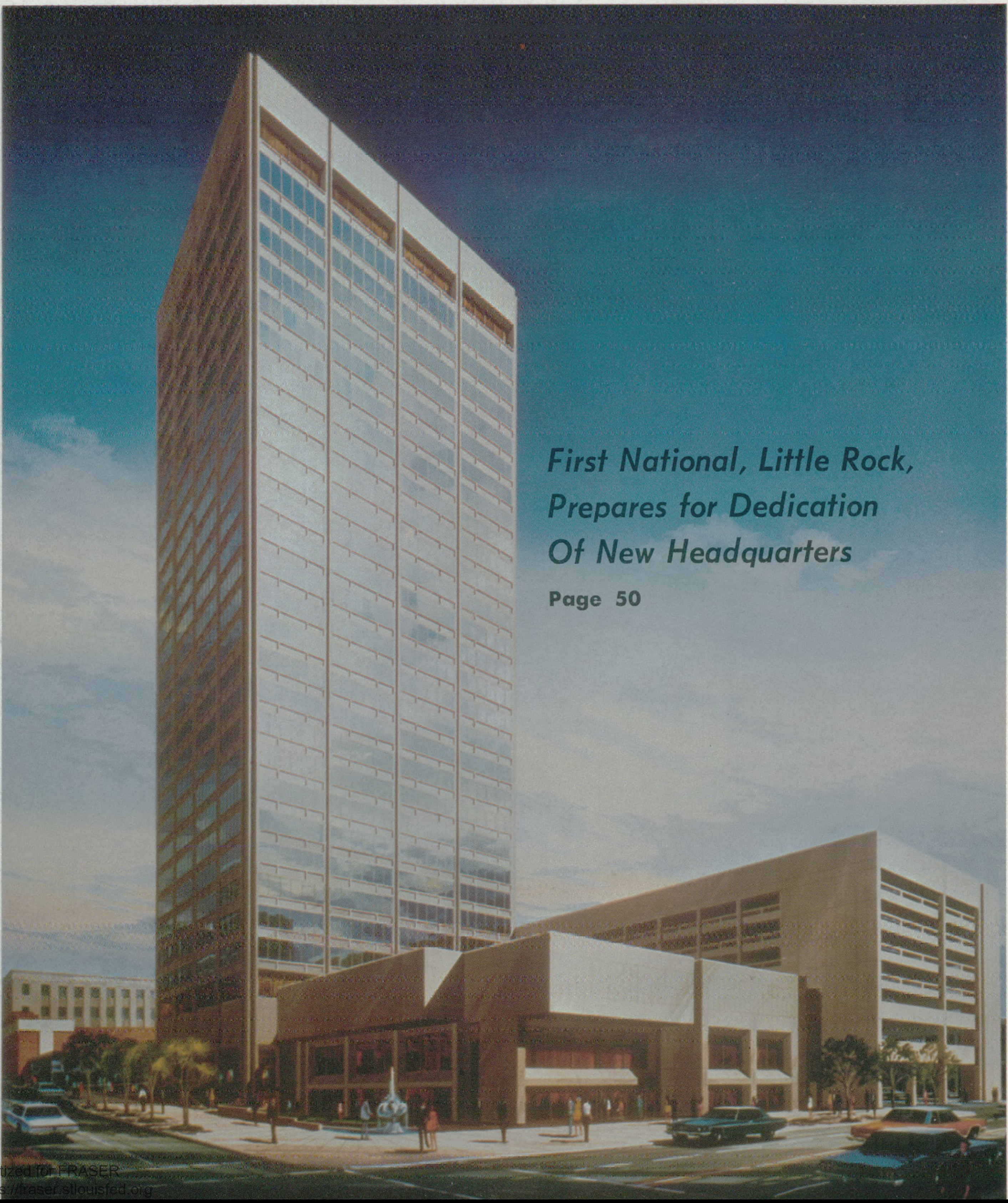
MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

CONVENTION REPORT ISSUE

JUNE, 1975



First National, Little Rock, Prepares for Dedication Of New Headquarters

Page 50

Interdependence

and Marketing Assistance

2135

F.A.C.E.

executive club

SOS

tiara club

FREEDOM 60

Ask this question about your bank.

"How can a potential customer choose between two or more banks . . . conveniently located . . . and all offering the same full services?"

One of the answers is market segmentation. In simple terms, market segmentation is a method of identifying groups of people with common characteristics, needs, goals, attitudes. After these segments have been identified, packages of bank services are developed to meet the needs of the individual groups. Examples of market segments are: Young people on the way up, between the ages of 21 and 35; high income executives, both male and female; people age 60 and over; people who need investment advice; and people who have suffered a loss in the family.

As a Liberty Correspondent, you're invited to inquire about these market segments . . . and how your bank can take advantage of the packages we've developed to meet their specific banking needs. We'll give you facts, figures . . . marketing assistance, to help your bank stand out from the competition.

Marketing assistance is just one of the ways we help our correspondents. With this kind of help, shouldn't you be a Liberty Correspondent too?

at your **LIBERTY**

THE BANK OF MID-AMERICA

The Liberty National Bank and Trust Company P.O. Box 25848 Oklahoma City 73125 Phone: 231-6164 Member F.D.I.C.

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FIRST COMMERCE CORPORATION AND FIRST NATIONAL BANK OF COMMERCE

AND SUBSIDIARIES, NEW ORLEANS
THREE MONTHS ENDED MARCH 31, 1975

FIRST COMMERCE CORPORATION
COMPARATIVE CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended March 31, 1975	1974
OPERATING REVENUES		
Interest and Fees on Loans	$14,550,000	$15,559,000
Interest on Funds Sold	2,400,000	2,499,000
Interest and Dividends on Investments	2,174,000	2,322,000
Service Charges, Exchange and Underwriting Fees	1,236,000	1,087,000
Other Operating Revenues	1,156,000	1,219,000
Total Operating Revenues	$21,516,000	$22,686,000
OPERATING EXPENSES		
Salaries and Employee Benefits	$ 3,222,000	$ 2,707,000
Interest on Deposits, Funds Purchased	11,930,000	14,583,000
Occupancy Expenses on Bank Premises, Net	588,000	644,000
Equipment Rentals, Depreciation & Maintenance	847,000	644,000
Provision for Possible Loan Losses	576,000	410,000
Other Operating Expenses	2,483,000	2,153,000
Total Operating Expenses	$19,646,000	$21,171,000
Operating Income Before Income Taxes and Securities Gains or Losses	$ 1,870,000	$ 1,515,000
Applicable Income Taxes	278,000	104,000
OPERATING INCOME BEFORE SECURITIES GAINS OR LOSSES	$ 1,592,000	$ 1,411,000
NET SECURITIES GAINS OR LOSSES (After Tax Effect)	7,000	14,000
NET INCOME	$ 1,599,000	$ 1,425,000

	1975	1974
Earnings Per Share Based on Average Shares Outstanding (2,104,726 and 2,100,351 Shares Respectively)		
Operating Income Before Securities Gains or Losses	$0.76	$0.67
Net Income	$0.76	$0.68
Earnings Per Share Assuming Full Dilution		
Operating Income Before Securities Gains or Losses	$0.65	$0.58
Net Income	$0.65	$0.59

FIRST COMMERCE CORPORATION
COMPARATIVE CONSOLIDATED STATEMENT OF CONDITION

	March 31, 1975	1974
ASSETS		
Cash and Due From Banks	$ 125,660,000	$ 140,392,000
Due From Banks—Time	28,689,000	2,100,000
U. S. Government Securities	38,226,000	71,993,000
State and Municipal Obligations	98,528,000	120,898,000
Federal Reserve Bank Stock and Other Securities	5,226,000	2,218,000
Trading Account Securities	1,024,000	4,867,000
Federal Funds Sold	282,000,000	99,200,000
Loans	554,791,000	596,414,000
Premises and Equipment	15,303,000	16,095,000
Customers' Liabilities on Acceptances	8,636,000	5,264,000
Accrued Interest Receivable and Other Assets	22,513,000	20,666,000
Total	$1,180,596,000	$1,080,107,000
LIABILITIES		
Demand Deposits:		
Individual and Business	$ 253,120,000	$ 212,339,000
Banks	90,321,000	75,252,000
U. S. Government and Other Public Funds	14,017,000	11,711,000
Total Demand Deposits	$ 357,458,000	$ 299,302,000
Time Deposits:		
Savings	$ 108,658,000	$ 96,163,000
Other Time Deposits	352,025,000	354,022,000
Total Time Deposits	$ 460,683,000	$ 450,185,000
Total Deposits	$ 818,141,000	$ 749,487,000
Funds Purchased	246,109,000	218,079,000
Notes Payable	6,309,000	13,135,000
Acceptances Outstanding	8,636,000	5,264,000
Accrued Taxes, Interest and Other Liabilities	16,490,000	13,375,000
Total Liabilities	$1,095,685,000	$ 999,340,000
RESERVE FOR POSSIBLE LOAN LOSSES	$ 10,418,000	$ 9,088,000
4⅞% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1997	$ 20,000,000	$ 20,000,000
CAPITAL ACCOUNTS		
4% Convertible Capital Notes Due 1991	$ 2,821,000	$ 2,856,000
Stockholders' Equity		
Preferred Stock, no par value, Authorized and Unissued 500,000 Shares	-0-	-0-
Common Stock, $5.00 par value Authorized 10,000,000 Shares Issued 2,176,244 and 2,174,977 Shares	$ 10,881,000	$ 10,875,000
Capital Surplus	25,265,000	25,236,000
Retained Earnings	17,222,000	14,408,000
	$ 53,368,000	$ 50,519,000
Less: Cost of 71,518 Shares Held In Treasury	(1,696,000)	(1,696,000)
Total Stockholders' Equity	$ 51,672,000	$ 48,823,000
Total	$1,180,596,000	$1,080,107,000

CORPORATE OFFICERS

James H. Jones, Chairman of the Board and Chief Executive Officer of the Corporation and the Bank

Thomas S. Davidson, Vice Chairman of the Board of the Corporation and President of the Bank

Walter B. Stuart III, President of the Corporation and Vice Chairman of the Board of the Bank

Rodger J. Mitchell, Executive Vice President and Group Executive; Personal Banking Group

E. Ward Faulk, Executive Vice President and Group Executive; Corporate Banking Group

John H. Palmer, Senior Vice President and Group Executive; Investment, Bond & Trust Group

Ronald E. Hagan, Vice President and Group Executive; Operations Group

Lution B. Hill, Executive Vice President, Treasurer and Group Executive; Financial, Planning & Administrative Group

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Franklin Dartez
Samuel D. Hughes
Edwin G. Jewett, Jr.
Timothy O. Knight
Charles C. LeBourgeois
Joseph G. Lier
Douglass R. Lore
Theodore J. Moses III
Robert D. Richley
Fred M. Smith

Some of the things you might think you need to insure all your customers.

Everything you need.

Durham Life has put it all in a single, compact kit.

All the credit life policies you need to insure everything from small loans to large, long-term loans.

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We even have a special policy that covers the $10,000 to $15,000 loan. The unique feature of this policy is a premium determined by age. The form is short, easy to fill out, and no physical is required.

You'll have competitive premiums and fast claim settlements too.

Durham Life. It's all you need to know when it comes to credit life.

Durham Life

Durham Life Insurance Company
Home Office: Raleigh, North Carolina

Which bank gives your clients maximum mileage for their short-term money?

We do. Bank of America. So when your clients come to you with short-term money to invest, why not do what so many other banks do and come to us. Bank of America provides a wide variety of services, combined with years of professionally proven expertise. And experience like this is more important than ever in these uncertain times.

Our Bank Investment Securities Division offers you and your clients the confidence that comes with trading close to 3 billion dollars in an average day. With figures that impressive, we must be doing something right. Such as keeping our financial experts available for one-to-one consultation and spur of-the-minute decision making advice as easily as picking up a phone. And working hours after Wall Street has called it a day.

It's all part of why so many bankers look to Bank of America to make their short-term money go a long way. If you'd like to find out more, our security specialists will be pleased to fill you in on the details. Call Bank of America, Bank Investment Securities Division: San Francisco (415) 622-2630; Los Angeles (213) 683-3512; New York (212) 747-5807.

BANK OF AMERICA
Correspondent Bank Service

Rice is a main course in Houston.

Helping to plant plenty is Houston's largest bank.

Some of the world's most traveled rice is grown right here in the Houston area.

Rice farming is big business in this region. In fact, Houston and its 13 neighboring counties yield approximately 30% of the total U.S. production.

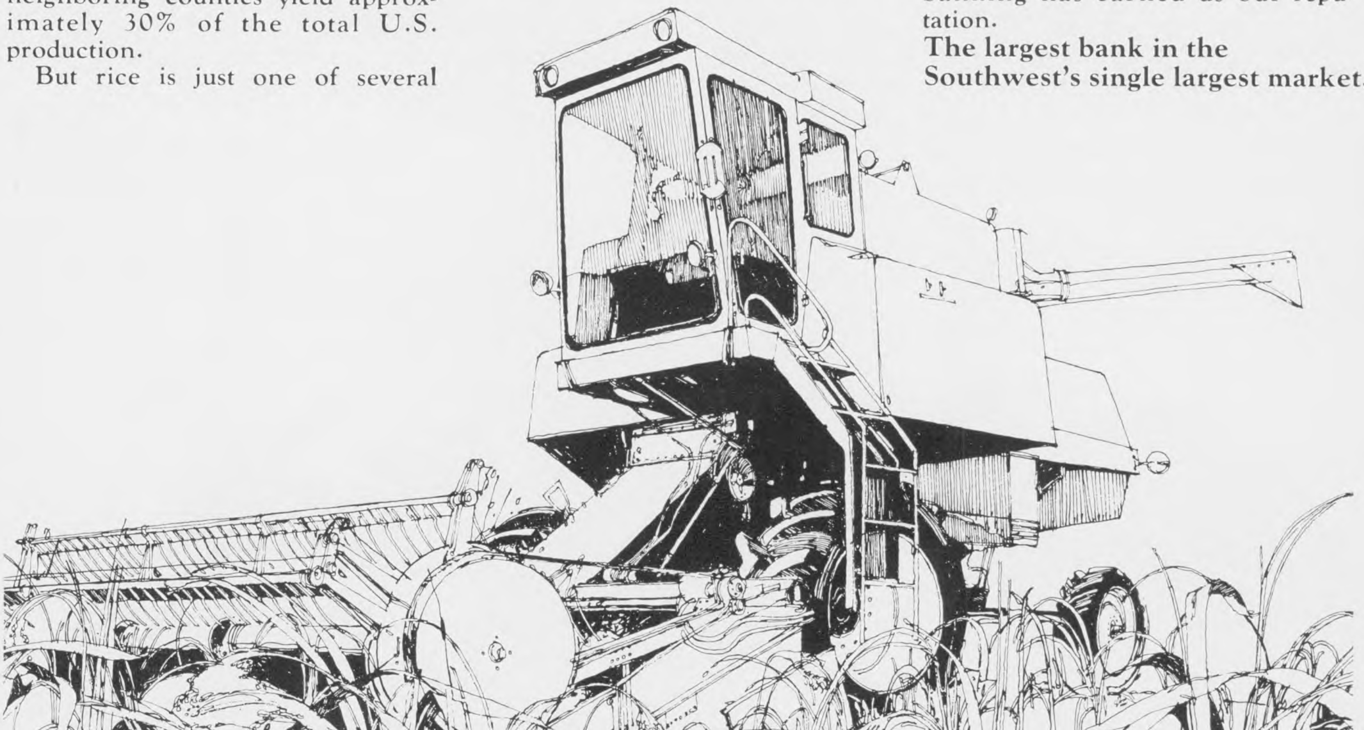
But rice is just one of several profitable crops grown around Houston, the Southwest's largest city, for distribution around the country.

First City National Bank has been a working partner in the Texas Gulf Coast agriculture business for over 100 years, providing the financial resources and expertise necessary for research, production, marketing and distribution.

Agriculture and finance. What we've grown up knowing is yours. First City National proves to Correspondents that more service is the result of more experience.

Understanding business as well as banking has earned us our reputation.

The largest bank in the Southwest's single largest market.

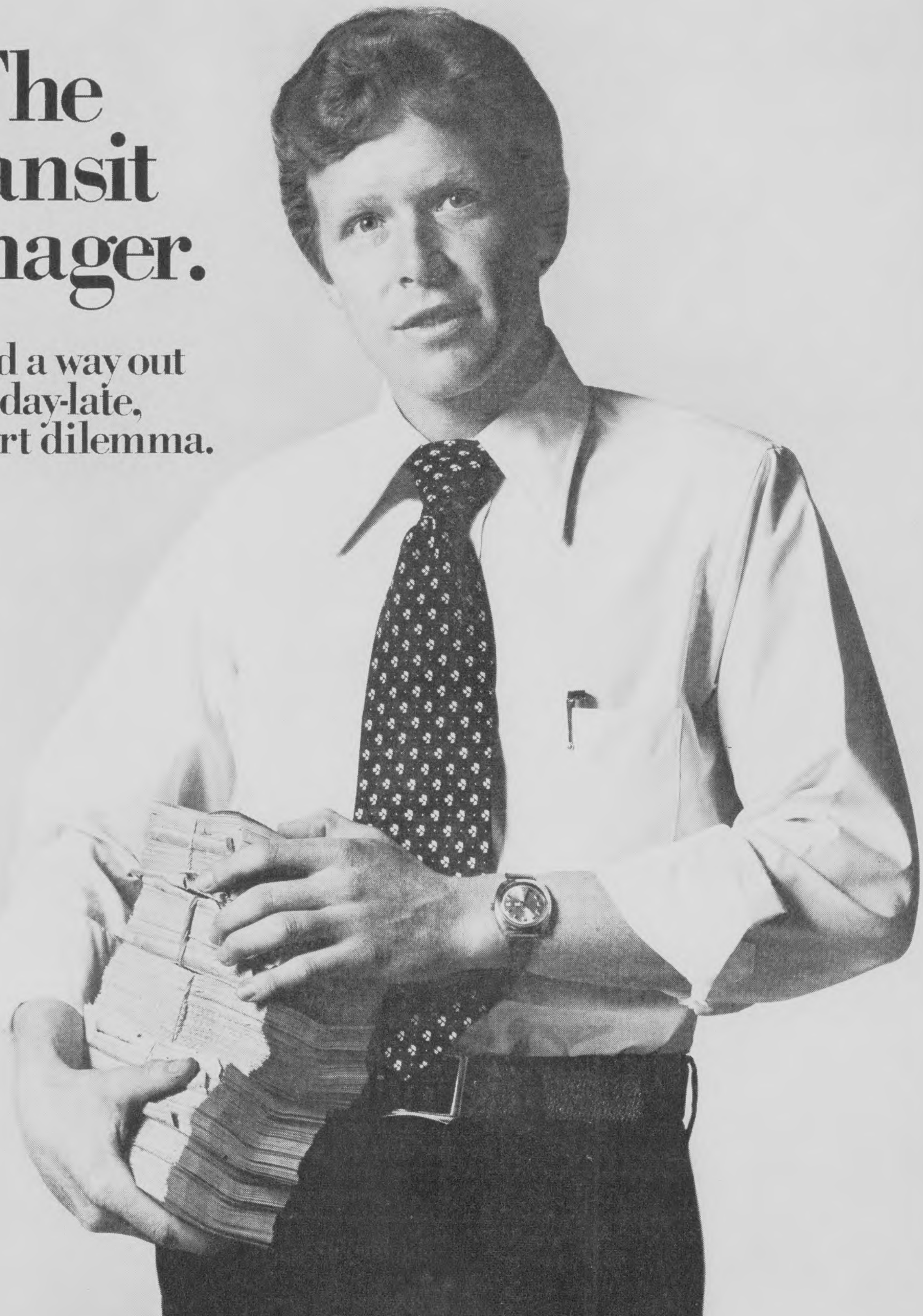


FIRST CITY NATIONAL
Bank of Houston

A First City Bancorporation Member

The Transit Manager.

He found a way out of the day-late, dollar-short dilemma.



Dave has found a system that provides more cash on hand for his bank through:

Our Rapid Transit System—The Northern Trust's own direct send program accepts Dave's unsorted cash letters later than most deadlines in Chicago and provides immediate availability for many financial centers throughout the country.

Our Automatic Funds Program—a unique reporting system that gives him today's information today on available deposits.

Our Deposit Analysis Service—a periodic, computerized analysis that provides complete, accurate data on deposit activity.

End result: Dave has more money available to invest for more profit. You could too. Our Trial Cash Letter will help. To set it up, contact your Calling Officer at: The Northern Trust Bank, 50 S. LaSalle St., Chicago 60690. (312) 346-5500.

The Northern Trust Bank

Bring your financial future to us.

Karl Malden, Act III.

This year American Express Travelers Cheques® will receive more national television support in just four months than our competition has spent over the last two years.*

Last year was a very good year for American Express Travelers Cheques. In fact, our best ever.

Mr. Karl Malden helped as our TV spokesman.

But someone helped him. You.

You wanted the best for your customers, so you pointed out that American Express is the best brand of Travelers Cheques they could buy.

This year is Karl Malden, Act III. And will be the best year yet. Because Karl Malden will be working for you in the largest and longest running network TV campaign in our history. It will be seen nationally from April until August. Running heavily in prime time on all three networks. And backed by additional spots in major markets throughout the year.

LARGEST TV CAMPAIGN IN OUR HISTORY

Alan King Tennis
Coaches All American Football Game
Preakness • The Rookies
NFL Championship Games
CBS Sports Spectacular
Baretta • Tony Awards
Caribe • S.W.A.T.
Rockford Files
Lucas Tanner • Police Story
Get Christie Love
ABC Movie of the Week
Sanford & Son
...and many more.

So more people will see these commercials than ever before. People who are your best customers.

And in every commercial Karl Malden will be pointing out how different American Express Travelers Cheques really are.

Your customers will know you're giving them the best. American Express Travelers Cheques.

Have a good year.

AMERICAN EXPRESS

*Based on data published by Broadcast Advertisers Reports, Inc.

American Express Company

The new 1975 MHT COUPAY.

Our fully automatic, fast, and accurate coupon paying and destruction system.

COUPAY, the first fully automated coupon paying and destruction system, could put your state and municipal bond business into high gear. A shift into COUPAY at Manufacturers Hanover can actually save you money.

Compare these exclusive MHT COUPAY features with your present system:

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- **no costly storage of unreconciled coupons**
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- **no coupons without a numerical listing**

COUPAY is so foolproof that Manufacturers Hanover guarantees all items listed on our destruction certificate as well as all "stops" that have been properly placed with us.

Get all the details about COUPAY from your National Division Representative or Lawrence M. Masterson, Manufacturers Hanover, 40 Wall Street, New York, N.Y. 10015. Tel: (212) 623-2691.

MANUFACTURERS HANOVER

Convention Calendar

June

June 12-14: New Mexico Bankers Association Annual Convention, Albuquerque, Albuquerque Hilton Hotel.
June 14: Arkansas Junior Bankers Conference, Hot Springs, Arlington Hotel.
June 15-20: ABA Bank Card School, Evanston, Ill., Northwestern University.
June 17-19: Oklahoma Bankers Association Secured Lending School, Norman, University of Oklahoma.
June 17-20: Arkansas Bankers Association Arkansas Banking School Basic/Intermediate Course, Little Rock, University of Arkansas Medical Center.
June 30-July 1: ABA State Banking Law Workshop, Denver, Regency Inn.

July

July 10-23: Tennessee Bankers Association Executive Management Conference, Switzerland.
July 13-18: Kansas, Missouri & Nebraska Bankers Associations Basic Trust School, Lincoln, University of Nebraska.
July 13-19: ABA Operations/Automation Division Business of Banking School, Durham, N. H., New England Center.
July 13-25: ABA School for International Banking, Boulder, Colo., University of Colorado.
July 16-17: ABA National Governmental Affairs Conference, Washington, D. C., Shoreham Americana.

August

Aug. 3-8: ABA National School of Real Estate Finance, Columbus, O., Ohio State University.
Aug. 4-8: Tennessee Bankers Association Tennessee Young Bankers School, Nashville, Vanderbilt University.
Aug. 9-15: Bank Marketing Association Graduate Course in Bank Marketing, Madison, University of Wisconsin.
Aug. 11-22: ABA National Trust School/National Graduate Trust School, Evanston, Ill., Northwestern University.
Aug. 17-19: Texas Bankers Association Bankers Conference, Austin.
Aug. 17-23: Independent Bankers Association of America Senior Bank Officer Seminar, Boston, Harvard University.

September

Sept. 7-9: Kentucky Bankers Association Annual Convention, Louisville, Galt House.
Sept. 7-9: ABA Payments System Policy Conference, San Francisco, Fairmont Hotel.
Sept. 7-12: Kansas, Missouri and Nebraska Bankers Associations School of Basic Banking, Lincoln, Neb., University of Nebraska.
Sept. 14-18: Consumer Bankers Association Annual Convention, Colorado Springs, Colo., Broadmoor Hotel.
Sept. 14-19: ABA National Personnel School, Dallas, Dallas Marriott.
Sept. 21-24: ABA Bank Card Division Annual Convention, Bal Harbour, Fla., Americana Hotel.
Sept. 25-26: ABA Operations/Automation Division Southern Regional Workshop, New Orleans, Royal Sonesta Hotel.
Sept. 28-Oct. 1: Bank Marketing Association Annual Convention, Las Vegas, Hilton Hotel.

October

Oct. 4-8: ABA Annual Convention, New York City.

• **Gabriel Hauge**, chairman, Manufacturers Hanover Corp., and its principal bank, Manufacturers Hanover Trust, New York City, last month received the C. Walter Nichols Award. This honor is conferred annually by New York University's Graduate School of Business Administration on a business leader who exemplifies the precepts of integrity, enterprise and service.

Before becoming a banker, Mr. Hauge was an economic adviser to the late President Dwight D. Eisenhower, 1953-58.

MID-CONTINENT BANKER

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Volume 71, No. 7 ***June, 1975***

FEATURES

CONVENTIONS

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STATE NEWS

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By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

Interstate Acquisitions: Is Now the Time?

LEADING bank regulators have been making pronouncements of their confidence in the underlying soundness of the nation's banking structure. At the same time, they recognize that the number of problem banks is up from previous periods and some of these problem banks are institutions of considerable size. Because of this, the Fed, in order to have a standby contingency plan for dealing with banks on the verge of insolvency, asked the Congress in late February to provide and approve legislation giving the Fed authority to allow acquisitions of problem banks by institutions located across state lines.

The topic of interstate acquisitions is likely to polarize bankers, with the small banks against the concept.

At press time, the proposal was in rough form, but if such a law is passed by Congress, it probably will be different from what follows. It should, however, follow the objectives of the Federal Reserve Bank in its letter to the House Banking, Currency and Housing Committee, which noted that "The resolution of the case of Franklin National Bank provides evidence for the usefulness of these recommendations. It is true that the final bidders for the Franklin assets were banks in New York state and that approval by the board was not required. However, this outcome was simply fortuitous."

That letter was in connection with the recommendation that the Fed's authority be restricted to banks or HCs controlling a system with assets of over $500 million.

The proposal is likely to polarize bankers into three groups: those with small unit banks; an ambivalent middle group of bankers; and those with major, national banks. The latter group would account for only 200 of the 14,000 banks in the U.S., while the 6,000 small banks would be against the idea and the other 7,000 or so in the middle group would be neutral in the matter.

Numbers of banks do not indicate relative importance. In this context, I have been thinking only in terms of domestic banks, but it should be recognized that Franklin National was acquired by a much smaller institution that was incorporated in New York, but really is owned by a consortium of foreign banks. Therefore, one cannot be indifferent to the probability of more takeovers by interests outside this country.

It appears that the Fed's belief is that there are banks of substantial size with doubtful or impaired resources in states with other institutions of size or strength insufficient to provide a takeover. Or perhaps, when viewed from a different reference point, if there were not a large strong bank in the state that could absorb the failing bank, that in itself would trigger substantial policy problems concerning monopoly and restraint of trade.

Here are some implications of the Fed proposal:

- The inability of a large problem bank to be absorbed could be a precipitating factor in a breakdown of our banking structure. The failure of the Credit Anstalt Bank helped bring about the wave of bank failures in the great depression.
- While the Fed is a lender of last resort, its handling of the Franklin National case, along with other federal bank regulators, posed many problems. They couldn't provide the type of bailout for the extended period the situation required without compounding other problems of equal importance. While all the regulatory agencies are to be congratulated that the eventual takeover of Franklin National by European-American Bank was accomplished with no loss to depositors or breakdown in the nation's financial structure, there were parts of the process which, with hindsight, could have been improved. The Justice Department's view was that acquisition by a major bank outside New York would have enhanced the competitive banking climate.

It is valid for bankers to have strong feelings concerning the impact of legalization of interstate acquisitions of large problem banks.

- State bank regulators will have mixed emotions on the proposal. Philosophically, they will not favor any interstate operation. This would tend to remove or reduce powers they have over state chartered banks. On the other hand, the failure of a $500 million-deposit institution would be catastrophic to the financial structure of most states and would have repercussion beyond state boundaries.
- U. S. Representative Henry S. Reuss (D.,Wis.), chairman, House Banking, Currency and Housing Committee, has noted that he was receptive to the Fed suggestion. It is likely that the Senate Banking Committee also will support the proposal since both of these bodies tend to be more concerned with the national implications of such legislation. State regulators and legislators, on the other hand, may view the action as a whittling-away of their established state rights in legislation and bank regulation.

Let's take a look at the de facto structure of banking today. The very large banks in this country have dozens of branches abroad, but they are prohibited from having branch opera-

(Continued on page 103)

Don't put this sign on your door unless you have HLS.

Burglars love holidays too. They welcome the chance to work in peace for hours, even days. Every long weekend sees an average of 4 bank burglaries.

You say you have a security system?

Fine. Provided you have hi-line security, too.

Until recently, line security was the weak link in all systems. Sophisticated burglars could compromise lines, thus keeping alarms from reaching monitoring stations.

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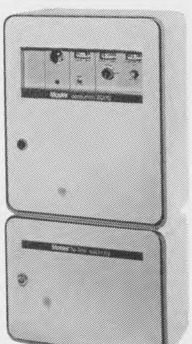
We'll be glad to tell you more. Just drop us a line.



Mosler

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NEWS OF THE
BANKING WORLD

• **Continental Bank,** Chicago, has restructured its Midwest correspondent banking divisions and announced new assignments for key management personnel.

Vice President Ralph W. Abelt has been named manager of a newly created midwestern correspondent banking division consisting of Indiana, Iowa, Michigan, Ohio and Wisconsin. Vice President William H. Grove, formerly in charge of the Illinois, Indiana and Iowa division, has been transferred to a senior post in the loan administration division.

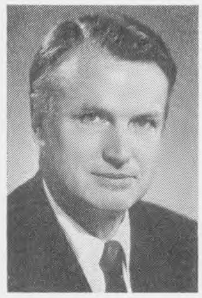
ABELT

TINGLEFF

All Illinois accounts have been consolidated into one division under the direction of Vice President John B. Tingleff. This division continues to provide data processing services to banks, as well as the traditional correspondent support services.

Both divisions—along with the Keyline Management Services Division, headed by Vice President Thomas G. Patterson—make up the correspondent banking divisions serving the Midwest. They report to Senior Vice President Robert H. Bukowski.

• **E. Norman Staub,** who was president of Chicago's Northern Trust, has been elected a vice chairman. After the retirement of Vice Chairman Douglas R. Fuller at year-end 1975, Mr. Staub will become the second-ranking officer of the bank, which he joined in 1953.



SWEET

STAUB

Philip W. K. Sweet Jr. has moved up from executive vice president to president of the bank and also was elected a director. Like Mr. Staub, Mr. Sweet went to Northern Trust in 1953.

At the May meeting of directors of Nortrust Corp., Mr. Staub was scheduled to become the firm's vice chairman and Mr. Sweet its president and a director.

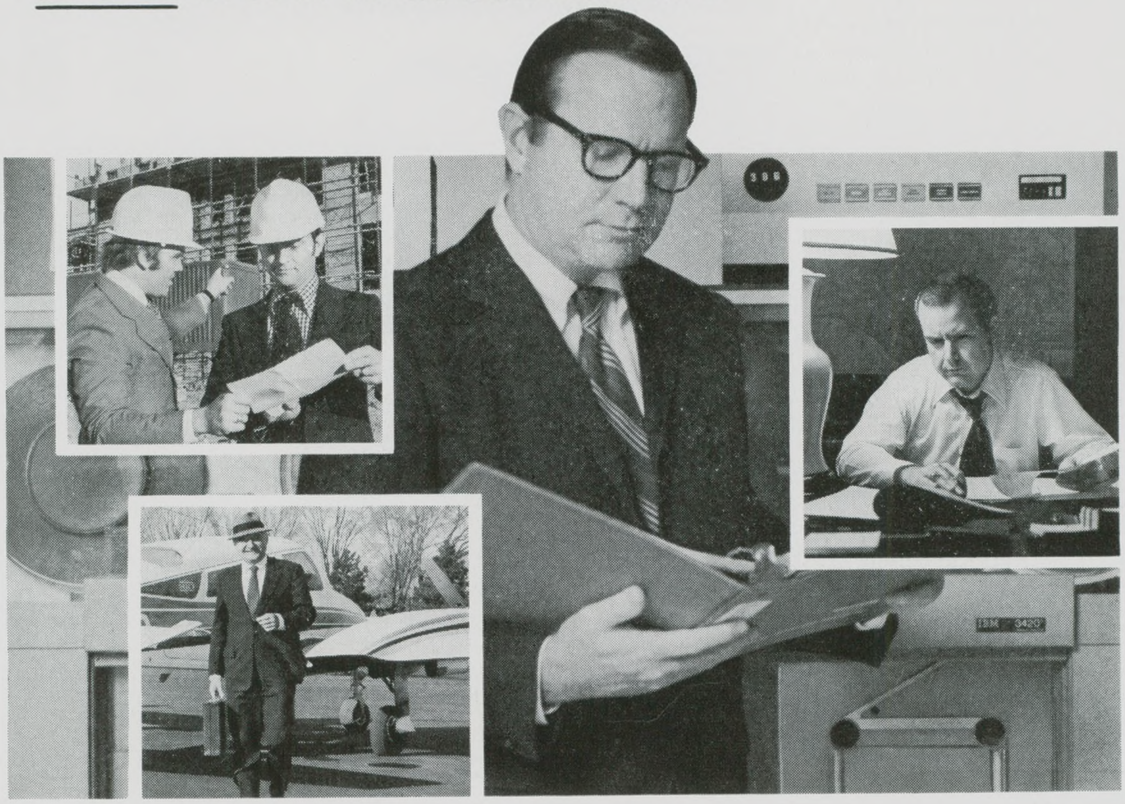
In other action, Northern Trust promoted the following senior vice presidents to executive vice presidents: W. James Armstrong, head of the banking department; Louis F. Dempsey, head of the international department; Lawrence W. Gougler, who continues as secretary of the bank; and Stuart Hamilton, head of the operating department.

TERRY

• **Ronald Terry,** chairman, First Tennessee National Corp., Memphis, was the 1975 Memphis Cotton Carnival king and reigned over the annual celebration May 3-10.

The carnival's objective is to promote the cotton industry throughout the Mid-South. Festivities include art shows, concerts, boat races and the traditional Cotton Carnival barge landing. Before the carnival week begins each year, the king and queen visit selected cities in the Mid-South to promote the celebration and encourage area residents to take part.

Bank on more from Mercantile...



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Central Group, Banking Dept. • Mercantile Trust Co. N.A.
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Corporate News Roundup

• **Bank Building Corp.** Bank Building Corp., St. Louis, has announced the move of its central division from St. Louis County to corporate headquarters. The central division is one of five regional divisions and covers a nine-state area in the Midwest.

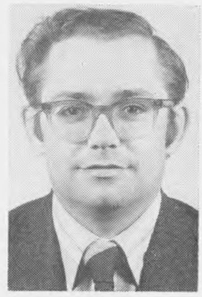
BBC also has announced appointments of Fred E. Duvall to its central division as a consultant services manager and Charles L. Boller to the real estate services division as director of financial services.

Mr. Duvall represents BBC in Arkansas and southern Missouri and had been vice president—Arkansas-credit life for First National, Oklahoma City. Mr. Boller had been vice president-capital finance division, Telco Capital Corp., Chicago.

