can be derived to determine the proper amount of capital for a given bank," Mr. Anderson stated. "It is encouraging that at least to date the regulatory authorities have avoided placing themselves in any kind of a fixed or rigid position in their approach to these problems," Mr. Anderson continued. "They obviously have developed some rule of thumb screening procedures, but these are only a first approximation to an ad hoc approach that hopefully includes many institutional and environmental characteristics for each bank in question."

Mr. Anderson pointed out that it is important to note that U. S. banks have not failed as a result of inadequate capital. He referred to a study that indicated that of 493 banks which closed between the beginning of FDIC operations in 1934 and early 1972, none failed because of inadequate capital.

Outgoing TBA Pres. C. Truett Smith received Texas Bicentennial medallion at convention from representative of American Revolution Bicentennial Commission of Texas. The medallion commemorates the forthcoming U. S. bicentennial in 1976.

Gene Edwards, president, First National, Amarillo, was elected TBA president. He is the fourth man from First of Amarillo to be elected to the top spot in the Texas Bankers Association. Reportedly, no other bank can boast of providing that many TBA presidents. Elected vice president of the association was J. B. Wheeler, president, Hale County State, Plainview. Harold M. Luckey, president, Rockdale State, was elected treasurer.

At a meeting of the ABA members, four bankers were elected to the ABA governing council: A. W. Riter Jr., president, Peoples National, Tyler; C. Truett Smith, First State Bank, Wylie (and retiring association president); John Shivers, executive vice president, Southwest Bank, Fort Worth; and Seth W. Dorbandt, chairman and president, First National, Conroe. Max A. Mandel, chairman of the executive committee, Laredo National, was named the state's member of the ABA nominating committee, and Wilber A. Yeager Jr., executive vice president, First National, Midland, was named alternate.

Registration for the convention May 5-7 totaled approximately 1,500. Next year the convention will go to Houston. • •

Cultural Programs Sponsored By Houston National Bank

Houston National recently sponsored Kenneth Clark's "Civilisation" series on local TV. The bank sponsored the programs due to the success last summer of two TV series, "The Six Wives of Henry VIII" and "Elizabeth R."

Five minutes of the bank's commercial time at the end of each "Civilisation" program was devoted to presentations at the Houston Museum of Fine Arts that related to the evening's program.

The bank also has presented the Houston Symphony in a "sidewalk symphonies" series and donated a prize to benefit the local public TV station.

Competition From Thrifts Poses Threat to Banking, Kansas Bankers Warned

By ROSEMARY McKELVEY
Managing Editor

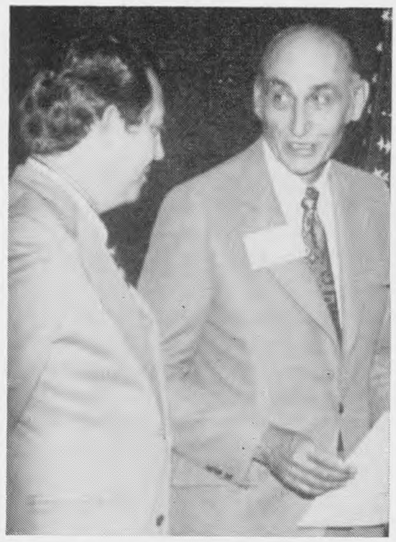
WHEN Henry G. Blanchard, who served as Kansas Bankers Association president during the past year, began to give his report at the KBA convention last month, it soon became evident that it wasn't going to be the usual association president's report.

Although Mr. Blanchard, chairman, Commercial National, Kansas City, did review KBA activities, he devoted most of his talk to competition—not competition among commercial banks, but competition from thrift institutions. In fact, his remarks on such competition are extremely relevant to all bankers, not just those in Kansas, and, therefore, they are reproduced beginning on page 23.

He began his discussion of competition by describing the Transmatic Money Service (TMS) started by a Lincoln, Neb., S&L, which has been much in banking news lately and which was the subject of talks given at two Mid-Continent-area conventions (see page 21). Under TMS, point-of-sale (POS) computer terminals placed in two Nebraska supermarkets are connected on-line to the S&L's central computer. Any S&L customer with a special plastic card may obtain cash from or make a deposit in the S&L merely by presenting the card at either of the two POS terminals in the supermarket. Although operation of this system has been halted temporarily by suits, it's believed that the courts will rule in favor of the S&L.

The KBA hasn't been sitting idly by in the face of this new threat, as evidenced by President Blanchard's announcement of formation in March of a task force to study EFTS and make recommendations to the association's governing council. A paper released during the convention contained a resume of the task force's activities and its recommendations that a standing KBA committee on EFTS be established and that this committee include at least the following three subcommittees: one on education of membership, the second on legislative and regulatory study and the third on interbank communication and settlements.

In addition, the task force urged the ABA to take the lead in coordinating development of systems whereby any bank in the U. S. may participate in EFT systems and that the ABA provide close liaison and assistance to state bankers associations, automated clearinghouses and other groups in achieving workable and market-oriented systems in the shortest possible time.



J. Rex Duwe (r.), ch. & pres., Farmers State, Lucas, receives endorsement as candidate for ABA pres.-elect for 1974-75 from Young Bank Officers of Kansas, represented by group's pres., Dale Esmond (l.). Mr. Esmond is exec. v.p., Farmers & Merchants State, Derby. Mr. Duwe is former KBA pres. and served as its chairman, 1973-74.

As immediate action, the task force asked the governing council to adopt a policy that will allow Kansas banks to provide their customers with services imminent in the evolving electronic funds payments system. The immediate need, according to the task force, is to clarify that banking transactions that originate via an electronic device, such as an off-premise automated teller or POS terminal, actually are consummated within the bank and aren't restricted by present branching or detached-facilities statutes. To accomplish this clarification, the task force added, the KBA immediately should seek the attorney general's opinion and, if necessary, take action to amend the Banking Code during the 1975 session of the Kansas legislature.

Another topic currently of interest to bankers is that of the Fed's proposal that it have reserve-setting authority over nonmember banks. The case against such a proposal was presented at the KBA convention by Dr. Lawrence E. Kreider, executive vice president and economist, Conference of State Bank Supervisors, Washington, D. C. The real issues in this compulsory-affiliation debate, according to Dr. Kreider, are not monetary-policy implementation, equity between member

NEW KANSAS OFFICERS are (l. to r.): treas., Elwood Marshall, pres., Home Nat'l, Eureka; ch., Henry G. Blanchard, ch., Commercial Nat'l, Kansas City; pres., Robert H. Jennison, pres., First State, Healy; and pres.-elect, J. R. Ayers, pres., Citizens State, Miltonvale.

and nonmember banks and availability of data. He suggested that the focus of consideration should be placed on three interrelated questions:

1. "Where shall correspondent-type balances be held, and who shall perform correspondent-type services?

2. "Shall monetary policy be conducted as an aggregate policy through the FOMC, or shall the FRB increasingly and directly control individual banks and specific transactions?

3. "What kind of socio-economic structure do we want?"

The CSBS reoresentative said the real issue is whether a respondent bank relying on a government agency as its primary correspondent could facilitate the flow of funds and achieve the mobility and flexibility of credit and other services as effectively as it now can using one or more private correspondent banks. In most cases, he continued, a bank and its trade area will be served better if the bank strengthens its private correspondent relationships. In fact, he said, he believes the public would be served better if moderately more non-interest-bearing assets were transferred from the Fed to private correspondent banks.

As to the appropriate locus of monetary policy decision making, Dr. Kreider noted that a majority of monetary economists subscribe to the theory that it should be conducted through the FOMC.

"If our nation were to accept direct control," he warned, "it would be one of the most extreme steps toward a nationalized banking system ever taken."

On the broader question of the type of socio-economic structure, he said that if any government agency had the power to set and hold reserves for all banks, perform a significant and growing proportion of correspondent-type services, directly dictate flows of funds to and from individual banks and for specific purposes, control the nation's electronic funds transfer system and exercise regulatory power over single and multi-bank HCs, this country would have a concentration of raw economic power without restraint of checks and balances unknown in the free world.

"Such a package," said Dr. Kreider, "would be inconsistent with basic freedoms so cherished in this nation and inevitably would evolve into a posture of centralized decision making which would lack in basic knowledge of and be insensitive to the needs of consumers and businesses alike."

The Fed Represented. A member of the Fed's board of governors, Robert C. Holland, appealed to Kansas bankers, in their own interest and in the country's, to lead the fight against inflation, to give their support and wisest counsel to the makers of monetary and fiscal policy as they pursue this struggle. He said the struggle is so fierce and closely contested that the bankers could help make the difference between victory and defeat. He advised them to be generous in their own comments on how to fight inflation, to contact the Fed with any suggestions they may have and to keep letters going to Congress.

Governor Holland said that price and wage controls had been tried and found wanting, and so the chief remaining instrument in the anti-inflationary arsenal is monetary policy. However, he continued, if monetary policy is to be a workhorse in the anti-inflationary endeavor, banks are in for an uncomfortable time. The basic design of our financial system has banks at its core, he said, and it makes banks the chief channel through which the bite of monetary restraint is spread through the economy.

"Your liabilities become costly and hard to support," said Governor Holland, "your bond portfolios drop in market value, and you are pressed to speak in discouraging terms to your good loan customers, either in terms of higher interest rates or constrained loan totals or both. The Federal Reserve talks of such unpleasantries to you as high reserve requirements and possibly increased interest-rate ceilings on time deposits."

He forecast that many irritations will come between the Fed and banks, that both sides' roles will be unhappy ones, but will be absolutely essential to success in this battle. Whatever irritations and secondary difficulties banks and the Fed face, Governor Holland advised both to put first things first, to give top priority to those things that further the efforts to slow down inflation, which is the No. 1 economic enemy of the nation, each community, each bank.

New members of 50-Year Club are: (seated, l. to r.) Forrest R. Fair, First Nat'l, Mankato; Edward Hamilton, Saline Valley Bank, Lincoln; and C. Harold Brage, Victory State, Kansas City. (Standing, l. to r.) Claude W. Diehl, Smith County State, Smith Center; Fred H. Kelly, National Bank of America, Salina; W. W. Rouse, First State, Norton; and Kelvin Hoover, Kaw Valley State, Eudora.

TOP: KBA President Henry Blanchard (at microphone) introduces Kansas Governor Robert Docking (3rd from l.), who spoke at KBA convention. At extreme left is another convention speaker, Robert C. Holland, member, Board of Governors, Federal Reserve System, Washington, D. C. Second from left is W. L. Webber, ch., Security Nat'l, Kansas City. At right is KBA pres.-elect, Robert H. Jennison, pres., First State, Healy.

BOTTOM: Answering questions at press conference held during KBA convention are (l. to r.): Bruce Rice, sports director, KCMO-TV and radio, Kansas City, Mo.; Dr. Lawrence E. Kreider, exec. v.p. & economist, Conference of State Bank Supervisors, Washington, D. C.; KBA President Henry Blanchard and KBA President-Elect Robert H. Jennison. Mr. Rice and Dr. Kreider appeared on convention program.

"The essence of banking," said Governor Holland, "is taking custody of people's dollars and promising to give them back in good shape. If the dollar which is your stock in trade continues to be a rapidly depreciating asset, then you are in a losing business."

The Governor Speaks. Kansas' Governor Robert Docking reported to conventioneers that total bank assets in the state last year were up more than 17%: loans were up 21.5%; total deposits up 17% and capital accounts up nearly 17%. Five new banks opened, he continued, increasing the number of state banks from 435 to 441. One bank converted. In addition, 28 banks' applications for extended facilities were approved.

Governor Docking reviewed several pieces of legislation passed that he believes will benefit banking: 1. Interest on deposits of public funds of $100,000 and more were fixed at 100% of the current Treasury bill rate. 2. There now is a minimum charge on consumer loans, encouraging consumer lending business by banks and enabling the small borrower to get the credit he or she needs. 3. The conflict-of-interest law was amended so bankers may continue to offer their leadership by serving on boards, commissions and councils of local public bodies without being in conflict in contractural relations.

Fred Bowman Honored. During the convention, delegates stood for a moment in silence as a tribute to Fred M. Bowman, who died February 17. Mr. Bowman served the KBA 50 years and was executive secretary when he retired in 1961. His son, Carl Bowman, is the KBA's executive vice president.

New KBA Officers. Mr. Blanchard moved up to chairman of the KBA and was succeeded as president by Robert H. Jennison, president, First State, Healy, formerly president-elect. The latter post was taken by J. R. "Dick" Ayres, president, Citizens State, Miltonvale. The new treasurer is Elwood Marshall, president, Home National, Eureka.

ABA Elections. Elected to two-year terms on the ABA's Governing Council were W. C. Long Jr., president, Farmers State, Norwich, and Oliver H. Hughes, vice chairman, Merchants National, Topeka, and chairman, Citizens National, Emporia. Named to the ABA nominating committee for the 1974 convention was W. A. Smiley, chairman, First National, Norton. Alternate is Linton C. Lull, president, Smith County State, Smith Center. • •

■ THE FED has given approval for the formation of Peoples State Bankshares, Inc., Rossville, to become a bank holding company through acquisition of Peoples State, Rossville.

Arkansas Convention

(Continued from page 63)

local banks that might otherwise have received the deposits. Customers benefited through expanded hours of service and greater convenience. Neither the customer nor the merchant paid a service charge and the supermarket reported that losses from bad checks had been reduced and that new (supermarket) customers had been attracted. (The Hinky-Dinky operation has since been halted by court action.)

The banking industry, he said, must decide exactly how it wants to get into the business of electronic transfers. "Do we want to emulate the experiment in Nebraska? Do we want to develop true point-of-sale operations? What other options are available to us?"

Another speaker, James E. Smith, Comptroller of the Currency, pointed out that the $900-million bank failure in San Diego pinpointed the need for two major regulatory changes. In the future, he said, the standard letter of credit (abused in the San Diego case) would be required as a footnote on all balance sheets to serve as a warning on all of a bank's contingent liabilities.

Mr. Smith also pointed to insider lending practices in San Diego which were a contributing cause to the bank's failure. The National Banking Department, he said, would establish more stringent insider lending regulations that would allow examiners to detect at an early stage any harmful practices being conducted by a bank. • •

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Banking Faces Competition From Many Different Areas, Missourians Are Told

By ROSEMARY McKELVEY
Managing Editor

ALL BANKERS know what the three Cs of installment lending are, but now there are three new Cs—competition, challenge and change—and they apply to every part of commercial banking. The new Cs played a big part in the Missouri Bankers Association's annual convention May 12-14 in St. Louis, particularly in a talk given by William H. Osterberg, executive manager, Nebraska Bankers Association, Omaha, and in reports of the MBA's president pro tem, Charles W. Risley Sr., and executive manager, Felix LeGrand.

The remarks of Mr. Osterberg, who also appeared at the Oklahoma convention, appear in more detail beginning on page 21. In essence, he described the Transmatic Money System or TMS initiated by a federal S&L at two Hinky-Dinky supermarket locations in Nebraska and told what he believes the ramifications of this new system are for commercial banks.

The President's Report. Mr. Risley, president, Excelsior Trust, Excelsior Springs, pointed out that the convention's theme, "Tempo '74," might well remind everyone that the tempo for banking surely can be expected to accelerate in future months. Unresolved, he continued, is the problem of TMS, which can make an S&L branch out of every supermarket in a state. Then he asked what about establishment of loan production offices by out-of-state banks? Also, there are the renewed demands for uniform reserve requirements and 100% insurance on public funds, said Mr. Risley, adding that these are just a few of the problems that demand a united front in banking—togetherness—if bankers are to meet these challenges successfully and remain a viable industry.

On another broad front, continued Mr. Risley, banks face the advent of the NOW account, currently limited geographically, but with a potentially wider spread; various proposals of the Hunt Commission that would bring competition of other financial institutions without equal burdens of responsibility; the move into the banking legislation field by government agencies other than those historically charged with regulation and supervision, and so on and on.

"The point of all this, I think," said the MBA president pro tem, "is that as bankers charged with the responsibility of providing vitally important financial services to hundreds of thousands of Americans, we cannot ignore those signals warning us of potentially dangerous situations."

He warned that because these are sensitive subjects and sensitive times, the dangers of being misunderstood are manifold. He said bankers have the right and responsibility to speak with one voice in presenting the pertinent facts to the public they serve. Banking must tell its story, he warned, or someone else will tell it for bankers and not, perhaps, as it should be told!

Mr. Risley alluded to the multi-bank HC bill passed by the 1974 state legislature (but not signed into law by the governor as of press time) as a nearly classic case of what can be accomplished when bankers are willing to stand shoulder to shoulder on a cause. He said that by approaching a delicate, emotionally charged problem in a calm, objective way, it's possible for reasonable men to arrive at mutually agreeable solutions to most major problems. Bankers must never lose the ability to negotiate, he warned.

(Editor's note: The HC bill referred to by Mr. Risley would bar any multi-bank HC in the state from acquiring more than 13% of the state's total bank deposits.)

The MBA, according to Mr. Risley, is not a power structure for big or small banks, for city or country banks. Its committee structure, its board makeup, its programs, workshops and conferences are, he continued, designed for *all* banks and *all* bankers.

"In all issues affecting banking in Missouri and nationally," he said, "your association tries always to be responsive, tries to act instead of react and views this attitude to be the one most favorable to the advancement of banking in our state.

"Regardless of what problems face us, we all share an equal stake in this business of banking, which, after all is said and done, is people business. We strive to contribute to the welfare of our depositors and our communities. When this can be done within the framework of a viable, strong, action-oriented association, our progress will never be in doubt. If we can all endeavor to make our association more professional, more sensitive, more responsive, our individual goals will be met."

Mr. LeGrand's Remarks. The MBA's executive vice president, Felix LeGrand, also referred to the multi-bank HC bill, saying that he believes this is

NEW MBA OFFICERS are (l. to r.): treas., Charles K. Richmond, exec. v.p., American Nat'l, St. Joseph; pres., Charles W. Risley Sr., pres., Excelsior Trust, Excelsior Springs; and v.p., Richard J. Pfleging, pres., Bank of St. Ann.

Don Alexander, Vice President and Manager, International Department, with Don Gardner, International Banking Officer

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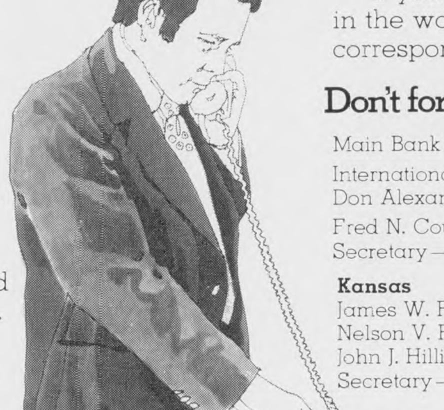

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John J. Hilliard	234-2488
Secretary—Lisa Lamanske	234-2491
Missouri	
Elmer Erisman	234-2482
John C. Messina	234-2486
Frank W. Greiner	234-2485
Secretary—Linda Breidenthal	234-2489
Other States	
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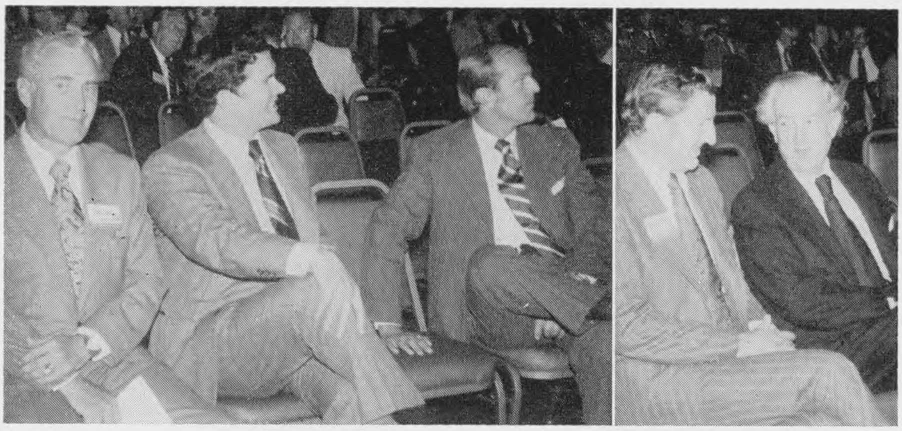

LEFT: Missouri Governor Christopher Bond (c.), convention speaker, is flanked by Charles W. Risley Sr. (l.), pres. pro tem of MBA past few months and incoming association pres., and Clarence C. Barksdale, pres., First Nat'l, St. Louis, who welcomed conventioneers as pres. of St. Louis Clearinghouse Assn. RIGHT: MBA Treasurer (now Vice President) Richard J. Pfleging (l.) talks with another convention speaker, Senator John J. Sparkman (D.,Ala.), ch., Senate Banking, Housing and Urban Affairs Committee.

the only time—at least since 1960 (when he joined the association)—that a piece of banking legislation introduced in the legislature had the backing, or approval, of the entire banking industry. Practically every legislator in both houses, he said, wanted to sponsor the bill, wanted the opportunity to do something for banking and to have bankers know about it, of course, and the bill passed with only minor opposition.

It was a good bill, good for the industry and for the public and should have passed, he continued, but it proved conclusively that if bankers in the state can get together, think together, work together, *agree*, they can withstand most of the challenges and problems thrust on them every day and, in so doing, serve the people of Missouri—their customers who are the reason for being in business. Like Mr. Risley, Mr. LeGrand used the word togetherness, saying it was displayed by both sides in hammering out a solution to a perplexing, divisive problem affecting banking and provided one of the most gratifying, heartwarming experiences of his 14 years with the MBA.

He paid tribute to the MBA's officers for the roles they played in bringing the two sides together. Because the association's position had always been neutral on HCs, he said, the officers served only as catalysts in bringing the two sides to the conference table and, in so doing, helped avoid potentially serious problems for all banks in the state.

Turning to one of the three new Cs, competition, Mr. LeGrand said it is the name of the game being played today and that if bankers are to compete with S&Ls, credit unions and, yes, government, they must give a little—not to the competition, but to one another. In other words, do what is best for banking, not just for an individual bank.

According to Mr. LeGrand, MBA membership now is 666 out of a possible 687 banks; there are nearly 1,000 banking offices in the state. Based on a population of ¾ million, this means there is a banking office for each 4,750 persons, down, he added, from 5,250 persons at this time last year. Mr. LeGrand said total bank resources in Missouri as of last December 31 were $16.75 billion.

Turning to the association's health insurance program, Mr. LeGrand said it had been switched from the Equitable to Blue Cross/Blue Shield. Also, the MBA has a new trusteed group pension program.

ABA Report. Fletcher E. Wells, ABA vice president for Missouri and vice president and cashier, St. Johns Bank, conducted the ABA meeting at the convention. Elected to the ABA nominating committee for the 1974 convention next fall was Carl E. Murray, executive vice president and cashier, Community State, Bowling Green. Mr. Risley was elected alternate member. Named to the ABA executive council for two-year terms were Robert Gaddy, chairman and president, Tower Grove Bank, St. Louis, and Ben Parnell Jr., chairman, Peoples Bank, Branson. Both are former MBA presidents.

FMDFC Report. The First Missouri Development Finance Corp., created six years ago through efforts of the MBA's committee on long-term financing for industrial expansion and some businessmen, was reported on at the convention by Fred F. Rost. He is chairman, FMDFC, and senior vice president, Central Trust Bank, Jefferson City. During a five-year period ended last December 31, said Mr. Rost, the corporation has counseled more than 477 business firms seeking financial assistance in excess of $103 million. Its board has considered 88 applications for $14.6 million and approved 54 loans for $7.6 million. First Missouri, continued Mr. Rost, has been able to maintain a self-supporting posture although its suffered its first losses last year. Gross charge-offs of $43,323,

New MBA 50-Year Club members are pictured following luncheon for club held during association's convention. Front row, l. to r., they are: Sidney L. Perkins Sr., Columbia Union Nat'l, Kansas City; Marshall S. Shain, State Bank, Fisk; I. A. Heerman, City Bank, Moberly; Miss Martha Helmkamp, First Nat'l, Wellston; Mrs. Goldie Brown, Bank of Troy; George B. Wessels, Chippewa Trust, St. Louis; and L. H. Johanson, United Missouri Bank of Blue Valley, Kansas City. Back row, l. to r.: Henry G. Willers, First Nat'l, St. Louis; Jess L. McCreery, Bank of Higginsville; Harry M. Meyer, Jackson Exchange Bank; and D. D. Salveter, Bank of Crocker. Mr. McCreery is not a new club member, but was reelected its president. Mr. Salveter was elected vice president. Six other inductees were not present at luncheon. They are: L. W. Jacobs Jr., Commercial Trust, Fayette; Richard J. Dalton, Commercial Bank, Fenton; O. W. Epperson, Bank of Neosho; D. W. Woolley, Columbia Union Nat'l, Kansas City; George J. Helein, South Side Nat'l, St. Louis; and W. W. Browning, Farmers Trust, Lee's Summit.