• **Lawrence Systems, Inc.** James H. Leonard has been elected president and chief operating officer of Lawrence Systems, Inc., financial and security service subsidiary of INA Corp., San Francisco. Mr. Leonard, formerly with First National, Chicago, succeeds Louis E. Tippet, who will continue as chairman and CEO.

In other action, Tom Casey was named vice president-operations and

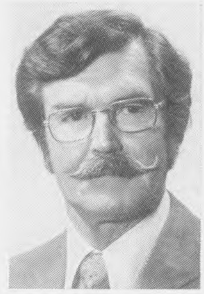
DUVALL



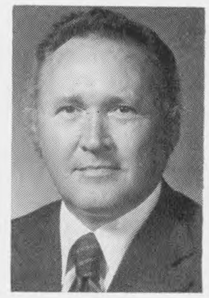
CASEY

administration of the Chicago region of Lawrence Systems. He has overall operations and credit responsibility in the firm's 12-state midwestern region. Mr. Casey was formerly with James Talcott, Inc.

• **Integon Corp.** Walter E. (Bruff) McQuade has been named territory manager, Kansas-Oklahoma area, Integon Corp., Winston-Salem, N. C. Mr. McQuade, who serves in the credit in-



McQUADE



CHOP

surance department and works out of Newton, Kan., supervises sales of credit life insurance to banks and other financial institutions in the area. That insurance covers borrower's lives during loan-repayment periods. He has been in insurance since 1962.

• **Arrow Business Services, Inc.** William M. Chop has joined Arrow Business Services, Inc., Memphis, subsidiary of Memphis Trust Co., which is a registered bank HC. Mr. Chop will act as general sales manager of the business furniture, furnishings and supply firm. He formerly was consultant services manager, Bank Building Corp., St. Louis, and prior to that was vice president and general manager, Scott Rice, Kansas City.

around money the finest is "STEEL-STRONG"

TRADE MARK ®

1 AUTOMATIC COIN WRAPPER
Amounts and denominations automatically indicated by patented "red bordered windows". Amounts in windows always in register . . . eliminates mistakes. Accommodates all coins from 1c to $1.00.

2 TUBULAR COIN WRAPPER
Especially designed for machine filling . . . a real time-saver. Packed flat. Instant patented "Pop Open" action with finger tip pressure. Denominations identified by color coding . . . 6 different standard colors.

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

4 DUZITALL COIN WRAPPER
Extra wide . . . extra strong. Designed for areas where halves are wrapped in $20.00 packs . . . "red bordered window" for ease of identification. Accommodates $20.00 in dollars, $20.00 in halves. Tapered edges.

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

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

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

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

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

SEE YOUR DEALER OR SEND FOR FREE SAMPLES

THE C. L. DOWNEY COMPANY • HANNIBAL, MISSOURI • DEPT. MC

The Personal Approach:

Banks Serve Everyone On Individual Basis Is Ad Campaign Theme

In recent years, banks have begun to emphasize the "personal banking" approach. That is, as people have come to believe they're just numbers in business transactions, banks have begun emphasizing the personal approach. For instance, an advertising campaign offered by the Golnick Co. stresses friendliness and a desire and capacity for serving all the people without sacrificing individual attention. Golnick is a local market bank-advertising specialist headquartered in Baltimore.

The campaign's theme is "Everybody's Bank in a Great Big Way." According to Golnick, in less than six months, 97 banks—ranging in assets from $2½ million to $600 million—have become "Everybody's Bank" in their local advertising areas. The Golnick program says, "There's Something Here for Everyone," but spotlights the individual tone with "You're Somebody at Everybody's Bank!" Banks offering this all-inclusive, but person-to-person, approach invite the public to "Join Our Circle of Friends," which is expressed graphically in the copyrighted theme symbol and developed in print ads, radio commercials and merchandising aids.

Because of changing consumer attitudes toward all business, said a Golnick representative, the "Everybody's Bank" campaign is especially timely. Financial institutions are seeing a much greater need for responsiveness to the average citizen; their old image as strongholds of the rich can no longer apply. Contemporary bank advertising has recognized the shift in emphasis to the personal approach and the image of approachability and friendly service. Golnick said its "Everybody's Bank" theme has gone all the way in developing the spirit of contemporary banking, which is "to serve as many as possible, as well as possible." Naturally, this means a bank must offer as many services as it can.

The Golnick theme is designed to build "product identification" into every bank service with "Everything Checking," "Great Day Savings," "Big Wheel Auto Loans," "All the Way Home Loans," and "You First Personal Loans."

These materials are part of bank advertising campaign, "Everybody's Bank in a Great Big Way," offered for local markets by Baltimore-based Golnick Co. Program stresses bank's desire to serve all people without sacrificing individual attention.

A British Lord's Exhibit:

Snowdon Photograph Show Premieres in Chicago

What is reported to be Chicago's first exclusive exhibit of photographs by the Earl of Snowdon, husband of Princess Margaret of England, began at Exchange National, Chicago, May 21.

The showing, which spans Lord Snowdon's 20-year career in photography, contains 100 photographs, highlighting Lord Snowdon's achievements as photo-journalist, social commentator and color essayist. Included are his portraits of Igor Stravinsky, Sir Lawrence Olivier, Sir Alec Guinness and the Royal Family.

Greening Project:

First of Denver Depositors Help Beautify River Area

First National, Denver, and its customers have taken on an ambitious project—seeing to it that $10,000 worth of trees and shrubbery become a part of a river landscaping project sponsored by the Platte River Development Committee. The bank's program is called the "Greening of the Platte."

Anyone depositing $200 in a new or existing savings account at the bank has the satisfaction of knowing that his deposit triggered the donation of additional trees to the landscaping effort.

Each depositor also receives a gift certificate good toward the purchase of a tree of his own. After only two weeks of the six-week promotion, the bank recorded its 1,000th deposit, assuring that half the $10,000 worth of trees had been committed. Numerous depositors are donating their gift certificates to the development committee so that additional trees can be planted along the Platte River.

The bank feted the 1,000th depositor by presenting him with a real bighorn sheep, which is the bank's corporate symbol. The depositor said he wanted to do his part in greening the Platte River area since he had witnessed the great need for beautification there.

As Part of Centennial:

Bank Collects Letters To Be Sealed in Safe And Read in Year 2025

Houston residents in the year 2025 will have some idea of what their city and country were like in 1975, thanks to Houston Citizens Bank.

As part of its 100th-anniversary celebration this year, the bank undertook "Project 2025." An antique safe, built around 1885 by Diebold, Canton, O., was refurbished and then filled with hundreds of letters from professional, business, civic, cultural and government leaders, who communicated their

The Spirit of America.

The Spirit of America. One phrase that recalls the unyielding dedication of our founding fathers to freedom. The courage and sacrifice that created a nation. The vision that is America.

In a short time we will be in celebration of that heritage. Preparations are already underway. For our part, we have introduced a commemorative check package that is a vivid recall of history.

It's a complete Bicentennial program featuring our Spirit of America checks with ten memorable scenes from the American Revolution, special cover, enclosure and wood grain box. For your bank, we have commemorative prints or scrolls, lobby displays, newspaper ads, material for radio or TV.

But the time is now for the Bicentennial is nearly at hand. Ask your DeLuxe representative about this exciting new program.

DELUXE
CHECK PRINTERS, INC.
SALES HDQTRS. • 3440 N. KEDZIE, CHICAGO, ILL. 60618 • STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

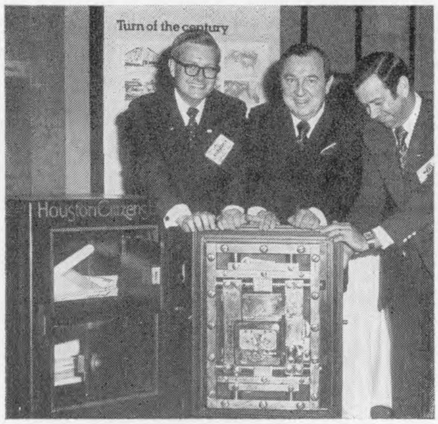
"thoughts, predictions and hopes to the people of the city of Houston 50 years hence." The bank's customers and the general public also took part in Project 2025.

The bank extended invitations to all Houstonians to write letters to their own descendants and deposit them with the bank so that they could be sealed in the safe. Chairman Joe L. Allbritton said the bank will make every effort to see that those letters are delivered to the proper persons in 2025.

After conducting an extensive search for an appropriate "time capsule" in which to store the letters, the bank decided on the antique safe, which was owned originally by the late W. L. Moody of Galveston, Tex. It was installed in the bank's main lobby and, for the next half century, will carry a small brass dedicatory plaque reading:

"The contents of this safe are held in trust for the citizens of Houston, 2025 A.D., with high hopes that their world of tomorrow fulfills our dreams of today."

"While Project 2025 looks to the future, we also are proud of our 100 years of continuous service," said President George H. Kilpatrick. Vice Chairman Marvin L. West added, "We felt it would be most appropriate to find something exemplifying our historic service in the banking industry, and we did."



Antique safe was obtained by Houston Citizens Bank to hold letters for 50 years from professional, business, civic, cultural and government leaders and city's residents. Project is part of bank's centennial celebration. Pictured with safe, manufactured around 1885 by Diebold, are bank officers (l. to r.): George H. Kilpatrick, pres.; Joe L. Allbritton, ch.; and Marvin L. West, v. ch. Safe was sealed after photo was taken.

Among those who contributed letters for the safe were FBI Director Clarence M. Kelley, Texas Governor Dolph Briscoe, Senator Lloyd M. Bentsen Jr. (D.,Tex.) and famed heart surgeons, Dr. Michael DeBakey and Dr. Denton Cooley.

Set of Historic Prints Commemorates Bicentennial

As an introduction to the spirit of the nation's 200th anniversary, First National, Lincolnshire, Ill., is offering a limited edition commemorative series of prints depicting historical landmarks of Vernon Township. They are available at no cost to anyone opening a checking account, depositing $500, or may be purchased for $8.95.

The print series consists of four pen and ink drawings by artist Ken Johannessen. Each has been lithographed separately on 11 × 14-inch paper and comes with descriptive notes on each site.

The lithograph of the Prairie View Railroad Station is a view looking north on the Soo Line Railroad. The structure was built in 1885 and served those traveling to Chicago in the early 1900s.

Another in the series is of the Half Day School, which was built in 1938. It replaced the "Old Half Day School," which was constructed in 1876.

The Prairie View Feed Mill print is a depiction of a flour mill built in 1888 which operated until World War I, when it was converted to a feed mill for use by area farmers.

Hey, Tiger!

If they call you "Tiger" in your town, it's not because you're dead on the old derriere. Not hardly.

It's because you're up clawing your way to the top—snarling, fangs bared, mean as hell—after the lion's share of the business.

Well, that's good. These are tough times.
But why not let me help you?
Car loans are real scarce—especially good ones.
Ditto home improvement loans.
And I can show you how to increase the number of loans you'll close this year. In any bank, anywhere. And starting now.
Yes, I can.
But not for free. The information will cost a little bit.
Further, once the program starts at your bank, it'll cost you about $20.00 per loan more. But no contract.
Why not investigate? Live dangerously!
Scratch out a memo on your letterhead. Attach the coupon. Do it *now.*
When I send you details, you'll roar with pleasure.
As any good Tiger would!

CLIP OUT & ATTACH TO BANK LETTERHEAD • CEO's & SENIOR OFFICERS ONLY, PLEASE

BOB TUCKER ASSOCIATES • Box 1222 • Port Arthur, TX 77640

Dear Bob:

Your dynamic ad has touched me in a sensitive area, namely, my pocketbook. Forthwith, or sooner, please send:

—— **An idea for getting car paper.** Am enclosing $22.50, for which I am to receive prepaid sample merchandise worth even more.

—— **An idea for home improvement loans.** Am enclosing $22.50, for which I am to receive prepaid sample merchandise worth even more.

—— **Ideas for both car loans and home improvement loans.** Am enclosing $39.95, for which I am to receive prepaid sample merchandise worth even more.

Name ....

Date .... Street ....

City .... State .... Zip ....

"Exclusive service to the financial trades since 1958"

Yes, it *is* an unusual coupon proposition. But how else can I weed out the pen pals and curiosity seekers?

You'll be glad you responded. We've never had a dissatisfied bank. Oh, sure, some few crotchety, nasty-tempered rascals hate my loud mouth and arrogance, not to mention my rainbow neckties, general vulgarity, and wornout jokes.

But, dissatisfied with Bob Tucker products and programs?

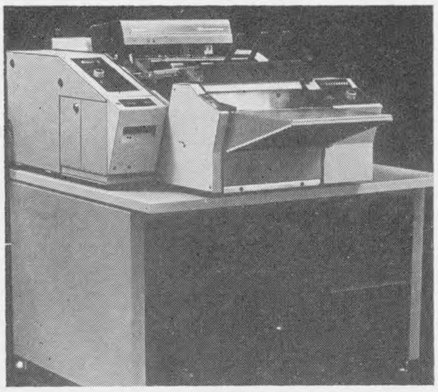
Hah, *never!*

BOB TUCKER ASSOCIATES
Box 1222
Port Arthur, TX 77640

"You'll Always Do Better with Bob"

New Products and Services

• **Bell & Howell.** A micro-imagery rotary recording system has been announced by Bell & Howell's Business Equipment Group. Called the "SRM



Micro-Imagery Recording System," the unit has been designed to permit add-on capabilities such as sequential numerical imprinting and blip-coding on film.

The unit is said to be able to imprint and microfilm 600 checks per minute (front and back) or 100 letter-size documents. Standard and optional features include: selectron exposure control, three types of document feed systems, powered document stacking, choice of four different reduction ratio cameras and inkless endorsing/imprinting capability.

Write: Bell & Howell, Business Equipment Group, 6800 McCormick Road, Chicago, IL 60645.

• **Tension Envelope Corp.** Banks looking for ways to reduce mailing costs and improve their mailing techniques may want to follow the examples of these banks, as reported in a recent edition of *Tension New Envelope News:*

United Home Bank, Mason City, Ia., replaced checkbook mailing boxes with open-side Tension expansion envelopes, which are merely opened, checkbooks inserted and moistureless Touch-'N-Seal® flap closed. The old boxes had to be folded, taped and addressed. The new envelopes come with glassine windows through which names and addresses on the checks can be seen.

Winters National, Dayton, O., has adopted wallet-flap envelopes with special throat design to solve jamming and sealing problems the bank had encountered with its new automatic statement inserter and older-style statement envelopes. The wallet-flap envelopes have a side-seam design and special throat, which allow the inserter to lift open the entire back panel, avoiding snags. A score line near the seal flap's top permits the flap to accommodate bulky inserts. The score and straight-line gumming provide much more effective and thorough sealing, according to the Tension Envelope Corp.'s publication. The bank said an envelope designed for the job has improved efficiency.

Write: Tension Envelope Corp., 19th and Campbell, Kansas City, MO 64172.

• **AmerAccount Club, Inc.** As banks approach America's bicentennial year, they will be looking for promotions that will feature the bicentennial theme. A program that can be tied in with America's 200th birthday is called AmerAccount Club, Inc., described as a comprehensive package of retail bank services, plus a complete marketing program for offering these services.

The program uses such phrases as "America's Answer to the American Dream" and "Best Bank in Town" and references to Betsy Ross, the Minutemen of Lexington, Mass., and other 1776 figures in its advertising material. Services participating banks can offer include: $10,000 accidental death insurance policy; unlimited checking; free personalized checks and deposit slips; membership card; BankAmericard or Master Charge cards; newsletter; travel service; travelers checks; bank money orders and cashier's checks; notary public service; savings account; special-purchase offers; pleasure chest activities and unlimited additional services.

Write: AmerAccount Club, Inc., P. O. Box 1763, Jackson, TN 38301.

• **Bank Computer Network Corp.** "Cash Cart" is the name of a new self-contained automatic teller unit that can be moved from one location to another with comparative ease. The unit was designed for the customer to use with as much ease as a pay telephone or coffee machine and will handle a combination deposit payment and cash withdrawal in as little as 10 seconds. The unit has been found useful to test potential locations. It is equipped with means of protection to insure against unauthorized movement.

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

NEWS ROUNDUP

News From Around the Nation

A House Credit-Disclosure Bill

A so-called "credit-disclosure" bill was approved last month, 28-6, by the House Banking, Currency and Housing Committee. The bill would require periodic reports from the nation's largest commercial bank lenders in eight specific areas. These reports would be broken down into nine categories, such as capital investment, working capital, small business and agriculture, housing and consumer credit.

Under the bill, the Fed would collect periodic reports on loans by category from the nation's 200 to 300 largest banks and send them to Congress semiannually.

Because of the bill's controversial nature, its provisions were softened when references were deleted that would have created "national priority" areas for lending. Banks and their regulators maintained that the word "priority" would set up a kind of back-door credit-allocation plan for the financial system. The legislation's sponsors, including Representative Henry S. Reuss (D.,Wisc.), the committee chairman, denied it.

As of press time, the Senate had not initiated similar legislation.

Lending Discrimination Unverified

No definitive evidence on whether there is discrimination in residential lending was revealed in a pilot survey made last year by several bank and S&L regulatory agencies. The Fed's Board of Governors last month made survey results available for public inspection. The survey's purpose was to try to determine whether there is discrimination against minorities in the granting of credit for home improvements and home mortgages and, if so, whether this type of survey could identify and measure it. Such discrimination is forbidden by the 1968 Civil Rights Act.

The Fed pointed out the data's usefulness was lessened by the low level of mortgage activity during the survey period.

Data are based on a fair housing survey conducted in six metropolitan areas from June 1 through November 30, 1974, by the Fed, FDIC, Comptroller and the Federal Home Loan Bank Board. They used a questionnaire developed by the Fed and FDIC.

The six metropolitan areas covered by the Fed-FDIC survey included Galveston-Texas City, Tex., and Jackson, Miss. Eighteen metropolitan areas were surveyed in all. The Comptroller and FHLBB collected somewhat different data for the 12 other metropolitan areas surveyed.

$3 Million in Minority Investments

Minbanc Capital Corp. now has a total investment portfolio of $3,250,000, following an announcement in May of its "conditional intent" to invest an additional $1,350,000 in three minority banks ($450,000 to each bank). One of these banks, Gateway National, Chicago is in the Mid-Continent area.

Minbanc, a closed-end investment company, was formed by the ABA in late 1971 to raise money through sale of its own stocks to invest in minority-owned banks. Since its organization, the firm has reviewed 15 minority-owned banks for investment purposes. Initial capitalization was $3.9 million in common stock, which was increased to $4.6 million by October, 1972. Kenneth V. Zwiener, former chairman, Harris Trust, Chicago, is Minbanc's president and chairman. One of the directors is James P. Hickok Sr., former chairman, First National, St. Louis. Harrison Steans, chairman, LaSalle National, Chicago, is chairman of Minbanc's investment committee.

An Anti-Discrimination Request

State banking regulators in all 50 states have been asked by the American Jewish Committee to make clear to banks under their authority that religious or racial discrimination by them would not be tolerated. The request followed reports that some banks may have been offered large deposits by foreign investors if they would not allow Jews to serve on their boards or control any significant portions of their stock.

Federally chartered banks already had been cautioned last February by Comptroller James E. Smith to avoid such discrimination.

Prior to the AJC's request, Richard K. Lignoul, Illinois banking commissioner, already had sent a memorandum to the 800 state banks there. In his letter to the banks—sent in reply to the AJC's Chicago Chapter—Mr. Lignoul said that "this agency would consider it a discriminatory practice to accept any offering of large deposits and loans by agents of foreign investors on the condition that no member of the Jewish faith sit on the bank's board of directors or control any significant amount of the bank's outstanding stock."

Interest on T&L Accounts?

The Treasury Department has proposed legislation that would permit the federal government to earn interest on tax and loan accounts. It has been estimated that banks earn about $260 million annually on the interest-free deposits by investing the funds.

The legislation has been sent to both houses of Congress and is designed to permit the government to recoup a substanial portion of the $260 million.

The funds have traditionally earned no interest for the government because the Treasury considered the use of the money by banks to be fair compensation for the services banks provide, which include collecting the money and handling other transactions, such as savings bond redemptions and purchases.

The legislation proposes that the Treasury lend the T&L funds to the banks holding the funds. The interest rate would be pegged to the rate the Treasury pays on its short-term securities.

Our idea of correspondent banking:

THE COMMITTEE OF ONE.

Our people are real, live, experienced correspondent professionals, with years of correspondent banking behind them. So, since they aren't shiny new management trainees or just goodwill ambassadors, they have the authority to okay loans or services on the spot. Without going through a committee.

WE CALL YOU BY NAME. NOT BY PHONE.

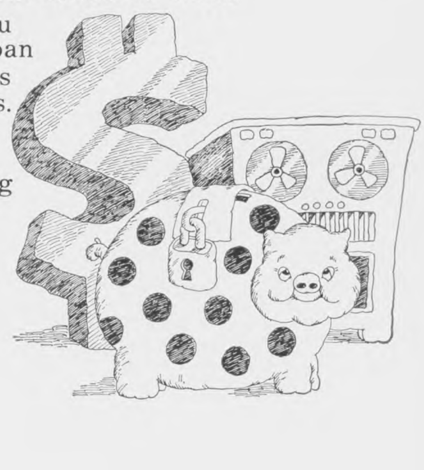
Because we work person to person, eye to eye, with the management of every correspondent bank, right there *at* the correspondent bank, things get done faster. Friendlier.

WE'RE THE BANK FOR THE NEW DOWNTOWN.

NBB is the biggest bank on Michigan Avenue. The hub of Chicago's new changing skyline. But we'll extend the New Downtown to wherever you are.

WE'RE BIG ENOUGH TO SERVE YOU, BUT SMALL ENOUGH TO TAKE CARE OF YOU.

That's why we can give you literally dozens of services. Like loan participations. Bond portfolio analysis and advice. Safe-keeping of securities. Credit information. Use of our computers. Executive search. And more. It's all part of being whatever kind of bank you need us to be.



BANKER TO BANKER. NOT BANK TO BANK.

NBB

The bank for the New Downtown

NATIONAL BOULEVARD BANK OF CHICAGO

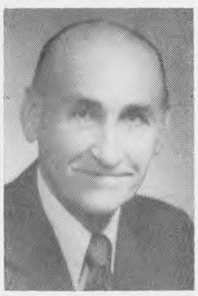
400-410 North Michigan Ave., Chicago, Ill. 60611 Phone (312) 467-4100 Member FDIC

Bankers Must Become Active in Politics; It's Not a 'Spectator Sport'

By J. REX DUWE
President-Elect
American Bankers Association

"POLITICS, my fellow bankers, is dirty business. I don't want my employees meddling in politics, and I don't get involved either."

Does that statement sound familiar? How many times have you heard a banker call politics "a dirty word?" Too often, in my opinion.



DUWE

I believe bankers carry an obligation to their profession and their community to become involved in the political processes.

As the years go by, I've found that banking has become increasingly inseparable from government relations. Politics cannot be a spectator sport for any of us. We cannot afford to take a comfortable observation post and merely watch the political show—*as bankers, we must be involved in the show.*

We all know that decisions made in the political process affect our everyday lives, as citizens, parents, taxpayers and home owners. And as bankers, we do business in a regulatory and legislative environment matched by few other industries.

On any given day, the way a bank transacts its business is affected by rules set down by the Fed, FDIC, Comptroller of the Currency, state banking commissioner and federal executive agencies with loan guarantee programs such as HUD or SBA.

As for the future, the entire competitive structure of the financial industry may be altered by congressional action on the Financial Institutions Act. Each day, Congress considers additional proposals of importance to banking. For example, last April alone, the ABA monitored or testified at congressional hearings on emergency housing aid, variable rate mortgages, student loans, securities reform, foreign investment in the U. S., bankruptcy reform, lobbying regulation, monetary policy and settlement disclosure rules. Each one of those hearings could have a great deal of impact on banking—and that's only one month out of one year.

Today's legislative deliberations produce tomorrow's laws; today's proposed regulations in the *Federal Register* may reach the banker's desk in the form of new eligibility requirements for federally backed loans, revised limits on bank activities or a new reporting form for financial information.

Bankers cannot afford to sit quietly at the receiving end of the political process. Bankers must participate in a variety of ways—through national and state associations, through their political parties and through involvement with state legislators, congressional representatives and other political leaders. *How* a banker gets involved is a matter of personal choice.

I speak as a banker who has been politically active for many years both nationally and locally. I have managed four campaigns for our congressman and served as party chairman for our congressional district, which covers about two-thirds of Kansas. I have been a delegate or alternate to my party's national convention three times.

In all frankness, I have never encountered the disrespect of any of my customers for my political activity. They believe, as I do, that a banker's responsibility to his or her community does not end when the bank closes each day. The banker's responsibility to the community and the banking profession does not end with the payment of annual dues to the ABA or your state bankers association. That's only the beginning.

The banker's responsibility extends to the county or parish seat, to the state capital, to the halls of Congress and the federal regulatory agencies in Washington, to the men and women who make and carry out our laws.

As a banker and a citizen, I want to participate in the process by which our leaders are elected, our laws are made and our administrative regulations are drafted.

Yet I have observed that a large number of bankers shun the political arena. To them, politics is a "dirty word."

To me, politics is not a dirty word at all. Politics is serving on the school board or as mayor, as I have. Politics is explaining to a state official how the educational needs of Lucas differ from those of Kansas City. Politics is telling my congressman how a proposal on electronic banking will affect our home district. Politics is helping people who share my beliefs and principles seek and attain public office. To me, politics is synonymous with public service.

I was wondering, "Just why *has* politics become a dirty word to some people?"

One reason is that too many good people have remained on the sidelines. If good community leaders—bankers

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Mr. Duwe, chairman and president, Farmers State, Lucas, Kan., gave talks on which this article is based at the annual conventions last month of the Louisiana and Arkansas Bankers associations.

among them—avoid the political process, the vacuum will be filled by people who have axes to grind or brandish a self-serving motive.

I think another reason some bankers have shied away from communicating with politicians is that the word "lobbying" his been tainted with a pernicious meaning. This is unfortunate, because "lobbying" or "government relations" or whatever you choose to call it is an important part of the democratic process. *It is a means by which politicians receive expert information on which to base political decisions.* When a bill, say a real estate bill, comes before a state legislature, the lawmaker needs to hear the informed opinions of lenders, realtors, municipalities, consumers and others.

Regretfully, not all lobbying has been carried on in the best traditions of a democracy. The term "lobbying" originated in the mid-17th century in England. It referred to the large anteroom near the House of Commons where certain individuals would congregate to seek special favors of members of Parliament. The term quickly attached itself to American politics, since Congress and every statehouse also had a "lobby" adjacent to the chamber where favors and votes often were traded.

Many lobbyists of the 1800s created a negative image of their activities that persists today. For example, one of the founders of a major western railroad wrote his partners that it would take only $200,000 to push a pet railroad bill through Congress. This tycoon of 100 years ago bragged openly that he was going to "fix up the Railroad Committee in the Senate."

That kind of lobbying bears about as much similarity to the present day as the steam-driven locomotive bears to today's high-speed trains. Today's businessman couldn't fix up a congressional committee if he wanted to. *The most effective way to influence legislation is through well-documented, concise position statements presented to appropriate officials.*

What we call "government relations" pretty accurately describes the complex relationships that exist today among legislators, regulators and the affected industry.

I think I can illustrate modern-day government relations by explaining how your ABA develops and promotes a policy posture on proposals affecting the banking industry. All ABA policy-making bodies use a set of criteria developed by bankers. In evaluating proposals, the criteria ask these four questions:

1. How do bank customers *benefit* from the proposal?

2. Will the proposal *enhance* the broad competitive environment?

3. Is the proposal consistent with national *economic* and *social* priorities?

4. Does the proposal provide the *opportunity* for competitive financial institutions to maintain viability and profitability regardless of size?

These questions are asked each time your association considers its position on any issue related to banking, whether it is a regulatory, economic or political proposal. Most recently, the criteria were applied to the issue of remote electronic banking facilities—specifically, what position would the ABA take on the Comptroller's ruling to permit CBCT experimentation and on a congressional proposal for a moratorium?

The ABA testified against the moratorium and argued against any regulation that would put banking at a competitive disadvantage with other financial institutions. To reach that position, we began with a basic premise: that the CBCT, or off-premises banking facility, is not a new service, only a new means of delivering traditional banking services. The CBCT is an extension of bank-by-mail and bank-by-phone delivery systems.

Should the ABA support proposals to permit CBCT experimentation? To

(Continued on page 75)

EFTS, Community Banks' Future Are Subjects of Duwe's Talks at Conventions

BESIDES POLITICS (see page 27), ABA President-Elect J. Rex Duwe talked on EFTS and community banks' future at state bankers association conventions in the Mid-Continent area in April and May.

In Mississippi, Mr. Duwe forecast fierce competition as electronic banking components and capabilities develop over the next few years. He believes bankers "will be walking a tightrope, trying to bring our customers the best, most efficient service and yet carefully gauging whether components of the new technology promise more than they can deliver." Although most electronic banking services focus on customer convenience and internal efficiency, he continued, the manner in which they are combined and marketed varies tremendously.

Mr. Duwe, chairman and president, Farmers State, Lucas, Kan., spoke favorably about Comptroller of the Currency James Smith's ruling that allows national banks to proceed with implementation of customer-bank communications terminals (CBCTs). He said the ruling provided national banks with a means of attaining competitive equity and of offering their customers the same electronic services that are becoming increasingly available at other financial institutions.

Mr. Duwe noted that laws regulating electronic banking are changing, and government programs for direct deposit of social security and government paychecks are accelerating the move toward these services.

The ABA officer cited other recent or planned developments in electronic competition among financial institutions and other organizations. They included: formation of the state-wide Nebraska Electronic Transfer System (NETS); sharing of remote electronic banking terminals in Seattle; plans for an interstate processing center for a bank card system; planned expansion of bank card services to provide cash, check guarantees and funds transfers from savings to checking accounts and vice versa; use of computer terminals in retail outlets for check guarantees, credit authorizations and deposit and withdrawal services; development of automated clearing houses (ACHs) to speed check clearing and reduce its costs; use of electronic terminals in retail outlets as "cash registers" and automatic debit of a bank customer's checking account for costs incurred with the customer's credit card.

In Kansas, his home state, Mr. Duwe said he was pleased to be a banker there because, through the Kansas Bankers Association, bankers supported a bill that will allow banks to establish electronic terminals or teller devices anywhere in the state. He added that he also was proud that his state's bankers are acting with a certain restraint because—while supporting legislation that creates the opportunity for increased competition—their actions show that they're not going to embark on electronic funds transfer until they know that it will provide better service for their customers and that it makes

(Continued on page 52)

Benefits, Shortcomings in Fed's Proposal To Allow Interstate Acquisitions Of Distressed Banks by HCs

By GEORGE A. LEMAISTRE
Director
FDIC
Washington, D. C.

PERIODICALLY, since the depression, proposals have been made to restructure our tripartite federal bank regulation system. Consistently, these proposals have been relegated to library shelves. In the present environment, however, the impetus for change is likely to come from a variety of sources.

LeMAISTRE

Describing the existing regulatory framework as "a jurisdictional tangle that boggles the mind," Chairman Arthur Burns of the Federal Reserve indicated soon after the closing of Franklin National of New York that the board staff had been studying the subject of agency restructuring and would come forward with a proposal this spring. Since that time, two members of the Board of Governors have advanced different plans: one calling for consolidation of all bank supervision and regulation in the Fed and the other suggesting creation of a new single supervisory agency separate from the Fed.

In addition, there appears to be significant sentiment among the leadership of banking committees favoring some modification of the existing regulatory structure.

At the FDIC, we also have had underway a staff study of this matter and undoubtedly will present views and recommendations in this area to Congress. Even though complete consolidation of supervision and regulation may well be rejected, I would rate as reasonably good the proposal for some future realignment of responsibility.

Of more immediate impact to bankers are changes in regulations or examination procedures that have been, or soon are to be, implemented. The letter-of-credit regulation promulgated by the three agencies as well as the Comptroller's recently implemented disclosure regulation, which is aimed at uncovering abusive self dealing, is a direct consequence of the failure of U. S. National of San Diego.

The FDIC has before it a staff proposal that would take a somewhat different approach to eliminating abuse in this area. I favor a regulation that would require board of director approval of substantial insider transactions and that would make plain that any transaction between an insider or his interest and a bank that's more favorable to the insider than a comparable transaction with a non-insider is an "unsafe or unsound" practice.

Similarly, the troubles of Franklin and American Bank (Orangeburg, S. C.) and the distress merger of Beverly Hills National, which was precipitated by the difficulties of a nonbank HC affiliate, have insured that some facets of banking will receive greater emphasis in the examination and supervision process. Foreign operations and operations of nonbank affiliates certainly will be the subject of far stricter scrutiny. In addition, while bank supervisors have never ignored a bank's liquidity, bankers undoubtedly will find examiners probing more deeply and critically into a bank's liability structure.

Most importantly, deference to size —born of the belief that large banks could not fail—is a thing of the past. We have learned, I think, because of the cost to the banking system and to the deposit insurance fund that results from a large bank's failure, that big banks should be supervised more, not less, strictly than their smaller competitors.

Paralleling our efforts to improve techniques for avoiding bank problems, the agencies are seeking to improve procedures for dealing with problems when they do occur. Efforts here include intensified monitoring and senior review of problem situations, increased flow of information among federal agencies, consideration of the use of teams specializing in the workout of problem situations and a reevaluation of the legal remedies and sanctions available to the agencies to take corrective measures. In this last regard, the FDIC presently is studying ways to streamline our use of the existing cease-and-desist power. Also, at some point during this congressional session, the corporation is likely to seek additional powers to deal with individuals who have misused or wasted bank assets.

Finally, either as a part of agency restructuring or separately, Congress undoubtedly will examine very closely the options and procedures presently available in dealing with failing and troubled banks, in addition to evaluat-

The talk on which this article is based was given by Mr. LeMaistre at the annual Missouri Bankers Association convention last month.

ing the conduct of the agencies in connection with U. S. National, Franklin National and Security National (Hempstead, N. Y.) failures. Although in my judgment, these cases were handled expeditiously and with a minimum of disruption, we have learned a great deal from them. This experience may provide the basis for fundamental revision of the framework of laws and overlapping responsibility for dealing with bank failure that grew out of the depression. At the FDIC, we are carefully reviewing this experience to determine what modifications might be made in existing law and policy to expedite resolution of problem cases and to cushion the disruptive impact of bank failures.

". . . The proposed legislation, in effect, provides 100% deposit insurance for some banks."

In this regard, the Fed already has proposed legislation aimed at one narrow, but potentially important, problem, highlighted by the Franklin experience. The Fed's proposal would provide for interstate acquisition by bank HCs of distressed banks having more than $500 million in assets.

In a recent speech before the Conference of State Bank Supervisors, FDIC Chairman Frank Wille assessed the proposed legislation this way: "Although presented to Congress solely in terms of the Franklin National Bank experience last summer, this comparatively simple, straightforward bill actually raises some very basic issues about the nation's banking system and its future course."

At the risk of covering some of the same ground, I'd like to discuss this same legislation. I do so because I also believe that, although the proposal deals with a rather narrow problem, it does so in a manner that raises certain very fundamental questions of public policy that deserve as much open discussion and debate as possible. Moreover, I have serious reservations regarding the bill as introduced and suggest that it needs certain modifications.

At the outset, we should recognize that the proposed legislation does try to meet a potentially significant problem. In recent years, the preferred mode of dealing with failing institutions has been arrangement of a distress merger or acquisition by a sound and well-managed financial institution. In certain banking markets, it would be impossible to effect an acquisition of one of the largest banks in that market without serious anti-competitive effects and, indeed, it might be impossible to find purchasers of the requisite size and strength to absorb the failing institution. The proposed legislation would remedy this problem by enhancing the probability of producing a large pool of potential suitors, thereby tending to eliminate the possibility that no acquirer of the requisite size and strength could be found or that a significant anti-competitive acquisition might be necessary to avoid payout and liquidation. Moreover, such expansion of the pool of potential bidders for the troubled bank would tend to maximize the price paid and, hence, the ultimate recovery by shareholders and debenture holders.