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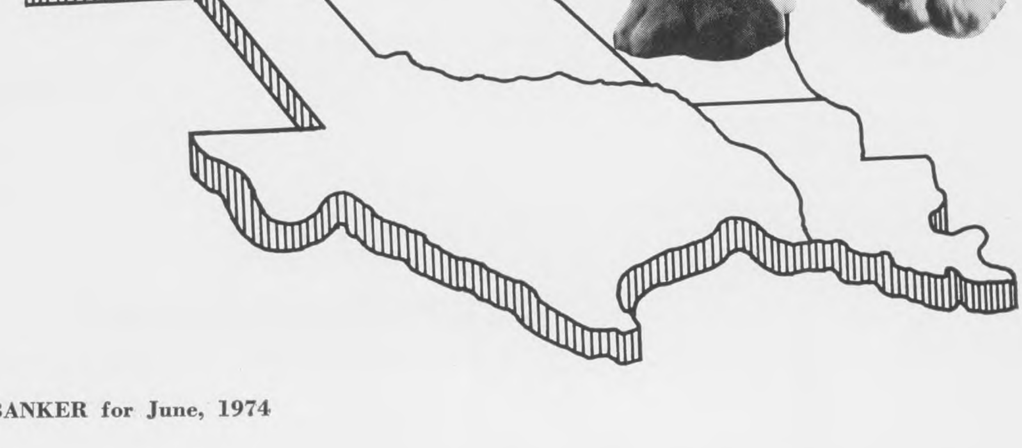

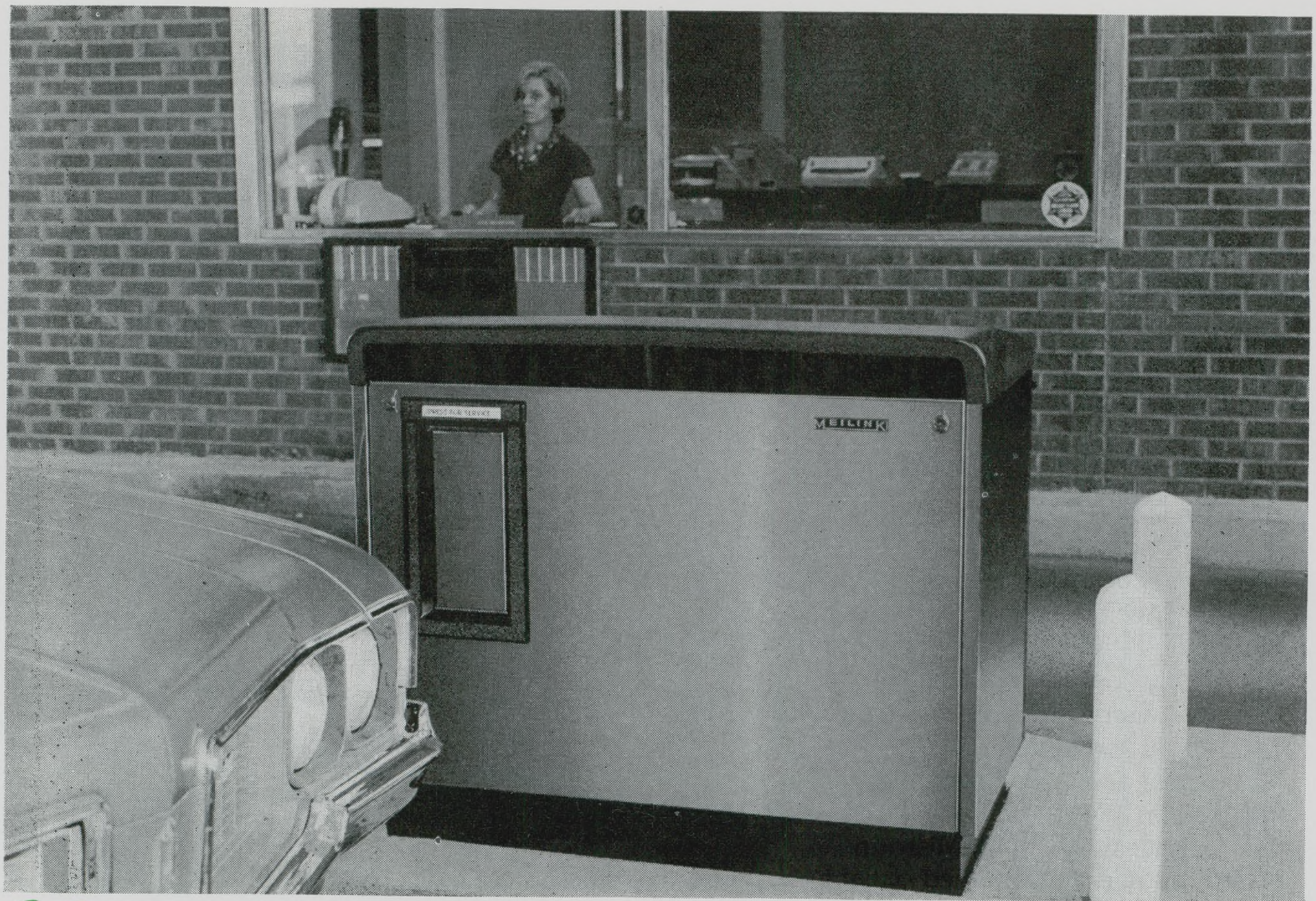
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representing 2.72% of unguaranteed loans then outstanding, were made while paying interest to member banks of over half-a-million dollars during the past five years. Average loss rate for the five-year period is less than .6%. He went on to say that business firms assisted, created or retained 3,436 employment opportunities, or 1,769 new jobs that didn't exist before First Missouri's assistance. Funds sought by these firms have been used in the following manner: working capital, 21%; to acquire machinery and equipment, 12%; to finance facilities, 53%, and for debt repayment, 14%.

First Missouri's assistance, said Mr. Rost, has taken the form of long-term loans ranging from five to 15 years, in amounts ranging from $40,000 to $400,000, many of which have been made in participation with banks and federal lending agencies. Today, he said, 172 Missouri banks have committed lines of credit of $3.9 million as member banks. These banks are members of First Missouri and currently are earning 10% a year on the outstanding credit advances. Needless to say, Mr. Rost pointed out, Missouri bankers are far short of the goal set in 1968 by the MBA.

New Officers. Mr. Risley, who served as the MBA's president pro tem since the resignation of President James Cline last February, was elected president of the association for 1974-75. Before becoming president pro tem, Mr. Risley was vice president. Richard J. Pfleging, president, Bank of St. Ann, moved up from MBA treasurer to vice president. Elected treasurer was Charles K. Richmond, executive vice president, American National, St. Joseph. Mr. Richmond, who eventually will become MBA president, will follow in the footsteps of his father, George U. Richmond, who headed the MBA in 1952. • •

New Competitors

(Continued from page 24)

buck by itself had a larger consumer receivables total than combined totals for the 28 largest banks in New York City and Chicago.

Figures for retailers' credit card operations, which are one form of consumer receivables, are equally impressive. The Sears total was bigger than the outstanding balances of either of the two national bank charge card systems. In fact, in January, 1973, the $4.3 billion in consumer receivables from Sears' 18.5 million active customer accounts equaled 80% of the total amount owed on all U. S. bank credit card accounts.

To understand just how deeply some of these companies have become involved in financial services, let's take a quick look at just two—Sears and General Electric. In one the emphasis is on consumer financial services. The other is oriented more strongly toward financing small and medium-size businesses.

Although Sears began offering some credit to its customers around the turn of the century, its financial services operations really began in 1931 with formation of Allstate Insurance Co., a wholly owned subsidiary. Beginning with automobile insurance, the company branched out into other areas—residential fire insurance, for example, and life insurance. Sears always has been able to take full advantage of its retail outlets and mail order business to market new insurance services. In several instances, resulting economies in marketing costs and increased volume enabled the company to offer lower rates to policyholders.

In 1960, Sears established the Homart Development Co. to build and operate shopping centers, both singly and in joint ventures. At the end of 1972, Homart owned nine completed centers, was developing six more and was involved in 12 others. In addition, Homart develops residential properties, office buildings, and other commercial facilities.

Sears owns a California S&L with five branches and assets of $296.6 million. The company is now negotiating for a $300-million California S&L, with 15 branches and authorization to open five more. Under a grandfather clause in the Bank Holding Company Act, it also owns a bank.

Sears formed Allstate Enterprises, Inc., in 1961 to operate a national automobile club and travel bureau. In 1962, Allstate Enterprises began financing consumer automobile purchases. In 1969, it began to manage and market an open-end mutual fund. In 1972, it entered mortgage banking through Sears' acquisition of a small California mortgage banking firm. And just last year Sears formed the Gale Organization to construct residential housing.

The array of financial services offered by Sears is enough to make a banker's mouth water, particularly because several of them are not permissible for bank holding companies under Federal Reserve rulings.

General Electric also has managed to put together an impressive array of financial services. Because GE markets its consumer products through a network of independent dealers, it's natural that many of its financial services would be aligned toward commercial customers. And in fact, that's just what happened.

The core of GE's financial operations is the General Electric Credit Corp. This company was formed originally to finance dealer-distributor inventory accumulation and dealer installment sales to consumers. And that's what it did through the 1950s. But the 1960s saw an expansion of GECC's operations including financing activities. By the end of 1972, the company's net earnings were $41 million, representing a 10-year compound annual growth rate of 17% from 1962 profits. Only about 9% of the company's total receivables outstanding in June, 1972, was related to financing of GE products.

To cut the story short, GECC is now profitably engaged in commercial and industrial financing of equipment sales, in leases and loans, in financing real estate and accounts receivable. It offers installment loans to consumers through more than 130 offices operating in 33 states. GE can provide insurance through its subsidiary, the Manhattan Fire & Marine Insurance Co., and a relatively new acquisition, the Puritan Life Insurance Co.

Lest bankers get the impression these financial activities are just sidelines for these corporations, let me assure you it's just not so. According to Citibank's study, 34% of Sears' total earnings in 1972 came from its financial operations. At Gulf & Western, the figure is 42%. And at Control Data an astounding 92% of earnings is derived from financial service operations.

Perhaps most disturbing of all is the realization that banking has been steadily losing its share of the market for financial services. In 1946 banks served 57% of that market. In 1972 that figure had dropped one third to 38%.

A major reason for this extensive decline in market share can be summed up in one word: inflexibility. Banks are hampered in their flexibility to offer new services to their customers. And they are limited in their ability to move into new geographic markets. These limitations obviously restrict a bank's ability to innovate and experiment, to take advantage of economies of scale—and, hence, to offer efficient, innovative services at the lowest possible price. A competitor not subject to these same restrictions has an obvious advantage in competing for new customers and a bigger share of the market.

For example, the Fed has ruled that bank holding companies may not engage in land development, life insurance underwriting (except for credit insurance), property management and real estate syndication. The Fed has yet to decide whether a fifth area—

operation of S&Ls—is suitable for a bank holding company. Yet Sears already operates profitably in each of these areas—and owns a bank as well.

Furthermore, a bank holding company interested in developing a new area of financial services cannot take any action without the Fed's approval, thereby notifying all its competitors of the new service. And even then, the Fed may rule that the activity is inappropriate under the Bank Holding Company Act.

Nor can a bank expand its operations into new markets without government approval. Consider these limitations—and then consider the advantages conferred upon a company such as J. C. Penney's which can take advantage of a nationwide network of retail outlets to provide financial services.

It's clear that regulation—even though desirable—is a competitive handicap for banks. Almost every aspect of a bank's operations, from its location to the loans it makes, is heavily regulated by a state or federal government agency—and sometimes both. These regulations are designed to ensure that banks operate safely and meet the needs and convenience of the public—but too often, new needs develop or old ones change while the regulations do not.

To compete effectively in a rapidly changing environment, banks must be willing and able to respond quickly and effectively to changing customer preferences and demands. We cannot do so if we are hampered by outdated or unnecessarily restrictive regulations.

These statements are not intended to suggest increasing regulation of financial activities of our nonfinancial competitors. Indeed, such additional regulation might seriously hamper their ability to meet their customers' financial needs. But they do suggest modifying the regulations on banks to enable us to offer the same services at prices competitive with those now charged by the large manufacturers and retailers.

Such modifications take time, however, and in this day of rapid change, time is in short supply. What can we as bankers do now to compete more effectively with our nonregulated competitors?

First, we must decide whether we really want to use the imagination and exert the energy necessary to compete. A good many banks don't take full advantage of the powers they already have to compete, not just with retailers and manufacturers, but with all bank competitors. Simply modifying regulations on banks will not enable us to regain our share of the financial services market—unless we are genuinely committed to competing.

If we are, we can begin by doing a little horn-blowing on our own behalf. We already provide loans at lower rates than most of our competitors, but the public doesn't seem to know it. Truth-in-Lending requires that we state our interest rates for the customer. Why don't we take advantage of that requirement to advertise our low lending rates?

Even more important is the fact that we can offer services not yet provided by retailers and manufacturers. We provide savings and checking accounts. But in many cases our procedures for handling these accounts are awkward and slow. Electronic funds transfer systems will help eliminate some of that slowness—but only if we provide the service and are able to persuade the public that EFTS will work for them as well as for us. Given the public's sometimes adverse experience with computer billing, that may not be an easy job.

As for flexibility, bank credit cards have it all over retailers' cards. Bank cards are accepted in thousands of retail outlets, including the nation's 15th largest supermarket chain. A retailer's card, on the other hand, can be used in only one chain of stores. Statistics demonstrate the importance of that flexibility. Americans used their bank cards more than 632.5 million times in 1973, or more than three transactions for every person in the country. Retail volume at the end of the year totaled $12.4 billion—up more than 34% over the previous year.

Finally, I think we need to take a look at our own stores and personnel—the bank offices where we market our services and the people who provide them. Is your bank office an inviting marketplace, comfortable for customers, both efficient and attractive—a place where customers can transact their business in the shortest possible time without irritation or annoyance? Are your personnel well trained and knowledgeable? And do they serve customers promptly, efficiently and cheerfully? Remember, we're competing not only with other banks but with that attractive J. C. Penney's.

Indeed, in this competition we bankers can no longer afford the comfortable assumption that we are the preeminent institutions in the race for delivery of financial services to the public. Figures show it just isn't so. An increasingly sophisticated public has learned that banks are not the only source of loans or leases. Now banks must take advantage of that new financial sophistication to persuade the public that we can and do serve their needs better than our competitors. • •


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Inflation—There Is Something Bankers Can Do to Fight It!

INFLATION, like the weather, is often talked about, but rarely is anything done about it. But this was not the case at the Oklahoma Bankers Association convention last month, when one of the speakers not only talked about inflation—he actually had a program of action for bankers to fight it!

The speaker, F. J. Spencer of International Management Services, Houston, said he chose to speak about inflation because he believes it to be the single most important, serious and potentially destructive element in our economy. He defined inflation as "an economic condition caused by excessive money supply, generated unilaterally by a federal government, spending beyond its means and having to print excess money to repay the deficits."

What can bankers do to fight inflation? According to Mr. Spencer, they can take the following steps:

1. The heart of the federal government's weapons system for debt management is periodic funding of recurring deficits and of the interest on the present national debt, currently more than $400 billion. No more severe roadblock to these attempts exists than the combined, unified refusal by banks, holding companies and bond houses to bail Uncle Sam out one more time. Bluntly stated, let the U. S. Treasury also know the desolation, as many institutions already have, of walking home from the market without a fully subscribed issue.

If the Treasury can't fund its recurring deficit by this means, it must withhold funds from federal programs to service existing debt. This is an essential first step in imposing the same fiscal discipline on the government that any bank would impose on any customer.

2. Hard on the heels of the first step, which can and must be the subject of congressional legislation—not Executive edict—must come the next component of the one-two punch: mandatory amortization of the federal debt. There comes a time when it's sheer suicide to continue "kicking forward" the note, especially a $400-billion monster with average annual interest payments of $35 billion!

How does one do this? By insisting to Congress that each annual federal budget include a figure for amortizing the national debt, not to be lower than 5% of the outstanding principal. Or else, appropriations for projects will be held up until after such amortization has been achieved by congressional authorization.

3. Next comes the flushing out of the appropriations pipeline that both Congress and the Executive Branch currently guard very jealously. The latest estimate shows that unspent appropriations in federal program pipelines total some $42 billion. This is money borrowed, but not spent, hence interest on same is an additional $3.5 billion that, in itself, also is borrowed.

"There is one basic concept in the fight against inflation: *compelling the government to live within its income.*"

The banking industry should insist that such unspent funds be used to do one of the following:

A. Retire a portion of the federal debt.

B. Retire the most recent Treasury offerings.

C. Replenish the nation's funding pool for export expansion so as to create balance-of-payments surpluses toward strengthening the dollar.

4. Finally, the banking industry should insist that this nation return forthwith to the gold standard, but at a price closer to the $180-$200 per ounce on an official basis. Following this, there should be a two-tier interest-rate system set up for attracting foreign-held dollars back into the country in specific investment categories such as one-, five- and 10-year U. S. government-backed CDs available *only* to nonresident aliens holding U. S. dollars. This would have the effect of bringing sizable amounts of dollars back into the country's banking system without upsetting reserve requirements, because U. S. government backing would make any U. S. bank eligible to be the repository for such funds, essentially as if they were capital notes on which Uncle Sam is the chief cosignatory.

There is one basic concept in the fight against inflation, according to Mr. Spencer: *compelling the government to live within its income*. This means, he continued, limiting government expenditures, strictly and absolutely, to taxes openly acknowledged to be taxes and prohibition of the concealed and deceptive tax of inflation, truly the most flagrant example of a thoroughly unconstitutional act—*taxation without representation.*

For entirely too long, said Mr. Spencer, political motivations have led our government to place the entire burden of inflation control on the monetary, rather than the fiscal, side of overall economic policy. The Fed, never designed or intended to be an inflation fighter, he continued, now carries the entire burden of dealing with this problem, and the chief overall effects on banking are:

1. An enormous rise in the cost of money, as its supply is tinkered with on a month-to-month basis.

2. Continuing encroachment of the federal government into every major category of money markets to finance rapidly rising, chronic deficits that "gutless" politicians do nothing to curb by fiscal means.

3. Arbitrary and distorted laws under which banks are severely constrained in performance of needed services; hence, they lose out to other financial interests that presented their cases better to politicians than bankers did.

4. Serious limits imposed by illiquidity, which is a noose tightening inexorably around the throat of the international banking system, as it raises money to pay pyramiding oil bills. Borrowers in Europe and Asia, often governments themselves, are lining up $20 billion for this purpose. The greatest worry among central bankers is that many of these loans never will be repaid, causing bombshell consequences for international money markets.

5. The rise in interest rates itself is a terrible destroyer. Every institution

that borrowed short and lent long is caught in a squeeze. Many already have lost hundreds of millions of dollars, and others aren't far behind.

6. Finally, as inflation rates climb past lending rates, asset shrinkage becomes inevitable. Yet this is exactly what is happening at major banks. Loss of liquidity for the sake of the almighty bottom line is a fiscally suicidal move in response to so-called "competition." Year-end 1973 Fed statistics showed bank liquidity ratios down to 25.4%. In 1966, they were 35.5% and, in 1946, 126%. What are banks doing to the very assets they need to continue to be competitive?

As a result of all this, said Mr. Spencer:

1. Loan participations become costlier as major money-center banks feel the pinch in servicing out-of-town correspondent-bank demands.

2. Material shortages, spawned by inflation, cause gross margin shrinkages in projects or businesses, weakening the ability to service the debt on many existing loans whose pro formas looked great yesterday, but not today.

3. Working capital and interim construction loan costs, up 18% to 20% in some locations, severely crimp business continuity and expansion, further causing banks to adopt vulnerable positions on outstanding loans and new commitments.

4. Bank investments and their yield levels suffer as inflation negates returns and reaches beyond that to asset shrinkage, affecting book values and net worth. • •

In Denver:

Bank Polls Residents On Community Attitudes

United Bank, Denver, has sponsored a Profile of Community Attitudes, mirroring the opinions of 517 local residents on the mood of the public, the quality of life in Denver, its institutions, the community, its financial institutions and the media.

Purpose of the profile was to provide the bank with an overview of social attitudes and concerns as part of the bank's continuing effort to help solve the problems faced by the community the bank serves.

Almost 50% of the residents said they were "very satisfied" with their personal situation. Most held a high degree of optimism for improvement in their lives. Most residents do not expect banks to be responsible for involving themselves in community problems and four out of five persons read a local newspaper and nearly three out of four watch a TV newscast daily.

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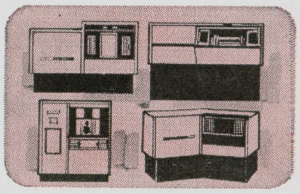

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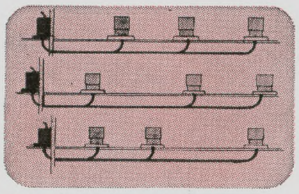

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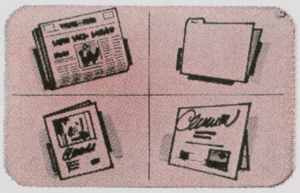

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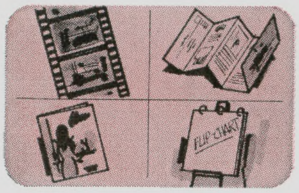

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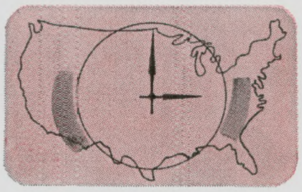

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EFTS, Economy and Industry Share Conference Spotlight

Room of beautiful new Crown Center Hotel in Kansas City is filled for Commerce Bank's bank management conference.

By RALPH B. COX
Editor and Publisher

ELECTRONIC FUNDS TRANSFERS may be the wave of the future, but Dr. Robert Knight, research officer and economist with the Kansas City Fed, is uneasy and uncertain about them. As one of the featured speakers at the 1974 bank management conference of Commerce Bank of Kansas City, he cautioned that—in the electronic funds area—banks could be creating an Edsel, something that looks good on paper, but simply will not sell.

In addition to Dr. Knight's talk, the conference featured an economic forecast by Robert Mathieson, vice president, Lionel D. Edie & Co., New York City, and talks by different department heads at the bank on the outlook for 1974 in their respective fields.

Dr. Knight prefaced his "Edsel" warning by discussing at length various electronic transfer arrangements. He said those offering the greatest likelihood of public acceptance tend to fall into four broad categories:

Point-of-sale (POS) terminal system: The one most likely to produce sweeping modifications in the payments system is a point-of-sale *cash* terminal system. (Editor's note: An article on such a system already in existence in Nebraska begins on page 21.) In addition to the cash terminal, a variety of other types of POS systems presently exist, said Dr. Knight. Check-verification terminals can be used to ensure that a customer has sufficient funds in his demand-deposit account at the time a check is written. Credit authorization terminals allow a merchant to obtain credit authorization for a purchase with a charge card. Credit authorization with data-capture terminals can be used not only for credit authorization, but also for collecting the necessary billing information for posting to the accounts of merchants and cardholders. With this option, sales drafts are eliminated. These authorization systems are designed primarily to reduce merchant losses from returned checks or to determine credit worthiness. They perform a valuable service, added Dr. Knight, but don't alter basic collection arrangements.

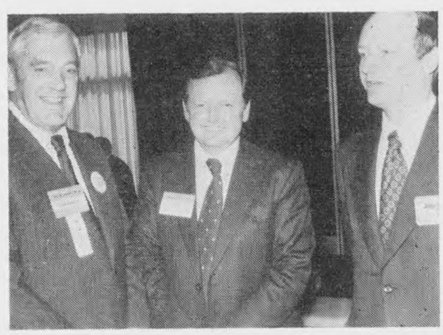
Cash POS terminals, however, have the ability to initiate and complete transfers of funds, thus bypassing the conventional payments mechanism. Under a cash-terminal arrangement, according to Dr. Knight, a customer requests a funds transfer at the merchant's terminal, which then asks the customer's bank to authorize the transfer. If the balance is sufficient, authorization is given and acknowledgement of the transfer forwarded to the merchant's terminal. Funds are transferred immediately to the merchant's account. Since the merchant and his customer may have accounts at different banks, a switching and processing center is utilized to receive and route messages to appropriate institutions.

Check truncation: Of the four major possibilities, Dr. Knight believes this probably offers the smallest potential benefit to banks and is likely to be the least acceptable to the public. Although it doesn't reduce the number of checks written, a truncation plan shortens the flow of checks through the banking system. On entering the banking system, the data on checks or other physical documents would be captured electronically. The physical documents then would be retained at the point of interception, but the captured information would continue to flow through the banking system via electronic media. Canceled checks the customer otherwise would receive would be replaced with a descriptive entry on his statement. The COPE committee in Atlanta has estimated that adoption of a check-truncation plan in that city could reduce banks' check-processing costs by as much as 20%.

Nevertheless, public acceptance of such a program is unlikely, in Dr. Knight's opinion. Bank customers no longer would receive canceled checks and would gain no offsetting benefits. Dr. Knight listed other drawbacks to this plan: high storage expenses for truncated items and large retrieval costs. Although truncation may not be acceptable for many types of checks, it does offer possibilities in other areas of banking, Dr. Knight believes.

Automatic payroll depositing: This system, Dr. Knight pointed out, is not new to banking. In the past, an employer generally has sent one check to

B. M. Lamberson (l.), v. ch., Commerce Bancshares, Kansas City, and Fred N. Coulson Jr. (r.), sr. v.p., Commerce Bank, visit with Roderick Turnbull, director of public affairs, Kansas City Board of Trade.



Mr. Coulson (l.) chats with Robert Mathieson (c.), v.p., Lionel D. Edie & Co., New York City, and John O. Brown, exec. v.p., Commerce Bank.

each of the banks used by participating employees, along with a list of amounts to be credited to specific accounts. Such plans reduce the number of checks passing through the banking system, but require employees' banks to prepare numerous deposit slips or a computer tape to process the order, either of which can be time consuming and costly. Under an electronic plan for automatic payroll depositing, arrangements change slightly. The company wouldn't give the employee a check (although undoubtedly it would have to furnish him with a stub showing amounts deducted). Instead, the firm would create a computer tape indicating for each employee his bank number, account number at the bank and amount he was to be paid. A day or two before payday, the tape would be sent to the company's bank, where amounts due any employees who also keep their accounts at that bank would be removed. Remaining names then would be sent on to an automated clearinghouse, which would sort out the banks and prepare a computer tape for each receiving funds. Banks without the capability for receiving credit entries in electronic form would receive printed statements created by the automated clearinghouse showing customers' names and amounts their accounts should be credited. Actual crediting of accounts and settlement would occur on payday. Customers' bank statements would contain a descriptive entry showing amount of the deposit.