Notwithstanding these very real benefits, the proposal, as drafted, does raise substantial issues and has certain distinct shortcomings. My most serious reservation stems from the fact that, while the express provisions of the legislation don't necessarily preclude failure and payout of a bank over $500 million in total assets, they do strongly suggest a public policy of de facto 100% insurance for all depositors and creditors in banks exceeding the cutoff. At the very minimum, enactment of this legislation would imply congressional recognition of two classes of banks and would tend to make those in the class over the cutoff at least marginally safer than those under the cutoff. This is objectionable for two reasons:

First, it has been argued that large depositors and other investors already perceive the largest financial institutions to be inherently safer than others, causing resources to flow into these institutions from smaller ones. It should be noted that the bank most affected is not the truly "small" bank, but rather the medium-sized institution that's dependent on regional and national money and capital markets. If this analysis is correct, and there seems to be every reason to believe it is, then adoption of a national policy aimed at the prevention of failure of the largest banks can be expected only to exacerbate the current disadvantaged position of smaller institutions. Indeed, in a period of tight money and general concern such as last fall's, the existence of such a provision might encourage the flow of large deposits from smaller banks to the safer haven of the large institutions.

Second, and totally apart from the direct effect of such a statute on banks below the cutoff, I'm troubled by the notion that when certain businesses reach a large level, they cannot be allowed to fail and that existing public policy—here the prohibition on multistate banking and Congress' long-standing objection to 100% deposit insurance—will be bent to prevent such failure. Of course, I'm well aware that the short-run disruption caused by the failure of a large concern—especially a financial institution—can be severe and even devastating. At the same time, exclusion of large institutions from market forces that apply to smaller organizations may, in the long run, be even more detrimental to the economy and the banking system, in terms of concentration of both risk and resources. Accordingly, I hope that if Congress does allow interstate acquisitions in emergency situations, it will do so on a basis that doesn't discriminate against institutions below a certain arbitrary cutoff point.

Apart from the problem of differential treatment, another objection may arise from the fact that the proposed legislation, in effect, provides 100% deposit insurance for some banks. The 100% deposit insurance concept has generated significant support in academic and other circles. However, Congress and most bank regulators have been adamant in rejection of it. This aversion stems primarily from the belief that some element of risk for large depositors and creditors imposes discipline on bankers, restraining excessive risk taking. If such an effect does exist, the Fed's proposal would tend to eliminate it for the banks covered.

"Deference to size . . . is a thing of the past. We have learned . . . that big banks should be supervised more, not less, strictly than their smaller competitors."

Another, and more emotional, issue raised by the proposal is that of multistate banking. In many respects, multistate banking already is a reality. Moreover, the Comptroller's ruling that electronic funds transfer facilities are not "branches" within the meaning of the McFadden Act, will, if sustained in the courts and not disturbed by Congress, carry these developments a significant step further. Compared with such other developments, allowing interstate acquisition when a large bank fails would have relatively little impact on banking structure because, in all likelihood, the provision would rarely, if ever, be used.

Nevertheless, this legislation is reflective of the steady, but unplanned, erosion of existing prohibitions on interstate banking. Although I, personally, consider the ultimate disappearance of most geographic barriers to conduct of the banking business inevitable and

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Forces That Can Reshape Banking

By JAMES H. JONES

LOOKING AHEAD, I can see four compelling forces with the capacity to reshape our industry.

The first is the introduction of electronic technology, primarily represented by the transfer of funds via electrical impulses from near and distant facilities. The first stage already has been reached, with terminals now in operation by various major banks, S&Ls and retailers.

Equally as important is the experimental application of the touch-tone telephone system to banking. The existence of a national and an international telephone system on which touch-tone instructions can be transmitted to banks anywhere makes this potentially one of the most revolutionary developments in our history.

". . . a major retailer is earning more after taxes from financial services than any bank or bank holding company."

There are those who say that electronic technology will have a greater impact on the banking industry than any advance has ever had on any industry. Whether you agree with this or not, you may be certain that banking in the next 10 years is due for a complete transformation. A few years beyond that, I don't think anyone would care to predict. You cannot hold back technology. You might curb it for a while, but you cannot hold it back. It is, after all, the story of the evolution of civilization.

The second compelling force is the penetration of our consumer markets by financially sophisticated large national retailers and durable goods manufacturers. It is regrettable that, in general, they are out-performing banks and bank holding companies. In one instance, a major retailer is earning more after taxes from financial services than any bank or bank holding company.

These large institutions are technically sophisticated, well-managed and virtually unregulated, and have the right of entry to any market. Furthermore, they encounter no capital expansion problems. They already have a national system of distribution facilities with nationwide identification and high volume customer traffic.

To cite a few activities—they are now profitably engaged in mortgage banking activities, investment counseling, durable goods financing, life insurance underwriting, property management, S&L operations, real estate syndication, equipment sales, accounts receivable financing, mutual fund sales, leasing, travel services, preparation of income tax returns and even the recommendation of legal assistance as a service to the customer.

They are profiting from these activities, while the banking industry's response, which by rights should be in the most aggressive traditions of free enterprise, is neutralized by regulation, indifference and factionalism.

The heavy hand of banking regulators is the third force with the capacity to affect the course of banking. The introduction of CBCT terminals, combined with the confusion resulting from almost certain internecine litigation, invites an even greater overlay of federal regulations. Innovation in banking is a tempting prospect for the regulator-bureaucrat.

The history of banking is a graphic contravention of the free market tradition, and in all this complexity, there is only one thing that seems fairly certain—as long as we are silent, as long as we, without protest, witness and sometimes encourage the increase of regulation, we will hasten the day the federal regulators preside over the final domination of our business.

It was Federal Reserve Board Governor Jeffrey Bucher who called the present system "overlapping and confusing." Moreover, he said it failed to serve the public interest in many respects. He doubted that any member of the Fed board, facing up to his responsibilities as a bank regulator, had not experienced a feeling of dismay on looking at a field of endlessly intersecting lines of authority not only hung with thick fogs of conflicting histories of congressional intent, but occupied by the quicksands of public and private policy differences. Mr. Bucher should know what he is talking about.

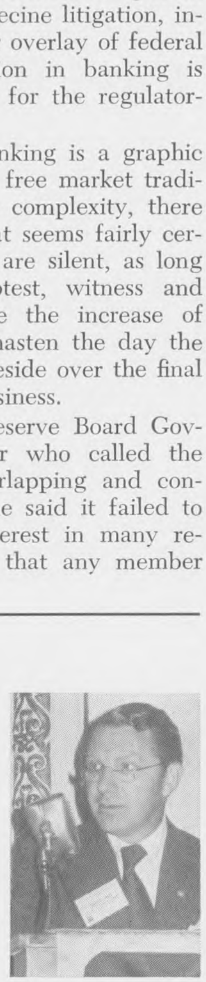
To illustrate my point, I call your attention to legislation introduced in May that would require all commercial banks to regularly report uses of commercial bank credit to the Fed. The Fed would then report the data to Congress in a semiannual report. Sounds pretty innocuous, does it not?

The Credit Uses Reporting Act of 1975 (HR 6676) was introduced by House Banking Committee Chairman Henry S. Reuss (D.,Wis.) with another idea in mind, however. The legislation looks to the mandatory disclosure of the use of your assets by setting out eight "national priority uses" of credit. These eight "priority" credit uses would become a federal and congressional yardstick against which you, your bank, your extension of credit and, ultimately, your freedom to compete and to serve your community would be measured in each semiannual report.

"Innovation in banking is a tempting prospect for the regulator-bureaucrat."

The bill carries a provision for expiration on April 30, 1977. However, human congressional and bureaucratic nature being what it is, once these voluminous reports start flowing and a large work force is hired to process the information, the 1977 expiration date would probably pass into oblivion. So, too, would most of your profits, your freedom to compete and your ability to successfully operate your bank.

The fourth and final influence I want to cite is one that has been present in all of history. Indeed, it has been with us since the beginning of time. It has destroyed nations, changed civilizations, and brought large and small businesses of all kinds to their knees. Of all the forces I have mentioned, it has the greatest capacity for influencing change because it deals with the indifference of the human spirit. I refer



Mr. Jones, formerly ch. and CEO, First Nat'l Bank of Commerce, New Orleans, is now deputy ch. and CEO, Bank of California, San Francisco, and deputy ch., pres. and CEO, BanCal Tri-State Corp., HC for Bank of California. His remarks were given at the Oklahoma Bankers Association convention in Tulsa last month.

specifically to the "It Can't Happen Here" syndrome—that dangerous frame of mind that permits us to look the other way and not face reality, that allows us to be indifferent and to exonerate ourselves for not acting as we know we should act. It is a substitute for hard work, perseverance and good old American guts.

There is absolutely no question that the future is full of change, complexity and even anguish, and if we buy the idea that it cannot happen in every square inch of this nation, we are deluding ourselves and those who look to us for leadership. It is hardly a time for standing aside and watching.

For some reason, the voice of the banking industry is seldom heard, and when heard, often is ignored. Perhaps it is because we have created confusion over our individual objectives. Perhaps it is because we are so policed that we have grown to accept a kind of fear of the cop on the beat, and we do not criticize him even when he exceeds his authority. Perhaps it is because we have been buffeted by criticism and bruised by rumor. But whatever the cause, it is time we do something about being really heard. Indeed, despite the so-called anti-business bias believed to represent today's youth, the banking industry is looked to for leadership.

Lou Harris, the national pollster, reports that in the early seventies he surveyed ethnic and dissident leaders and found that 88% of the leaders wanted bankers to lead. In 1973, Mr. Harris found that the number of Americans wanting leadership from the private sector in economic depressions had risen from 63% in 1966 to 88% in 1973.

I mention these figures because we have an opportunity to lead; indeed, it may be the best opportunity we have ever had. We are living in a time when mistrust of government, for the first time in many generations, gives the baton of leadership to us. I urge you to use your influence, raise your voice and act as you would have our leaders act.

We do not need to stand idly by while electronic banking goes under the complete domination of the federal government and its agencies and is put forever beyond the reach of private enterprise.

We do not need to stand silently by and let our new competition continue to profit from the disabilities brought upon us by the regulators who have denied us the traditional rights to free enterprise.

And finally, we do not need to go uncomplaining to the regulatory gallows when we have the strength and the will to stop the continued strangulation of our industry.

We do not need to participate in any of these unpleasant prospects—but our voice is full of static when it should be a clear channel; our representation in Washington is weak when it should be strong; we are often indifferent when we should be concerned; and as much as anything, we so often support causes to the advantage of those who push negative change for our industry.

I say to you—our quarrel is not with each other. There is much to concern each of us—but the adversary is elsewhere. • •

Bank's Bavarian Coffee House Design Honors Area's Germanic Background

WHEN officials of Linn (Mo.) State decided to build a facility in nearby Westphalia—a predominantly German community—they chose a design reminiscent of a Bavarian coffee house.

The building's unbanklike look is enhanced by the fact that, except for a sign on its parking lot, the only external clue to the structure's real purpose is a recessed depository near the front entrance. Inside, the decor is as charming as the building's exterior, featuring a beamed ceiling, coach lamp chandelier and provincially patterned wallpaper.

Despite its relaxed ambience, this LeFebure-equipped bank building houses what's described as one of the most secure vaults in the country. Vault walls are a full two feet thick. There also is a LeFebure vault door. Inside are four different sizes of safe deposit boxes.

The Westphalia Facility also has three teller stations, loan services, a drive-up window and free parking for customers and for commuters who use car pools to get elsewhere. • •

Despite unusual relaxed outside design of Westphalia Facility of Linn (Mo.) State, it has secure vault inside, as shown here. LeFebure-equipped vault has two-foot-thick walls, vault door and four different sizes of safe deposit boxes.

This Westphalia Facility of Linn (Mo.) State is extremely unbanklike, except for recessed depository near front entrance (at right in photo) and for sign (not shown) on adjacent parking lot. Design is reminiscent of Bavarian coffee house in tribute to Germanic ancestry of most residents of area. Facility has LeFebure equipment.

A Broad View of the Capital Question

By GEORGE L. HACKER
Senior Vice President and Director
Blyth Eastman Dillon & Co.
Chicago

THE BANKING INDUSTRY has undergone important and dramatic changes lately, while at the same time experiencing substantial declines in its capital ratios. This combination, even without the major problems which recently have achieved national prominence, has given rise to questions of capital adequacy and of capital structure.

The discussion seems likely to continue for the foreseeable future, especially since to date there is little agreement among bankers, regulators, rating agencies, institutional investors and investment bankers concerning even basic definitions and methods of capital measurement.

Among the more important changes in the industry are the following:

- The achievement of earnings-per-share growth and a high return on equity capital has become a major goal of bank management.
- The liberalization of some state banking laws, the formation of multi-bank HCs and the opening of loan production offices have broadened the geographic scope of banking.
- Changes in federal banking laws relating to one-bank HCs have permitted substantial geographic and product diversification.
- The number of banks expanding overseas has greatly increased.
- Banks and HCs have become more dependent on "purchased liabilities"—CDs, Fed funds and commercial paper.
- Many banks have experienced declines in profit margins (as measured by the rate of return on total assets) while traditional methods of measuring profitability, such as earnings per share and return on equity, often have proved misleading.

The trend toward nationwide financial service companies will continue. The recommendations of the Hunt Commission and the President's Proposals on Financial Reform for the gradual elimination of most of the distinctions among existing financial intermediaries will provide much of the impetus. The bank HC will be at the forefront because it is an ideal corporate structure in which to consolidate, efficiently, a variety of financial activities, including consumer finance, mortgage banking, leasing, real estate advisory services and others.

Diversification into these "non-bank" activities can provide (a) sources of earnings which may be contracyclical of those of the bank, (b) entry into financial activities with potentially higher return on assets and on invested capital than banking and (c) the establishment or acquisition of a network of offices which can be important in the development of regional and national financial systems. Further expansion of bank HCs to provide these additional financial services will require careful attention to methods of allocating capital to ensure adequate return on incremental assets and shareholders' equity.

The need for diversification by banks into related financial activities is underscored by the fact that the days of cheap deposits and easy lending are over. Even smaller banks increasingly must buy their funds in the money markets. Interest rates on traditional bank loans are being depressed by growing competition from the commercial paper market, short and intermediate term public debt markets and direct corporate placements with institutional investors and captive finance subsidiaries of non-financial companies. As a result, banks and HCs are being forced to absorb more risk to maintain a reasonable spread over the cost of incremental funds, by entering more "difficult" areas of financial specialization such as factoring, leasing and construction lending.

The root cause of the problem of capital adequacy for select banks is their inability to maintain a high return on assets. If a bank whose earnings and assets are growing at 12%-15% is able to maintain a return on assets of 0.6% to 0.7%, its capital, given certain assumptions, will grow at the same rate as its assets. But if the bank experiences declining returns on the increasing assets, its capital ratios will shrink.

Unfortunately, the average rate earned on assets for many banks has not increased as rapidly as their average cost of funds. Also, non-interest expenses—such as loan losses, building expenses and labor costs—have risen faster than non-interest income. The result has been a deterioration in the rate of return on assets, in some cases to low levels.

Banks that accept declines in return on total assets render themselves vulnerable to unexpected adverse circumstances. Higher loan losses, major writedowns of the investment portfolio, foreign exchange losses, or changes in the regulatory climate (imposition of interest rate ceilings on loans, removal of maximum interest rates payable on savings deposits, etc.) all can have negative effects on earnings and ultimately cause capital erosion. For example, Franklin National's illiquid investments, increasing loan losses and deteriorating return on assets left it unable to withstand the sudden and unexpected earnings impact of extraordinary bond trading and foreign exchange losses.

A bank which suffers a serious earnings setback at a time when it is ill-prepared to withstand it may experience a "crisis of confidence," both within its own industry and among the public. If, as a result of that crisis of confidence, it becomes unable to borrow in the Fed funds market, unable to renew its CDs, and/or unable to prevent a massive outflow of savings deposits, the bank in all likelihood will fail unless rescued by direct intervention of a regulatory agency.

The three federal regulatory agencies appreciate the difficulty of determining the appropriate level of capital for an individual bank to ensure its ability to absorb operating losses and to provide for the protection of its depositors in the event of failure and liquidation without at the same time overly restricting its ability to compete in its servicing of customers.

Perhaps because the regulators realize the difficulty in quantifying capital adequacy, they are fairly well in agreement that the capital and the money markets are at present not able to properly evaluate the risks associated with banks.

FDIC Chairman Frank Wille argues that banking is by nature so complex and secretive that he questions whether it is realistic to expect depositors, buyers of debt securities and equity investors to demand the necessary information, especially from smaller banks, so that the protective regulatory cloak

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This article is based on a speech given by Mr. Hacker at the convention of the Association for Modern Banking in Illinois last month.

"Dependence on regulators will decrease over time and money and capital markets will assume a greater role in assessing risks, evaluating profitability and allocating capital to the most efficient users within the banking industry."

can be lifted and free market forces permitted to operate.

The managements of many banks and HCs have not addressed themselves to some of the fundamental questions about capital adequacy and capital structure. There has been a quest for growth in assets and earnings by many banks with an apparent willingness to accept declining returns on assets and greater leveraging of equity capital (in the form of more debt and higher asset-to-capital ratios).

Bank managements generally have been unreceptive to suggestions that the industry might need additional equity capital. Many feel that the decline in capital ratios over the past 10 years or so is appropriate for several reasons, most especially the improvements in the quality of bank management and the increase in the ability of the Fed to regulate and to stabilize financial markets. Bankers believe that returns on equity must be sufficiently high to enable banks to compete successfully for capital in the financial markets. In their view, the desired return on equity is to be accomplished primarily by further increases in leverage.

The industry has offered few constructive suggestions to assist in resolving the questions of (a) what levels of capital in banks are appropriate to absorb unexpected earnings problems and maintain the public confidence necessary for the viability of the industry, and (b) how to structure and finance parent HCs and non-bank subsidiaries in a manner that ensures the continued wellbeing of affiliated banks.

It is our impression that many bankers, large and small, have looked to the regulatory agencies to determine necessary capital levels and have resisted capital increases until regulators became insistent. Few banks have developed an indication of their overall capital needs through a systematic analysis of the capital requirements of individual areas of activity.

Capital Planning. Any discussion of capital planning should avoid the tendency to oversimplify and over-generalize the complex questions involved. There is no single "appropriate capital structure" for all banks, or even for any group of banks. Each bank and HC has unique capital needs which change over time. There are, however, several considerations that managements of banks and HCs should take into account in carrying out their capital planning.

1. A principal objective of capital planning must be the development of a capital structure which will maximize the market value of shareholders' equity on a sustained, long-term basis. Leveraging of shareholders' equity by means of long- and short-term debt should be used judiciously because, while moderate leverage can produce higher earnings, the price/earnings multiple accorded these earnings may decline as the degree of leverage proceeds beyond levels acceptable to the marketplace.

2. The capital structure should be developed in such a way as to maintain public confidence, especially in affiliated banks. A basic assumption must be that the Fed may not provide sufficient funds to banks which, through their own mismanagement, lose the confidence of the marketplace.

3. Capital allocation to areas of activity within an organization should be based on a thorough evaluation of the nature of each activity, anticipated risks, growth potential and expected profitability.

4. Capital planning must provide for sufficient earnings and cash flow to service the debt of the organization, wherever located.

Dependence on regulators will decrease over time and money and capital markets will assume a greater role in assessing risks, evaluating profitability and allocating capital to the most efficient users within the banking industry. This is based in part on the following changes already occurring in the marketplace:

1. The markets have become more aware of the changes and potential problems in the banking industry.

2. Buyers of commercial paper and large denomination CDs, the most important sources of additional funds for the majority of HCs and banks, are more carefully evaluating the financial strength of issuing institutions.

3. The Securities & Exchange Commission is requiring fuller disclosures by HCs, especially about nonbank activities.

A bank's first line of defense against operating losses is earnings. Therefore, the importance of a bank maintaining a high return on assets cannot be overemphasized. The most obvious benefit is the enhancement of public confidence, but there are others of significance.

1. As the marketplace becomes more sophisticated in its analysis of the industry, lenders and investors increasingly will wish to place their funds with more profitable banks.

2. Banks with a high and constant return on assets have a demonstrated ability to employ higher priced "purchased liabilities" profitably.

3. More profitable banks will be better prepared to withstand expected or unexpected increases in loan losses, sudden write-downs on investments and other adverse circumstances.

4. Because of its ability to cover higher fixed interest charges on capital notes, a more profitable bank will be able to safely include larger amounts of debt in its capital base.

5. A high rate of return on assets enables a bank to generate a significant amount of capital internally.

Capital and Liquidity. Earnings should be sufficient to meet operating problems and most loan losses, and historically, they have fulfilled this role. The function of capital, then, is to act as a "second line of defense" to absorb truly unusual losses, such as those sustained through the forced sale of assets to meet deposit run-offs or similar liquidity-related problems. The ability to realize funds through the sale of assets will help to determine the level of capital required to absorb such losses. Thus, liquidity and capital are inextricably tied together.

We should state, however, that liquidity management involves more than the ability to sell assets. It involves the successful coordination of the maturities of assets and liabilities and requires an awareness of at least the following:

1. All sources of funds available to the bank, the HC or the nonbank subsidiaries, and their cost.

2. Present and potential usage of these sources of funds.

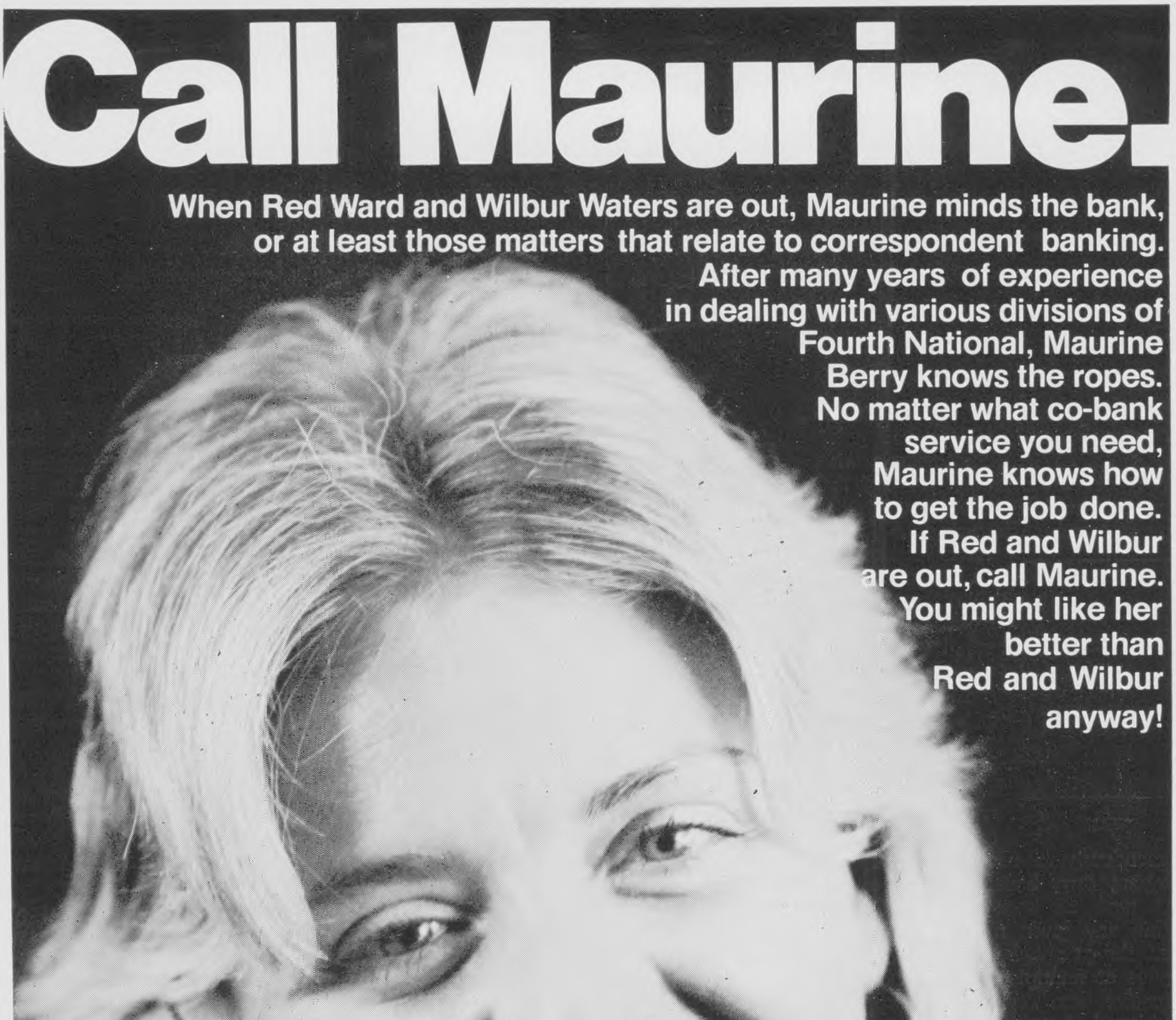
3. Maturity of liabilities by days, weeks and months.

4. Scheduled maturity of loans and other assets, percentage of loans historically paid off and percentage rolled over.

5. Percentage of earning assets and liabilities at fixed interest rates versus those tied to money market rates.

Raising Capital. Various security instruments generally are available to banks and to HCs to finance their permanent capital requirements. These in-

(Continued on page 46)



Tulsa, Oklahoma

EFT Facilities: A Big Banking Issue

By FRANK WILLE
Chairman
FDIC
Washington, D. C.

CASH DISPENSERS, automated teller machines (ATMs) and point-of-sale (POS) terminals cover a wide variety of electronic devices designed to serve financial institutions as well as their customers. Their common denominator is that their installation will enable financial services to be provided at numerous places other than a bank's own premises. What banking services can or will be offered by these electronic devices, whether on line or off line, will vary tremendously in accordance with developing law, benefits of experience and type of investment decided on within any given market area. However, the potential exists for customer service at multiple locations far more extensive than could ever have been envisioned at greater cost by traditional expansion programs that emphasize brick and mortar construction.

WILLE

The technology already is at hand to provide bank customers with an improved delivery system for effecting withdrawals and transfers between existing accounts and deposit transactions, although refinements undoubtedly will be made. The debate that presently rages has more to do with issues beyond the technological—with the kind of banking system, for example, we will have in the future.

Banks and their supervisors have had to wrestle with the policy questions inherent in these new devices largely because preexisting statutes were drafted with only brick and mortar facilities in mind. Are these devices "branches" within the meaning of those statutes? For federal regulators, the problem of whether they are or they aren't is more complicated than for state regulators because federal law has to consider its own definition of what constitutes a "branch" as well as requirements of the McFadden Act. The answer given by the courts to this key question will be important, but there seems to be a growing recognition that the question itself is unreal and artificial. As a consequence, and prodded by the Comptroller's CBCT ruling, more and more state legislatures are addressing the subject directly, and it's quite possible that a substantial number will pass new statutes with the new devices specifically in mind, thereby clarifying and deciding the issues involved for at least state-chartered institutions within their borders. This activity will leave Congress, the Supreme Court and the yet-to-be-formed National EFTS Commission to consider the effect of these new state laws, as well as the existing ones in other states, on national banks, thrift institutions and other nonbank institutions.

If an electronic facility is *not* considered a branch under present federal law, state law prohibitions of unit-banking states and state-law requirements elsewhere as to geographic location and certain other criteria for approval will not apply to national banks, and neither the Fed nor FDIC will be able to require that state-chartered banks obtain their approval prior to establishment of such facilities. Federally chartered S&Ls already are free of such prohibitions or restrictions.

The FDIC recently submitted to Congress its views on the comprehensive EFTS moratorium proposed by a number of the bills introduced following the Comptroller's ruling. We opposed the flat moratorium of those bills on the ground that continued experimentation would be useful to the public, to bank regulators and to the National Commission and that it would be inequitable to restrict financial institutions as to such devices when unregulated portions of the private sector would not be similarly constrained. We stated our own preference for explicit legislative guidance from Congress as to whether some or all types of off-premise remote service facilities are or are not "branches" under federal law, since the answer would determine for all three federal bank agencies the applicability of state laws with respect to the same types of facilities.

We went on to state our belief, however, that if Congress considered this neither desirable nor feasible and desired to enact *some* moratorium while it awaited the report of the National Commission or a judicial determination of the "branch" question, it could properly distinguish at the present time between the *intrastate* operation of such EFT facilities by insured financial institutions headquartered within that state and the possible *interstate* operation of such facilities. Most currently operated EFT facilities are in the former category, while possible interstate systems appear at this time to be only in various stages of planning. Few states have addressed themselves to this aspect of EFT development. While there are numerous forms of interstate banking today, only a handful of banks or bank HCs with "grandfather privileges" presently operate deposit-receiving branches outside their home states. On the other hand, rulings of the Comptroller and the Federal Home Loan Bank Board may have the effect of giving federally chartered institutions a significant head start over their state-chartered competitors in development of interstate EFT facilities, which, in due course, the National Commission may recommend that the Congress limit or prohibit altogether. In this regard, these administrative rulings may result in a fundamental and basic change in the essentially local character of "retail" banking in the United States —without benefit of any conscious study, analysis or approval by Congress.

If, after review, Congress were to decide that it did not wish to prohibit the interstate establishment and opera-

Mr. Wille's article is based on the talk he gave last month at the annual convention of the Texas Bankers Association.

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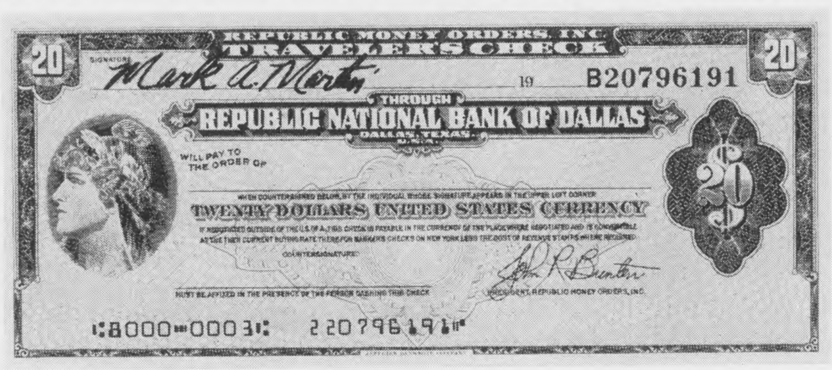

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tion of EFT facilities altogether, there is a middle course which we noted it might wish to consider. This would allow such interstate facilities only where the state of intended location has, by statute, explicitly authorized the establishment and operation of such facilities by an insured financial institution headquartered in another state. This would avoid imposition of a federal ban on interstate EFT activities that might well be permissible under explicit provisions of state law. Such state law provisions might, but need not, be limited to institutions headquartered in another state that had enacted reciprocal legislation authorizing insured financial institutions headquartered in the first state to establish similar facilities within its borders. Any remaining problems of competitive imbalance between state and federally chartered institutions headquartered in the same state then could be adjusted by changes in the state law in the headquarters state, just as they could be with respect to the intrastate facilities we recommended not be covered by a federal moratorium.

Regardless of the legislative outcome of these threshold questions at federal and state levels, the Justice Department, the financial agencies, the banking industry and legislative bodies throughout the country must all confront the competitive impact emanating from development of electronic remote-location facilities. Some observers are concerned that very large banks will have the resources to establish a network of remote-location facilities installed and owned by it and used exclusively by its customers and that this may lead to undesirable levels of deposit concentration within the banking sector. Fortunately, the cost of these devices is low enough to permit effective self defense by most banks of lesser size, yet in particular markets one bank or a small number of banks may be able to limit, rather than promote, competition through these electronic facilities. That possibility raises the whole range of issues associated with proprietary systems as contrasted with shared or joint-venture systems and terms of access by other financial institutions to either type of system. Proprietary systems, which allow innovation to be rewarded and risks of investment and nonacceptance to be limited, are not prohibited by either the Federal Home Loan Bank Board or the Comptroller, yet both have recognized that circumstances may warrant a shared approach, subject to their respective review processes. The Department of Justice and the Federal Home Loan Bank Board have even stated that the competitive facts of life may require that access by other financial institutions be mandated in certain market situations.

State legislative proposals either enacted and signed into law or under consideration reflect varied treatment of the access issue. The state of Washington, for example, requires that any commercial bank operating a satellite facility share its use with any other commercial bank on request if there is an agreement to share costs of installation and operation. At the same time, thrift institutions are permitted, but are not required, to provide access to other financial institutions. The Massachusetts statute governing establishment of free-standing facilities prohibits a bank from having a total or partial interest in more than 13 remote facilities; a bank may exceed a 49% interest in only 10 such facilities, and it may exclusively own or lease only three.

There are a number of reasons, some of which are more substantive than others, which explain why there is so much divergence of opinion as to the desirability of shared access. If sharing is to be mandated across the board for a particular class of institutions or if all financial institutions in a particular jurisdiction with a permissive statute or regulation opt for shared access, this may lead to limitations on the overall investment, number of devices installed and variety of services performed for bank customers. Conversely, if mandatory sharing is not imposed in some market situations, certain institutions might be able to establish dominant positions, thereby increasing the likelihood of noncompetitive pricing practices and excessive concentration.

A legitimate conclusion might be that no hard and fast rules on proprietary or shared systems should be adopted that would be applicable on a uniform basis throughout the country or in any particular state. A flexible approach at the federal level, however, will raise the same key issue as the "branch" question itself: namely, the degree to which state-law requirements on state-chartered institutions should be binding on national banks or federal S&Ls. Sooner or later, Congress will have to address that basic issue or, by its inaction, indicate its willingness to see significant changes take place in our existing banking system. • •

CBCTs in 3 Locations Planned for July Start By Continental Bank

CHICAGO—Continental Bank has announced plans to open three customer-bank communications terminals (CBCTs) around July 1 at 30 North LaSalle Street, in the Illinois Center complex on Wacker Drive and in the Bankers Building at Clark and Adams.

In addition, effective July 1, all Continental Bank checking customers will be guaranteed a check-cashing service at 60 Dominick's food stores in the Chicago area on presentation of their Continental banking cards. Currently, this system—installed in 1974—consists of terminals connected to the bank that accept only Master Charge and Dominick's personal check-cashing cards to pay for purchases.

In still other action in the EFTS field, the bank is developing a package of similar check-cashing card and automatic teller-card services for its correspondent banks. The purpose is to allow the latter banks to offer more convenience to their customers.

The three CBCTs will handle a wider variety of personal banking services than the Dominick's teller terminals, but both types of machines are activated by the magnetically striped Continental banking card and are hooked into the bank's computer system.

The bank's cards will be used at "other future locations throughout the network we envision in metropolitan Chicago," according to an announcement made at the annual shareholders' meeting held April 28 by Continental Bank's HC, Continental Illinois Corp.

EFT Policy Conference

The ABA's second Payments System Policy Conference will be held September 7-9 at San Francisco's Fairmont Hotel. Like the 1974 conference, this year's meeting will be limited to about 500 top banking executives.

The meeting is designed to provide senior banking officers with a unique opportunity to hear the views of leaders in the EFTS field and discuss and debate current developments as they pertain to banking, said Richard D. Hill, chairman, ABA Payments System Policy Committee. He is chairman, First National, Boston.

Further information may be obtained by writing Frank P. Curran, director, Payments System Planning Division, ABA, 1120 Connecticut Avenue, N.W., Washington, DC 20036.

Geographical Limit of 50 Miles Set on CBCTs by Comptroller

A 50-MILE LIMIT was set on customer-bank communication terminals (CBCTs) last month by Comptroller of the Currency James E. Smith.

Under the May 9th ruling, a national bank is forbidden to establish a CBCT more than 50 miles from its main office or chartered branch closest to a CBCT unless that CBCT is available to be shared at a reasonable cost by one or more local financial institutions authorized to receive deposits, such as a commercial bank, mutual savings bank, S&L or credit union. In addition, Mr. Smith reiterated his belief that an off-premises CBCT is not a branch.

National banks will be allowed to participate in state-wide EFTS networks such as those contemplated in Missouri and Nebraska.

The May announcement was a modification of an interpretive ruling issued last December 12 by the Comptroller. Under the December ruling, CBCTs are electronic terminals that may be established off premises by national banks. They may be manned or unmanned and take the form of an automated teller machine (ATM), which can be located anywhere the sponsoring bank wishes, or a point-of-sale (POS) terminal, which can be set up in a business such as a supermarket and run by the latter's personnel.

The Comptroller said his revised ruling was based on testimony presented at a public hearing he held April 2-3 and other facts that had come to his attention since last December. He added that he intended no substantial modification of the ruling for the next 18 months. However, he noted that developments in the CBCT area were experimental and might require such modifications. In this regard, he promised to consider carefully any reports or recommendations of the National Commission on Electronic Funds Transfers, whose statutory life expires in the fall of 1976.

The May revised ruling also contained these principal features:

- A national bank is required to include in its 30-day notice to the Comptroller of its intention to establish a CBCT information about consumer-protection procedures, including disclosure to consumers of their rights and liabilities and protection for consumers against wrongful or accidental disclosure of confidential information.
- A national bank may use a CBCT established and operated by another bank or third party. A national bank may receive and act on instructions from customers submitted through a CBCT owned by another bank, by a bank customer or by a third party. The revised ruling clarifies that a national bank will be allowed to participate in state-wide EFTS networks such as those contemplated in Missouri and Nebraska. In the case of such networks, a different reporting procedure to the Comptroller is provided so that one notice may be sufficient for the entire network, no matter how many national banks are involved.
- A new provision excludes from all reporting requirements a terminal whose sole function is to accomplish an electronic funds transfer in payment for goods and services received and through which neither cash is dispensed nor cash or checks left for subsequent deposit. The Comptroller said he's not trying to regulate such a limited POS device. By way of illustration of this new provision, most of the 6,000 POS terminals contemplated in the EFTS network being planned by Credit Systems, Inc., St. Louis, will not be used to receive or dispense cash and, thus, would not require 30 days' notice from any bank and would be unregulated by the Comptroller's Office. On the other hand, a national bank installing a POS terminal through which cash or cash items are received and disbursed —as is done by the Hinky Dinky Supermarket terminals for First Federal S&L in Lincoln, Neb.—would treat such terminals as CBCTs and give appropriate notice to the Comptroller.

When he issued his May ruling, Comptroller Smith noted that much of the public discussion of his December ruling has been in terms of big banks versus small banks or state banks versus national banks. He pointed out that it is not his intention to try to establish a competitive advantage for any particular group of banks. He believes, instead, he said, that electronic technology has made possible a reliable system by which rudimentary banking services can be delivered with greater locational and time convenience than before; that the limited experience available (like that of First Federal S&L of Lincoln) with such services shows there is a great public demand for them; that S&Ls already are providing such services under Federal Home Loan Bank Board regulations and that other institutions not normally thought of as financial institutions—such as nationwide retailers—are in an excellent position to begin providing such services; and that the banking industry should be more concerned with attempting to meet this competition from nonbanks and less fearful about hypothetical possibilities that CBCTs may permit one bank to gain some sort of competitive advantage over another.

A terminal whose sole function is to accomplish an electronic funds transfer in payment for goods and services received is excluded from all reporting requirements.

Even if such considerations were relevant, the Comptroller believes electronic transfer of funds through CBCTs will be of most advantage to small banks because the latter will be offered an economical way to provide meaningful competition to larger banks with established geographically convenient branches. Indeed, he emphasized, networks such as those contemplated in Missouri and Nebraska and surrounding states will offer to small bank customers and to large bank customers exactly the same time and locational convenience.

Ten days after issuing the revised ruling, the Comptroller gave a major address on CBCTs before the annual Pennsylvania Bankers Association con-


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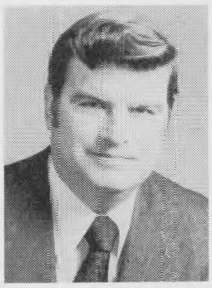
Ben Adams
Missouri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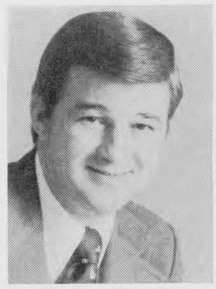
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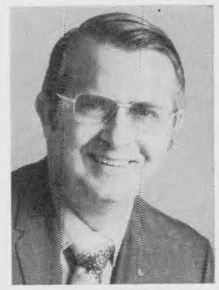
Missouri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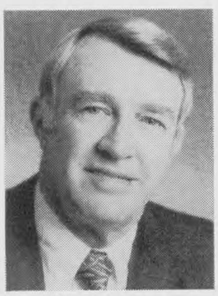
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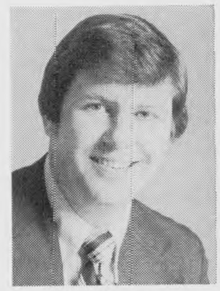
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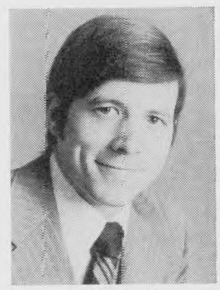
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vention. In his talk, Mr. Smith urged national banks to take account of the concerns many banks and some bank regulators have about CBCTs. He asked national banks, in consultation with his office, to try conciliation before establishing a CBCT and to consider deferring action likely to result in an unnecessary intrabanking industry confrontation.

In his December interpretive ruling on CBCTs, Comptroller Smith asked deferral of any action on CBCTs until July 1 of this year by national banks located in states where legislation clearly prohibits state banks from operating such terminals. Although his May 9 revised ruling did not mention this deferral proposal, Mr. Smith told the Pennsylvanians that the waiting period suggested in the December ruling allowed state legislatures to assess the EFTS issues and determine appropriate legislation governing those state-chartered institutions under their jurisdiction. He reported that 10 states have enacted EFTS legislation; 17 more are expected to address the issues during current legislative sessions, and 27 have existing legislation ensuring competitive equity between state and national banks operating in their states. • •

County-Wide POS Project Planned By Bank and Grocers' Group

INDIANAPOLIS—Merchants National and the Indiana Retail Grocers Association (IRGA) have entered a joint-venture agreement setting up a point-of-sale (POS) network throughout Marion County. The project will be operated under the name, Merchants Mutual Bank Group. In its initial stage, it will serve as a vehicle to provide an electronic check-verification system for the supermarket industry in the county.

The Merchants Mutual Bank Group will introduce a plastic check-cashing card called Supercard, which will be used by all participating IRGA supermarkets. This card will enable consumers to cash personal checks, drawn initially on Marion County banks, in any participating supermarket. After the pilot network has been tested, this check-cashing system is expected to be extended throughout the state. Eventually, the system will allow the complete electronic transfer of funds at the point of sale, thus reducing use of checks.

The joint-venture effort is expected to be operational this fall.

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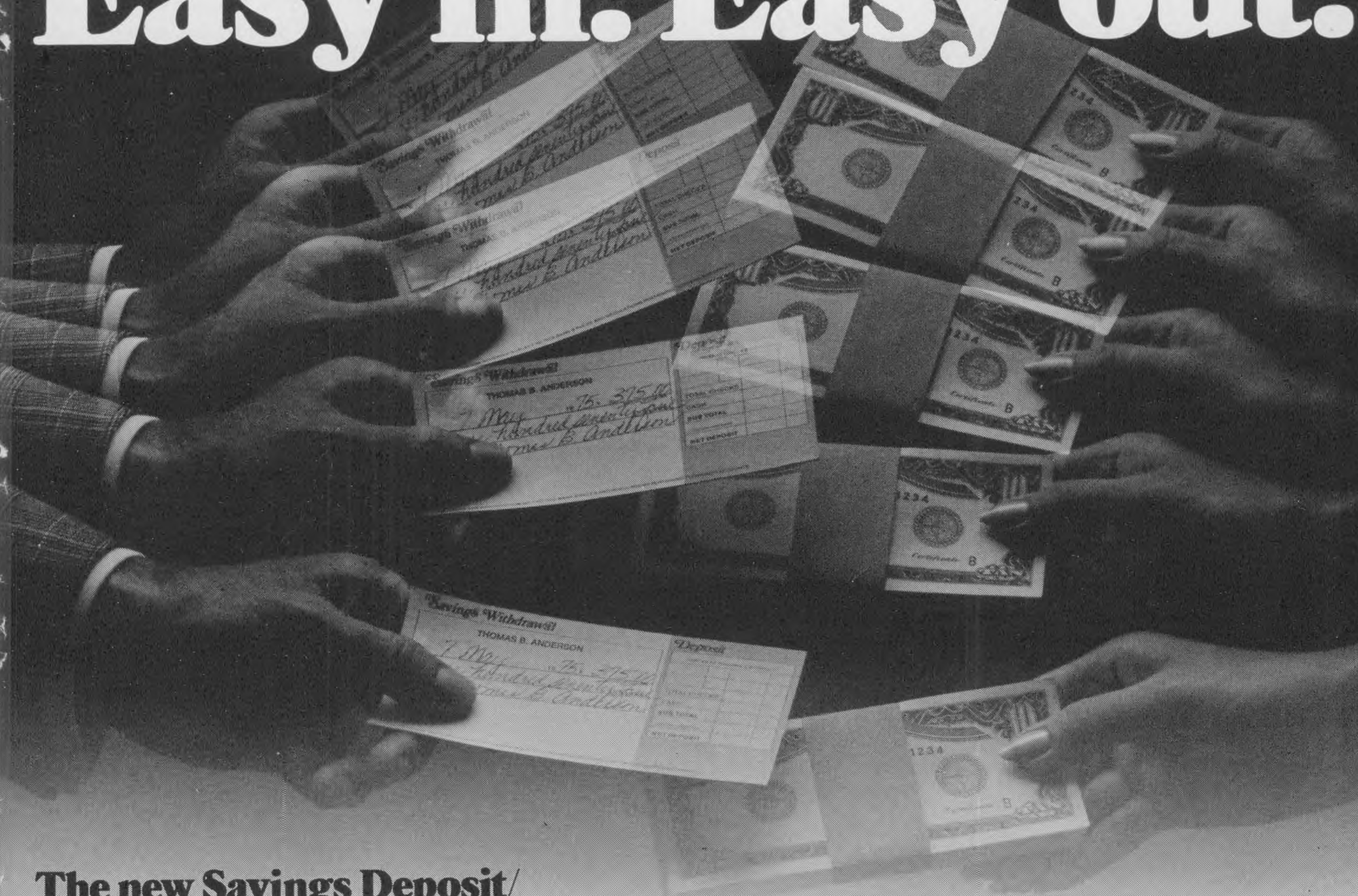

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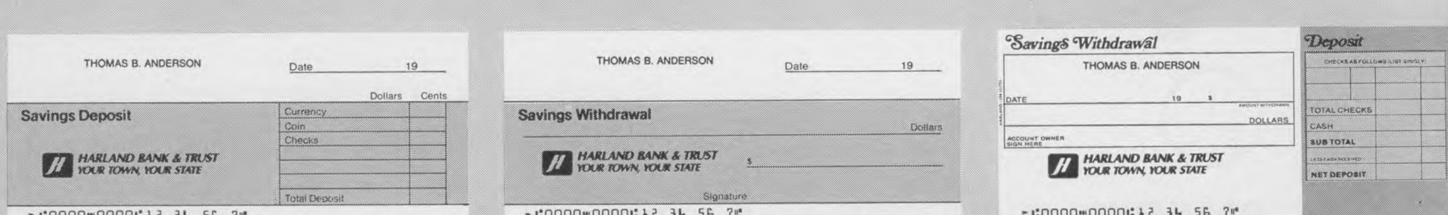

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Interregional Exchange Specifications Adopted for Automated Clearing Houses

A SIGNIFICANT STEP toward development of a national automated clearing house network has been taken by the National Automated Clearing House Association (NACHA). The group's directors have approved technical specifications for interregional exchange of automated clearing house (ACH) entries. As a result, regional ACHs will now have clear direction from NACHA on interregional ACH standards, according to James H. Jarrell, chairman of NACHA's Systems/Operations Committee, which—along with the Federal Reserve Paperless Entries Task Force—prepared the report containing the new specifications. Mr. Jarrell is vice president, Trust Co. Bank, Atlanta.

The most significant changes in the technical specifications in that report are:

- Expansion of the entry detail record size from 80 to 94 characters, allowing the system to be more responsive to demonstrated user needs.
- Simplified file structure.
- Redefined addendum record structure and format to provide for additional functional uses and enhanced flexibility.

The NACHA standards will be published and made available for distribution within 45 to 60 days after the May 6 announcement of adoption of the new standards.

Minor systems changes will be required by banks in areas where ACHs are operational, or nearing operational status, to accommodate the revised standards.

Current plans call for the revised ACH software to be developed by the Fed, in conjunction with NACHA. The modified software should be available during the second quarter of 1976. • •

Illinois Independent Bankers Discuss Electronic Banking At Annual Meeting

ELECTRONIC BANKING was the focal point of the annual meeting in Chicago last month of the Independent Community Banks in Illinois (ICBI). This group has 300 member banks throughout the state and exists primarily to fight what it considers the threat of unreasonable concentration of capital that results from branching and multi-bank HCs.

An ICBI spokesman pointed out that Illinois law allows neither form of banking, and bills to authorize branching and multi-bank HCs were defeated last month in the General Assembly.

At its May meeting, the ICBI informally reaffirmed its support for state legislation to study the EFTS concept. The association believes that if electronic banking is to be allowed in Illinois, state laws must, among other things: 1. Protect the privacy of an individual's financial records. 2. Ensure adequate proof of payments and deposits. 3. Require that all banks may participate in use of any electronic terminals established.

In his acceptance speech, the ICBI's newly elected president, William W. Smith, emphasized his organization's desire to cooperate with the Illinois Bankers Association, to which ICBI members also belong. Mr. Smith is executive vice president, Durand State.

The ICBI ratified a new constitu-

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tion, which establishes 11 group areas drawn up along lines of multiples of existing legislative districts and whose purpose is to increase the ICBI's effectiveness in communicating its positions and arguments to public officials.

James White, president, State Street Bank, Quincy, is the ICBI's new first vice president. Regional vice presidents are: Cook County area—Gerald C. Meyers, president, Riverside National; northern Illinois—LaVerne M. Woods, president, First National, Antioch; central Illinois—Jack Marantz, president, Bank of Springfield; and southern Illinois—Ervin H. Vogel, executive vice president, First National, Freeburg. • •

EFTS Legislation Passed in Kansas; Branches, HCs Defeated Elsewhere

THE LEGISLATIVE SCENE in the Mid-Continent area features passage of an electronic funds transfer (EFT) bill in Kansas, defeat of branching bills in Illinois and of multi-bank HC legislation in Oklahoma.

Kansas' EFT bill, which had been supported by the Kansas Bankers Association, passed the state Senate by a 36-4 vote and the House by a vote of 112-10. The legislation allows banks to establish the systems anywhere in the state starting July 1.

A provision of the bill, which was drawn up following several months' study by the KBA, states that banks operating EFT systems must make remote service units available on shared-cost and nondiscriminatory bases to banks.

A specific provision of the bill echoed Comptroller James Smith's ruling on EFT systems, which stated that the devices "shall not be considered to be branch banks or branch offices," since, according to then-state's attorney Lavern Miller in a proclamation last summer, banking transactions done through the devices actually are consummated in the bank and don't violate Kansas anti-branching laws.

Illinois branching bills have met with defeat. However, one piece of legislation—extending establishment of one limited-service facility from the old distance of 1,500 feet to 3,000 feet from a bank's main office—was passed by the House Committee on Banks and S&Ls.

Killed were bills backed by the Association for Modern Banking in Illinois (AMBI). One would have allowed branching by a bank within its home county or up to 25 miles from its main office, whichever was greater. AMBI-backed multi-bank HC legislation also was voted down.

At press time, the future of the aforementioned service facility bill was unknown, as was that of the anti-redlining bill, which also was passed by the House. The latter proposed legislation would require financial institutions in large cities to file statements revealing where mortgages are made and deposits are drawn.

A multi-bank HC bill in Oklahoma has been voted down in the state Senate. The legislation stipulated that HCs be permitted in the state, with some restrictions. An HC couldn't control: more than 12.5% of total state deposits and couldn't consummate mergers, acquisitions or consolidations that would result in control of more than 25 banking subsidiaries in the state; more than one subsidiary in a county with three banks or less, except where more than one bank in the county was owned by the same party prior to January 1; more than five subsidiaries in a county or two in a county within the same calendar year; any bank subsidiary outside the state; or more than five banking subsidiaries within the same calendar year. • •

Capital Question

(Continued from page 34)

clude intermediate or long-term straight debt, convertible debt and straight or convertible preferred stock, all of which may be issued publicly or privately, as well as the public sale of common equity. Although rare, warrants to purchase common stock could be offered in conjunction with all of the foregoing securities. Naturally, the amount, timing and selection of a specific form of financing must be tailored to a particular bank or HC's situation and requirements, as well as general conditions in the financial markets.

There has been increasing use of debt by banks and HCs to augment capital. However, the markets for bank and HC securities have been experiencing great uncertainty. Today's investors, both institutional and individual, have become increasingly wary, selective and, in some cases, entirely disenchanted with bank and HC securities. This erosion of investor confidence in the banking industry built throughout 1974 and reached its greatest intensity in the fall of last year. Certainly, the pronouncements on capital adequacy from Washington and the fervor of the news media throughout this period tended to aggravate an already difficult market environment.

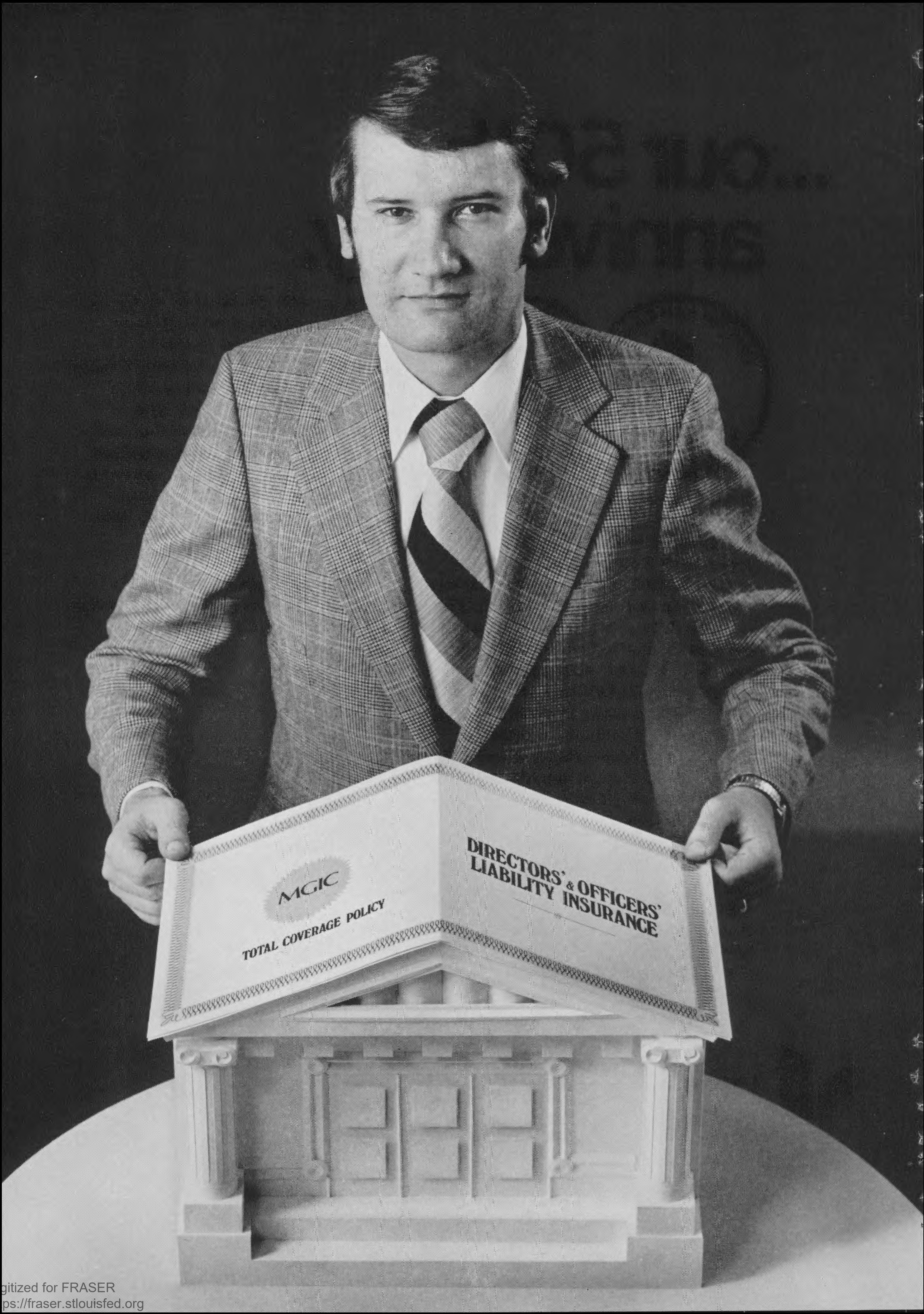
While there presently appear to be signs indicating a continuing improvement in the level of investor confidence, the marketplace is extremely quality conscious. One manifestation of this is the fact that even today only select, large banking institutions are able to continuously sell large denomination CDs and commercial paper in the national market.

This will be a critical year for the commercial banking industry in terms of rebuilding investor confidence to the level it enjoyed in the early 1970s. Throughout this confidence-rebuilding process, the marketplace will continue to be highly selective, precluding a number of banking entities from securing public or private financing for their long-term capital requirements on reasonable financing terms.

In today's market environment, a public offering of straight common equity in any meaningful size by a bank or bank HC could be accomplished with effort. In addition to marketing considerations, common equity or even convertible debentures would be relatively expensive financing.

For smaller banks, some method of regularly adding small amounts of equity capital may prove worth considering, such as rights offerings, stock option plans or employee stock purchase plans. Greater restriction on dividends also can be a means of increasing capital funds.

Banking institutions must devote a major effort to increasing profitability, increasing return on assets, and increasing interest spreads. If they can do so, capital bases will take care of themselves. • •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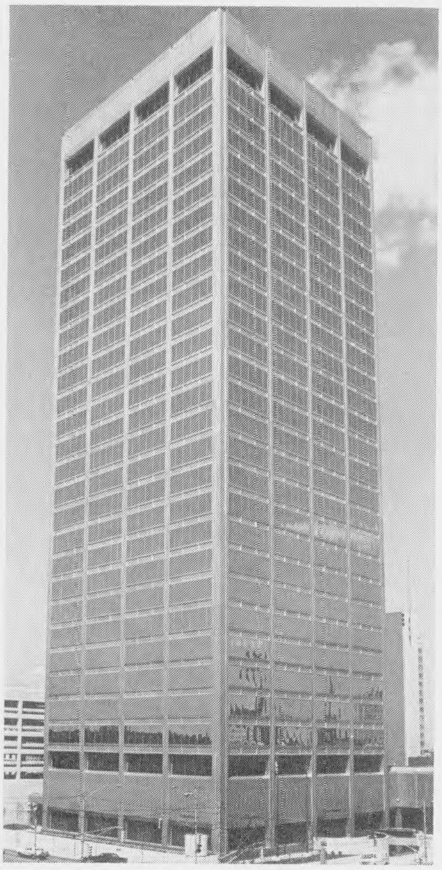


New First Nat'l Building, originally announced in 1972, is 400 feet tall, has 30 stories. Three story bank wing extends from lower r. of structure, 600-car parking deck can be seen to l.

IN KEEPING with the bicentennial spirit, the opening of the new headquarters of First National, Little Rock, planned for July 1, will focus on the past and on the future.

Kickoff night for the opening celebration is July 1, with the event going on until the third. Free lithographs by Arkansan Richard DeSpain, a continuing display of memorabilia, such as antique autos, barbershop quartettes, a German polka band, lemonade stands and local talent, will be featured.

There will be free popcorn and balloons, while a drawing for a "Bicentennial Family Vacation" to a historic city—Boston, Philadelphia, etc.—is planned to bring the event to an end.

B. Finley Vinson, chairman, cites the structure as "a positive demonstration of our confidence in the future growth of central Arkansas and our outlook toward the bank's future within our state. The First National Building is becoming the working home of more than 2,300 Arkansans. However, for all citizens in the state, the structure will stand as a landmark to the state's dynamic growth in the seventies."

First National began operation as Peoples Savings in 1902 and was located at Second and Spring streets. From 1929-1933, the institution was known as Peoples Trust Co. Its offices were at Second and Louisiana. Relocated to Second and Main in June, 1933, it was called Peoples Bank until it was chartered as Peoples National in January, 1934. In 1953, Peoples National became First National and, one year later, moved to Third and Louisiana, where it remained until its recent move to the new building at Capitol and Broadway.

Originally announced in 1972, the structure has 30 stories, is over 400 feet in height and has 600,000 square feet of space. It is comprised of three main parts: the tower, a three-story bank wing and a 600-car parking deck. Every aspect of the building is reported to have been planned to take energy conservation and protection of contents and inhabitants into consideration.

One of the energy-saving measures incorporated in the First National Building is utilization of body heat with that produced by the interior lighting system. Heat given off within the structure is collected and distributed by a device called a volume mixer, which automatically adjusts air quantity to the exterior walls.

Another energy saver is the insulating, reflective glass on the exterior. About 110,000 square feet of the material is used, reducing glare and outside noise. The glass is comprised of two layers separated by a one-half inch vacuum space, which serves as the means of insulation. Consumption of energy is said to be reduced 63% by the glass during both hot and cold weather.

Additional insulation is provided within metal panels surrounding the glass. The structure's exterior skin also aids conservation of power, while light, bronze-colored aluminum wall panels and column and beam covers are designed to minimize infiltration of outside air. These features are said to retain up to 85% of the building's heat in the cooler seasons.

Bronze plate glass is used on floors one through five and on the 30th floor, while silver-colored reflective glass covers the remainder. The glass panels reach from floor to ceiling on all floors, giving the building a chameleon-like look, since the exterior color changes with that of the sky.

With an eye to the fears of many, brought about by recent films such as "The Towering Inferno," designers of

Edwin C. Kane (l.), First Nat'l pres., and B. Finley Vinson, ch., admire new board room. Interior decorations include oak paneling, burgundy mohair plush chairs around 37-foot-long oak conference table, beige carpeting.

the new bank headquarters have included many devices to help prevent the occurrence of a disaster, should a fire break out within the structure.

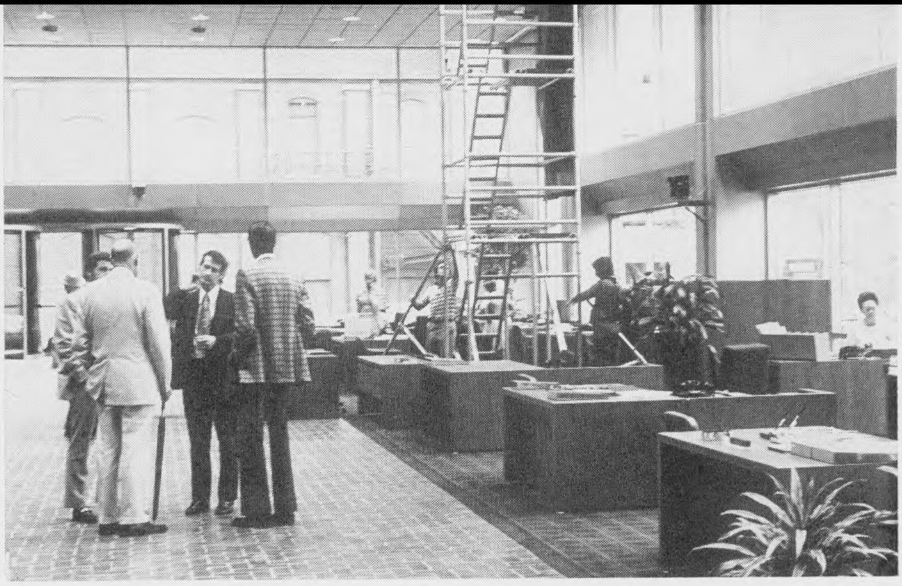
Besides meeting the Southern Building Code's standards, the building features a 24-hour security station in the basement. It is manned by at least one guard at all times, while two others roam the building, communicating with portable radios. The security station contains what is called a "smoke detection enunciator panel," which identifies, by floor and location, any smoke within the structure. A fire alarm "enunciator panel" identifies the location of an alarm. The station can be used as a control center by the fire department in case of emergency.

"Break glass" alarms are located throughout, while hoses, outlets and extinguishers are on each floor. A street-level connection on one side of the building enables the fire department to pump water and increase pressure in the structure's fire hose cabinets.

As a further safety feature, the First National Building is all electric. It contains no gas or steam lines that could rupture.

Over 100,000 square feet of space is occupied by First National, while the rest is available for tenant leasing. The bank area comprises the first five floors: The lobby floor houses timepay, audit, international and correspondent banking, customer service, government service, credit, safe deposit, tellers, urban affairs, the Guard (young people's branch) and Sixty Grand (for customers age 65 or more).

The second floor, called ground floor two—it overlooks the main lobby—houses commercial loans, the note department and executive offices.



Bank representatives chat with customers in new two-story lobby while workmen complete ceiling, which is coffered, faced with chrome.

Mail department, duplication, communication center, lounge, financial management, purchasing, PBX, operations manager, security officer, data processing operations, account services, proof and transit, accounting and securities are located on the third level.

The board room and other meeting rooms share the fourth floor with personnel, marketing, data processing administration and systems and programming, while trust, planning and investments offices are housed on the fifth level.

The bank wing's basement is occupied by the security systems and guard station, the main vault, safekeeping, "Bank-by-Mail" and an armored car delivery area.

The structure has two ground floors, due to the slope of the building site. Sloping sidewalks within a landscaped plaza on one side of the First National Building permit entry to the lower or upper ground floors, while those entering the three-story bank wing walk directly into the two-story, vaulted-ceiling lobby.

Artist Sheila Hicks was commissioned to decorate the bank lobby and board room. Her silk banners depicting the migrating birds of Arkansas grace the former, while her "textile sculptures," for which she is better known, are to be found in the board room.

A committee considered more than 680 entries by artists from across the state for decoration of the rest of the bank.

Both ground floors have concourses that will include shopping and entertainment areas. Planned are a cafeteria, cocktail lounge, barber and beauty shops, travel service, clothes stores, a pharmacy, florist and more. Jacques Tritten of Geneva, Switzerland, has leased space on the 30th floor for a Swiss restaurant, which will be open to the public.

Availability by automobile traffic also is a planned part of the First National Building. The seven-level parking deck reportedly is the first twin-leaf design in the state. With that type of configuration, parking floors are gently sloped, eliminating floor-to-floor ramps. It has separate entrances and exits and, with angled parking, traffic flow is "one-way only." A 56-foot clearance span allows angles of parking stalls and width of driving lanes to be adjusted as dimensional requirements of autos change.

The bank's drive-up facility is located in the lowest level of the parking deck. It has six lanes, one of which is served by a large enclosed booth with two or three operators. The remaining five lanes are remote, with public address systems linking them to the booth. • •

LEFT: Artist Sheila Hicks directs installation of silk banners she created for First Nat'l lobby. Woven in India and decorated on one side only, following medieval style, two banners, with design representing migrating birds of Arkansas, are placed back-to-back, separated by banner in gold. Sets are movable throughout lobby. RIGHT: Security guard mans control panel to Diebold 24-hour security system.

Checks to Remain Mainstay Of Nation's Payments System, Says Harland Executive

Reports show that checks will be the mainstay of the nation's payments system for at least another decade and probably longer, said J. William Robinson, new president of the Bank Stationers Association. This group consists of more than 50 check-manufacturing firms. Mr. Robinson is president, John H. Harland Co., Atlanta, said to be the country's second largest check manufacturer.

ROBINSON

"Bank customers place great personal assurance on checks for accurate legal records, for safety in the transfer of funds and for complete private control of their affairs," said Mr. Robinson. "We believe the check-printing industry, through its technology in magnetic character recognition and innovation of fully personalized checks, is contributing to modernizing our payments system."

According to Mr. Robinson, the companies—to meet increasing demands for checks by what has become a quarter-billion-dollar industry annually—are investing several million dollars in improving plant and equipment for better service to the nation's check users.

Mr. Robinson joined Harland 25 years ago and became its chief executive in 1969.

In Downstate Illinois:

48-Month Auto Loans Bring Brisk Business To Rural-Area Bank

What can a bank do to stimulate new car purchases in its trade area? Some banks have been giving rebates to customers purchasing new autos, others have lowered interest rates or extended loan periods to 42 months.

But what can a small bank in a rural area do to stimulate auto sales and the local economy? This is the question John R. Abercrombie, president, Tamms (Ill.) State asked himself not long ago. Tamms State has a little more than $4 million in deposits.

The answer was to offer 48-month auto loans at what was advertised as the lowest interest rate available locally. Customers were given the option of waiting up to 45 days after closing their loans to make the first payments and they were given 10 gallons of gas after closing their loans.

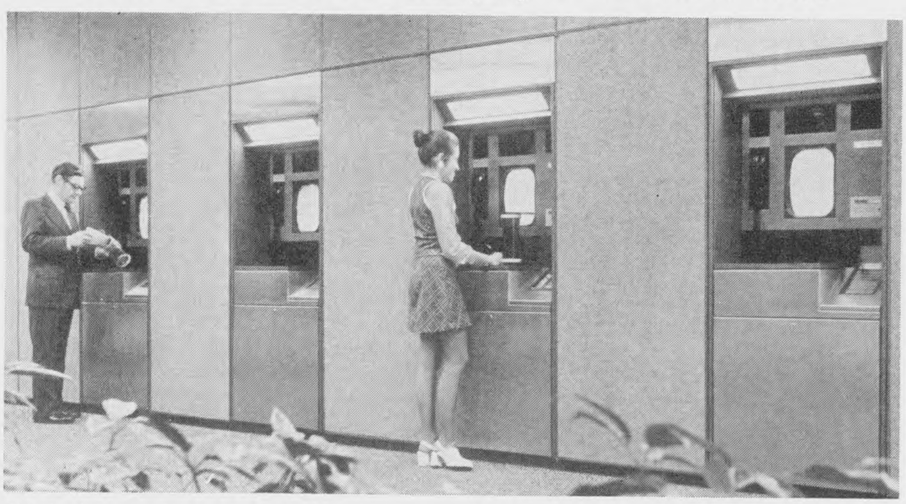
According to Mr. Abercrombie, "we wanted to do something to help spark the local economy, while gaining new business and improving our public image . . . Our goal was to offer our customer a genuine good deal, one that . . . would be the best deal around."

Tamms State succeeded admirably! During a 10-week period early this year, the bank made 28 new auto loans involving some $120,000. The bank picked up two new auto dealer accounts and has had to hire an additional loan officer to handle the business. The number of loans represents a tremendous increase over the number of auto loans handled during a similar period the year previous, Mr. Abecrombie said. Year-ago figures show that no auto loans were made during those same 10 weeks!

John R. Abercrombe, pres., Tamms (Ill.) State, displays copy of bank's newspaper ad announcing liberalized auto loan terms. Customer's smile indicates typical reception bank received from those financing new autos with bank.

The bank intends to continue its longer-term loan policy indefinitely, Mr. Abercrombie said. Tamm State's loan terms are so attractive that the bank is drawing customers from across the Mississippi River in the Missouri bootheel.

Mosler Introduces Banking-by-TV to Miami Area



This is the new downtown walk-in banking center housing four Mosler TellerVue banking units at Southeast First Nat'l, Miami, Fla. Eliminated are "live" tellers, a factor that has brought some comments, due to the lack of the "personal touch." But, because of the ease of transacting business, lack of waiting lines and high degree of security, bank officials term the new system as being "overwhelmingly successful."

Community Banks

(Continued from page 28)

sound business and market sense.

For these reasons, he continued, Kansas bankers want an up-to-the-minute analysis of the EFTS situation, and so the KBA, along with 10 other state bankers groups, joined the ABA in sponsoring an EFTS strategy study. According to Mr. Duwe, the three major goals of the study, which is being conducted by Arthur D. Little Co., are:

1. To provide a national assessment of the current and future state of developments in EFTS.

2. To supply individual state analyses of the EFTS environment.

3. To provide a proved methodology for future EFTS studies.

In speaking at Kansas, Mr. Duwe tied in his discussion of EFTS with community banks. He said he doesn't believe, as do some community bankers, that they will lose customers as large money center banks place terminals in their home towns.

"You and I," said Mr. Duwe, "have spent years developing a personal relationship with the people in our towns. We know what they want—and they want convenience, service and personal attention. An electronic terminal can supply the convenience and service, but it can't supply personal attention. Our banks, right in the com-

munity, might benefit by placing terminals in our service areas, but a distant bank cannot establish a market base in Lucas or any other town merely by putting an electronic box on the street. If a money center bank were to install an electronic terminal in my home town, that box would be the purest loss leader ever invented."