Pre-authorized debits: Like automated payroll depositing, said Dr. Knight, pre-authorized debits aren't new to banking. For years, customers have been able to authorize their banks to withdraw funds to pay utility bills and life insurance premiums or make bank loan repayments. The percentage of customers utilizing such options, however, has always been relatively small, he said. Since about two-fifths of checks written by individuals are made payable to retail businesses and utilities, Dr. Knight believes a pre-authorized electronic debit arrangement for such items could have a significant impact on check volumes. Arrangements vary, but, basically, a customer would authorize his bank to pay any bill submitted by a specific firm. The latter then could create a computer tape listing for each individual participating in the plan the amount he owes, date it is due, number of his bank and his checking account number. The tape then would be sent to the company's bank and, subsequently, to other banks via an automated clearinghouse. The individual's account would be automatically debited and the corporation's account simultaneously credited.

After describing the four electronic-transfer arrangements, Dr. Knight said that despite repeated arguments that such transfers would cut total costs of the payments system by 80-90%, such savings aren't likely to be realized by banks in the foreseeable future. However, he emphasized, banks cannot be complacent because thrift institutions are actively seeking to offer consumers an attractive means of making payments. In fact, he continued, the greatest competition in the payments arena in the future isn't likely to come from other commercial banks, but from thrift institutions. Their ability in most states to branch freely and to install terminals at any location, he pointed out, could mean that even the most isolated bank would not be immune to the effects.

Then, calling electronic funds transfers the wave of the future, Dr. Knight made his remark that banks could be creating an Edsel. In the past, he said, the check-collection system has functioned efficiently and many believe it could serve future needs satisfactorily, and the view is not widely held that the present payments mechanism will become increasingly expensive, inefficient and unsatisfactory. But, he reiterated, demands for electronic transfers aren't coming from consumers or busi-

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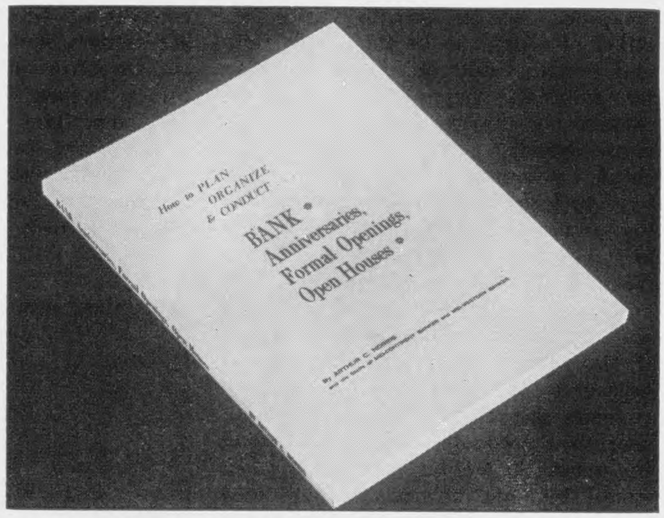

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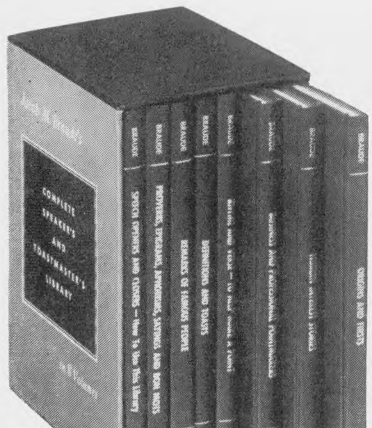

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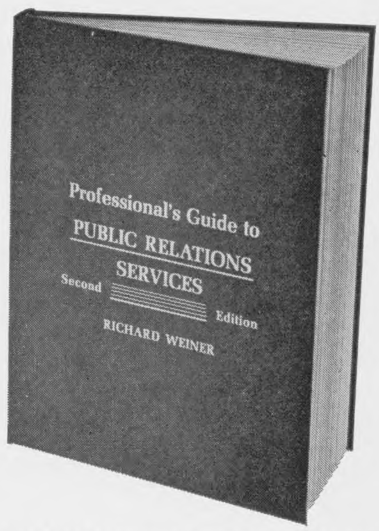

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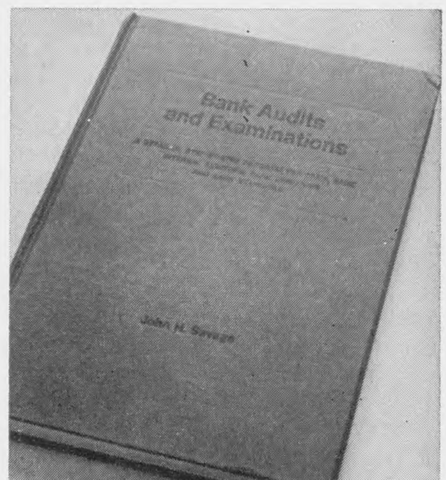

BANKS AUDITS AND EXAMINATIONS. This book is designed to be helpful (1) to an independent accountant, (2) to an internal bank auditor who wishes to make his work more effective and (3) to a bank director who wishes to compare his bank's procedures with the modern methods outlined. **$32.00.** Send check to Commerce Publishing, 408 Olive, St. Louis. (In Missouri, add 3% sales tax.)

ness, but technology and competition from thrift institutions are forcing a situation banks either must match or improve on.

Dr. Knight asked what the response should be. Precipitous action, he warned, could be disastrous, but failure to move decisively could cause banks to fall permanently behind in the race. Commercial banks must be prepared, he continued, to match or improve on types of payments services thrift institutions offer the public. Beyond that, he concluded, a carefully reasoned and gradual response to impending changes is in order.

The other speakers made forecasts in the following categories:

• *The economy.* Inflation remains the No. 1 economic problem, not only in the U.S., but in the world. In the U.S., price pressures have moved away from food into industrial goods. Although the rate of increase of total consumer prices will moderate in the months ahead, they still will be much above historical levels. The country has had its recession; recovery is now under way, but its pace will be slow the rest of the year. Right now, the major focus is on interest rates, which have climbed higher than everyone expected. In the second half of the year, there will be a significant drop in the prime rate and downward pressure on long rates as we move into the third quarter.

• *Agriculture and livestock.* Net farm income for 1974 will drop slightly below $20 billion because of lower livestock prices, increased products costs, especially fertilizer and petroleum products, and reduction in government payments. Grain prices will continue to remain high, and—barring a major drought—grain producers should make exceptional profits. Beef consumption will be less and prices considerably lower than in 1973. Calf prices will not be above 50¢ in October and November. Hog prices will be erratic and average 33¢ to 35¢ because of low supply numbers due to present corn prices. Only efficient hog producers will make a profit this year.

• *Mortgage and construction financing.* Investors represented by Commerce Mortgage Co. continue to express interest in committing money for commercial projects. Of particular interest are multipurpose buildings, but single-purpose buildings are more difficult to finance at this time. Residential lending at present is light. The FHA market is inactive, and VA has a modest amount of activity. A few conventional loans are being made, but without an inventory of loans to sell later. There is limited utilization of private mortgage insurance.

• *Auto and mobile home financing.* Because of the uncertainty relating to the energy situation, short sales and resultant reduction in financing autos, mobile homes and recreational vehicles, one should exercise a cautious approach based on firm conservative guidelines. By being aware of local situations and territories, one can keep abreast of changing times gradually and with developing trends.

• *Heavy industry—auto.* The auto industry—one of the largest segments of heavy industry—is facing a sales decline of uncertain proportions. Uncertainty exists because of government standards, emission controls and fuel shortages. Although any forecast for 1974 is hazardous, producers expect an upturn during the middle of the year as the pattern of the economy unfolds.

In other areas, business indicates a desire for an 18% expansion in new plants and equipment. However, the capital goods industry may have difficulty in meeting these needs, and business may be held to a 12% expansion.

• *International banking.* A slowdown in export growth is likely in 1974. Volume is expected to be lower than in 1973, although total exports might reach $80 billion—a 13% increase over 1973. The average export price this year will be around 15% higher and thus exceed the increase in export volume.

A steep increase in import prices is expected, with some sources predicting as much as 20%, but only a 1% increase in volume. Total imports might be as high as $85 billion, which would leave a $5-billion trade deficit in 1974. The increased import cost is practically 100% because of more expensive oil. The total deficit on the 1974 balance of payments will be around $4 billion.

• *Small business.* The coming months likely will be difficult for small business, whose existence will be challenged by shortages, decreased profits, increased borrowing costs and increased government regulations.

As a result of small business vulnerability to a tight supply market—product cost and money cost—bankers will face unusually high credit demands. Inflation, coupled with a scarcity market, means small business will continue to face dwindling gross profits eroded by constant or rising overhead. The resultant drop in profitability means reduced ability to meet debt-repayment schedules and probably too high a debt exposure, as measured by worth-to-debt ratios.

• *Investment outlook.* Because of distortions in the market created by such factors as high interest rates and inflation, a higher backlog has been maintained than ever before. Although an attitude of caution still is maintained, commitments are now beginning to be made in certain industries believed to be attractive on a relative basis and believed to offer good long-term growth potential.

• *Retail.* Inflation is the most difficult problem facing today's retailer. To remain competitive, he will have to increase promotional activity and make intelligent choices of equipment. Though it's difficult to forecast, retailers are doing better than expected and should have a good year. At the retail level, soft-goods inventories are being cut back, while the food retailer overstocks items in short supply and those with expected price increases. Hard goods will encounter more price and supply squeezes than food or soft goods.

• *Energy.* Available energy sources haven't kept pace with increased demands of our affluent society. As a result, industries have supply shortages and higher costs. Improvements will be expensive and will require considerable time.

The capital business spending boom this year adds optimism to the economy. A significant part of a $110- to $120-billion capital expenditure will be spent in energy and utility fields. A $100-billion expenditure in the energy industries in the past 10 years now is estimated to be four times as high—over $400 billion—in the next decade.

The banking system will play a significant part in improving the energy situation by continuing to finance construction of new facilities for area utilities and by providing the capital necessary for development of new energy sources, extensive research and technology development.

• *Opinion survey.* Another feature of the conference was an opinion survey taken of bankers who were present. A prime rate of 8% to 9½% was seen by the end of the year by a majority of the bankers. Most of those surveyed said short-term interest rates will be lower at year-end, while long-term rates will remain about the same. • •

375 mortgage buyers and sellers participated in the first MGIC Secondary Market Exposition

On March 12 & 13, mortgage buyers and sellers from across the country met at the Beverly Hilton Hotel in Los Angeles where they made on-the-spot transactions and established contacts for the future.

The MGIC-sponsored Exposition also included a conference session at which industry leaders discussed subjects that will impact on the secondary mortgage market in the 1970's.

Highlighting this session were Dr. Richard Sandor, Vice President and Chief Economist of the Chicago Board of Trade, who spoke on "The Mortgage Futures Market" and Dallas Bennewitz, President of AMMINET, who presented "Update on AMMINET". Other speakers were Leon T. Kendall, new MGIC President and William Ross, President of MGIC Mortgage Corp.

Characterizing the Exposition, MGIC Vice President Rod Reppe stated: "It is another example of our continuing activity to broaden the secondary market. As such it is an important means of maintaining the excellent marketability of MGIC/CLIC insured mortgages."

You can continue to expect such innovations as this from MGIC.

Buyers and sellers convened in the "Pit" during the conference session to hear leaders in the secondary market field.

New MGIC President Leon T. Kendall shared thoughts with conferees on "The 1970's: An Era of Financial Competition and Surprises."

At MGIC's booth, Director of Secondary Market Sales Tom McElwee demonstrated how MGIC's on-line computer system can give instant data on secondary market availabilities anywhere in the country.

Mortgage sellers maintained some 50 trading booths around the "Pit" where on-the-spot sales were completed and valuable contacts established for future transactions.

Negotiating a possible deal were seller A. Bryce Carey (center), State Savings and Loan Assn. of Stockton, Calif. and Kenneth Morris (right), Placer Savings and Loan, Auburn, Calif. MGIC's Mike Nicholes helped set up the meeting.

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Multimillion-Dollar Building Project Announced by Indianapolis Bank

PLANS for a building project to cost approximately $40 million have been announced by Merchants National, Indianapolis, which will be one of the participants in the development on now-vacant land bounded by Washington, Illinois, Maryland and Capitol in the city's downtown section.