However, he warned his listeners that that was no reason for foot dragging in providing electronic services. He intends to provide such a service to his bank's customers if and when electronic banking makes sound business sense.

Thus, the future of community banks depends on their ability to adapt new technology to meet their needs, continued Mr. Duwe, and it also depends on their ability to serve an expanding population.

Mr. Duwe cited government statistics that show the trend toward urban migration has been reversed, and rural areas and small towns are growing again. In fact, he said, surveys show that twice as many people want to live in small towns or rural areas as presently live there.

As a result, said Mr. Duwe, as population in small towns expands, people will need money for buying houses, for establishing stores, for repairing homes. At the same time, the new population will increase the deposit bases of community banks. New residents will help both sides of the ledger sheet—the assets and the liabilities.

Mr. Duwe rebutted an argument that community banks are not efficient by talking about how Rex Morthland, when president of the ABA last year, documented the competitive potential of community banks. He compared costs incurred by various size banks and came to the conclusion that ". . . community banks can be at least as profitable and perhaps more profitable than money center banks." According to Mr. Duwe, Mr. Morthland compared cost per item of demand-deposit activities; cost per transaction of time-deposit activities; cost of making an installment loan; net yield after cost of money for fund-raising activities; net earnings on fund-providing functions and rates of return on capital. The figures, said Mr. Duwe, told the story that community banks *are* profitable.

In the ABA president-elect's opinion, the very nature of banking calls for a close working relationship between bankers and their communities. He illustrated this by pointing out that bankers are involved when a school needs a new wing, when the town needs sewers, when bond issues are sold. • •

Benefits, Shortcomings

(Continued from page 30)

sometimes desirable, piecemeal and unconsidered alterations of banking structure may have unfortunate consequences. Congress and bankers should not ignore these developments. Rather, they should face up to the question of how they can be accommodated in a system of law and regulation that avoids undue concentration of economic power and preserves the possibility of local and regional institutions competing successfully with the national giants.

Lacking comprehensive reconsideration of the existing strong public policy against multi-state banking, however, it seems to me that any enactment in this area should make it plain that the exception to this policy is a narrow one to be invoked only when absolutely necessary. As drafted, the proposal requires neither that insolvency be imminent nor that all instate alternatives be explored. It seems to me that a more rigorous test is warranted. I would recommend that the Fed be permitted to approve such an acquisition only on certification by the bank's primary supervisory agency—or the FDIC if it has been asked to provide assistance in the resolution of the distressed bank's problem—that: (a) the bank is in danger of failure and (b) the presence of an out-of-state acquirer is needed to ensure the continued operation of the bank's facilities or to prevent significant anti-competitive effects. The second requirement's objective, of course, is to assure that all potential resolutions of interstate acquisition are considered carefully.

Inclusion of such a provision would ameliorate still another problem by clarifying lines of authority and responsibility. As drafted, the proposal would seem to require the FRB's intimate involvement along with the primary supervisor and/or the FDIC in details of the resolution of the bank's problems, especially in selection of and negotiation with one or more potential acquirers. If the FRB is allowed to make the requisite HC approvals on certification by the primary supervisor and/or the FDIC, the presently existing division of responsibility would be maintained and the potential for further duplication and conflict avoided.

Finally, it should be pointed out that the legislation as drafted sets forth no criteria to apply in determining which among the potential acquirers would get what, in many cases, could be a significant economic plum. Presumably, if FDIC assistance were required to facilitate the transaction, then the sort of bid procedure used in the Franklin case would be employed. However, where FDIC assistance is not required —and this would be more likely with an enlarged pool of suitors—there would be no statutory basis for choosing among potential acquirers. To avoid the inevitable charges of arbitrariness and favoritism, Congress should include either some rational criteria in the legislation or mandate that the FRB promulgate regulations setting forth such criteria within a reasonable time following the legislation's enactment. Inclusion of a competitive bidding procedure such as that employed under Section 13(e) of the FDIC's act would be simplest and would tend to provide maximum protection to shareholders and debenture holders. However, there might be other factors, such as the desire to minimize further concentration of banking resources, that should be considered. In any event, I don't believe any of the agencies should have untrammeled discretion to choose which HC is to receive such a prize.

As I've indicated, the Fed's proposal does address a problem that might be significant in some instances—the potential unavailability of an acquiring institution without significant anti-competitive effects. And it does so in a manner that would increase the flexibility of the banking agencies in dealing with failure cases, further assuring that the disruption caused by bank failure in this country is minimal. With modifications along the lines I have suggested, this proposed legislation would do less violence to existing public objectives and would not complicate further the already sensitive and complex interaction of the agencies with failing institutions. At the same time, I hope that Congress will not consider this proposal in isolation, but rather in the broader context of its review of governmental interaction with problem and failing banks.

In conclusion, I want to reiterate what I suggested earlier. Large bank failures and the problems of the industry generally during the past two years have been disturbing and painful for both bankers and bank regulators, but they have not been overwhelming. Instead, they have stimulated better bank management practices and a fundamental reassignment of the structure and practices of bank regulation. As in other areas of our national life, we now find ourselves sadder but, in my judgment, considerably wiser. • •

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Weatherford Becomes Tenn.BA President At EFTS-Dominated 85th Convention

By RALPH B. COX, Editor and Publisher

THE SUBJECT of electronic funds transfer systems (EFTS) was uppermost in the minds of Tennessee bankers as they held their 85th annual convention in Memphis last month. Specifically, they were concerned with the direct deposit of Social Security checks which will start in September. Bankers in the state have questions about the handling of this type of deposit and what the banks must do to comply with the program which will clear through a series of automated clearing houses being set up across the country.

One speaker, Robert L. Lawrence of International Business Machines, said that the changing payments mechanism (EFTS) could be the greatest banking development in recent times. The impact would be so great upon the banking industry, he said, that his company foresees that within the next 10 years, the financial community will be the largest single user of IBM programs and hardware.

Thrift institutions will be a major competitor in this field. They are now a $250 billion industry, he said, and they are a big force in Washington. He speculated that the thrift institutions have a leading edge in EFTS, primarily because they are united in their efforts along these lines.

He advised banks to position themselves to take advantage of the changes that are coming, not only in EFTS but with the future removal of Regulation Q ceilings.

Competition for the deposit dollar, he said, will be on time money and EFTS programs will make it possible for banks (and thrift institutions) to tap the market that exists among non-banking customers. Direct deposit of Social Security checks, military pay checks and eventually industry pay checks will make it possible, he said, for all financial institutions to create customers of those people who have never had a banking account of any type. Market research by his company, he said, indicates that 44% of consumer pay checks never find their way into the banking system!

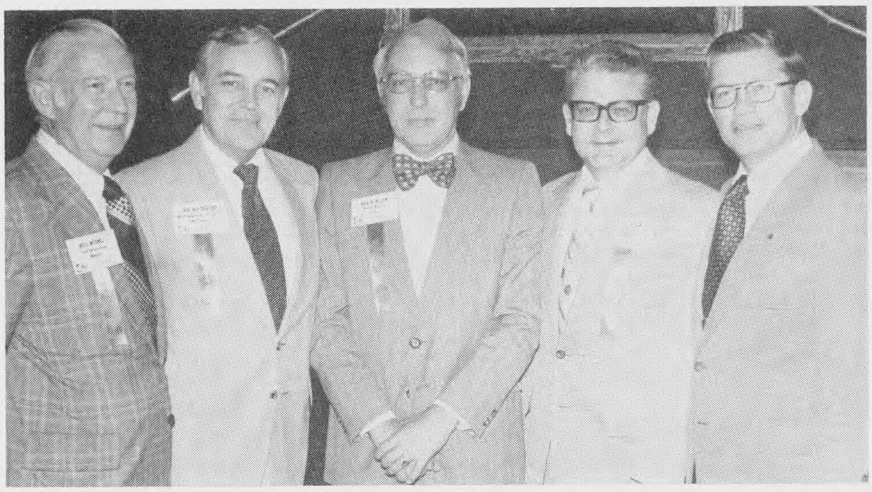
EFTS developments were illustrated in outgoing TBA President William W. Mitchell's presidential address. Mr. Mitchell is chairman, First National, Memphis.

He warned that Tennessee bankers' worst enemies in the EFTS area could be themselves. "In tomorrow's environment, if we allow ourselves to become lethargic, there always will be someone there to provide the customer the services he demands," he said.

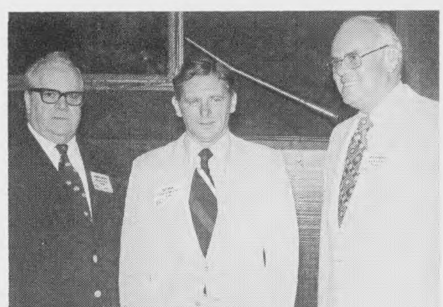
Mr. Mitchell assured Tennessee bankers that there is no reason to fear a high technology environment such as EFTS. "I am confident that the financial structure of the future will have a place not only for the giant money center banks but also for innovative and imaginative regional and community banks," he said.

He urged TBA members to take active part in establishing EFTS programs and announced that the TBA will hold three meetings in July and August to discuss means of complying with the Social Security direct-deposit program so Tennessee banks can be ready to participate in the program.

Mr. Mitchell said that the problems of banking that occurred last year will not turn bankers back to their passive pre-1960 roles as financial intermediaries, as has been suggested by industry



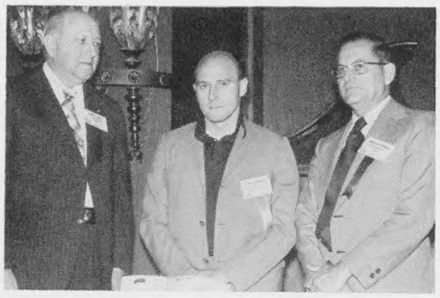
NEW TBA OFFICERS—Ch., W. W. Mitchell, ch., 1st Nat'l, Memphis; pres., Jack O. Weatherford, ch., Murfreesboro Bank; pres.-elect, Hugh M. Willson, pres., Citizens Nat'l, Athens; 1st v.p., Jack R. Bulliner, pres., 1st State, Henderson; and 2nd v.p., T. Scott Fillebrown Jr., pres., First American, Nashville.



TBA DIRECTORS—From West Tennessee, Harold McLeary, pres., Merchants State, Humboldt; East Tennessee, Bill Swain, ch., 1st Nat'l, Oneida; Middle Tennessee, Bill Crabtree, pres., Union Nat'l, Fayetteville.

NATIONAL BANK DIVISION hosted three speakers. Here, outgoing chairman, Robert E. Curry, pres., 1st Nat'l, Pulaski, and incoming chairman, Virgil Moore Jr., pres., 1st Farmers & Merchants, Columbia, pose with speakers James L. Vining, sr. v.p., Union Planters, Memphis; and Terry Britt and Paul Black, both of Memphis Branch of Federal Reserve, St. Louis.

STATE BANK DIVISION hosted speaker Joe Hemphill (c.), Tennessee's banking commissioner. On left is Charles Arendale, ch., 1st Tennessee, Jackson, outgoing pres. of State Division; and on right, Ben S. Kimbrough, pres., 1st Trust, Clarksville, incoming pres.



A JOINT SESSION of National and State divisions hosted speaker Robert L. Lawrence (c.) of International Business Machines. On left is Robert E. Curry, National Division pres.; and on right is Charles Arendale, State Division, pres.

observers.

"I believe active management of both assets and liabilities will be a fact of life in the decade to come," he said. "Instead of withdrawing into the safety of conservatism, I believe we will use this period to improve our management skills and will enter the last half of the 1970s with increased confidence in our own ability to adjust to changing economic conditions."

Focusing on Tennessee's 10% usury law, Mr. Mitchell said the failure of attempts thus far to win legislation lifting the usury ceiling points up another area where the state association must work, and that is economic education.

Confronted with the likelihood of broader competition in which he envisions an equalization and finally removal of interest-rate ceilings, Mr. Mitchell said, "this will allow us to effectively compete for funds during periods of credit restraint and to compete more freely on equal grounds with our nonbank competitors.

"It also implies, however, that we in Tennessee cannot afford to become complacent about our usury situation. As the banking industry as a whole becomes less restrained by interest ceilings, we in Tennessee become increasingly vulnerable to severe shortages of funds."

See page 60 for other remarks made by Mr. Mitchell.

EFTS was included in the address of Joseph H. Hemphill, Tennessee commissioner of banking, who said that he "strongly recommended that you study the EFTS issue this summer and determine what type of legislation is needed next January." Mr. Hemphill addressed the State Bank Division at the convention.

He also said that, with the June call request, the banking department would be making a survey of loan losses and delinquencies.

He said the results will be analyzed and statewide guidelines will be made available for comparative purposes. The recently appointed commissioner said recent examinations show loan delinquencies to have doubled, mortgage and consumer loans to be more difficult to collect and bank liquidity to be strained.

"These problems," he said, "can be solved by a renewed emphasis on loan management."

He said he did not favor a drying up of consumer loans since private sector spending is necessary in order to stimulate economic recovery. But he did urge a tightening on loan and collection policies and a more conservative posture toward the maintenance of liquidity.

Mr. Hemphill also urged bankers to keep on top of new banking techniques, which, he said, "offer the possibility of operation efficiences and added service to the consumer."

He cited the new electronic systems as "the way of the future" and said the ruling by the Comptroller of the Currency on point-of-sale terminals is only one step in the continuing trend toward improved customer service and increased use of computer technology."

Two officers of the St. Louis Fed's Memphis branch and a representative from a Memphis bank spoke at the TBA's national division meeting. They were Terry Britt, vice president and manager of the Memphis branch, and Paul I. Black, vice president, both from the Fed, and James L. Vining, senior vice president, Union Planters National, Memphis.

Mr. Britt presented an update on the latest thinking in the ongoing evolution of the Middle South ACH payments mechanism and said that the Fed will soon publish EFTS policy, at which time bankers will be invited to comment.

Mr. Black spoke on the topic of direct deposit of federal recurring payments for the U. S. Air Force and explained how it would work over a six-day period each month. He also discussed the EFT system for social security payments. He said the government's direct deposit program will be "a tremendous boost" to all automatic clearing house installations.

Mr. Vining spoke about the changes facing the banking industry. He said

(Continued on page 80)

Tenn. Gov. Ray Blanton was principal speaker during TBA general business session. He spoke about state's responsibilities to banking industry.

"WE FOUND OUT THE HARD WAY HOW MUCH FIRST AMERICAN MEANS TO US...

...WHEN OUR BANK BURNED DOWN."

E. W. Evins, President
DeKalb County Bank & Trust Company
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Thanks, Eddie.

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Banking's Image, Competition, Economic Education Discussed By Outgoing Tenn.BA President

EFTS wasn't the only topic discussed by outgoing TBA President W. W. Mitchell at the recent Tennessee Bankers Association convention (see page 57). Among the other topics he discussed were banking's public image, competition and economic education.

He said that banking is respected as an industry but it is not at all understood.

He said that, while banking is thought to be doing a good job on the local scene, it is not known as an industry that is working together for a common cause. He referred to last year's attempt to launch an unsuccessful campaign to obtain a corporate exemption bill passed regarding the state usury statute. "But even then we were probably seen as only partially successful in impressing upon the general public the dangers of the existing restrictive laws on interest rates," he said.

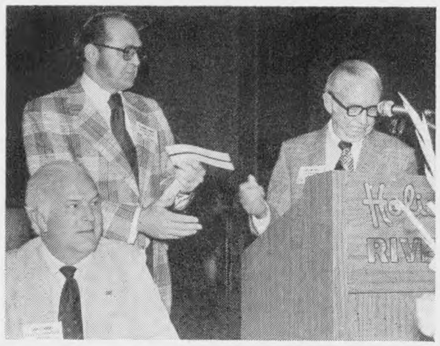
He said that events that followed demonstrated how right bankers were in their pleas. "Even today, with rates falling, mortgage bankers are unable to attract construction and long-term money into Tennessee," he said. "Unemployment has occurred everywhere—not just in Tennessee—but there is no doubt that our interest rate law has made the situation worse in Tennessee than it otherwise would be."

He termed the usury statute "a legal barrier of unrealistic rate ceiling" and said it must not be allowed to continue, since it has proved to be devastatingly harmful in handicapping bankers in the area of loans.

He said that bankers, whether from large, medium or small institutions, must recognize their responsibility as participants in the banking community to represent their shareholders and their local communities.

A recent study made by the Opinion Research Corporation for the ABA found that the public has a favorable attitude toward commercial banks and related financial institutions, he said. When asked if they thought banks were helping to change things for the better, 71% of the respondents replied affirmatively.

On the other hand, he said, during the recent campaign to call a special session of the Tennessee legislature to get a corporate exemption to the usury limit passed, "we found an almost complete misunderstanding of the role of banks in general and interest rates in particular," on the part of the public.



TBA Pres. W. W. Mitchell (r.) presents check for $14,000 to representative of School of Banking at University of Tennessee. TBA Ch. John F. Wright, pres., American Nat'l, Chattanooga is seated at l.

"Thus, despite the high esteem each of us may have in our respective communities," he said, "if we expect national and state legislators to enact favorable legislation, we must do a much better job of explaining our industry to the public.

"It is in our own best interest that the public fully understand how we do business and what productive role we play in society," he said. He suggested that bankers make use of TBA materials designed to explain the banking industry to the public.

Changing to the topic of competition, Mr. Mitchell predicted further significant increases in the level of competition. Banks will continue to diversify into profitable bank-related services and other financial institutions will continue to expand into banking's traditional markets, he said.

He said that, over the past decade, the initiative for this movement has come from the Bank Holding Company Act and the relatively liberal attitude on the part of the Fed toward banks entering new bank-related lines of business.

He said that passage of the Financial Institutions Act of 1975 or similar legislation will greatly expand the activities of banking's competition. "For one thing," he said, "interest rate ceilings probably will first be equalized, then in all probability, finally removed. This will allow us to effectively compete for funds during periods of credit restraint and to compete more freely on equal grounds with our nonbank competitors.

"It also implies, however, that we in Tennessee cannot afford to become complacent about our usury situation. As the banking industry as a whole becomes less restrained by interest ceilings, we, in Tennessee, become increasingly vulnerable to severe shortages of funds."

Should Congress decide to remove legal barriers existing between commercial banks and other financial intermediaries, he said, the most significant would be the removal of restrictions on the issuance of demand deposits by S&Ls, a change that would have the effect of increasing the competition among financial institutions for customers.

Mr. Mitchell said that commercial bankers should not fear this increased competition because competition is the "very heart" of our market economy.

"If we are to serve as economic and financial leaders in today's society," he said, "we must be willing to accept increased competition in our industry. We cannot on the one hand encourage additional competition in the labor market or oppose government usury ceilings based upon an argument that free markets are efficient allocators of resources and then, in good faith, ask the government to protect us from 'undue competition.' Instead, we have to encourage our legislators to enact legislation that allows all participants in a market to compete with one another on equal grounds. In the final analysis, it is only this type of program that will benefit both the banking industry, large and small, and the consumer of our banking services."

In addressing the topic of economic education, Mr. Mitchell said that he believes the entire economic system is threatened by the alarming lack of understanding the American people appear to have concerning the workings of a free market economy. How is it, he asked, that so often the public, and therefore, their elected officials, seem to be working against a market economy instead of encouraging one? The answer is that, although children are

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"ABOARD" THE SCHLITZ BELLE bankers were entertained at luncheon and a tour of the Schlitz brewery, during TBA convention. The brewing firm has developed an authentic reproduction of a river steamer for entertainment purposes. LEFT: outgoing chairman of TBA, John P. Wright, pres., American Nat'l, Chattanooga; incoming chairman, W. W. Mitchell, ch., 1st Nat'l, Memphis; and Exec. V.P. Robert M. Gilliam. RIGHT: Tennessee guests pose for MCB camera at entranceway.

taught many valuable things in school, their economic education is often neglected.

He said that bankers have a unique opportunity to help fill the void in the public's economic education that has existed for too many years. This can be done, he said, because a large part of the general population looks upon bankers as knowledgable sources of information concerning the workings of the economy.

He urged bankers to take the initiative in discussions with customers, friends, employees and public officials, making the following points:

• That there is no free lunch; that there are limited resources and unlimited uses for those resources.

• That, in a country of over 200 million people, there exist more than 200 million different opinions concerning the "best" way to utilize our resources, and that the function of any economic system is to arbitrate these differences.

• That the heart of a market system is competition, and, to the extent that competition is restricted, the allocation process will be inefficient—either the consumer will receive less goods and services or he will pay more for those goods than he would have if competition had been encouraged.

• That economic growth is dependent upon the accumulation of capital and there must be savings to accumulate a capital base; and that, if we want to continue growing, we must increase our rate of investment by increasing our rate of savings.

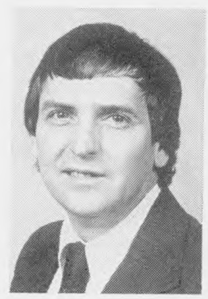
• That profits, like wages, are vital to economic health, and excess profits serve the function of moving productive resources from less productive to more productive areas.

• That inflation results when the supply of money increases relative to the economy's productive resources and, if inflation is to be controlled, growth in the money supply must be kept in line with growth in our productive resources; and this will be made easier if the federal government maintains a philosophy of balancing its budget at full employment.

Mr. Mitchell said that, now that Tennessee law provides for the teaching of economics in all high schools, bankers can work with the schools in their communities to assist in this educational process.

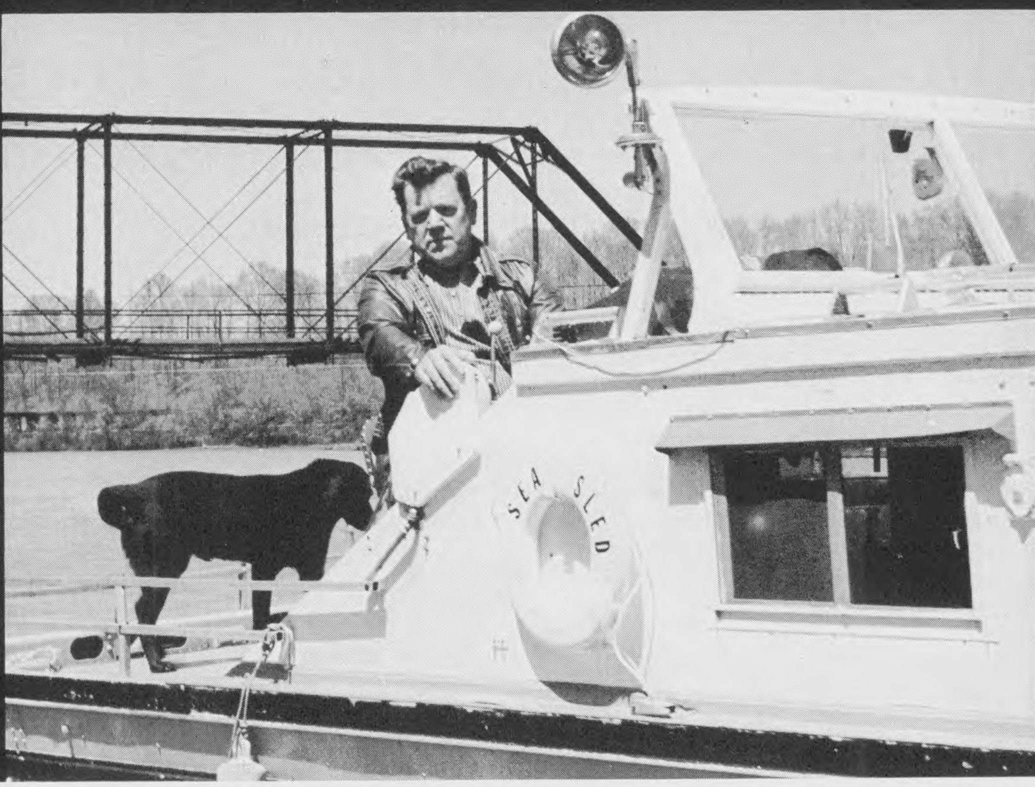
He said he could think of no higher priority for Tennessee bankers than the support of economic education for, he said, "I believe to preserve our individual freedom we must preserve our free market economy." • •

MARCUM



■ HAROLD A. MARCUM has been promoted to senior credit officer and manager, credit department, American National, Chattanooga. Mr. Marcum most recently served as credit officer and manager, credit administration and review. His responsibilities will continue in that area.

As a skipper, Ish Smith occasionally confuses "port" with "starboard."



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Officers of Ala.BA for 1975-76 include (from l.) Exec. V.P. Howard J. Morris Jr.; Second V.P. Charles S. Snell, ch. & pres., Citizens Nat'l, Shawmut; First V.P. Robert H. Woodrow Jr., ch., First Nat'l, Birmingham; and Pres. Horace W. Broom, ch., Citizens Bank, Hartselle.

All-Alabama Convention Is Focused On State's Future Development

By LAWRENCE W. COLBERT, Assistant to the Publisher

WHEN PEOPLE outside of Alabama think of that state, they probably see beautiful antebellum mansions, with lovely young women dressed in pre-Civil War gowns strolling along the large verandas. However, anyone who attended the Alabama Bankers Association's 1975 convention April 23-25 in Birmingham certainly would leave with a different viewpoint. The entire program, which featured speakers only from Alabama, definitely was focused on the present and, more importantly, on the future of the state.

The president's address. The talk by the Ala.BA's outgoing president, Ernest F. Ladd Jr., was a good example of the convention program's emphasis on today and tomorrow rather than yesterday. Mr. Ladd, chairman and CEO, Merchants National, Mobile, discussed banking legislation that may be passed in the regular state legislative session that was to begin May 6.

He urged Alabama bankers to work for passage of legislation that would remove what he called the state's "antiquated usury statute," a ceiling of 8%. He said Alabama bankers should work with maximum effort with their legislators to have "this bad situation straightened out."

"It is not a proposition of just the bankers trying to get additional interest," the Ala.BA president continued. "As you know, we are together with other lending/house-building associations. There are just too many people in our state who are being discriminated against on account of not being able to obtain necessary financing."

Mr. Ladd prefaced his discussion of the current legislative session by reviewing the unexpected special session called last January by Governor George Wallace. In that session, a bill was passed removing the minimum of 4% and maximum of 6% interest that Alabama banks pay on state deposits. He reminded his listeners that the Ala.BA supported the governor in his desire to increase these rates. However, the association, according to Mr. Ladd, had hoped to tie in the proposal to change the usury rate with Governor Wallace's state-deposit bill, but was unable to do so.

The association president turned to EFTS, and his remarks included a reference to the famous Hinky Dinky POS system in Nebraska. He said he hopes that in the past year, every banker has become aware of this system's implications, which are, to say the least, startling. As a result of the Nebraska developments, said Mr. Ladd, the Ala.BA formed a task force on EFTS, headed by its second vice president, Robert H. Woodrow, Jr., chairman and CEO, First National, Birmingham. The task force has the power to take definite action if necessary.

In addition, he noted that the Ala.BA is the first state bankers association to hire a full-time EFT specialist, Ross Byrd. In conjunction with the EFTS task force, Mr. Byrd is working to come up with solutions to EFTS problems for Alabama.

Mr. Ladd reported on the Ala.BA's

LEFT: Incoming Pres. Horace W. Broom (l.) visits with Tommy Butts, sr. v.p., Third Nat'l, Nashville, prior to start of business session. CENTER: Andrew E. Brennan (l.), a.v.p., Irving Trust, New York City, chats with J. Allen Reynolds Jr., exec. v.p., First Nat'l, Montgomery, at social hour. RIGHT: Mr. and Mrs. Robinson Harper (l.) pose with Leonard C. Skelton, v.p., First Nat'l, Birmingham. Mr. Harper is pres., Peterman State.

educational and group meetings and also proudly announced that the association has made no dues increase since 1963.

"The fact that assessments are based on total resources," he said, "has enabled us to show sufficient growth in dues to support the growth in activity. We hope that this will continue, although there are signs in some areas which may indicate we will have to look for more income."

President Ladd concluded his talk by asking for Ala.BA members' support in the state docks bond issue, which will be voted on June 10. With the Tennessee-Tombigbee Waterway development and development of other rivers in the area, he said, it's necessary that the state's dock facilities be improved, enlarged and modernized.

Southern growth. Further evidence that the Heart of Dixie state was intent on the future rather than the past was given by another convention speaker, Dr. F. David Mathews, president, University of Alabama. His talk was about the Southern Growth Policies Board, a general-purpose regional agency formed after several years' work by the southern governors. One of the first actions of this interstate board, of which Dr. Mathews is a member, was to commission a Future of the South study. He then reviewed the recently released report of that study.

The commission's document is less a report than it is an agenda, a term most commission members favored, said Dr. Mathews. The report, he continued, offers options, sounds alarms, suggests goals and priorities and points hopefully to the immediate future—the "now" South of the next five or six years, not the grandly potential South whose allure so often in the past has distracted its residents from immediate and crucial problems.

"There are indeed tensions throughout the report," Dr. Mathews stated, "tensions and ambiguities produced not by conscious design, but by the complex nature of the issues addressed. A central question, for example, is at what level are suggested policies to be implemented: region, subregion, state, substate, county? Obviously, there are different problems best attacked at different governmental levels and, less obviously, many problems best left unattacked by government at all."

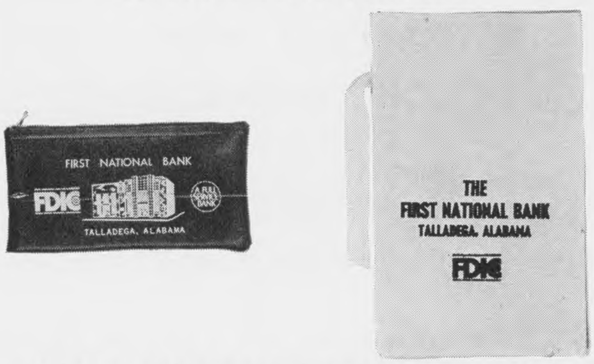
Outgoing Assn. Pres. Ernest F. Ladd Jr. (r.), ch., Merchants Nat'l, Mobile, visits with S. J. Wilson, outgoing Group Three chairman and pres., Cedar Bluff Bank, prior to start of first business session.

According to the educator, the worst possible reaction government can make to the commission's report is to create a plethora of new planning agencies as a sort of knee-jerk reaction to what appears to be a dominant theme. But there does seem to be a need for stronger regional organizations, he said.

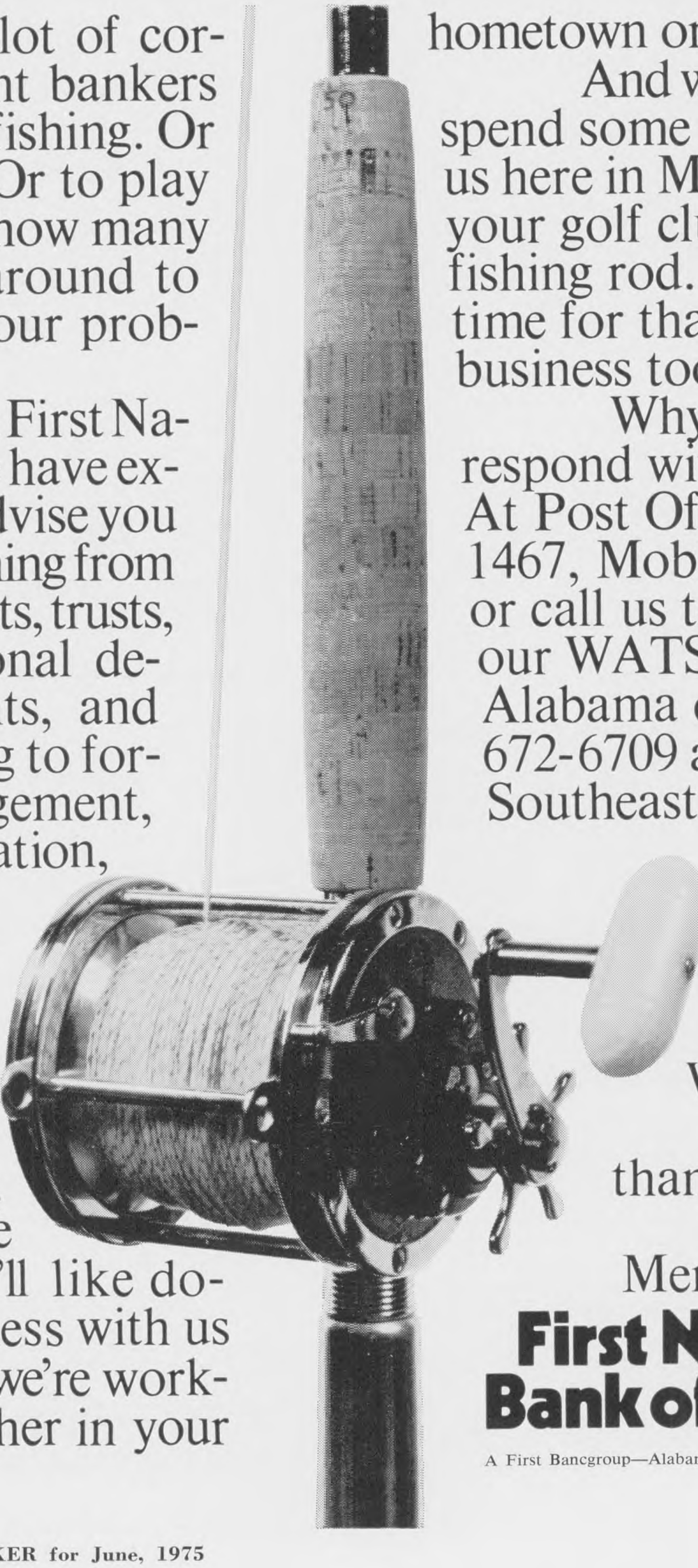
The tension over the issue of government is not the only one in the report, said Dr. Mathews, pointing out that there always was present the historic southern double bind of arguing that the South is moving ahead—in the face of statistics indicating that, in many cases, it is still trying to catch up. There also was a lack of resolution to the great and terrible questions posed by rapid movement toward becoming an industrialized, urbanized society. Dr. Mathews compared the southern attitude to a death wish: "We want the economic benefits badly, but we sense that in the process of attaining them, we can easily destroy those sacred things in our environment and *in our character* (the emphasis is Dr. Mathews') of which we have always been proudest."

There are some alternatives for the South. Dr. Mathews believes one of the most novel and intriguing ideas to come out of the commission's work was that it is not possible, much less desirable, for the South to move from an agrarian to an industrial and then later to a post-industrial society in the classical three steps of economic development.

Dr. Mathews said that Dr. John Osman of the Brookings Institute, a commission member, pointed out in one



Not all business trips have to be all business.



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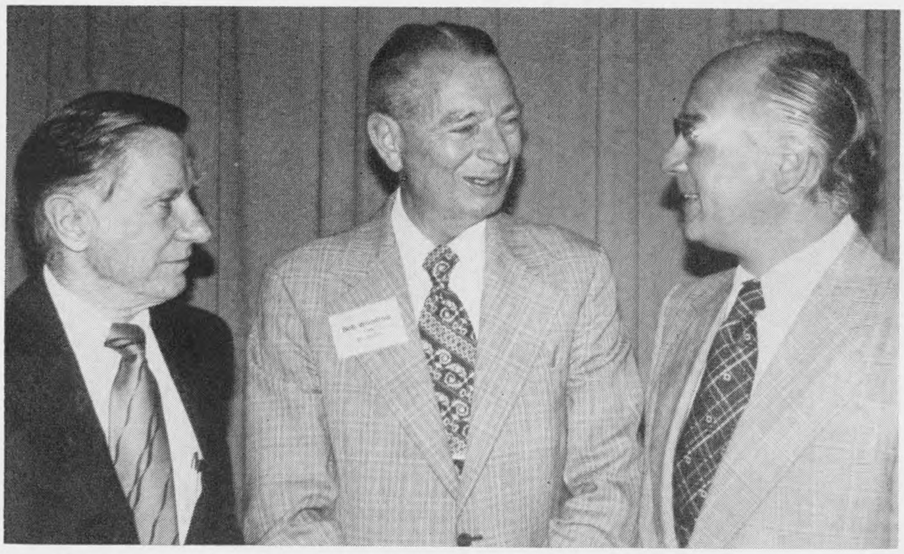


Convention speakers flank First V.P. Woodrow. At left is John W. Bloomer, managing editor, Birmingham *News*, and at right is U. S. Congressman Jack Edwards.