The project, to be called Merchants Plaza (formerly known as Lincoln Square), will consist of more than a half-million square feet of office space, the Indianapolis Hyatt Regency Hotel with 535 luxury rooms all centering around a magnificent atrium with a multi-level shopping mall of over 150,000 square feet. Merchants National will move its headquarters to this complex and be its major tenant, but will retain banking offices at its present locations.

The base structure will be four stories tall and will cover the entire block with the exception of the landscaped ground-level park area to be located at the northeast corner of the project. The base building will be dedicated mainly to retail uses and ballroom facilities for the hotel. The ground-level traffic pattern in the retail area will be directed from the main entrance at Illinois and Washington streets to the secondary entrance facing to the Convention Center at the corner of Maryland Street and Capitol Avenue.

The hotel—to rise 15 floors above the base structure—will consist of two towers resting on the base building. Above the hotel towers will be a revolving spindle-top restaurant.

Ground breaking is scheduled for early August, with completion planned for late 1976.

The complex will be developed by the Hyatt Regency Hotel interests, F. C. Tucker Co., Inc., and Prudential Insurance Co. of America. • •

Cooperative Program On Banking Education Announced in Missouri

COLUMBIA, MO.—The Missouri Bankers Association and the College of Administration and Public Affairs (CAPA) at the University of Missouri here have announced a mutual program in banking education and research.

The three-year Commercial Banking Educational Grant Program will involve internships and job placement for students, research of state and national banking industries, bank-related courses, conferences and seminars and teaching assistantships.

Funding is for $60,000 over the three-year period through annual grants of $20,000 from the MBA and its members. The annual grant will provide $10,000 in research funds, $6,000 to budget educational services and $4,000 to establish four teaching assistantships, two each at the graduate and undergraduate level.

Attention will be focused on bank-related courses in the CAPA curriculum under auspices of the Hill Chair of Banking, endowed by the MBA in 1959 in memory of Robert E. Lee Hill, former MBA executive secretary. Particular emphasis will be placed on state banking problems and opportunities.

The CAPA Office of Educational

Services, directed by Dr. Raymond Lansford, will supervise conferences and seminars related to MBA activities, encouraging student and faculty participation. In turn, the MBA will co-sponsor educational activities with CAPA specifically for Missouri bankers or general programs in which state bankers may take part.

The CAPA Office of Research, headed by Assistant Dean Richard Wallace, will try to identify and resolve issues pertinent to banking in Missouri and nationally. The CAPA Research Council, a college faculty policy and operations group, will assist Dean Wallace.

CAPA also plans to develop internships for students seeking banking careers in the state. CAPA's placement will inform students of openings at banks and notify banks of interested graduates.

The CAPA-MBA evaluation committee, which formulated the joint program over a nine-month period, will continue during the period of the grant, annually reviewing progress in proposed activities. Members include three bankers active in the MBA: A. M. Price, president, Boone County National, Columbia, and vice chairman of the committee; Ben A. Parnell Jr., chairman, Peoples Bank, Branson, and Sam B. Cook, president, Central Trust Bank, Jefferson City. MBA Executive Vice President Felix LeGrand, Jefferson City, also is on the committee, as are five CAPA faculty members, including Dr. Lewis E. Davids, Hill professor of bank management at the university and author of "The Banking Scene" in MID-CONTINENT BANKER.

For a Better City:

Varied Civic Contributions Made by Bank in Colorado In Centennial Observance

National State Bank, Boulder, Colo., celebrated its centennial with a host of community projects that took place over a three-month period this year.

The bank arranged for prints of a documentary film on the history of Boulder to be presented to various schools and other organizations; pledged $5,000 to the Boulder Community Hospital Building Fund; made a 50¢ donation for the restoration of Chautauqua Auditorium (a historical landmark) for each person using the bank's new Canyon Park drive-up/walk-up facility on opening day; donated 50 large blue spruce trees to the city; announced plans to donate $10,000 toward the improvement of a local park, named after a co-founder of the bank; presented $1,000 for the purchase of a rehabilitation machine for the local hospital; and donated $4,000 to the city for interior furnishings in the new addition to the public library.

The bank, in turn, was honored with a 100th anniversary salute from the Boulder Chamber of Commerce. In addition, the state governor designated the bank's centennial date as "National State Bank of Boulder Day" in Colorado.

Business Buy-and-Sell Service Offered by Bank in South Bend

SOUTH BEND, IND.—St. Joseph Bank has developed a new service that places businessmen desiring to sell their firms in contact with other businessmen desiring to purchase firms.

Bank personnel provide advice and counsel for either buyers or sellers under the director of the service, Arthur H. McElwee Jr., executive vice president.

One aim of the bank in providing this service is to prevent the transfer of an established business from South Bend to some other location by providing a local buyer if possible.

Oklahoma Bankers Discuss Payments Systems, HCs At Annual Senior Management Conference in Okla. City

THE CHANGING payments system and bank holding companies were two of the main topics discussed at the recent Senior Management Conference of the Oklahoma Bankers Association, held in Oklahoma City.

A. J. Collins, chairman, Hutchinson (Kan.) National, served as moderator of the changing payments system portion of the program. Mr. Collins emphasized the importance of bankers realizing the need to provide more sophisticated bank services to customers.

Even though banks in Oklahoma feel that services such as automated clearing houses and electronic funds transfer systems are not in the immediate future in rural areas, it is important for bankers to be aware of and familiar with such sophisticated services so that they will not be caught off guard if and when their competitors begin offering such services, he said.

Mr. Collins outlined some of the problems banks are facing in serving their customers and he presented an outline of the general strategic plan of the thrift industry in obtaining increased payments system services. He said bankers can count on the thrift industry to make every effort to obtain direct access to the payments system through automated clearing houses.

He also pointed out the anti-trust issues involving sharing of banking facilities, such as single terminals that accommodate cards of all valid issuers. Such services are being demanded by customers despite their anti-trust ramifications, he said.

Mr. Collins reminded his audience that bankers must keep in mind that the foremost consideration should be to determine the existing needs of the public and their future wants, and to supply those needs in the best way possible.

But this cannot be done until bankers themselves are aware of the correct procedures and processes involved, he said.

Appearing on the program during the holding company portion were James L. Hall Jr., with Crowe, Dunlevy, Thweatt, Swinford, Johnson & Burdick of Oklahoma City, speaking on the permissible activities of holding companies; James E. Thielke, CPA with Peat, Marwick, Mitchell & Co., Oklahoma City, speaking on taxation of one-bank holding companies; and Marion C. Bauman, an attorney with Crowe-Dunlevy, who discussed applications for one-bank holding companies.

Luncheon speaker was James E. Smith, Comptroller of the Currency.

Courtesy Cards Offered To Arizona Travelers

PHOENIX—Arizona Bank is offering courtesy cards that enable travelers passing through the state to cash personal checks up to $250. The service is also available to new residents of Arizona.

The cards can be obtained through the traveler's home bank and are honored at any of Arizona Bank's 67 statewide offices. The service is also available to Arizona Bank customers who travel extensively in the state.

Use of the cards provides identification and eliminates "hassles" commonly associated with cashing out-of-state checks.

The cards can be obtained by travelers' banks from the national accounts department at Arizona Bank, P.O. Box 2511, Phoenix, Ariz. 85002.

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NEWS
From the Mid-Continent Area

Alabama

■ CITY NATIONAL, Selma, has become an affiliate of Alabama Bancorp., making the HC's ninth acquisition. Alabama Bancorp. is headquartered in Birmingham.

■ WILLIAM A. HUGHES has been elected assistant cashier and manager of the University Branch of First National, Tuscaloosa. The branch is set for early summer opening. Mr. Hughes joined the bank in 1972.

■ SUMITON BANK has been acquired by Central Bancshares of the South, Birmingham, and its name has been changed to Central Bank of Walker County.

■ DANNIE M. LEWIS has been elected an assistant branch manager at First National, Montgomery. He joined the bank in 1970. He will be assigned to the bank's Southeastern Branch.

■ ALABAMA FINANCIAL GROUP stockholders have voted to change the HC's name to Southern Bancorp. The change was made in part to distinguish the HC's name from those of other organizations that are similar in that they include the word "Alabama." Shown with new logo for the HC are Guy Caffey Jr. (left), chairman, and Wallace Malone Jr., president.

■ MERCHANTS NATIONAL, Mobile, had its educational program display "Selling the American Business System to Youth" exhibited at the U. S. Chamber of Commerce national convention in Washington, D. C., in April. It was the only Alabama exhibit to be shown at the convention.

Shown with the exhibit at the convention are (from left) Miss Kay Ivey, assistant cashier and supervisor of the bank's educational services program for youth, and well-known Alabamians George A. LeMaistre, FDIC director, and Rex Morthland, ABA president. At right is Sheldon L. Morgan, vice president, Merchants National. More than 20,000 students have been involved in the bank's program.

Arkansas

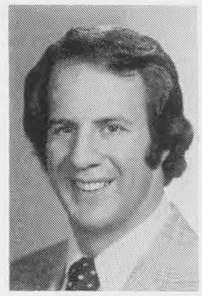
■ TWIN CITY BANK, North Little Rock, has named Frank McGehee senior commercial development officer, C. D. Burnett Rose City Bank officer and William T. Staed commercial loan officer. The bank held a groundbreaking ceremony April 16 for its new building, to be known as One Riverfront Place.

■ UNION NATIONAL, Little Rock, has opened its new Foxcroft Branch, located at 8000 Cantrell. The branch was formerly known as the Tanglewood Office. James Davis is manager of the branch.

■ HERBERT MOREHART has been named assistant vice president in the operations division of Grand National, Hot Springs. He was formerly with Union National, Little Rock.

■ FIRST ARKANSAS BANKSTOCK CORP., Little Rock, has named D. Eugene Fortson senior vice president


FORTSON


CAVINESS

and Patrick G. Caviness assistant to the CEO. Mr. Fortson will be in charge of marketing and will direct marketing programs of the HC and its affiliates. Mr. Caviness will direct the HC's long-range planning efforts.

Illinois

■ PAUL L. WEIDENBACHER, at left in photo, retiring director, receives a brass plaque mounted on a wood base in recognition of the "many hours of service" he contributed to Millikin National, Decatur. Making the presentation is Purvis F. Tabor, a director,

while Ray G. Livasy, president, looks on. A similar plaque was presented to R. Wayne Gill, who also retired recently as a director. The bank is making a practice of honoring retirees with plaques listing their service records with the bank. Presentation was made at a cocktail party and dinner at the Decatur Club which was attended by officers and directors of Millikin National.

■ FIRST NATIONAL, Belleville, will observe its centennial this month with a celebration that has been planned a full year by a committee composed of townspeople as well as employees, officers and directors of the bank. An open house is planned June 10-14, with

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5. Increased home modernization activity. There couldn't be a better time to emphasize home improvement loans. Because of the Fuel Shortage, people are staying home more and are constantly aware of needed improvements. Also high mortgage rates make HIL more feasible from an economic standpoint.

6. Community Service. The home owner is the "backbone" of the community. *There is no better way for your bank to make a constructive contribution to community service* than the active promotion of programs for financing the maintenance and improvement of property!

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a giant red and white striped tent to be erected in the bank's quadrant on the town square and refreshments to be dispensed there. Employees in costumes of 100 years ago will circulate through the crowds. In addition to the usual displays of antique memorabilia, there will be an antique teller's cage from which drawings for $100 will be made each business hour of the birthday week. Other activities will include a cocktail buffet for businessmen and a special reception for city and county officials. The week's activities will culminate with a banquet for shareholders, directors, officers and employees. During the remaining months of 1974, there will be a series of displays of a mini-course in banking by the bank's women's division and a farm forum to be presented by the farm service department.

■ WALTER F. MULLADY JR., has been elected president of Michigan Avenue National, Chicago, succeeding Richard L. Curtis, who was elevated to vice chairman. Mr. Mullady was formerly executive vice president and joined the bank 16 years ago.

■ MORE THAN 8,000 people attended grand opening festivities for a new building of East Side Bank, Chicago, last month. A street dance and carnival were highlights of the event.

■ JOHN F. TWEDDALE has been elected assistant vice president of Merchandise National, Chicago. He joined the bank last year.

Indiana

■ AMERICAN FLETCHER NATIONAL, Indianapolis, has elected Morris H. Clifton, Jerry J. Roberts and Scott A. Wilson to vice presidents. In other action, two officers have been named to head newly-designated areas of the personal banking division. They are Larry M. Campbell, vice president, field operations manager, and John E. Heisner, vice president, manager of loan operations. E. Michael Marmion, vice president, has been named head of the personal banking division of the retail banking group. John J. Noone, vice president for governmental affairs, has retired from the bank, ending a banking career that began in 1928.

ROBERTS CLIFTON WILSON

■ FORMAL DEDICATION ceremonies and an open house were held June 2 in First-Cannelton National's new building. Lieutenant-Governor Robert Orr was scheduled to be the principal speaker. The $300,000 structure was completed last November and occupied December 17.

This is First-Cannelton National's new home, which was dedicated June 2. Drive-up facilities are shown at left.