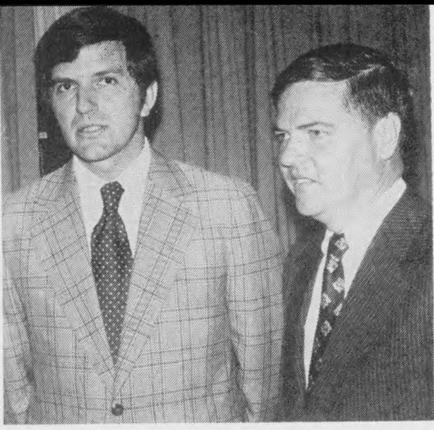
of the group's meetings that the South's economy is shifting rapidly from an agrarian base to a service base without fully developing the intervening industrial state that was characteristic of development in the North. Dr. Mathews revealed that Dr. Osman, the commission's sole professional economist, was the most optimistic proponent of the South's immediate economic future.

In all, the report is the result of an effort by the people of the South to *retain* control of their individual futures and to *regain* control of their region's future. To that end, the report advocates regional cooperation, not through a regional government, but through regional mechanisms to develop the science and art of viable partnerships.

According to Dr. Mathews, the report then advocates a new southern strategy, which rejects both the fad of "no growth" and the southern tradition of uncritical growth as a basic stance in facing the future. A second component of the South's overall strategy, he said, should be to work toward a quality of life there that takes advantage of, rather than abandoning, the rural, small-town character of the region. A third component should be to address problems at lower, rather than higher, levels.

Look to Latin America. Another convention speaker, John W. Bloomer, advised his listeners to look economically and culturally southward, that is, toward Latin America, rather than toward the North, as has been the tendency in the past. Mr. Bloomer, managing editor, Birmingham *News*, said that although the lands across the Gulf of Mexico and the Caribbean are underdeveloped by this country's standards, they are fast developing economic muscle and are determined to grab vigorously at every economic opportunity and to exploit their natural resources, sometimes at our fiscal discomfort, to a greater extent than in the past.

Through a private-sector program of international amity, Partners of the Americas, Mr. Bloomer said that many Alabama residents have learned over the past several years that the gulf created by different languages and different cultures can be bridged with under-



Dr. F. David Mathews (l.) visits with Joseph M. Farley following their talks. Dr. Mathews is pres., University of Alabama, and Mr. Farley is pres., Alabama Power Co.

standing and warm interest, finding on the Latin American side good friends for Alabama and the U. S. He told of how visitations and cultural exchanges with Latin American areas can be exciting and emotionally satisfying, but the next step would seem to be establishment of a firm structure in trade and commerce. In Mr. Bloomer's opinion, Mobile is the focus for waterborne commerce, and its shipments to Central and South America have shown a heartening improvement in the past few years.

Mr. Bloomer asked his audience, "What could be more propitious for programming for the economic challenges that Latin America presents than Alabama's drastically revised financial structure? A few years ago, it would have been doubtful if Alabama's segmented banking structure had the muscle to attack a major development program. Is there any reason why the Alabama banking community should not be viewing with eager anticipation a burgeoning economic and cultural relationship with Central and South America?

"The only way I know how to get business is to go after it. Isn't it about time we start going after Latin American business? And if we are going to do that, shouldn't we have an area in our state structure, either governmental or private sector, dedicated with expertise and finesse to searching out economic opportunities in the Latin nations?"

Resolutions. Resolutions were passed supporting the Alabama State Docks bond issue, which is subject to a statewide referendum June 10, and in support of W. Liddon McPeters, president, Security Bank, Corinth, Miss., for president-elect of the ABA.

New officers. Elected president of the association for the coming year was Horace W. Broom chairman, Citizens Bank, Hartselle. Elected first vice president was Robert H. Woodrow Jr., chairman, First National, Birmingham; and second vice president, Charles S. Snell, president and chairman, Citizens National, Shawmut.

In an American Bankers Association meeting, members elected Mr. Ladd to the governing council and Mr. Woodrow to the nominating committee. Mr. Broom was named alternate.

Next year's convention will be held in San Juan, Puerto Rico, May 5-9. • •

Electronic Banking Outlook Combined With Sun, Sand At Mississippi Convention

By JIM FABIAN, Associate Editor

Future ABA leadership team members converse during convention. At l. is J. Rex Duwe, current pres.-elect of ABA. At r. is Liddon McPeters, who is expected to succeed Mr. Duwe at this year's ABA convention. In center is Susan Miller, wife of John C. Miller of the FDIC.

"HAPPY DAYS Are Here Again" was the theme of the 87th annual convention of the Mississippi Bankers Association. The title was particularly appropriate for the meeting, held as it always is on the shores of the Gulf of Mexico in Biloxi. The weather was perfect, the business was pleasant and the parties were lively.

The convention was notable in that it brought the candidates for the 1975-76 ABA officer team together, presented an up-to-date summary of EFTS activities and heard one of the shortest presidential addresses on record.

Principal speaker was J. Rex Duwe, ABA president-elect, and chairman and president, Farmers State, Lucas, Kan. He predicted that, as electronic banking components and capabilities develop over the next few years, "the competitive environment will be fierce."

Bankers "will be walking a tightrope, trying to bring our customers the best, most efficient service and yet carefully gauging whether components of the new technology promise more than they can deliver," he said.

Mr. Duwe explained that while most electronic banking services focus on customer convenience and internal efficiency, "the manner in which they are combined and marketed varies tremendously."

He hailed a ruling by the Comptroller of the Currency which allows national banks to proceed with the implementation of automated teller machines or "customer-bank communications terminals."

He said the Comptroller's ruling provided national banks with a means of attaining competitive equity and of offering their customers the same electronic services which are becoming more and more available from other financial institutions.

He noted that laws regulating electronic banking are changing "and government programs for direct deposit of social security and government paychecks are accelerating the move toward these services."

Mr. Duwe cited other recent or planned developments in electronic competition among financial institutions and other organizations:

- Formation of the state-wide Nebraska Electronic Transfer System.
- Sharing of remote electronic

Leading Miss.BA for the coming year are (from l.) W. E. Howard Jr.—pres.; John H. Mitchell Jr.—v.p.; Ray Smith—treas. Retiring Pres. Ben Lampton is at r.

Scenes at past presidents' luncheon: LEFT—Pat Heidelberg, Pascagoula, and J. C. Whitehead, Tupelo. MIDDLE—Bob Liddon, Corinth; Thad Lampton, Columbia; Jimmy Means, Miss. comptroller of banks; and Bobby Gage, Port Gibson. RIGHT—Marion Brett, Hattiesburg, and Crawford McGivaren, Clarksdale.

LEFT—MBA Pres. Ben Lampton receives 10-gallon hat from representative of Col. Mims association. MIDDLE—New members of 50-Year Club hold certificates. They are (from l.) Prent Webb, Greenwood; Mabel Dalzell; Vernon Gamblin, Philadelphia; and Frank D. Simpson, Flora.

RIGHT—Convention speakers included (from l.) Bobby L. Harper, Columbus, pres., Young Bankers Section; incoming MBA Pres. W. E. Howard Jr.; and Roy E. Jackson, FDIC regional dir., Memphis.

banking terminals in Seattle.

- Plans for an interstate processing center for a bank card system.
- Planned expansion of bank card services to provide cash, check guarantees and funds transfers from savings to checking accounts and vice versa.
- Use of computer terminals in retail outlets for check guarantees, credit authorizations and deposit and withdrawal services.
- Development of automated clearing houses to speed and reduce costs of check clearing.
- Government plans for direct deposit of paychecks and benefits, such as social security checks, to individuals' bank accounts.
- Use of electronic terminals in retail outlets as "cash registers."
- Automatic debit of a bank customer's checking account for costs incurred with the customer's credit card.

All of these developments, Mr. Duwe said, will offer American consumers new ease and convenience in their personal money management—and will present banks with many new competitive challenges.

The other major speaker at the convention was Roy E. Jackson, FDIC regional director, Memphis, who gave a regulator's view of the banking scene.

He described the summer of 1974 and the winter of 1974-75 as "the seasons of the bankers' and bank regulators' discontent." He said the best thing to come out of this period was the fact that bankers turned out to be their own worst critics. "The industry has responded to its reverses by biting the bullet, so to speak," he said, "facing up to its problems and moving to isolate and recognize losses, to install more selective lending policies, emphasizing asset management as opposed to liability management; and, properly enough, to shore up management which, in all too many sad cases, meant the removal of the entire top management team of some banks and HCs."

Mr. Jackson said one of the greatest dangers banking now faces is that of overreaction. "The temptation to adopt ultra-restrictive attitudes could result in the drying up of credit just at the time when we are trying to reverse the recessionary spiral," he said.

He said the answer to overreaction is a return to business as usual, with bankers responding to the needs of credit-worthy customers, and applying, in a disciplined fashion, the tools of sound asset management.

The convention heard a report on the candidacy of Liddon McPeters for ABA president-elect. His candidacy was said to be "in the bag." Mr. McPeters is president, Security Bank, Corinth. He is slated to succeed Mr. Duwe as president-elect of the ABA at the association's centennial convention in New York City in October.

Retiring MBA president R. Ben Lampton, president, First National, Jackson, confined his remarks to the topic of bankers supporting their legislators in an active manner.

Don Sullivan, head of the FBI office in Jackson, commented on the increase in white collar crime in banks and other industries. It amounts to some $40 billion annually, he said, and federal courts are burdened with cases involving such crime.

He reported that successful prosecutions are taking place in cases of individuals making false statements when borrowing, causing them to default on their loans. He also described how the elderly are being deceived by smooth-talking con men, despite the efforts by bankers to thwart pigeon-drops.

Dr. Harvey Lewis, head of the chair of banking at the University of Mississippi, reported on his first full year on the job. He said the employment situation for banking school graduates, although improved from a year ago, is still disturbing, despite the fact that Mississippi bankers have cooperated in finding jobs for graduates. He said the freshman class has 120 applicants.

Among the resolutions made at the convention were support of BankPac, congratulations to Mr. and Mrs. Leigh Watkins (former Miss.BA executive director) on their 50th wedding anniversary, support of good government and a sound fiscal policy, the preservation of the Federal Reserve System and support of the free enterprise economic system through the Mississippi Council for Economic Education.

Fifty-Year Club certificates were given to the following bankers: Prent Webb of Greenwood, Mabel Dalzell, Vernon Gamblin of Philadelphia and Frank D. Simpson of Flora.

W. E. Howard Jr., president, Commercial National, Laurel, was elected new president of the association, succeeding Mr. Lampton. John H. Mitchell Jr., CEO, National Bank of Mississippi, Starkville, succeeded Mr. Howard as vice president. Ray Smith, president, First National, Greenville, was elected treasurer, succeeding Mr. Mitchell.

At the ABA meeting, Mr. Howard was named to the ABA nominating committee, with Mr. Mitchell named as alternate. • •

Political Involvement, Banker Cooperation Among Topics at Louisiana Convention

By RALPH B. COX
Editor & Publisher

NEW LBA OFFICERS are (l to r.): pres., J. D. Acklin Jr., ch. & pres., Planters Bank, Haynesville; pres.-elect, Donald Delcambre, pres., State Nat'l, New Iberia; and treas., J. B. Falgoust, exec. v.p., Bank of Vacherie.

BANKERS attending the Louisiana Bankers Association's annual convention in New Orleans last month were urged by ABA President-Elect J. Rex Duwe to become involved in politics, which, he maintained, is *not* a dirty word. Mr. Duwe, chairman and president, Farmers State, Lucas, Kan., said he believes bankers have an obligation to their profession and to their communities to become involved in the political processes.

Bankers, he reminded his audience, do business in a regulatory and legislative environment matched by few other industries. On any given day, continued Mr. Duwe, the way a bank transacts its business is affected by rules set down by the Fed, FDIC, Comptroller of the Currency, state banking commissioner and federal executive agencies with loan-guarantee programs such as HUD or SBA.

Looking to the future, he said the entire competitive structure of the financial industry may be altered by congressional action on the Financial Institutions Act. Each day, said Mr. Duwe, Congress considers additional proposals of importance to banking. He gave as an example the month of April, 1975, when the ABA monitored or testified at congressional hearings on emergency housing aid, variable-rate mortgages, student loans, securities reform, foreign investment in the U.S., bankruptcy reform, lobbying regulation, monetary policy and settlement-disclosure rules.

He advised bankers to take part in the political process in a variety of ways—through national and state associations, through their political parties and through involvement with state legislators, congressional representatives and other political leaders. How a banker gets involved is a matter of choice, he added.

Mr. Duwe pointed out that he has been politically active for many years, both nationally and locally, yet he has never seen any disrespect on the part of his customers for that political activity. They believe, as he does, he said, that a banker's responsibility to his or her community doesn't end when the bank closes each day, that a banker's responsibility to his or her community and profession doesn't end with the payment of dues to the ABA or LBA.

"The banker's responsibility," said Mr. Duwe, "extends to the county or parish seat, to Topeka or Baton Rouge, to the halls of Congress and the federal regulatory agencies in Washington, to the men and women who make and carry out our laws."

He described politics as serving on the school board or as mayor, as he has done, as explaining to a state official how the educational needs of Lucas differ from those of Kansas City, as telling his congressman how a proposal on electronic banking will affect his home district, as helping people who share his beliefs and principles to seek and attain public service. To Mr. Duwe,

LEFT: New LBA directors are (l to r.): Joe Montero II, exec. v.p. & cash., Assumption Bank, Napoleonville; A. C. Hindelang Jr., sr. v.p., First Nat'l, Gretna; and Donald J. Nalty, sr. v.p., Hibernia Nat'l, New Orleans. RIGHT: Pat Willis (l.), ABA state v.p. and v.p., Fidelity Nat'l, Baton Rouge, visits with newly elected member of ABA Governing Council from Louisiana, Hermann Moyse Jr, pres., City Nat'l, Baton Rouge.

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CRUISE ABOARD STEAMER ADMIRAL was one of the entertainment highlights of 75th LBA convention. UPPER LEFT: Bankers and their wives wait for bus transportation. UPPER RIGHT: On top deck, conventioneers watch river "scenery." LOWER LEFT: Shrimp and other delicacies were served during 2½-hour trip. LOWER RIGHT: Several LBA officials pose for MCB camera on prow of boat: Robert I. Didier Jr., exec. v.p.; J. D. Acklin Jr., incoming LBA pres.; A. R. Johnson III, outgoing LBA pres., and Frank S. Craig Jr., general convention chairman. Mr. Craig is pres., Fidelity Nat'l, Baton Rouge.

politics is synonymous with public service.

The ABA officer said he believes politics seems to be a dirty word to some bankers because too many good people have remained on the sidelines and because the word "lobbying" has been tainted with a pernicious meaning. This is unfortunate, according to Mr. Duwe, because "lobbying" or "government relations" is an important part of the democratic process; it's a means by which politicians receive expert information on which to base political decisions.

Mr. Duwe illustrated modern-day government relations by explaining how the ABA develops and promotes a policy posture on proposals affecting banking. All ABA policy-making bodies, he said, use criteria developed by bankers, criteria that ask four questions: 1. How do bank customers *benefit* from the proposal? 2. Will the proposal *enhance* the broad competitive environment? 3. Is the proposal consistent with national *economic* and *social* priorities? 4. Does the proposal provide the *opportunity* for competitive financial institutions to maintain viabilty and profitability regardless of size?

These questions are asked each time the ABA considers its position on any issue related to banking, whether it's a regulatory, economic or political proposal.

The association, said Mr. Duwe, follows up by urging bankers to study the facts on proposals and to contact their legislators. In the modern world of political action, he told the Louisiana bankers, their personal contact with their legislator is a critical aspect of government relations because "to your congressman or senator, *you* are the banking industry; *you* are the ABA."

Mr. Duwe then discussed a new ABA government relations newsletter called *Issue Update*, which was started this spring. It briefs bankers on important proposals pending before Congress and joins a wide range of other bulletins and audio cassette services through which the ABA keeps its members informed and encourages them to get politically involved.

The president's address. As is traditional, the LBA's activities of the past year were reviewed by the outgoing president, A. R. Johnson III, executive vice president, Delta Bank, Port Sulphur. In addition he discussed electronic banking and banking structure.

"Let me begin," he said, "by reminding you that nothing would please our competitors more than to see the bankers in Louisiana get into a fight over these issues and tear ourselves apart while they quietly step in and gain third-party-payment powers for themselves and effectively beat us at our game. We simply cannot afford to let this happen."

He said he believes his duty as LBA president is to try to engender an attitude of compromise in LBA members' hearts and minds because it is by compromise and understanding that these matters can be worked out in a manner that's in the best interest of the banking industry and the people it serves.

Mr. Johnson suggested that the vehicle that can carry the state's bankers through this time is their own LBA, which is strong and healthy, financially and otherwise.

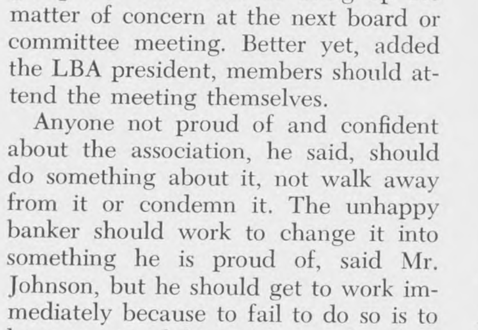
"I say," he continued, "that all should gather around our association and reason *together* and work out the electronic jigsaw puzzle *together* in a way that profits all equally. Do away with the suspicion and the bickering that the structure question and the electronic banking question have brought. To proceed otherwise is to play directly into the hands of our competitors, and we must not let this happen."

The LBA is a well-designed organization, democratically run, according to Mr. Johnson, who advised his listeners that, if they want something done or undone, to communicate with the board member from their particular group and insist that he bring up the matter of concern at the next board or committee meeting. Better yet, added the LBA president, members should attend the meeting themselves.

Anyone not proud of and confident about the association, he said, should do something about it, not walk away from it or condemn it. The unhappy banker should work to change it into something he is proud of, said Mr. Johnson, but he should get to work immediately because to fail to do so is to become part of the problem, rather than part of the solution.

An AIB report. A message from the AIB was given by Charles Lucien, a past national president of the institute and vice president, Hibernia National, New Orleans. Mr. Lucien is on the AIB executive committee for its 75th-anniversary celebration this year.

Mr. Lucien gave some tips on how



NOLEN C. MILLER (l.), outgoing LBA treas. and pres., Guaranty Bank, New Roads, is pictured with new LBA pres., J. D. Acklin Jr. (2nd from l.), ch. & pres., Planters Bank, Haynesville; outgoing pres., A. R. Johnson III (2nd from r.), exec. v.p., Delta Bank, Port Sulphur; and ABA pres.-elect and convention speaker, J. Rex Duwe, ch. & pres., Farmers State, Lucas, Kan.

Louisiana bankers could support the AIB:

"Give your attention to the AIB. Don't just tolerate the institute as something for which to pay out of tradition or habit. The AIB, used fully, gives more than it receives.

"Rely on the AIB and guide it to perform according to your needs, your expectations.

"Make your people aware of the AIB in terms of what's in it for them individually, what's in it for the bank collectively.

"Lend people of ability and potential to the AIB for participation as students, as teachers, as administrators. Make the AIB a part of your own personnel development program. Regard it as valuable work experience.

"Reward your people with recognition when they excel in the AIB; let them know that you know, that it means something, that their accomplishments are important to the bank, too, not only to themselves.

"Make the AIB work. What really matters is what the institute can do for your bank, for your staff. Make it pay off in a more knowledgeable and better-trained staff, meaning higher morale, fewer errors, less overtime, improved performance, higher productivity, better customer relations and service, to name a few . . . all adding up to lower cost, high profits and bank growth."

Mr. Lucien added that the AIB is an investment in a bank's officers and employees at all levels of responsibility—clerical, technical, supervisory and managerial; it's not a charitable donation. Therefore, he advised, a bank should protect and enhance that investment to the end of serving its customers better, and it should help the AIB achieve its goals, which should be the bank's goals.

50-Year Club. Seven bankers who have served their field 50 years or more were honored at a Monday night banquet during the convention. They are: J. N. Birdwell, vice president, National Bank of Bossier City; W. J. Culpepper, president, Bank of Ringgold; Charles R. LeBlanc, executive vice president, State Bank, Donaldsonville; Irvin L. Mouch, chairman, Bank of West Baton Rouge, Port Allen; Sprague Pugh, president, Iberville Trust, Plaquemine; Clayton V. Setze Sr., vice president and comptroller, National American Bank, New Orleans; and Milton J. Zeller, vice president and manager, correspondent banking department, National American Bank, New Orleans.

New LBA officers. J. D. Acklin Jr. moved up from LBA president-elect to president at the close of the 1975 convention. Mr. Acklin is chairman and president, Planters Bank, Haynesville. Elected president-elect for the coming year was Donald Delcambre, president, State National, New Iberia. The new treasurer is J. B. Falgoust, executive vice president, Bank of Vacherie.

Elected to three-year terms on the LBA's board were: Joe Montero II, executive vice president and cashier, Assumption Bank, Napoleonville; A. C. Hindelang Jr., senior vice president, First National of Jefferson Parish, Gretna; and Donald J. Nalty, senior vice president, Hibernia National, New Orleans. They represent the association's south central, southern and New Orleans groups respectively.

State ABA officers. Mr. Acklin also was elected to the ABA nominating committee from Louisiana for the 1975 convention this fall. Mr. Delcambre is the alternate member. Elected to a two-year term on the ABA's Governing Council was Hermann Moyse Jr., president, City National, Baton Rouge. • •

'Spectator Sport'

(Continued from page 28)

decide, the four questions were posed.

First, regarding bank customers, it was clear they would benefit from expanded service hours and the convenience of an increased number of locations to conduct financial transactions.

Second, competition would be enhanced because banks would be allowed to make the same strides in improving customer convenience as other types of depository institutions as well as unregulated industries. Clearly, competition is not enhanced if unregulated institutions such as Sears and American Express can go full-speed ahead to improve customer convenience while banks must compete with one hand tied behind their backs. Thus, we determined the Comptroller's ruling would favor competitive balance.

Third, when the ABA examined the long-term interests of national policy, we concluded that the new EFTS Commission would benefit from the results of market tests permitted under the Comptroller's ruling. Thus, the commission would be able to frame policy recommendations based on experience, not mere conjecture.

Finally, consideration was given to the impact of the ruling on various financial institutions. Sincerely motivated concerns have been voiced that electronic developments in banking will bring about chaos and, ultimately, harm both customers and some financial institutions. In fact, electronic banking has evolved steadily over the past 10 years, and, thus far, there is no evidence to support predictions of chaos. However, if such evidence does emerge, adequate safeguards exist in our competitive financial structure and in the regulatory structure to counter possible harmful trends.

Thus, using the association's four-point criteria, the ABA concluded that the Comptroller's CBCT ruling would benefit bank customers, enhance the overall competitive environment, provide a factual basis for setting national policy and provide opportunities for all financial institutions, regardless of size, to maintain viability and profitability.

This policy posture was supported with detailed documentation and presented to a congressional committee and the Comptroller's hearing in April.

Then, as with other issues of importance to the industry, the ABA followed up by urging bankers to study the facts and contact their legislators, for in the modern world of political action, a banker's personal contact with his or her legislator is a critical aspect of government relations. To your congressman or senator, *you* are the banking industry, *you* are the ABA.

This spring, the ABA began a new government relations newsletter called *Issue Update*. It briefs bankers on important proposals pending before Congress. This newsletter joins a wide range of other bulletins and audio cassette services through which the ABA keeps its members informed and encourages them to get politically involved.

My views on political involvement were well expressed in a recent book, "The Party's Over," by David Broder, a highly respected political reporter for the Washington *Post*. In his book, Mr. Broder argues: "I do not believe that we are powerless, either as individuals or as people, to direct our future. On the contrary, it is my conviction . . . that if we engage ourselves in politics, and particularly concern ourselves with the workings of those strangely neglected institutions, the political parties, that we may find the instrument of national self-renewal is in our hands. . . . Our choice is simple: Either we become partakers in the government, or we forsake the American future."

I believe that, as bankers and as citizens, we can make our voice heard in the political process. It's going to take time, and it's going to take work, but as the old expression goes, anything worth having is worth working for. • •

Wille, Coldwell, Bonner Speak at Texas Convention

By LAWRENCE W. COLBERT, Assistant to the Publisher

Gene Edwards (l.), outgoing assn. pres. and pres., First Nat'l, Amarillo, pins the badge of office on new assn. pres., J. B. Wheeler, pres., Hale County State, Plainview.

WILLE COLDWELL BONNER

MORE than 1,700 bankers and their wives registered for the 91st annual convention of the Texas Bankers Association in Houston last month, making it one of the largest in the association's history.

The program included top-level speakers from the fields of banking, publishing and oil.

Gene Edwards, TBA president, and president, First National, Amarillo, in his president's address, outlined the association's year and made the following recommendations for the future:

- That newly elected TBA officers consider outstanding women for posts on committees, as district chairmen and as administrative councilmen.
- That the TBA develop statistical data on all Texas bank officers and employees. With current computer capabilities, such data could be continuously updated and would be valuable in various ways.
- That revision of the dues structure be undertaken. With the additional problems that face Texas banks, both legislative and regulatory, there is no question that more money will have to be spent in a number of areas. This money will have to come almost entirely from dues.

Frank Wille, FDIC chairman, spoke on electronic facilities as one of the banking issues of 1975. His talk appears on page 36 of this issue.

Dr. Philip E. Coldwell, member, Board of Governors, Federal Reserve System, and former president of the Federal Reserve Bank of Dallas, spoke on the financial lessons of 1974 for bank regulatory agencies. His talk was the second part of a two-part analysis, the first being given at the TBA Seventh District meeting in Ft. Worth in February.

"While it may seem almost axiomatic to many of you, the banking agencies and perhaps even some banks themselves learned the fundamental lesson this past year that the larger the bank, the harder it falls," he said. "Stated in another way, bigness does not necessarily equate with safety, soundness, or optimum controls.

"Certainly, the lessons of 1974 must emphasize the need to watch with great care the growth of bank concentration and the size of banking institutions and to require that such institutions maintain exceptionally careful and rigorous controls to assure their growth within the confines of safety and soundness," Dr. Coldwell stated.

"A second lesson which was re-emphasized in 1974 is that it is difficult for a consortium of banks to establish the organizational framework which will insure effective policing of problem loans.

"A third rather important lesson of 1974 in bank policy and actions is the rather evident possibility that bank growth by purchasing of funds from non-residents and non-customers of the bank can be a hazardous procedure. The consistent and large use of brokered funds has exposed a number of banks to the vagaries of rumors and consequently to a lessened availability of such funds. But perhaps more importantly it has been demonstrated that disproportionate use of such funds can be a difficult and potentially hazardous arrangement, especially when long maturity assets are so funded.

"Similarly, we should learn from

New TBA officers for 1975-76 include (from l.) W. F. Smith Jr., First Nat'l, Quanah—treas.; J. B. Wheeler, Hale County State, Plainview—pres.; and S. R. Greenwood, Temple Nat'l—v.p.

A baker's dozen of past presidents were recognized at the convention. They include (l. to r.) DeWitt Ray, C. Truett Smith, Gene Edwards, Derrell Henry, P. B. (Jack) Garrett, S. R. (Buddy) Jones Jr., Tom C. Frost Jr., Roy Selby, Walter F. Johnson, John F. Geis, Oscar C. Lindemann, W. A. Kirkland, and Jeff Austin.

1974 that excessive loan expansion can strain the capital, liquidity and management of a bank and can expose weaknesses in what were thought to be adequate internal controls. Capital adequacy is a relative term conditioned by the quality of management, the composition of assets and liabilities, the earnings and the position of the bank regarding sources of funds, classified assets and concentrations of credit. It is to be hoped that we have learned that liquidity can be fleeting when rumors abound, creating potential problems for a bank heavily funded in short-term areas as it seeks to roll over outstanding obligations. I believe we should recognize that a number of banks found that their internal controls were inadequate, especially in supervising international activity," Dr. Coldwell said.

Z. D. Bonner, president, Gulf Oil Co.-U. S., spoke to the convention on business and government and asked the question: "Is a new philosophy developing?

"Sooner or later some fundamental questions must be asked," Mr. Bonner stated.

"First, in view of the cost and frequency of negative results of regulatory intervention, would society be better served if economic decision-making were exercised by profit-oriented institutions?

"Second, is government—as an essentially political entity—an effective and appropriate institution for achieving economic benefits?

"Third, at what point do the fiscal demands of government become excessive and begin adversely to affect society as a whole?

"Fourth, what social goals are beyond the capabilities of profit-oriented institutions? And should such goals be pursued through political channels?

"Finally, based on whatever may be the limits of its economic abilities, what are the appropriate limits of governmental power?" Mr. Bonner concluded.

Jenkin Lloyd Jones, editor and publisher of the Tulsa *Tribune*, speaking to bankers about integrity and moral responsibility, suggested a new turn in bank advertising—to devote a large part of advertising space to a discussion of the realities of finance and how the realities relate to the future prosperity and well-being of bank customers. These pieces should be over the signature of the bank chairman or president. They should talk about the difference between wise and foolish debt. They should give examples, illustrated by pictures, showing how the bank has put the bench mechanic into his auto repair shop, etc.," he said.

"Out of this could come the lesson of wise and foolish government debt, the difference between meeting a national crisis and submitting tamely to a perpetual hemorrhage of public resources," Mr. Jones said.

Newly elected officers of the association include J. B. Wheeler, president, Hale County State, Plainview—association president; S. R. Greenwood, president, Temple National—association vice president; and W. F. Smith Jr., president, First National, Quanah—association treasurer.

New officers of the TBA divisions are: State Bank Division—Charles L. Childers, president, Tyler Bank, division chairman; Louis H. McGrede, president, San Jacinto State, Pasadena, vice chairman; and Warren P. Duren, president, Mills County State, Goldthwaite, secretary. National Bank Division—A. W. Riter Jr., president, Peoples National, Tyler, chairman; B. Hart Nance, president, Citizens National, Waco, vice chairman; and C. W. Jones, president, Mercantile National, Corpus Christi, secretary.

The convention approved changes in the TBA constitution switching the name of the administrative council to board of directors and making the immediate past president a member of the board of directors for one year.

One of several resolutions passed described the threat of federal legislation with punitive overtones for banking and called for Texas bankers "to stand together and offer a united resistance to the negative forces that constitute an ever-growing threat to our banking system."

In the ABA elections, Gene Edwards; Bookman Peters, president, City National, Bryan; and John A. Wright, president, First State, Abilene, were elected to the governing council. J. D. Wright, president, Lakewood Bank, Dallas, was elected to the nominating committee and Frank Junell, chairman, Central National, San Angelo, was named alternate.

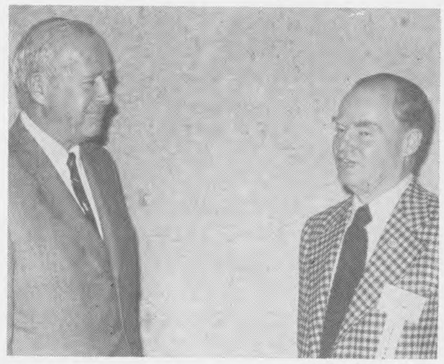
Next Year's convention will go to El Paso, May 2-4. • •

Overhead view of reception in the lobby of the Hyatt Regency Hotel, Houston, makes a dramatic spectacle.

Dual-Bank System To End, OBA Pres. Tells Convention

OBA Pres. Tucker (l.) pins badge of office on Tracy Kelly, new OBA pres. Mr. Kelly is pres., American Nat'l, Bristow.

By LAWRENCE W. COLBERT, Assistant to the Publisher



OBA Pres. Tucker (r.) visits with Robert E. Thomas, ch. & pres., MAPCO, Inc., Tulsa, following his address at first business session.

THE END of the nation's dual-banking system was predicted at the 78th annual convention of the Oklahoma Bankers Association in Tulsa last month. Morrison G. Tucker, OBA president and chairman, Will Rogers Bank, Oklahoma City, made the prediction in his president's message.

Mr. Tucker said the dual system will end because monetary controls exercised by the Federal Reserve System are eroding. "As a person who is intellectually biased toward the dual system," Mr. Tucker said, "I hate to see this come about. But logic forces me to this conclusion. Eventually we'll see an end to the dual-banking system as we know it today."

He noted there is a lean toward "uniform" reserve requirements which mark one of the major differences between state and national banks.

"There also are increasingly large sources of funds being made available to borrowers over which the Fed has no control whatsoever," Mr. Tucker stated.

Turning to another subject, Mr. Tucker pointed out that important issues facing bankers today include the structure question—whether it be branch banking or multi-bank holding companies. (The state Senate early last month defeated by a vote of 28 to 14 a bill that would have permitted multi-bank HCs.)

Issues also mentioned by the outgoing president included EFTS, consumerism, bank leadership, adequacy of bank capital and competition between banks and other financial institutions. Mr. Tucker said the best bank today is the "unit bank," a home-owned and home-operated bank.

In another address during the first business session, Robert E. Thomas, president and chairman, MAPCO, Inc., Tulsa, said unfair government controls on energy have placed the oil and gas industries on a "collision course with disaster."

"Many residents of the eastern seaboard are disturbed about the high price of oil, but they say they cannot permit any drilling off their beaches," Mr. Thomas said. "All they want is the pleasure of burning cheap energy produced in Texas, Oklahoma and Louisiana without regard to becoming producers," Mr. Thomas stated.

Mr. Thomas said government pricing policies are costing Oklahoma's state budget about $200 million annually. "The states of Oklahoma, Texas and Louisiana have really been taking it on the chin because government pricing policies are dominated by the consuming states and their philosophy of keeping energy cheap," Mr. Thomas stated.

The overlooked fact in the nation's economy, an economist said, is that the country has 91% employment. Robert B. Johnson, economist for United California Bank, Los Angeles—speaking at a luncheon meeting—said he feels the news media have done the nation a disservice in always playing up the 8.9% unemployment rate, but seldom, if ever, mentioning we have 91% of the work force employed.

Of the 8.9% unemployed today, Mr. Johnson said, about half consists of

OBA officers for 1975-76 include (from l.) John T. Hannah, pres., City Bank, Muskogee—assn. treas.; Tracy Kelly, pres., American Nat'l, Bristow—assn. pres.; and Pat Moore, pres., American State, Thomas—assn. pres.-elect.

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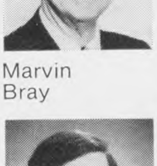
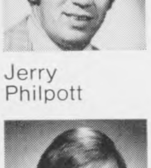


Charles McNamara



Scott Martin

Correspondent Bankers

those who "quit" their jobs. The remaining half consists of those who have lost their jobs, those entering the job market for the first time and those trying to reenter the job market, he said.

Mr. Johnson feels the recession is about over. "We've seen an $18-billion turnaround in national inventories for the first quarter," Mr. Johnson said, "and when considered with an $18-billion surplus last year, gives us a total change of about $36 billion."

Mr. Johnson was optimistic about the "short-range" picture of the economic situation because in April the wholesale price index declined for the fourth straight month—"the steepest decline rate in a 24-year period."

"However," Mr. Johnson said, "I'm not optimistic about 1976 or 1977 because we have been programed so long by so many policies of government aimed at spending to solve our economic problems.

"We have deficits and the government simply prints more money to cover them," Mr. Johnson said. He stated that of the more than $100-billion deficit existing today, 40% is covered by simply printing new money.

New features of the convention this year were two workshop sessions. The first of these was on bank structure and the other on the Mid-America Automated Clearing House Association (MACHA).

Service awards were given to three individuals who have contributed to the OBA in an outstanding manner. They went to Mrs. Vivian Beard, public relations officer, Founders Bank, Oklahoma City, for her work in the tellers education meetings; to John V. Anderson, president, First National, El Reno, as chairman of the education committee; and to Miss Barbara Sokolosky, administrative officer, OBA.

Tracy Kelly, who is president, American National, Bristow, in remarks as new OBA president, challenged bankers to "champion the cause of banking." Registrants wore badges during the convention that read "Champion of Banking."