■ GARY C. NELSON has joined St. Joseph Valley Bank, Elkhart, as trust officer. He was formerly with Continental Illinois National, Chicago.

Kansas

■ RONALD R. LOUDEN has joined Citizens State, St. Francis, as president. He succeeded Keith R. Kehmeier, who was named chairman and trust officer. Mr. Louden comes from American National, St. Joseph, Mo., where he was vice president-agriculture for 12 years.

■ COMMERCIAL NATIONAL, Kansas City, has elected James M. Wilkerson vice president, commercial banking division. He has responsibilities for commercial lending activities and for development of industrial and commercial business in both national and local account areas. Mr. Wilkerson has more than 20 years' experience in commercial finance and banking. For the past three years, he has been president of another Kansas City-area bank.

LOUDEN

WILKERSON

■ W. FRANK RAGLAND, senior vice president and trust officer, Union National, Wichita, has been elected president of the Kansas Bankers Association's trust division. He succeeded Mrs. Shirley Lang, trust officer, Hutchinson National. Other new division officers are vice president, James Berglund, vice president and trust officer, First National, Salina, and secretary-treasurer, John G. Houlehan, vice president and trust officer, Roeland Park State.

RAGLAND

■ PLANTERS SOUTH, an extended facility of Planters State, Salina, has been opened adjacent to Southgate Shopping Center. The facility has two drive-up lanes and two inside teller windows.

Kentucky

■ DONALD B. WISE has joined Farmers Bank, Georgetown, as assistant vice president and cashier. He had been vice president in charge of the installment loan department at Bank of Danville since last July. Before that,

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Our name.

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Mike Maxwell
Executive Vice President
Citizens Fidelity Leasing
Corporation

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A leasing service of Citizens Fidelity Corporation
Louisville, Kentucky

he was with Bank of Commerce, Lexington, which he joined in 1958, and where he was loan officer with duties in the commercial and installment loan departments.

■ CITIZENS FIDELITY, Louisville, has assigned two of its executives to broader duties. Dan C. Ulmer Jr. now is executive vice president, banking, which includes deposit and lending activities of the bank comprised of correspondent, commercial, retail, regional and international activities. Joe M. Rodes has become executive vice president, financial services, which includes trust, investments, portfolio and money position functions. Mr. Ulmer went to the bank in 1957 and Mr. Rodes last July after 17 years in the investment business in Louisville.


RODES


ULMER

■ CENTRAL BANK, Lexington, has elected Joe D. Goins as vice president and director of the bank's eight suburban branches and J. H. Ensminger as vice president, commercial loans. Mr. Goins was formerly with Bank of Danville; Mr. Ensminger was formerly with Bank of Paris.

■ FIRST NATIONAL, Georgetown, has promoted Robert J. Braden to executive vice president and Mrs. Ann White and Mrs. Glenna Cutshaw to assistant vice president and assistant cashier, respectively. Mrs. White is also an assistant trust officer.

Louisiana

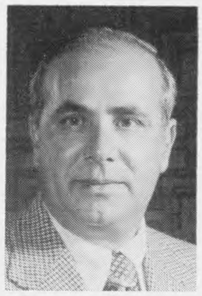
■ RALPH J. GIARDINA has been elected president and chief executive officer, First Metropolitan Bank, Metairie. Charles J. Derbes Jr., who was chairman and president, continues as chairman. Mr. Giardina comes from National American, New Orleans, where he was senior executive vice president.

■ EADS POITEVENT, president and chairman, International City Bank, New Orleans, has been installed as president of the Greater New Orleans Coun-

cil, Navy League of the U. S. Mr. Poitevent (left) is shown receiving the gavel of office from outgoing president J. Frank Williams.

Mississippi

■ MISSISSIPPI BANK has promoted Winston C. Morris from vice president to vice president and cashier. He en-


GIARDINA


MORRIS

tered banking in 1956 and joined Mississippi Bank in 1965.

■ E. W. HAINING, president, First National, Vicksburg, also has been elected chairman. In the latter post, he succeeded the late A. J. Brunini. Mr. Haining has been the bank's president since 1960. He was mayor of Vicksburg from 1945 to 1949, when he resigned to become vice president of First National.

■ R. TALMADGE ANDERSON JR. has been named an assistant vice president at Britton & Koontz First National, Natchez. He was formerly assistant cashier and joined the bank in 1964.

■ HAROLD H. (BUZZY) CLOPTON III has joined the staff of Brookhaven Bank as assistant vice president. He was formerly with a finance company.

Missouri

■ BANK OF Poplar Bluff has announced the election of James C. Moser as executive vice president and the promotion of William F. Stilley from vice president and cashier to senior vice president and cashier. Mr. Moser was formerly commercial loan officer, correspondent bank officer and secretary to the board, Citizens Bank, Jonesboro, Ark., the past four years. Mr. Stilley joined the bank in 1941. In other action, Bank of Poplar Bluff has opened a second facility, called Northtown Facility, which has four automated drive-up windows and four lobby teller stations.

■ BELT NATIONAL, St. Joseph, held open house for about 2,000 persons in its new Belt National North Facility April 20 and officially opened the facility for business April 22. It is located in the city's northside business district. Belt National belongs to Ameribanc, Inc., a multi-bank HC.

Standing around circular check-writing desk in new Belt Nat'l North Facility in St. Joseph are (l. to r.): Jerry E. Sollars, a.v.p. & managing officer; Milton Tootle, v. ch., Ameribanc, Inc., HC of Belt Nat'l; Robert F. Keatley, ch., Ameribanc and Belt Nat'l, and Billy D. Cole, pres., Belt Nat'l.

KIRK

LICHTENSTEIN

WEISS

■ JOHN R. KIRK JR. has been elected chairman, United Missouri Bank of St. Louis. He succeeded R. Crosby Kemper, who is chairman of the parent firm, United Missouri Bancshares, Inc., Kansas City, and the lead bank, United Missouri Bank of Kansas City. Mr. Kemper said he intended to serve as the St. Louis bank's chairman only during the organizational period and now that the bank is open and fully staffed, he believes it needs a locally based, full-time executive team familiar with the metropolitan St. Louis market. John Prentis continues as president of United Missouri Bank of St. Louis. Mr. Kirk also continues as chairman, United Missouri Bank of Kirkwood.

■ JOHN D. WEISS has been named chairman and chief executive officer, TG Bancshares Co., St. Louis. The post of chairman has been vacant since formation of the multi-bank HC in 1969. Mr. Weiss has been a director of the firm's lead bank, Tower Grove Bank, St. Louis, since 1972 and a director of the HC since its annual meeting last February. He was vice president, treasurer and chief financial officer, Zinsco Electrical Products, St. Louis, a division of General Telephone & Electronics.

■ GAYLE W. LICHTENSTEIN has been elected vice chairman, American National and City Bank, both in St. Louis. He is president, Brentwood Bank. All three banks belong to the "ABC" Bank Group.

■ NORMAN T. WILLIAMS has been elected president, Commerce Bank of Blue Hills, Kansas City, and H. James Simmons has been promoted from cashier to vice president and cashier. Mr. Williams was formerly regional vice president, Commerce Bancshares, Inc., Kansas City, parent firm of Commerce Bank of Blue Hills. He once was a vice president at Tower Grove Bank, St. Louis. Mr. Simmons joined the bank in 1967.

■ BADEN BANK, St. Louis, has named Eugene F. Niehoff, assistant cashier, and Adell Sundermeyer to the staff of its new Halls Ferry Circle facility. Mr. Niehoff is facility manager and Miss Sundermeyer is in charge of the safe deposit departments at both the main bank and the new facility.

Careful, Mr. Mayor!

St. Louis Mayor John Poelker (2nd from r.) cuts a 12-foot ribbon containing $2,600 in hundred-dollar bills to officially open Lindell Trust-West, new facility of Lindell Trust, St. Louis. Pictured (l. to r.) are: Harry Graeff, v.p. & t.o. and head of the new center; R. Turner Peters, v.p.; Russell Greenleaf, exec. v.p.; Mayor Poelker and John Shiell, pres. The center, which has six drive-up stations and vaults for more than 5,000 safe deposit boxes, is located in the west-central part of the city while the Main Office is on the north side.

■ COMMERCE BANK, Mexico, has received supervisory approval to relocate its Main Office to West Plaza Shopping Center and to operate a facility in its present location on the square. The new building—to be completed in October—will be of traditional Spanish design and will have a greatly expanded lobby and teller area, as well as an after-hours section. When this structure is completed, work will begin on remodeling the present bank quarters.

■ LEWIS & CLARK STATE, north St. Louis County, has elected Martin S. Kosberg and Jerome A. Burkemper to its board. Mr. Kosberg, who is available to the bank as a business consultant, is secretary-treasurer, Jacks or Better restaurants, and controls three Howard Johnson franchises in the St. Louis area. Mr. Burkemper, who is a consultant to the bank on land development, finance and insurance, is presi-

dent, Lindenwood Insurance Agency and Burkemper Construction. He also is vice president, First Capitol Finance Corp.

■ MRS. EDITH D. WRIGHT has been promoted from trust officer to vice president in charge of the trust department at Columbia's Boone County National. She is a member of the Missouri and Boone County Bar associations.

Died: Robert W. Skinner, 103, a director and former president, Jonesburg State, on May 6. Mr. Skinner, known as "Uncle Bob" to his friends, had been active until about two months before his death.

New Mexico

■ JAMES A. CLARK, executive vice president, Albuquerque National, has been elected to the bank's board. He is outgoing president, New Mexico Bankers Association. (Photo in col. 3.)

■ GROUP ONE of the New Mexico Bankers Association has elected the following officers: chairman, Robert M. Powel Jr., assistant vice president, American National, Silver City; vice chairman, Dallas A. Johnson, president, Farmers & Merchants Bank, Las Cruces, and secretary, James L. Grider, cashier, Hot Springs National, Truth or Consequences.

■ NEW OFFICERS for Group Three of the New Mexico Bankers Association are: chairman, Don Kidd, senior vice president, Commerce Bank, Carlsbad; vice chairman, Danny Skarda, assistant vice president, American Bank, Carlsbad; and secretary, Frank N. Pauletich, vice president, Carlsbad National.

■ NEW MEXICANS recently observed Bank Week in New Mexico, proclaimed by Governor Bruce King. Shown displaying proclamation are (from left) James A. Clark, president, New Mexico Bankers Association and executive vice president, Albuquerque National; Phyllis Lucas, chairman, Bank Week Committee; Governor King; and Roy Davidson, commissioner of banking.

VOSE HOYE McDONALD PORTER MARSHALL

Oklahoma

■ FIRST NATIONAL, Oklahoma City, and its parent HC, First Oklahoma Bancorp., Inc., have announced top-management changes. At the bank, Gerald R. Marshall, formerly senior vice president, First National, Dallas, has been elected president to succeed Felix N. Porter, who became chairman of the executive committee. That post had been held by W. H. McDonald, who—along with Charles Vose Jr.—has been named vice chairman. Mr. Vose was senior vice president. Mr. Marshall once was president, Liberty National, Oklahoma City. At the HC, L. Dean Hoye advanced from executive vice president to president; Mr. Vose advanced from vice president to vice chairman; Messrs. Porter and Marshall were named executive vice presidents, and Mr. McDonald was elected vice president and secretary.

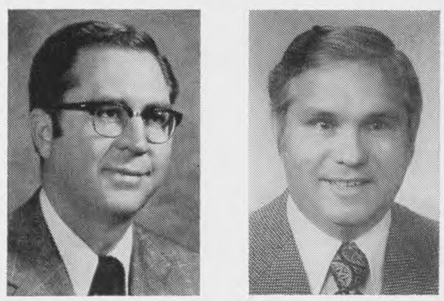
■ LIBERTY NATIONAL, Oklahoma City, has awarded its 22nd annual $500 law research scholarship to Roderick W. Durrell, an Oklahoma City resident and a University of Oklahoma junior law student. His research paper was on "The Issuance and Use of Tax-Exempt Industrial Development Revenue Bonds to Finance Pollution-Abatement Facilities in Oklahoma." In the accompanying photo, Mr. Durrell (left) is shown receiving his award from Earl Sneed, president, Liberty Financial Corp., parent company of Liberty National. Mrs. Durrell is in the center.

■ EUGENE DEAN has joined City National, Lawton, as vice president and installment loan department manager. A native of Lawton, Mr. Dean has worked for several banking and lending institutions.

■ FIRST NATIONAL, Bartlesville, has announced appointments of Allen K. Morgan as assistant cashier and Spencer Kissell as investment officer. Mr. Morgan has been undergoing extensive training under the bank junior executive program. Mr. Kissell was with Harris Upham & Co. as a registered stock broker.

■ ROBERT C. TOTI, senior vice president, Lincoln Bank, Ardmore, has been elected to the boards of the bank and its holding company, Lincoln Financial Corp. In other action, Robin Poole has been named vice president of the bank. He came from First National, Amarillo, Tex., where he was a commercial loan officer.

■ MRS. HELEN TURNER, vice president, Community State, Tulsa, has been named woman of the year by the Tulsa AIB Chapter. The award was made on the basis of Mrs. Turner's contributions to the AIB and to banking.



CLARK MATTINGLY

■ JOHN T. MATTINGLY has joined Oklahoma City's Fidelity Bank as a vice president and director of the installment loan department. He has been in the consumer finance field 22 years, much of this time as an officer of Seaboard Finance Co., which was merged into Avco Financial Services several years ago. He has been branch

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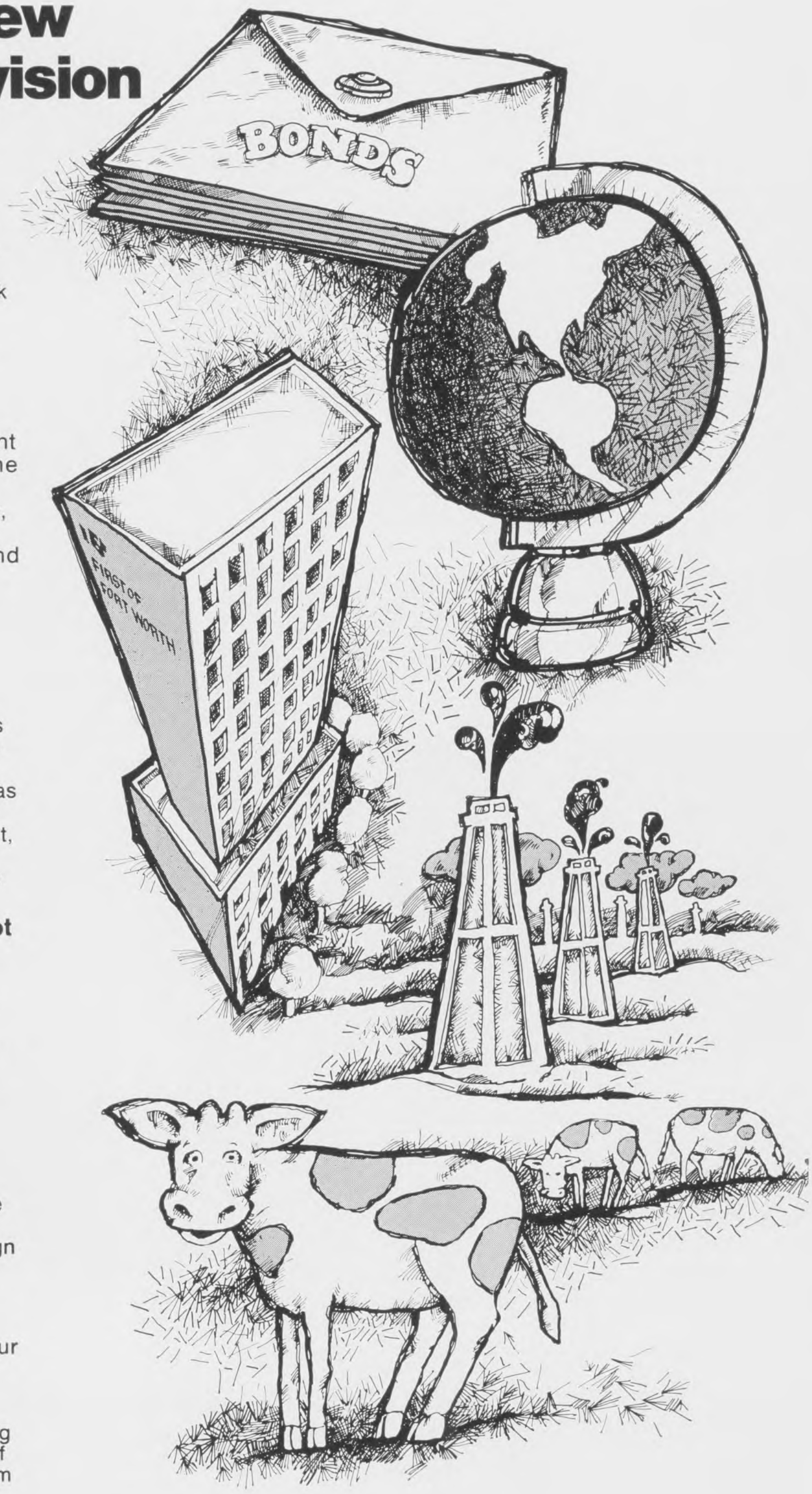

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manager, area and regional supervisor and manager and also personnel and training director.

■ CITY BANK, Tulsa, has elected Executive Vice President Don Anderson to its board. In other action, the bank promoted Ray Fort from assistant vice president to vice president, Carl H. Nagel Jr. from assistant cashier to assistant vice president and Jean Smith to assistant operations officer. Mr. Fort is manager, installment loans.

Tennessee

■ FIRST AMERICAN NATIONAL, Nashville, has officially dedicated its building, the 28-story First American Center. Assisting with the ceremonies were more than 120 members of the Association of Reserve City Bankers who were passing through Nashville en route to the group's annual meeting in Florida. Photo shows T. Scott Fillebrown Jr., president, First American National, conducting dedication ceremonies.

■ FIRST NATIONAL, Memphis, has named Monty Bonner and William Renfrow assistant vice presidents and William H. Brooks international officer.

■ JOHN N. MOUSOURAKIS has been named assistant vice president and associate manager of the international banking department at Hamilton National, Chattanooga. He was formerly with Commerce Union Bank, Nashville.

■ HARRY McENERNY III has been promoted to vice president at American National, Chattanooga. He joined the bank in 1966 and was formerly a data systems officer. Jesse Richard Cheatham Jr. has joined the bank as assistant comptroller. He was formerly with First Union National, Charlotte, N. C.

■ KINGSPORT NATIONAL has changed its name to First Tennessee National, reflecting the bank's affiliation with First Tennessee National Corp., HC headquartered in Memphis and whose lead bank is First of Memphis.

■ HUGH S. HAUCK will join Hamilton Bancshares, Inc., Chattanooga, as executive vice president-trust, July 1. He retired in 1972 as senior vice president and trust officer in charge of the trust division, Boatmen's National, St. Louis, which he had joined 43 years before.

■ JAMES M. DENTON III has joined Hamilton Bank, Nashville, as president, succeeding B. Lamar Rankin, who became vice chairman. Mr. Denton was formerly senior vice president, Commerce Union, Nashville. Mr. Rankin also was named executive vice president-development, Hamilton Bancshares, Inc., Chattanooga, parent multibank holding company of Hamilton Bank. He continues as a director and member of the Nashville bank's executive committee.

Texas

■ J. F. COSTELLO JR. has been elected vice president and secretary of Texas American Bancshares, Inc., Fort Worth, successor to Fort Worth National Corp. He is a former assistant vice president and commercial loan officer at Fort Worth National. The bank has elected Paul D. Bickley assistant comptroller.

■ MARK HERRING has been named president of First State Bank, Coolidge. He was formerly vice president at First National, Temple.

■ VERNON L. PECKHAM has been elected a vice president of Republic National, Dallas. He comes from First National of Arizona, Phoenix, which he joined in 1953.

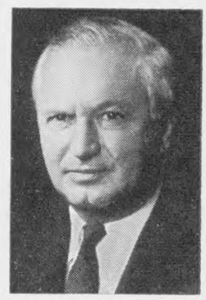
■ NATIONAL BANK OF COMMERCE, San Antonio, has begun construction on an eight-story office building and 12-level parking structure and motor bank, to be called the NBC Center.

■ JACKSON COUNTY STATE BANK, Edna, will be acquired by Vic-

DENTON

RANKIN

COSTELLO



HAUCK

toria Bankshares upon receipt of regulatory agency approvals. Jackson County State will be the seventh member bank of the HC.

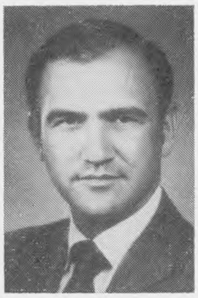
■ CAPITAL NATIONAL, Austin, has elected James C. Doss assistant cashier and accounting officer and Carole Fae Lyons trust administration officer.

■ FROST NATIONAL, San Antonio, has promoted Richard M. Kleberg III to assistant vice president and elected Anne Aderhold and Shirley Floyd personnel officers.

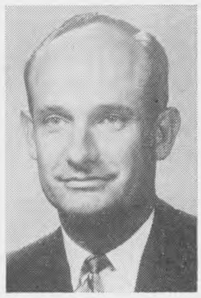
■ JERRY ESKEW has joined the trust and investment services division of First National, Fort Worth, as petroleum engineer. He is a registered professional engineer.

■ NATIONAL BANK OF COMMERCE, Dallas, has appointed Edward C. Nash Jr. as executive vice president and elected Robert P. Dougherty and Eugene M. Weston directors. Mr. Nash was formerly senior vice president.

■ JUDSON F. WILLIAMS, educator and businessman, has been elected to the board of State National, El Paso. He was mayor of El Paso for three terms.



DUPAR



TAYLOR

■ BANK OF THE SOUTHWEST, Houston, has formed a new loan administration division, headed by T. Orman Taylor, senior vice president. Vice President Dan M. Dupar replaces Mr. Taylor as manager of the metropolitan Houston department. The bank has named Joe D. Untermeyer to trust officer, Mary Alice Dionne to loan officer and Kent R. Fuller to assistant vice president and manager of the newly reorganized industrial development department.

■ FARMERS STATE, Cuero, plans an expansion program costing more than $150,000 that will provide a new drive-in, more parking and larger banking quarters. A public meeting room accommodating 60 people is also planned.

■ COMMUNITY STATE, Runge, has elevated M. S. Alexander and W. J. Oetken from advisory directors to full directors.

■ ELMO SAMPLE has been advanced from advisory to full director by Smiley State.

■ ROBERT B. BIRCHUM has been elected a director of Home State, Westhoff.

■ PETER B. BARTHOLOW has been elected an assistant vice president in the operations division of Mercantile National, Dallas. He was formerly with a brokerage firm.

BATES

■ COLONEL WILLIAM B. BATES died in Houston recently. He was 83 years old and served as chairman of Bank of the Southwest and its predecessor, Second National, Houston, for 23 years. In 1973 he joined the law firm now bearing the name Fullbright, Crooker, Freeman, Bates & Jaworski.

Senate Unit Votes $25,000 Insurance, Rejects 100% Gov't Deposits Coverage

THE MOVEMENT to provide for 100% federal insurance of state and local government savings deposits has been struck down by the Senate Banking, Housing and Urban Affairs Committee as part of a series of actions that cover a number of banking topics.

The committee also voted to raise the federal deposit insurance maximum by $5,000—to $25,000.

These two moves fly in the face of earlier decisions made by the House Banking and Currency Committee, which voted in favor of the 100% federal insurance of government savings deposits and voted to raise the deposit insurance maximum to $50,000.

Other actions by the Senate committee include the following:

• Rejection of an audit of the Fed by the General Accounting Office. The House had previously voted in favor of such an audit.

• Refusal to adopt an amendment that would have barred bank HCs from taking over S&Ls. The amendment was opposed by large banks but favored by the Federal Home Loan Bank Board (FHLBB).

• Adoption of a plan to permit 30 federal mutual S&Ls to become stock companies and shortening of a ban on conversions that will apply to the industry in general for two years.

• Permission for two Arizona S&Ls to qualify for a stock plan that FHLBB officials say could result in windfall profits to insiders.

• Recommendation that the Fed be allowed to spend $80 million on new branches and the Treasury to have up to $5 billion in government securities purchased by Fed banks in order to make debt financing easier.

• Extension of cease-and-desist power of the Fed and the FHLBB to cover HCs in the banking and S&L industries.

• Adoption of a provision that would prevent federal regulators from ordering mutuals converted to stock companies except in extreme hardship situations.

• Adoption of a recommendation to continue federal control on interest paid savers by financial institutions until the end of 1975. But the committee instructed federal agencies to "give due consideration to market interest rates" in setting the ceilings, thus prodding the regulators to establish higher limits in times of high interest rates.

Committee members emphasized that the approval of 30 mutual S&Ls to convert to stock companies was to be considered as an experiment and open to cancellation should problems arise.

Many S&Ls want to convert from mutual, or depositor-owned, concerns to stock corporations so they can raise capital by sale of stock. Stock S&Ls now exist in 22 states that permit such arrangements. They were organized prior to the present moratorium.

FHLBB officials have given no indication as yet how they intend to select S&Ls for conversion, although 17 applications are pending and preference is expected to be extended to these applicants.

The Fed audit amendment was identical to one passed by the House. It was to permit a full audit of the Board, including a review of its monetary policy decisions a year after they are made.

Opponents of the amendment said that approval would have been a sharp attack on the Fed that could have had a drastic impact on financial markets. Proponents said the provision would treat the central bank like other government agencies, most of which now have annual visits from the General Accounting Office. • •

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