Mr. Kelly went on to make these points: 1. Some bankers are not given the opportunity to fulfill themselves under poor leadership or bad management. The OBA's educational programs are designed to help correct this condition. 2. Bankers must seek to build a constituency among employees, stockholders and customers. Not nearly enough is done to inform employees of industry problems and to seek their support. 3. Bankers are charged with the responsibility of preservation of the free-enterprise system and correcting and eradicating the trend of declining

James H. Jones (c.) then ch., First Nat'l Bank of Commerce, New Orleans, is flanked by Bill P. Jennings (l.) e.v.p., Fidelity Bank, Oklahoma City, and Curtis A. Brooks, ch. & pres., First Nat'l, Chickasha, following his talk at a business session. Mr. Jones recently resigned his New Orleans bank post to become deputy ch. & CEO, Bank of California, San Francisco.

confidence and hostility toward the system. 4. Bankers should offer moral leadership. "So much of our energy has been devoted to tending the machinery of banking that we have neglected this element of leadership," Mr. Kelly stated.

James H. Jones, as chairman and CEO, First National Bank of Commerce, New Orleans, delivered a talk on what's ahead for banking. It was announced at the convention that Mr. Jones had resigned his New Orleans bank post to accept the position of deputy chairman and CEO, Bank of California, San Francisco. A condensation of Mr. Jones' speech appears on page 31 of this issue.

Convention registration was near the 850 mark.

New OBA officers. New officers in addition to Mr. Kelly include Pat Moore, president, American State, Thomas, association president-elect; and John T. Hannah, president, City Bank, Muskogee, association treasurer. Morrison Tucker, outgoing OBA president, assumes the title of chairman of the board, a new post initiated at last year's convention.

H. E. Rainbolt, chairman, Federal National, Shawnee, was elected a member of the ABA Governing Council. Joe E. King, executive vice president, Central National, Enid, was elected a member of the ABA nominating committee. Donald D. Doty, executive vice president, First National, Bartlesville, was named alternate. • •

Tenn. Convention

(Continued from page 58)

there are two types of changes—those to bring in new business and those to solve old problems. He said the automated clearing house association concept is in the latter category of change.

He said the automated clearing house concept is fundamental to Tennessee banking and he encouraged bankers to take part in the Middle South ACH in the Memphis area or in the soon-to-be initiated ACH in the Nashville area.

Tennessee Governor Ray Blanton spoke at the TBA business session. He urged bankers to be careful in selecting loans to be made but at the same time to temper conservatism so that the door is not closed to consumers and small business borrowers.

He said "we unquestionably stand at a time in history when the banking industry has a critically decisive role in undergirding the economy and well-being of our state and its citizenry. Never has there been a greater need for strength and versatility in our banking system."

He said the state recognizes that beyond the role of regulator, it has a role of helping banks. He said "we will intensify our efforts to encourage and uphold a progressive banking system in our state."

Mr. Mitchell moved up the official TBA ladder from president to chairman, succeeding John P. Wright, president, American National, Chattanooga. Moving up from president-elect to president was Jack O. Weatherford, chairman, Murfreesboro Bank. Succeeding Mr. Weatherford was Hugh Willson, president, Citizens National, Athens. Jack R. Bulliner, president, First State, Henderson, moved from second vice president to first vice president. Newly elected as second vice president was T. Scott Fillebrown Jr., president, First American National, Nashville.

New National Bank Division chairman is Virgil H. Moore Jr., president, First Farmers & Merchants National, Columbia.

Ben S. Kimbrough, president, First Trust & Savings, Clarksville, was elected chairman of the State Bank Division and the following division directors were elected: V. A. Gilliland, president, Farmers Union, Ripley; G. H. Ramsey, executive vice president, Citizens Bank, Cookeville; W. L. Reece, president, First Security, Erwin; and J. W. Hudson, president, Bank of Madisonville.

The Independent Bankers Division elected as its chairman C. G. Williams, president, Bank of Commerce, Morristown. Vice chairman is James Fitzhugh, president, Bank of Ripley, and secretary is Jeffrey A. Golden, first vice president, City Bank, McMinnville.

At the ABA elections, Walter Barnes, president, First National, Jackson, was named to the Governing Council and J. C. Eoff Jr., chairman, First National, Tullahoma, and Al Beeman, City & County Bank, Athens, were named to the nominating committee. • •

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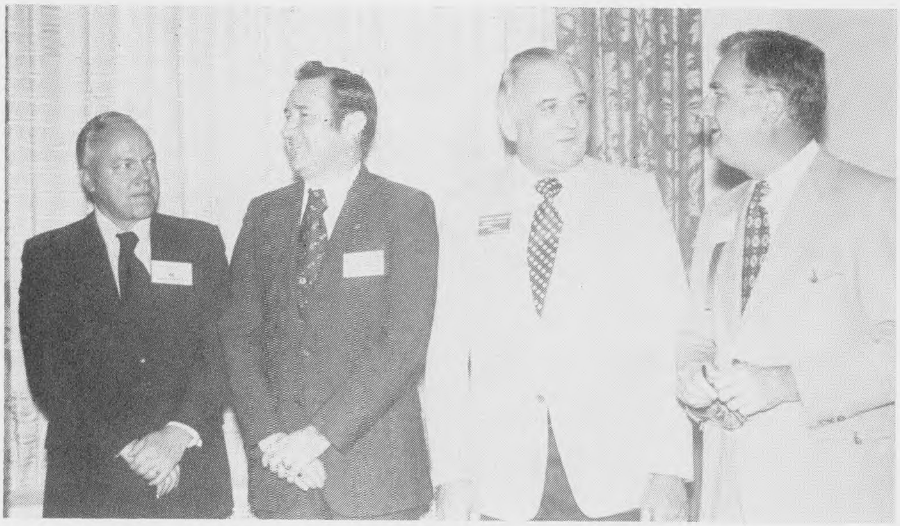

Leading Ark.BA for the coming year are (from l.) Cecil W. Cupp Jr.—v.p.; James D. Cook—treas.; Dorman Bushong—pres.; and William H. Kennedy Jr.—pres.-elect.

Ark. Bankers Hear Politicos; Elect Bushong New President

By JIM FABIAN, Associate Editor

ARKANSAS bankers were given an opportunity to become better acquainted with the state's newest senator and its recently inaugurated governor at the Arkansas Bankers Association's 85th annual convention in Hot Springs last month. About 1,200 were registered for the event.

They also heard from a third political figure and listened to some practical advice presented by the executive vice president of the American Bankers Association.

Taking part in second general business session of convention were Ark.BA treas. Wayne Hartsfield (l.), pres., First Nat'l, Searcy; and Robert Dill, a.v.p., Simmons First Nat'l, Pine Bluff, pres., Arkansas Junior Bankers.

Time between the business sessions was taken up with tennis, golf and conviviality in the unique Arkansas tradition.

U. S. Congressman Ray Thornton, who serves on committees dealing with natural resources, commented on the fact that the U. S. has to deal with shortages of its natural resources for the first time in its 200 year history. Since natural resources no longer are plentiful in this country, he said, the U. S. is forced to obtain them from abroad, which means that more than 50% of all the raw materials used by the U. S. are imported.

He predicted that it would cost more than $2 trillion to make the U. S. self sufficient in energy by the 1980s.

Frank D. White, newly installed director of the Arkansas Industrial Development Commission, and former vice president at Commercial National, Little Rock, said the agency was responsible for creating some 247,000 jobs in the state during its 20-year history. He said the state enjoyed a $1.361 million industrial payroll in 1974, with more than $2 billion poured into capital investment.

He deplored the soaring unemployment rate in the state, where some counties are experiencing more than 30% unemployment. He said some 42% of all high school and college graduates are forced to leave the state to obtain employment. He also said the failure of the Rock Island Railroad would be a severe blow for the Arkansas economy. He commented on the critical importance of public transportation to the growth of the state.

Willis Alexander, ABA executive vice president, told bankers that the old standards and expectations are not evident any more. But he praised the Budget Reform Act as a promising way to return to a rational fiscal policy. He called on bankers to become more involved in fiscal responsibility. "It's up to us to make it possible for our congressmen to do what must be done fiscally," he said. "It's important that it get done, in whatever way. Give your congressman your support. He will be as good as you permit him to be."

Mr. Alexander said that banking's greatest need is relative industry unity. He called on bankers to stop fighting in public and said the only way to achieve harmony is to be willing to make concessions.

Banking's greatest issues, he said, include redlining and electronic funds transfer operations (EFT). Although redlining (blanket refusals to grant real estate loans in blighted areas) is not a major issue in Arkansas, he said,

Participants during ABA portion of convention were (from l.) Cecil W. Cupp Jr., pres., Arkansas Bank & Trust, Hot Springs—ABA v.p. for Arkansas; Willis W. Alexander, ABA exec. v.p.; and Pat Koch, sr. v.p., First Nat'l, Little Rock—AIB associate councilman for Arkansas.

Past presidents of Ark.BA gathered for their annual buffet luncheon on first day of convention. Photo in center shows Thomas E. Hays Jr. (l.), outgoing Ark.BA pres., and pres., First Nat'l, Hope, and Dorman F. Bushong (r.), incoming assn. pres., and pres., Farmers & Merchants, Rogers. In middle is Van Smith, pres., Bank of Tuckermann, immediate past pres. of assn.

it remains a major issue nationally. He cited the fact that bankers are taking the wrong approach to the underlying principle behind redlining—the desire to make sound loans. Instead of using the blanket approach, which excludes entire neighborhoods, every application for a real estate loan should be handled individually, he said. This, he said, would eliminate redlining. He said that any cure Congress will come up with will be worse than the problem.

He reported on the ABA's attempt to define the term "public interest," a term many bankers are using in their speeches. If something is in the "public interest" it must be good, but just what is the public interest?

A committee attempting to define this term has come up with the following questions that a banker can ask himself when using the term to describe a bank policy or service. It should enable him to see if he's on the right track:

- What does the term mean to the customer as applied to a new bank service or policy?
- Is the thing that is said to be in the public interest pro-competitive?
- Is it consistent with major national, social and economic priorities?
- Does it enhance the competitive balance or distort it and what does it mean in terms of all banks in their ability to compete?

U. S. Senator Dale Bumpers spoke of international issues, including the Vietnam situation. He said that no one is calling on the North Vietnamese to be lenient with those they have captured. He said if the right voices (the United Nations, for example) were raised in condemning a bloodbath in South Vietnam, such an event could be avoided.

Tuesday's session saw Arkansas Governor David Pryor on the speaker's platform. The governor termed education the number one priority for the state. He said education determines the success of individuals as well as of the state. He said Arkansas will celebrate the bicentennial by making an increased dollar commitment to education. The money being budgeted for education next year will be equal to the entire state budget for 1972.

He reported that the old state department of planning has been reorganized into the department of local services. Its purpose will be to serve local government entities, sharing expertise.

He also said it was time to call another convention to update the state constitution.

Retiring association president Thomas E. Hays Jr., president, First National, Hope, selected the preservation of the dual banking system as the topic of his president's address. He said the dual banking system, as it has evolved in the U. S. over the last century, is "unique in the financial world because it has allowed local control of financial assets." He described the system as a "typically American, multi-faceted one, which our foreign friends probably regard as yet another example of bumbling, stumbling, well-meaning but confused Americana. And yet our system is also the envy of the entire world."

Elections during the ABA meeting at the convention saw William H. Kennedy Jr., president, National Bank of Commerce, Pine Bluff, named as delegate to the ABA nominating committee for the next ABA convention, with Dorman F. Bushong, president, Farmers & Merchants, Rogers, as alternate. Elected for a two-year term to the ABA governing council was William M. Campbell, chairman, First National of Eastern Arkansas, Forrest City.

Elected to head the Ark.BA for the coming year were Mr. Bushong, who advanced from president-elect to president; Mr. Kennedy, who went from vice president to president-elect; Cecil W. Cupp Jr., president, Arkansas Bank & Trust, Hot Springs, who was named vice president; and James D. Cook, president, National Bank of Commerce, El Dorado, who was selected as treasurer. • •

Arkansas Governor David Pryor greets constituents following talk at Ark.BA convention.

At annual strawberries and cream breakfast during convention were hosts from Simmons First National, Pine Bluff, (from l.) Wayne A. Stone, retired ch.; Lee Henslee, v.p.; Louis L. Ramsay Jr. pres.; and Ann Stone, wife of Donald W. Stone, v.p.

Kansas Bankers Pleased With State Legislature And New EFT Measure

By JIM FABIAN, Associate Editor

TOP: W. L. Webber (l.), ch., Security Nat'l, Kansas City, makes brief acceptance speech upon receipt of 50-Year Club plaque from incoming KBA Pres. J. R. Ayres.

BOTTOM: Those present for 50-Year Club induction were (seated, from l.) Ernest F. Goernandt, Harriet Kramer, James C. Naylor and Dewey Renfro. Standing (from l.) were Mr. Webber, Albert T. Johnson and Rex W. Crowley.

IT WAS FITTING that the 88th annual convention of the Kansas Bankers Association was held in the state's capital city—just a few blocks from the state capitol—because passage of the association's legislative program has been the number one goal of KBA this past year.

Outgoing KBA President Robert H. Jennison, president, First State, Healy, reviewed the legislative enactments that were important to bankers. They included adoption of a modernized banking code, passage of legislation authorizing investment by the pooled money board of monies formerly kept in U. S. Treasury bills (that resulted in the deposit of some $200 million in interest-bearing time deposits in Kansas banks) and enactment of the EFT law that provides that remote service units for EFT transfer shall not be considered as branches.

Mr. Jennison said that the modernized banking code encourages all Kansas banks to provide better service to the public. The new code was the result of work done by the KBA recodification task force.

The EFT law provides that remote service units not placed on main bank property must be shared with any banks willing to share proportionately all costs attendant to the installation and operation of the unit, Mr. Jennison said. He termed the provision a significant one because it provides a climate for evolution and orderly experimentation in the EFT field.

Touching on other topics, Mr. Jennison reported that Kansas ranks first in the nation in ratio of equity capital to total assets. "We are not resting on our laurels," he said, "because we believe that not only capital adequacy but continued satisfactory earnings provide a bulwark of safety. Only sound and profitable banks can provide maximum services to our communities."

He called on Kansas bankers to become more active in local, state and national politics, to support law enforcement officers and efforts to improve crime control.

In the area of competition from thrift institutions, he said "We as commercial bankers certainly will not shrink from the competition these institutions provide so long as they serve the public better; and we are allowed to compete with them in a climate of complete equity. That day of equity is long overdue."

Favorite son Rex Duwe, ABA president-elect, and chairman, Farmers State, Lucas, predicted a bright future for community banks in his convention address.

"Government statistics show that the trend towards urban migration has been reversed," he said. "Rural areas and small towns are growing once more."

He said the very nature of banking calls for a close relationship between communities and their banks and community banks are best equipped to meet that need.

Mr. Duwe praised Kansas bankers for their participation in the ABA's EFTS strategy study, which, he said, will "help us plan for the potential of EFTS activity. It will supply more information on the market situation. It

New KBA officers are (from l.) Robert H. Jennison, ch.; Floyd V. Pinnick, pres.-elect; J. R. Ayres, pres.; James Bartels, treas.; and Carl A. Bowman, exec. v.p.

may outline ways of developing implementation plans."

He outlined the three major goals of the EFTS study—to provide a national assessment of the current and future state of developments in electronic banking, to supply individual state analyses of the electronic banking environment and to provide a proved methodology for future EFTS studies.

"If and when electronic banking makes sound business sense," he said, "I intend to provide that service to my customers. I believe you feel the same way.

"I believe that the business of banking is not just banking," he said. "Granted, we must acknowledge new technical developments. Granted, we must meet the needs of our expanding communities. Granted, we must continue to run our businesses in a profitable manner.

"But we also must discharge our public service role of becoming more involved in government. We have a responsibility to share our views and knowledge, to help our communities. And we must do no less."

U. S. Senator James B. Pearson spoke to the convention from Washington about the economic situation. He said there is much skepticism about any improvement taking place at this time. Rather, improvement is expected later in the year. There is no consensus about the long-range economic picture, he said.

The repeated shocks of the last three years have shattered the confidence of people regarding the ability to make the economy stable and to keep it in that state, he said. He criticized the nation's economists for faulty forecasts.

He termed the tax rebate one of the bright spots on the national scene, although he said it might not be effective in turning the economy around. He also said the new budget system for Congress makes a more effective economic authority possible. It will provide that Congress be held accountable in fiscal matters and is the vehicle to address overall fiscal development.

He said the question of how much to prime the economic pump is the big topic right now. He called for more coordination between government agencies—the executive, judicial and legislative. He said we have not fully appreciated the role energy shortages can play on price structure and predicted that inflation will be a major problem within a year. He criticized the view that we should learn to live with inflation.

A number of predictions were made at a press conference featuring Mr. Duwe and KBA officers. Mr. Duwe said he thought the tax rebate was not a wise move because the government had to borrow the money to refund to taxpayers. He said the big economic crisis won't occur until 1977, when business picks up, making it difficult to float government deficits without rekindling inflationary fires.

Mr. Jennison predicted that the price of fertilizer will moderate and price of wheat will return to $3 per bushel. He termed the natural gas situation bad, but not critical at this time. He said the long-range outlook for agriculture is bright.

Mr. Duwe said an expected presidential veto of the farm bill probably will not have an adverse effect over the long term, provided export markets are kept open. He also said that pressure for higher interest rates must come because of the federal deficit. Although short-term rates might hold steady, he said, long-term rates are already showing signs of rising. He expressed the hope that the size of the federal deficit does not inhibit economic recovery.

J. R. Ayres, president, Citizens State, Miltonvale, was inducted as KBA president during the convention. He was formerly president-elect. Succeeding Mr. Ayres as president-elect was Floyd V. Pinnick, president, Grant County State, Ulysses. James Bartels, chairman

Kansas Gov. Robert F. Bennett (c.) greets his Sec. of State, Elwill Shanahan, at convention business session. Looking on is Harold A. Stones, KBA dir. of research.

and president, Farmers State, Hays, was installed as KBA treasurer.

Henry Blanchard, chairman, Commercial National, Kansas City, was elected to the ABA governing council. Edwin Olson, executive vice president, Russell State, was named to the ABA nominating committee, with H. P. Howe, chairman, Kansas State, Manhattan, named alternate.

Seven of the 12 bankers eligible for induction into the KBA 50-Year Club were on hand to receive their plaques. They were Ernest F. Goernandt, president, Elk State, Clyde; Harriet Kramer, vice president, Manufacturers State, Leavenworth; James C. Naylor, vice chairman, Peoples National, Liberal; Dewey Renfro, vice president, Farmers State, Offerle; W. L. Webber, chairman, Security National, Kansas City; Albert T. Johnson, vice president, Miami County National, Paola; and Rex W. Crowley, chairman, National Bank, Pittsburg.

Next year's convention will be held in Wichita May 5-7. • •

Participating at KBA press conference were (from l.) J. R. Ayres, incoming KBA pres.; Robert H. Jennison, outgoing KBA pres.; Bud Moore, head football coach, University of Kansas; and J. Rex Duwe, ABA pres.-elect. Mr. Moore spoke at men's breakfast.

MISSOURI BANKERS MEET:

Crown Center Provides Luxury Setting For 'Tune In, Turn On' Convention

By JIM FABIAN, Associate Editor

LUXURIOUS might be the best word to describe this year's Missouri Bankers Association convention, held last month at the Crown Center Hotel in Kansas City.

The recently opened hotel catered to every need of the bankers and its selection as the MBA convention site for Kansas City assures the MBA of first class accommodations at both ends of the state when it holds its conventions.

MBA members were invited to "Tune In and Turn On" at the 85th annual meeting. Principal speech of the two days of business sessions was given by FDIC Director George A. LeMaistre, who told the bankers that the FDIC is drafting a regulation on insider transactions as a result of the failure of U. S. National, San Diego. He predicted that the regulation would be issued shortly.

Leaders of Missouri bankers for 1975-76 term are (from l.) Mills H. Anderson, treas.; Charles K. Richmond, v.p.; and Richard J. Pfleging, pres.

He said the regulation probably will contain a dollar limit of between $5,000 and $10,000 or may simply require reporting of all "very substantial" insider transactions.

The burden of compliance with the regulation will be placed on bank boards. "I favor a ruling," he said, "which would require board approval of substantial insider transactions and which would make plain that any transaction between an insider or his interest and a bank which is more favorable to the insider than a comparable transaction with an non-insider is an unsafe or unsound practice."

Mr. LeMaistre discussed efforts by regulatory agencies to deal with the problems associated with bank failure. He said a proposal by the Fed would provide for the interstate acquisition by bank HCs of distressed banks having more than $500 million in assets. He took issue with this proposal because it would result in banks below $500 million losing business because there would be no guarantee of a national takeover policy of banks in this size category.

Taking part during first general business session at MBA convention were MBA Exec. V.P. Felix LeGrand (l.) and FDIC Director George A. LeMaistre.

He also noted that formulation of such a policy would exclude large institutions from market forces, which, in the long run, might be detrimental to the economy and the banking system in terms of concentration of both risk and resources.

The proposal also provides 100% deposit insurance for some banks, something that Congress and bank regulators do not favor, he said. This aversion stems primarily from the belief that some element of risk for large depositors and creditors imposes discipline on bankers, restraining excessive risk-taking. If such an effect does exist, he said, the Fed's proposal would tend to eliminate it for the banks which are covered.

In his message, outgoing MBA President Charles W. Risley Sr., president, Excelsior Trust, Excelsior Springs, called on MBA members to join in a spirit of

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compromise similar to that achieved by the founding fathers when they executed the Declaration of Independence and the Constitution.

"The problems within our industry, as important as they are to all of us, pale into relative insignificance in comparison to the problems facing those early patriots," he said. "But, I think the lesson they provided is there for us to see and profit from. If we can bring to our own conference table the same spirit of compromise that motivated and gave birth to our great system of government, our own problems can certainly be resolved, and in record time."

He said the era of technological change confronting bankers is truly a testing time for banking, demanding the fullest measure of support and understanding of banking's problems. "In this era of change," he said, "we, above all, face a constant need for compromise . . . where compromise is in the best interests of our industry as a whole."

He said that bankers must share the blame in cases where inadequate public leadership exists. Often this leadership is incapable of genuine sincere support of reasonable banking objectives.

"We need," he said, "to devote the time, study and effort required to carefully screen those who aspire to public office. We need to insist that they bring with them a reasonably sound fiscal knowledge, a good measure of moral courage and a substantial amount of plain, old fashioned horse sense."

Our solution, he continued, depends on our willingness to face the facts as they exist, for we just can't expect to "luck out." What ultimately happens to banking in the future will depend more on what we do to ourselves than what somebody else does to us, he said.

When bankers compromise, they should not relinquish the competitive spirit which is the basis of their way of life and the key to economic progress, Mr. Risley said. "We must not surrender our individual opinions on any issue, within or without our industry—among banks or between banks and competition.

He said that after the debate over an issue, along with an exchange of information, occurs, bankers should put aside differences and present a united front. "We should feel it prudent to sacrifice in one place in order to gain in another," he said. Banking's legislative failures in the past have been in the difficulty of reconciling conflicting interest of individual banks.

Mr. Risley also advised bankers to avoid "tuning out" today's young people from banking. "There must be a provision for new blood to enter the organization, to maintain it, to rebuild it, to revitalize it," he said.

MBA Executive Vice President Felix LeGrand announced that the MBA consists of 680 member banks maintaining 1,053 banking offices in Missouri. One banking office exists for each 1,441 people residing in the state, he said.

Mr. LeGrand announced a series of workshops to be held in connection with the direct deposit of social security checks and the formation of a special program to inform banks how to attract HR-10 funds. He said the association has provided its members with a thorough understanding of EFTS and announced that an agricultural banking school has been opened at the University of Missouri.

New officers. Elected to lead the MBA for the coming year were Richard J. Pfleging, president, Bank of St. Ann—president; Charles K. Richmond, executive vice president, American National, St. Joseph—vice president; and Mills H. Anderson, president, Bank of Carthage—treasurer.

Prior to first general business session Conv. Ch. William O. Weis (c.), v.p., First Nat'l, Kansas City, chats with Sportcaster Bruce Rice (l.) and outgoing MBA Pres., Charles W. Risley Sr., pres. Excelsior Trust, Excelsior Springs. Mr. Rice gave convention welcome address.

During the ABA meeting, A. R. "Bo" Naunheim, chairman, Charter Bank, Jennings, was elected to a two-year term on the ABA governing council. Elected to the ABA convention nominating committee were Lee W. Huddleston, president, Country Club Bank, Kansas City, and Mr. Pfleging.

Inductees into the MBA's 50-Year Club at the convention included Frank V. Mehl, president, Jefferson County Bank, Hillsboro; Ed Bittner, First National, Kansas City; Sidney Cooke Sr., chairman, Hub State, Independence; E. C. Falk, president, Farmers Trust, Lee's Summit; Frank N. Erwin, president, Bank of Urich; E. P. Schug, president, Cass County Bank, Peculiar; C. Ray Willard, vice president (ret.), Central Bank, Lebanon; George G. Rollins, president, Winona Savings; and Mel J. Kneib, executive vice president, Park Bank, St. Joseph.

Next year's convention is scheduled for St. Louis May 16-18. • •

Nine men were inducted into the MBA 50-Year Club during the convention. They are (seated, from l.) Frank V. Mehl; Ed Bittner; Sidney Cooke Sr.; E. C. Falk; Frank N. Erwin; and E. P. Schug. Standing (from l.) are J. F. McCreery, club pres.; inductee C. Ray Willard; Harold Kuhlman and James B. Currier, hosts representing First Nat'l, St. Louis; and inductees George G. Rollins and Mel J. Kneib.

For Success in Years Ahead:

'Adopt Professional Management Principles,' New Ill.BA Pres. Urges Conventioneers

By DANIEL H. CLARK
Editorial Assistant

A CHANGE to the principles of professional management for future success was urged by Arthur F. Busboom, who was elected as the 1975-76 Illinois Bankers Association president during last month's Chicago convention, which was attended by 900. Site of the event was the Palmer House. Mr. Busboom is president and CEO, Bank of Rantoul.

Other convention topics included views of electronic funds transfer systems—EFTS—by James E. Smith, Comptroller of the Currency; George Auble, director of payment systems, Midwest Automated Clearing House Association (MACHA), Chicago; and James E. True, executive director, Mid-America Payment Exchange (MAPEX), St. Louis. Fed Governor Henry C. Wallich discussed the "Foundations of a Lasting Recovery."

In his inaugural address, Mr. Busboom asserted that he did not refer to the need for a structural change, adding that one of the banking industry's biggest problems is that it is oriented toward tradition and experience. Unless bankers are open minded and can anticipate events in the world around them, they aren't operating in a realistic manner. The environment is changing more quickly than bankers are in their attitudes and skills, according to Mr. Busboom.

He then cited two industries which have suffered from similar shortsightedness. Railroads sold railroads and not the real product, transportation. The film industry took many years to understand that its product was entertainment rather than a "velvet-covered $2 seat." Since the motion picture industry has begun supplying entertainment for television, there has been a great turnaround—marketing shortsightedness was overcome by innovation.

The banking industry, he said, has been operating under the influence of several false assumptions for years: that profits are assured by an expanding population; that history always repeats itself in the marketplace; and that "what's good for General Motors is good for the country."

History doesn't always repeat itself, he said, noting today's social issues and the lack of ability we have had in predicting them. Mr. Busboom believes Ralph Nader proved the third assumption false.

To replace those three fallacies, Mr. Busboom continued, are three thoughts: What's good for people is good for business; consumerism no longer is an expression of individualism, rather an organized function with class action suits, federal legislation in support of the consumer and emotional demands on the businessman to satisfy the needs of people; and that the majority of the public will not vote for loyalty over value. Loyalty always will be important in today's marketplace, but it can't function without real value to back it.

He said, "Today's slap on the back and smile on the face must be accompanied by real professional service and an ability to satisfy an individual's needs in the marketplace."

A few years ago, the new IBA president added, no one would have anticipated that electronic banking would become a reality so quickly. Few have shown awareness of the full impact of this change in banking, and perhaps this implies a defect in the vision of bankers. It is necessary to have professional vision, to see things as they really are, with a depth of understanding, and then inaugurate the necessary changes, Mr. Busboom advised.

Bankers must anticipate the factors and social forces affecting their business, study trends and talk to others with a perspective on reaction in the marketplace. He said that the banking profession must anticipate and not just react and that changes must not be dismissed as radical and unreal.

Outgoing IBA pres. William O. Kurtz (r.), pres., Metropolitan Bank, Chicago, congratulates newly elected IBA officers during May convention (from l.): treas., G. Wallace Rich, pres., First Nat'l, Cobden; 2nd v.p., John R. Montgomery III, pres., Lakeside Bank, Chicago; pres., Arthur F. Busboom, pres., Bank of Rantoul; and 1st v.p., Ray G. Livasy, pres., Millikin Nat'l, Decatur.

The Comptroller speaks. Comptroller of the Currency James E. Smith, in his address, defended his EFTS ruling, saying that use of customer-bank communication terminals (CBCTs) has not mushroomed as was feared by many bankers. Since his December 12 ruling, he noted, only 27 filings for CBCT installations have been received from national banks.

Mr. Smith also announced his intention to issue a revised ruling on the de-

LEFT: Robert C. Shrimple, IBA e.v.p., gives annual report to assn. conventioneers during Chicago event. CENTER: Comptroller of the Currency James E. Smith fields questions from press after his speech to first gen'l session of IBA convention. RIGHT: James E. True (l.), exec. dir., Mid-America Payment Exchange, St. Louis, and George Auble, dir., payment systems, Midwest Automated Clearing House Assn., Chicago, give EFTS update during first gen'l session.

vices, restricting their geographical locations. Later, Mr. Smith did issue the revised ruling, details of which appear on page 40.

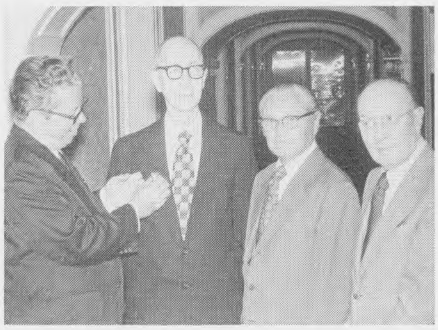
He told the convention audience that the banking industry was in good condition, having, for the most part, weathered a rough 1½ years very well.

On hand to clarify the EFTS situation were George Auble and James E. True. They gave the convention a brief history of the subject and graphically illustrated the present and future development of the systems on a nationwide scale.

Fed Governor Henry C. Wallich told the Windy City conventioneers that the present time shouldn't be thought of as a recession or the brink of a depression, rather as a site for the foundation of a lasting recovery.

Mr. Wallich indicated that the reason for current problems was the too-rapid business of inventory reduction, but the downward slide seems to have bottomed out. He noted that food prices have begun to show some stabilization and that if retail sales are maintained reasonably well, production will have to pick up to match them.

Also cited by the Fed governor was the importance of psychological well-being in the nation. This will be destroyed by a large federal budget, es-



(From l.) IBA Pres. William O. Kurtz pins new IBA 50-Year Club members during recent Chicago convention: Sol F. Gnuse, ch. and pres., First Nat'l, Altamont; Byron A. Warnes, ch., First Nat'l, Winnetka; and G. W. Nethery, pres., Golden State.

pecially if taxing and spending policies shift resources from the private to the public sector, whose past accomplishments give little evidence that efficiency and productivity could be expected.

Mr. Wallich also stated that bank interests must turn inward—liquidity and capital position must be improved—and bankers must be more concerned with the economy. In the long run, equity issues will be the means of raising the needed capital. Subordinated debt is an alternative answer.

Fed Gov. Henry C. Wallich (l.) and Michael J. Howlett, Ill. sec. of state, confer before start of second gen'l session at Windy City IBA convention. They were session's featured speakers.

Officers elected. In their annual elections, Illinois bankers advanced Mr. Busboom to the presidency, succeeding William O. Kurtz. Mr. Kurtz is president, Metropolitan Bank, Chicago.

Ray G. Livasy, president, Millikin National, Decatur, was elected first vice president. John R. Montgomery III, president, Lakeside Bank, Chicago, became second vice president. Named treasurer was G. Wallace Rich, president, First National, Cobden.

Four representatives were named to posts within the American Bankers Association. Mr. Busboom and Robert B. Campbell were elected to the ABA Governing Council. Mr. Campbell is president, State Bank, Gridley. R. S. Durkes, chairman and president, City National, Dixon, was named a member of the nominating committee, while Henry Kirschner, president, Town & Country Bank, Springfield, was elected an alternate.

Convention Speakers. Other featured convention speakers were Mr. Kurtz, outgoing IBA president; Michael J. Howlett, Illinois secretary of state; and James R. Thompson, U. S. attorney from Chicago.

In his farewell address, Mr. Kurtz called for an end to the existing division among Illinois bankers. He expressed the hope that members of the Association for Modern Banking in Illinois (AMBI) and of the IBA would settle the differences that caused the split between the two groups in 1973.

Citing the proposed two-year moratorium on EFTS by the Independent Community Banks in Illinois (ICBI), Mr. Kurtz said that such impediments to banking industry progress would give the competition an excellent opportunity to move ahead in the field.

First Bank Support Sought

Donations are being sought for the continued restoration of Illinois' first bank, John Marshall Bank, Old Shawneetown. Under the direction of H. Bruce Burnett, chairman, Norris City State, the Illinois Bankers Association fund drive committee is seeking pledges from 60 banks or businesses for $100 per year for five years.

According to fund drive officials, the act authorizing establishment of the former Bank of Illinois was approved in 1816. Around 1824, operations of the bank were suspended, but an act was passed in 1835 extending the bank's charter until 1857 under the name State Bank of Illinois at Shawneetown. John Marshall served as the first president of the institution. The bank closed in early 1842 and thereafter, the building alternately served as a bank and as a residence.

For further information, contact: H. Bruce Burnett, Chairman, IBA Fund Drive Committee, First Bank Restoration, Norris City State Bank, Norris City, IL 62869.

Common Ground Sought:

'AMBI Is Not Out to Destroy Ill. BA,' Pres. Charlton Tells Conventioneers

By DANIEL H. CLARK
Editorial Assistant

TO ALLAY the fears of any of the state's bankers, Walter J. (Jack) Charlton, president of the Association for Modern Banking in Illinois (AMBI), pointed out during last month's Chicago convention that "AMBI is not out to destroy the Illinois Bankers Association (IBA). We don't urge IBA members to quit and join AMBI."

Citing the pro-branching stance taken by AMBI members which two years ago caused the rift between his organization and the IBA, Mr. Charlton, who is president, First Trust, Kankakee, said, "Numbers are not the total game—it's participation that counts. Illinois bankers all are on common ground, basically. AMBI members are willing to listen to all sides of the arguments and work to help do what is best for the majority."

In anticipation of passage of future branching laws in the state, the 560 who attended the Hyatt Regency convention were presented with talks on subjects such as "We Went Multi-Bank Holding Company"; "Competitive Developments in the S&L Business and Their Affect on Bank Structures"; and "Marriage Proposals and Dowries."

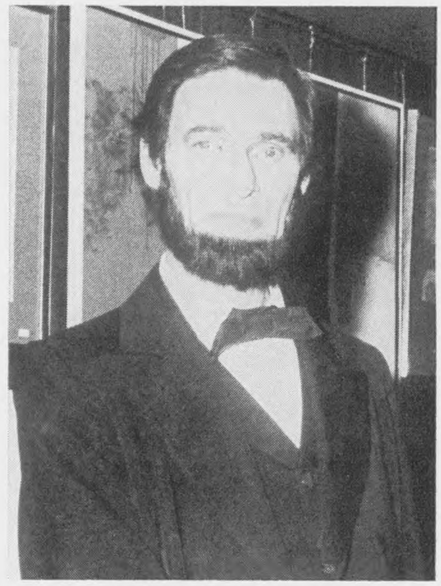
James E. Brown, president, Mercantile Bancorp. Inc., St. Louis, after comparing the current changes in Illinois banking to "menopause," told why Mercantile "went multi-bank holding company."

Since its beginning five years ago, Mr. Brown said, his HC has acquired 500,000 trust accounts and presently is developing a Master Charge-like, computerized central information system which couldn't be done on individual bases.

Because small banks don't fare as well as the larger ones in certain areas, Mr. Brown continued, his HC is able to advise member institutions on investments, loans and trust operations. He also stated that mass advertising campaigns don't work very well without the family name with which the public can identify.

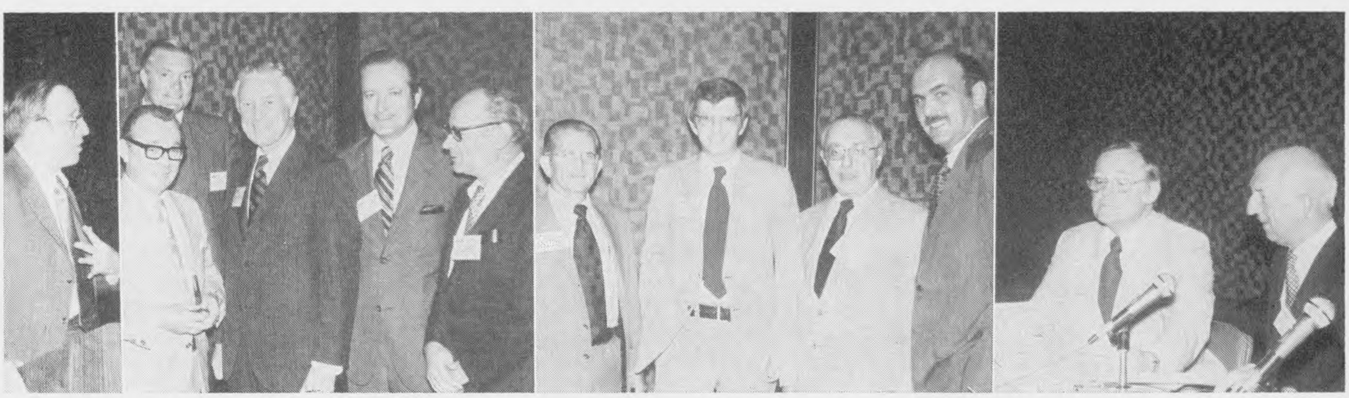
Mr. Brown added that personnel in the individual member banks hire and fire their own people. He also cited the advent of ATMs—automated teller machines—as the reason for the recent slowdown in Mercantile acquisitions, but that the sellling of "brick and mortar" to the HC was continuing, due to various reasons: banks' advanced ages; sizable bank stock loans; not enough capital to match growth; the need to settle an estate; or, the worst reason for acquiring a bank, profit.

H. Robert Bartell Jr., president, Federal Home Loan Bank, Chicago, delineating competitive developments in the S&L business, showed how the developments affect bank structure. He foresaw a future slowdown in S&L growth, due to increased savings cost and mortgage demands. Mr. Bartell indicated that he had found many of the state's profitable branch locations already spoken for, and that new ones are scrutinized much more closely. He added that there still is good potential for branches in small towns. Convenience, he said, was the keyword, citing the recent upswing in the use of data systems.



Abraham Lincoln (Richard Blake) was featured speaker at AMBI convention dinner at Chicago Hyatt Regency. He entertained crowd with tales of old Illinois and his debate with Stephen Douglas.

Dr. Jerome C. Darnell, University of Colorado (Boulder) associate professor of finance, spoke on "Marriage Proposals and Dowries (or How Much Is Your Bank Worth?)." He advised that smaller banks, when merging with another bank or selling to an HC, should try to pick the biggest partner possible. Larger banks, he said, tend to be more generous in their offerings, since a higher price can be more readily absorbed. This higher cost also can be



FROM LEFT: Donald P. Jacobs, dean, Northwestern U. Graduate School of Management, explains "Convenience Banking Without Branches" during Chicago AMBI convention. Next photo shows James E. Brown (l.), pres., Mercantile Bancorp., St. Louis; Edward L. Evans, pres., Valley Nat'l, Salinas, Calif.; AMBI Pres. Walter J. (Jack) Charlton, pres., First Trust, Kankakee; W. H. Brenton, ch., Brenton Banks, Des Moines, Ia.; and Carter H. Golembe, senior associate, Carter H. Golembe Associates, Washington, D. C., comparing notes before beginning of session. Third photo includes (from l.) Walter R. Lohman, pres., Bank of Springfield; Don S. Browning, v.p., Ill. Nat'l, Springfield; A. Andrew Boemi, AMBI v.p., and pres., Madison Bank, Chicago; and George L. Hacker, s.v.p., Blyth Eastman Dillon & Co., N. Y., featured speakers. On r., Robt. H. Bukowski (l.), AMBI leg. comm. ch., and s.v.p., Continental Ill. Nat'l, Chicago, and Henry E. Seyfarth, AMBI ch., and ch., First Nat'l, Blue Island, share morning news prior to program.

attributed to a scarcity of available banks and the great expense of de novo institutions.

Dr. Darnell went on to say that the best method he'd found for valuation of a prospective bank purchase was by "Present Value of Future Earnings." Taking considerations such as possible national economic developments, changes in the prospective bank's market, projections of deposits in the area, population growth, number of other banks, etc., he said that a good feel for the institution's future earnings could be attained. Keeping those figures in mind, Dr. Darnell continued, if the acquiring bank wants a 12% return on bank stocks now worth $2 per share, they should be assumed to grow at an annual compound rate of 8% for the next 10 years. The number of years could easily be expanded—the bank should be worth $16.46 per share, or 8.2 times earnings.

Current legislative thrust. Robert H. Bukowski, AMBI legislative committee chairman and senior vice president, Continental Illinois National, Chicago, told the convention that the only AMBI-backed legislation that had been able to pass committee was House Bill 1955 and Senate Bill 602, allowing an off-banking facility 3,000 feet from the bank and renewing the 9½% home mortgage limit, respectively.

Calling the facility bill "a crumb to be swept our way," Mr. Bukowski cited a lack of support from Cook County factions as the reason for AMBI's poor legislative showing. He added that the politicians had shown the same fears and emotions as seen earlier in California—the fear of bigness and the belief that bankers were the cause for current rates.

Comparing the AMBI bankers to the minutemen of revolutionary times, Mr. Bukowski said that eternal vigilance is the price of freedom, that the association must continue to fight.

He also indicated a change in tactics by AMBI, suggested by Chicago Mayor Richard Daley. Mr. Daley told him that the banking industry, not being politically oriented, had failed to communicate the benefits of legislation in a way that was understandable to politicians. Mr. Bukowski and Mr. Charlton both stated that the political communication problem would be corrected with additional full-time AMBI staff, probably based in Chicago and Springfield.

Special guest speaker. The convention banquet was entitled "An Evening With Abraham Lincoln" and featured dishes and drink of the 1860s. To complete the fare, President Lincoln—portrayed quite convincingly by Springfield native Richard Blake—appeared and entertained the conventioneers with jokes and segments from "his" debate with Stephen Douglas.

LEFT: George Auble (l.), dir., payment systems, Midwest Automated Clearing House Assn., Chicago, discusses EFTS advances with John F. Fisher, v.p., City Nat'l, Columbus, O., before addressing 2nd AMBI convention. CENTER: Alvin J. Boute, AMBI v.p., and pres., Independence Bank, Chicago, relaxes between sessions with featured speaker Jerome C. Darnell, associate professor of finance, U. of Colo. (Boulder), College of Business Administration. RIGHT: Convention Ch. Charles H. Barrow, e.v.p., Northern Trust, Chicago, watches AMBI program from audience.

Other convention speakers. Additional topics covered by convention speakers included "Regulatory Agencies—What Are They Thinking?" and "EFTS, ATU, CBCT, POS and You."

Carter H. Golembe, senior associate, Carter Golembe Associates, Washington, D. C., discussed the changes he had seen in regulatory agencies since 1950. He saw the least change in regulatory agencies—or, perhaps, a resurgence—in bank capital adequacy. Mr. Golembe felt that present research into the subject is much deeper, broader and more sophisticated than in recent years. He quoted FDIC chairman Frank Wille, who said that banks are insulated from market pressures, so regulators must step in.

Overall, Mr. Golembe saw regulatory agencies as an innovative force that isn't serving as a bar to expansion—he said the obstructions came from "some elements in the banking structure" and cited the office of the Comptroller, which, since the 1920s, has questioned the validity of limitations imposed on banking by state lines.

Mr. Golembe said he could find no defense for interest regulations on savings and time deposits, stating that congressional concern over housing, S&Ls and the Federal Home Loan Bank Board was the cause for interest ceilings.

Agencies, he stated, are recognizing consumerism. Mr. Golembe predicted improved disclosure regulations as part of the future, but he wondered how far it would go and how effective it would be.

Mr. Golembe stated that inflation is subsiding, so there is no need, he felt, for total control by regulatory agencies.

He predicted that the most important future concerns of regulatory agencies would be self-examinations—"playing catch-up ball." Mr. Golembe stated the reason for this is the changing Congress, which is younger, having no awe, as lawmakers did in 1950, of institutions.

He also saw Congress as more knowledgeable about banking and as having more interest in competition and performance of banks. He said that Washington isn't certain that the existing laws allow enough competition. The primary concern in the nation's capital, Mr. Golembe added, is performance—lower prices, better terms, etc. He concluded that these feelings on the part of lawmakers will result in more instances of regulatory agencies being called to account for their actions.

Illinois state law defines EFT systems as branches, so their use by state banks is not permitted. AMBI feels that this will one day come to an end and had several people on hand to explain the history and future of the systems. George Auble, director of payment systems, Midwest Automated Clearing House Association, Chicago, gave a graphic delineation of them, while John F. Fisher, vice president, City National, Columbus, O., offered a metaphoric history.

Mr. Fisher saw the early years, 1972-73, as "a packed stadium, with everyone cheering wildly, but little yardage being gained." The following year of electronic development, he said, was like "a forest that had been trail blazed, with each trail going in a different direction." Everyone had something new in the way of EFTS in the 1973-1974 year, Mr. Fisher stated, but there was no common ground to be found, just as when telephone service came to his grandfather's home town—there were the Bell system and the Peoples Telephone Co., but a party using one could not call someone on the other.

The present year, 1974-75, Mr. Fisher said, is the "period of muscatel." He feels that everyone is drunk with the new devices and that most are sitting around yelling "do something." The coming year, as he sees it, will be the "hair of the dog" period, with much litigation going on, while EFTS will have matured by 1976-77. • •

NEWS
From the Mid-Continent Area

Alabama

■ DAVID C. DeLANEY has been elevated to vice president, investment division, at First National, Mobile. He joined the bank in 1971. John P. Tetzeli has joined the bank as vice president, international division. He began his banking career in 1961.

■ DAN L. HENDLEY has been promoted to executive vice president at Alabama Bancorp., Birmingham. Formerly a senior vice president, he joined the HC in 1973 after service with the Atlanta Fed.

■ GORDON C. HURST has been appointed senior vice president and head of the newly formed southeastern banking department at First National, Birmingham. A. Fox deFuniak III, vice president, succeeds him as head, national accounts division. Mr. Hurst, who joined the bank in 1959, will assume responsibility for all correspondent banking areas and corporate accounts in Alabama for the bank and its HC, Alabama Bancorp., Birmingham, excluding those in Birmingham. Mr. deFuniak joined the bank in 1963.

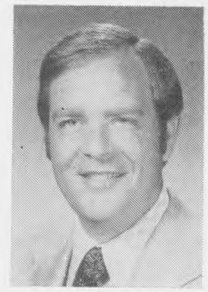
Arkansas

Women's Role, Legislation To Be Convention Topics Of Ark. Junior Bankers

HOT SPRINGS, ARK.—The Arlington Hotel will be the scene of the 1975 Arkansas Junior Bankers Convention June 14. Women's role in banking, understanding man, legislative and mortgage lending changes and EFTS will be the major topics examined. Robert Dill, Junior Bankers president, and assistant vice president, Simmons First National, Pine Bluff, will preside.

Mary George Waite, chairman and president, Farmers & Merchants Bank, Centre, Ala., will speak on "Women's


HURST


DILL

Role in Banking" and Dr. Bill Stroud, director of marketing/training at First National, Memphis, will address the conventioneers on "Toward Understanding Man." Both will speak during the morning session.

A 12:30 luncheon will feature speaker Dorman Bushong, new Ark.BA president, and president and CEO, Farmers & Merchants, Rogers.

At 2 p.m., three concurrent workshops will be held. Workshop one will concern Electronic Funds Transfer Systems, with a representative from IBM, while workshop two will discuss women's role in banking with Mrs. Waite as moderator. Panel members will be Joanne Graham, assistant vice president, First National, Camden; Margaret Ramsey, business development officer, Union Bank, Benton; and Sondra Boykin, assistant vice president, Worthen Bank, Little Rock. The third workshop will study "Changes in Legislation and Changes in Mortgage Lending." William H. Bowen, president, Commercial National, Little Rock, will discuss the former, while Leon Clements, assistant vice president, Simmons First National, Pine Bluff, will speak on the latter.

The concurrent workshops will be repeated at 3:15 p.m.

The kickoff time for the social event, which is through the courtesy of correspondent banks, will be 6:30 p.m. Mr. Dill will preside over the 7:30 banquet, during which the nomination, election and installation of new officers will take place. Entertainment will be by the Levee Singers of Dallas.

Junior Bankers officers serving under Mr. Dill include vice president—Ralph White, assistant vice president, Arkansas Bank, Hot Springs; treasurer—Bill Bowman, assistant cashier, McGehee Bank; and secretary—Bart Lindsey, marketing officer, First National of Phillips County, Helena.

Cited At State Banking School

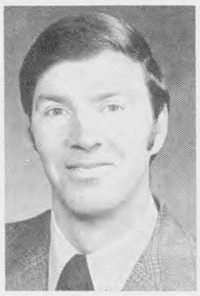
Pictured above are class officers for the annual Lending Course of the Arkansas Banking School (clockwise, from l.): treas., James Rogers, commercial loan off., First Nat'l, Little Rock; v.p., John Hopkins, commercial business development off., Citizens Bank, Jonesboro; sec., Donna Bailey, a.v.p., First Nat'l, Springdale; and pres., Bill Ross, a.v.p., Simmons First Nat'l, Pine Bluff. Below are the students receiving the top scores on their final exam (from l.): Paul Abdella, loan off./branch mgr., Nat'l Bank of Commerce, Pine Bluff; Gary Griffin, a.c., First Security, Searcy; Danny Carson, a.v.p., Bank of Lockesburg; and John T. Jones, v.p., Clark County Bank, Gurdon. The week-long school is one of a series of specialized courses sponsored by the Ark.BA. A Basic Trust Course was scheduled for April and the annual Basic/Intermediate Course will be held in June.

Illinois

■ JACK L. SIMPSON, vice president and trust officer, Champaign National, has been elected IBA trust division president. Other officers elected include: first vice president, Alfred E. Gallo, president and trust officer, Cosmopolitan National, Chicago; second vice president, Everett W. Kassing, assistant vice president and trust officer, First National, Belleville; and secretary, Donald X. Murray, IBA assistant secretary, Chicago.

■ CHARLES W. WOODFORD, former state treasurer, has been appointed administrative vice president and trust department head at American National, Chicago. Alberta I. Wuerfele, comptroller; Charles L. Garry, auditor; Andrew B. Albert, London Branch head; and Robert F. Donovan, retail banking division, have been promoted to vice presidents. Miss Wuerfele joined the bank in 1950; Mr. Garry, in 1939; Mr. Albert, in 1971; and Mr. Donovan, in 1955.

■ RICHARD D. McELFRESH has been appointed a sales engineer with the St. Louis branch of LeFebure, Cedar Rapids, Ia. He formerly was manager, Linxwelier, Decatur, Ill., and will sell LeFebure banking equipment and security systems within a 13-county area of Illinois.



WEHRLE

McELFRESH

■ JAY W. WEHRLE has been appointed a sales engineer for LeFebure, Cedar Rapids, Ia. He will sell LeFebure banking equipment and security systems in Illinois.

■ C. PHILLIP BURNETT III has been elected president and CEO at C. P. Burnett & Sons, Eldorado. Jack Watson has been appointed senior vice president and cashier. Mr. Burnett formerly was with United Bank, Denver, while Mr. Watson has been with the Burnett bank 13 years.

■ HOWARD TIMMINS has been named cashier at Rochelle State. He has been in banking 18 years. Bank officials also have announced the remodeling of the basement into a community meeting room.

■ ALLEN MOSSLER of Bankers Coop Inc., Villa Park, has been named sales director for Meilink Bank Equipment's northern Illinois territory.

New Drive-In to Be Expanded

Union Nat'l, East St. Louis, has opened a new drive-in facility. Three of its windows are fed by pneumatic tubes and one is a commercial window. Built at a cost of about $200,000, it is said to be the first privately financed business structure erected in that city in 10 years and, due to increasing business, officials report the facility soon will be expanded.

Bankers Trust Has Motor Bank

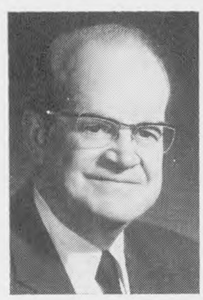
Bankers Trust, Belleville, has announced the opening of this new motor bank, which includes four drive-up lanes, inside walk-up service and a night depository service.

■ DONALD S. COHEN has been promoted from assistant vice president to vice president, business development division, at Exchange National, Chicago.

■ GEORGE J. TRAUTEN, president of First National, Rock Island, has been elected chairman, succeeding Lewis B. Wilson, who remains CEO and executive committee chairman. Charles C. Wilson has been named to replace Mr. Trauten as president. He was senior vice president. Theodore A. Mueller has been elected executive vice president, while Glen A. Richeson, senior vice president and cashier, has been named a director. Mr. Mueller was a senior vice president.

Indiana

■ HARRY L. BINDNER, James D. Keckley and Walter W. Ogilvie Jr. have been elected executive vice presidents at American Fletcher Corp., Indianapolis. Alvin L. Kuehn has been



BINDNER

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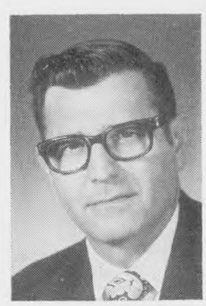


KECKLEY

named senior vice president and treasurer, while A. L. LePere and J. Albert Smith Jr. have been elevated to senior vice presidents. Mr. Bindner, who also is president and chief operating officer, American Fletcher National, Indianapolis, has been vice president of the HC since 1971.

Kansas

■ HUTCHINSON NATIONAL has received the Comptroller's approval to construct a new facility, which will have four drive-up lanes and has a planned opening date of late summer or early fall.

■ GAY BALDWIN, assistant vice president and manager, Lincoln Heights East Office, Kansas State, Wichita, has been promoted to vice president and manager. She joined the bank in 1967.

Kansas Elections Announced

Results of elections at two Kansas associations—Kansas Association of Bank Agricultural Representatives (KABAR) and the trust division of the Kansas Bankers Association—have been announced.

James Birkbeck, vice president and cashier, Denison State, Holton, has been named KABAR president, succeeding Charles Esslinger, farm representative, Bank of Commerce, Chanute.

Others elected to KABAR positions include: vice president, Robert Rethorst, vice president, Smith County State, Smith Center; and secretary-treasurer, Lawrence Schmidt, vice president, Home National, Arkansas City.

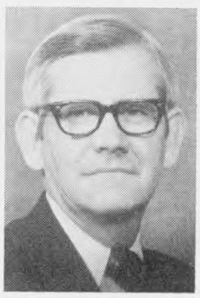
Dwight Oppliger, trust officer, Fourth National, Wichita, has been elected trust division president for the KBA. He succeeds James Berglund, vice president and trust officer, First National, Salina.

Also elected to KBA trust division offices were John Houlehan, vice president and trust officer, Roeland Park State, president-elect; and as secretary-treasurer, Rudy Wrenick, assistant trust officer, First National, Topeka.

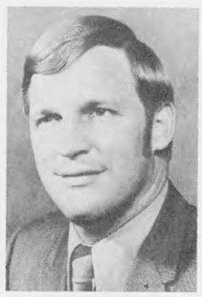
Bank Receives Gold Key Award

This is the Gold Key Award given Commercial Nat'l, Kansas City, by the Nat'l Premium Manufacturers Representatives Assn. for the bank's Sony TV and stereo set promotion. Admiring the award are bank officers (from l.) Max Dickerson, s.v.p.; Lloyd Burton, v.p.; and Bernard J. Ruysser, pres. Entries were judged on objectivity, quality, suitability of timing and creative excellence.

■ JACK N. ALLEN has been elected vice president at Fourth National, Wichita. He will have primary responsibility in commercial mortgage lending. Mr. Allen joined the bank in 1972 and, prior to that, was with Commerce Trust, Kansas City, Mo., and then Merchants National, Topeka.



COOK



ALLEN

■ ALTON B. COOK has been named president at Federal Intermediate Credit Bank, Wichita, succeeding Kenneth M. Lyon, who has retired. Mr. Cook joined the Wichita FICB in 1972.

■ KENNETH J. GOERING, vice president, Citizens State, Moundridge, has been promoted to executive vice president. R. Dwight Claassen has been elevated from cashier to vice president; Connie Graber, from assistant cashier to cashier; and Carol Hagen, from assistant cashier to assistant vice president.

Kentucky

■ FRANK B. BARKER will join First & Farmers National, Somerset, as president August 1. Mr. Barker is currently vice president in charge of the correspondent department at First Security National, Lexington. He will succeed Jake F. Butcher, who has been elected CEO and chairman of Hamilton National, Knoxville, but who will continue as CEO at First & Farmers National. Mr. Barker has been with First Security National for 17 years.

BARKER

■ GEORGIA M. ELLINGER, assistant vice president, marketing, has been promoted to vice president at Citizens Fidelity, Louisville, while Jacque Steyn, assistant cashier and manager, Preston Highway Office, has been elevated to assistant vice president and manager.

■ GERALD G. TYRRELL has been elected senior vice president at First National, Louisville. He joined the bank in 1962 and currently heads the newly formed real estate industries division.

■ CHARLES L. DOUGLAS and W. Terry McBrayer have been elected directors at Second National, Ashland. Mr. Douglas is with a mine service company, while Mr. McBrayer is a state representative and chief executive officer to the governor.

■ SHAREHOLDERS at First Security National, Lexington, have approved a plan and elected directors for formation of a one-bank HC, with the bank as a wholly owned subsidiary of the proposed First Security Corp. of Kentucky. Consummation is subject to regulatory approval.

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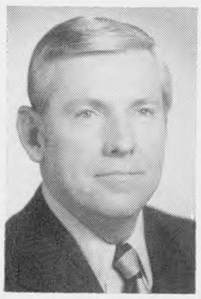
Louisiana

■ RODGER J. MITCHELL, Executive vice president, First National Bank of Commerce, New Orleans, has been named president and CEO there and at its HC, First Commerce Corp., New Orleans. He succeeds James H. Jones, who went to Bank of California, San Francisco, as deputy chairman and CEO. Mr. Jones also will serve as deputy chairman, president and CEO at the Bank of California HC, BanCal Tri-State Corp. Replacing Mr. Jones as chairman at First NBC and its HC will be Harry M. England, who has been serving on both boards. Mr. Jones went to First NBC in 1969 from Republic National, Dallas. Under his leadership, First NBC reportedly became the first bank in that city to exceed $1 billion in resources. Mr. Mitchell joined the bank in 1973, also going from Republic National.

Mississippi Young Bankers Elect Officers

New officers were elected recently by the Young Bankers Section of the Mississippi Bankers Association at its convention in Hattiesburg. They are (from l.): pres., Bobby Harper, e.v.p., Nat'l Bank of Commerce, Columbus; v.p., Cecil Burnham, e.v.p., Truckers Exchange Bank, Crystal Springs; treas., Glynn Hughes, pres., South Central Bank, Monticello; and sec., Jim Alford, a.v.p., First Nat'l, Jackson.



MITCHELL

■ E. M. (NED) CLARK, senior vice president in charge of the marketing division, Fidelity National, Baton Rouge, has been promoted to executive vice president.

■ JOSEPH E. LONERO and Warren R. Sullivan have been named vice presidents, marketing division, at Hibernia National, New Orleans.

Mississippi

■ RAY R. McCULLEN has been named president at City Bank, Natchez, replacing Earl W. Lundy, who has been elected president, First National, Vicksburg. Mr. McCullen will continue to serve as vice chairman-administration, Deposit Guaranty, Jackson, a position he has held since January. He joined that bank in 1950, was named executive vice president in 1969 and general vice president and advisory board member in 1973. Mr. Lundy began his banking career with the old Mechanics State in 1956. He held the office of executive vice president when it merged with Deposit Guaranty in 1966. In 1969, Mr. Lundy transferred to Deposit Guaranty as a senior vice president and to City Bank in 1973. He became president of that institution later that year.

■ W. P. McMULLAN JR. has been elected chairman and CEO at Mississippi Bank, Jackson. Prior to joining the bank, he was vice chairman, Deposit Guaranty National, and president and chief operating officer of its HC, Deposit Guaranty Corp., both of Jackson.

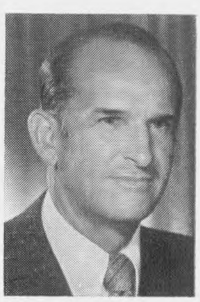
■ WILLIAM M. WATKINS, president, Security Corp.-South, Jackson, has been named to the national network of independent dealers of Security Corp., Irvine, Calif. He will market Security's full range of bank products. He began his career with Magnolia Federal S&L and then was with Mosler Safe Co.

Missouri

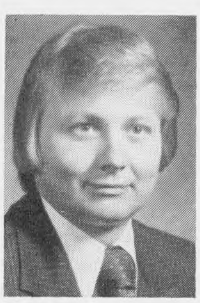
■ ROBERT W. ROGERS has been advanced to executive vice president; Norville R. Gish, to senior vice president; William J. Huhmann, to senior vice president and controller; and William J. Fisher, to vice president and secretary at First National Charter Corp., Kansas City. Mr Fisher replaces Donald Kasle, who returns to the lead bank, First National, Kansas City.

ROGERS

GISH



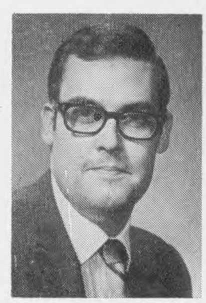
McCULLEN



WATKINS

McMULLAN

HUHMANN



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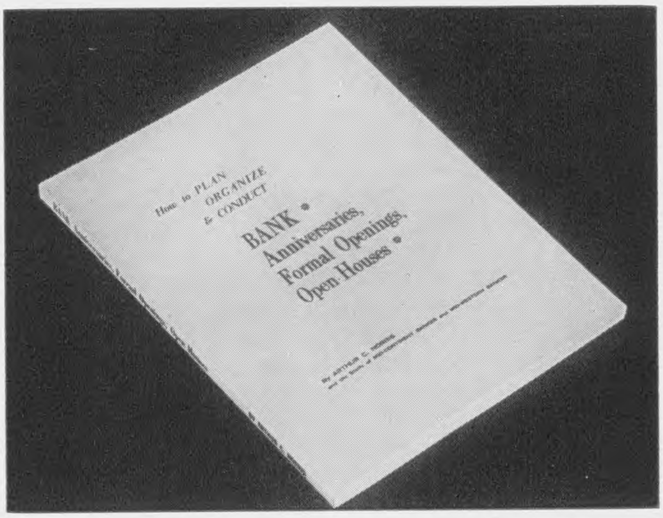

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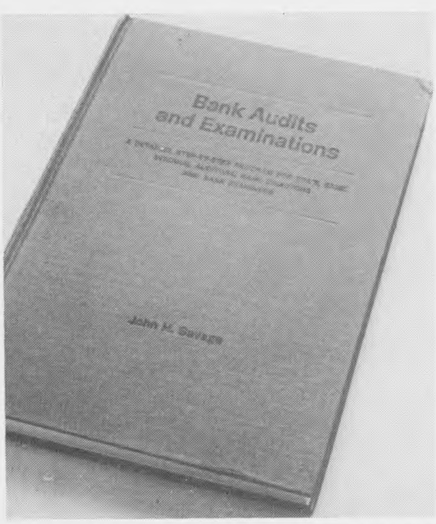

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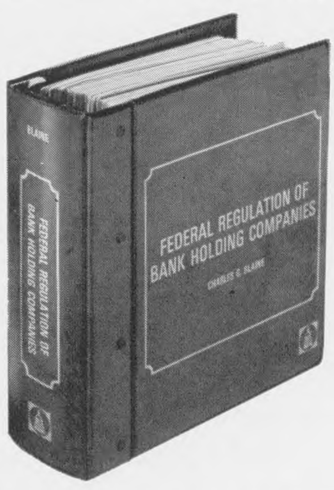

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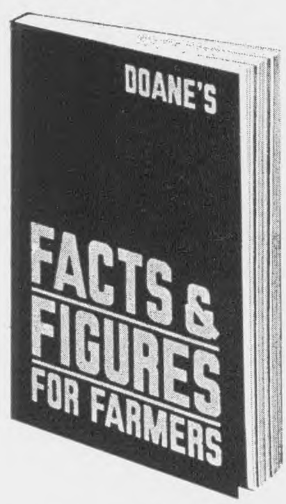


FACTS & FIGURES FOR FARMERS (AND BANKERS). A complete reference source that will help the farmer (and his banker) calculate inputs, measure land, figure silo capacities, balance rations, calibrate sprayers, analyze budgets, estimate space requirements, machinery operating costs and capacities . . . to name just a few sections in the book. $6.95 postpaid. Send check to Commerce Publishing, 408 Olive, St. Louis, Mo. 63102 (In Mo., add 4½% sales tax.)

Messrs. Rogers and Huhmann have been with the HC since 1971 and Mr. Gish, since 1970. Mr. Fisher joined the bank in 1964 and has been an assistant vice president, correspondent bank division, since 1970. Mr. Rogers, formerly senior vice president, has responsibility for development of the HC's personnel-related programs; Mr. Gish, a former vice president, continues to direct corporate marketing and communications functions and will assume a more active role in company management and acquisition programs; and Mr. Huhmann, who was elevated from vice president and controller, continues as chief financial officer.

■ WARREN W. WEAVER has been named an executive vice president at Commerce Bancshares, Kansas City, while Joseph R. Bartels and Ernest A. Thompsen Jr. have been elected vice presidents, and Norman T. Williams a regional vice president. At the lead institution, Commerce Bank, Kansas City, Donald L. Moriarty has been promoted to senior vice president. Mr. Weaver, who will have senior responsibility for BankAmericard, marketing, personnel and real estate activities, joined Commerce Bank, Kansas City, in 1968 and was named vice president and director of marketing at the HC in 1972. Mr. Bartels joined the bank in 1963; Mr. Thompsen, in 1965; Mr. Williams, in 1971; and Mr. Moriarty, in 1950.

WEAVER

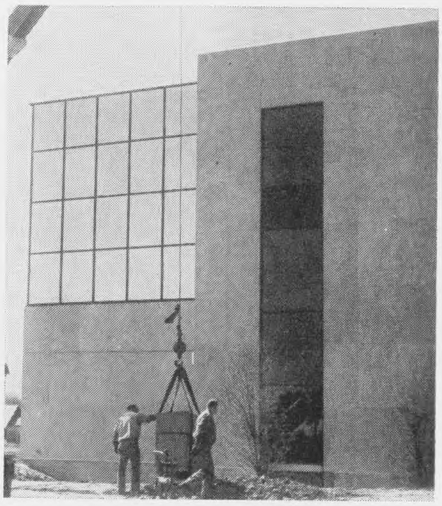
BENNETT

■ ROBERT J. BENNETT has been elected a vice president at Boatmen's National, St. Louis. Before joining the bank recently, Mr. Bennett was a management consultant with Touche Ross & Co., New York.

■ COMMERCE BANK, Independence, has broken ground for its new drive-up facility, which covers over 1,200 square feet of space. Officials say the facility will include two inside tellers, three drive-up lanes and space for three customer service personnel in the lobby.

■ SHIRLEY M. KOLAR has been elected vice president at First North County Bank, Jennings. She joined the bank in 1960, became assistant treasurer in 1967, secretary in 1968 and personnel director in 1970, positions she retains. Mrs. Kolar has 22 years' banking experience.

■ FIRST NATIONAL, Wellston, has moved into its new building in northwestern St. Louis County and changed its name to Plaza First National of West Port. The new building has four floors, with a total 70,000 square feet of space. Plaza First National (called Plaza Bank) occupies the lower two floors. The bank had occupied its Wellston location for 72 years.

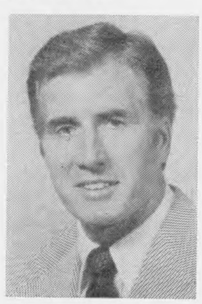


Workmen lower safe deposit boxes into lower level of new home of former First Nat'l, Wellston. Besides move to another area in St. Louis County, bank changed name to Plaza First Nat'l of West Port.

■ PETER C. PALUMBO has been elected a vice president at Mercantile Trust, St. Louis, while Jerome S. Goldstein has joined the bank as vice president in charge of financial services. At the HC, Mercantile Bancorp., St. Louis, Richard P. Conerly, president and CEO, Pott Industries, and Vincent T. Gorguze, president, Emerson Electric, both of St. Louis, have been named directors. Mr. Palumbo joined the bank in 1962.

Marcus Dittman Dies

Marcus W. Dittman, 46, immediate past vice president, Region Four, Missouri Bankers Assn., died of cancer April 24. He was vice chairman, North Hills Bank, Kansas City, which he joined as president in 1972. He was a former Richmond banker.



DITTMAN

AIBW Dinner Dignitaries

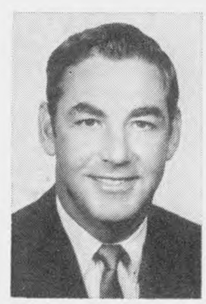
Pictured at recent American Institute of Bank Women (AIBW) dinner in St. Louis are (l. to r.) Angela Mazzola of Manchester Bank, St. Louis, dinner ch.; Francine I. Neff, treas. of U. S. and featured speaker; and Nina Dix of First Nat'l, St. Louis, AIBW ch. Topic of Mrs. Neff's speech was "View From the Potomac."

■ MARLIN L. KOELLING has been elected a senior vice president at United Missouri Bank, Kansas City, while Sharlyn Anderson has been promoted to assistant cashier. Mr. Koelling, formerly a vice president, has been with the bank 10 years. Mrs. Anderson joined United Missouri in 1970. Joe F. Rayl, chairman, United Missouri, Springfield, and Gilbert Roper, chairman and president, United Missouri, Joplin, affiliate banks, have been named directors at United Missouri Bancshares, Kansas City, HC for the banks.

New Mexico

■ SOUTHWEST NATIONAL, Albuquerque, has opened in temporary quarters. S. D. Levenson serves as president, while Larry L. Logan and F. Leroy Pacheco are vice presidents. A new building, with 6,000 square feet of space, is under construction. Date of completion is set for October.

MORRIS



■ ROBERT G. MORRIS has been named western regional manager, Security Corp., Irvine, Calif. His 12-state territory includes New Mexico, and he operates out of the firm's headquarters in Irvine.

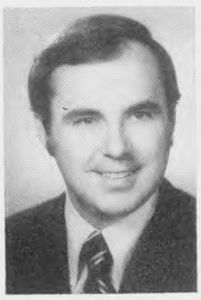
For the past 11 years, Mr. Morris has held various sales and management posts with Diebold, Inc., Canton, O.

Oklahoma

■ KENNETH C. OLINGER, executive vice president, First National, Tulsa, has been elected vice chairman, while Robert R. Gilbert III, senior vice president, has been elevated to executive vice president. Mr. Olinger joined the bank in 1963 as a vice president, became executive vice president in 1968 and was elected a director in 1974. Mr. Gilbert joined First National in 1965 and was elected assistant vice president one year later. He became vice president in 1971 and a director in 1974.

OLINGER

GILBERT



MITCHELL

■ DALE E. MITCHELL has been elected senior vice president and trust officer at First National, Oklahoma City, while Donald B. Buckalew has been named vice president. Mr. Mitchell, who has experience in the securities field, will head the investment division of the trust department, and Mr. Buckalew, who goes from Liberty National, Louisville, will serve in the commercial loan section.

■ JACK H. HOBERECHT has been promoted to vice president and cashier at Liberty National, Oklahoma City, while Arthur J. Blyden has been named vice president. Richard D. Manley has been elected vice president at the bank and the HC, Liberty Financial Corp., Oklahoma City. Mr. Hoberecht, who joined the bank in 1946, works in the operations department, while Mr. Blyden, who has joined the investment services department, formerly was with Merrill Lynch, Pierce, Fenner & Smith. Mr. Manley, with the real estate division, was with a mortgage company 15 years.

Little Big Horn Display

Jack T. Conn (l.), ch., Fidelity Bank, Okla. City, and Wilfred A. Clarke, bank pres., contemplate sculptures comprising "The 1876 Little Big Horn Centennial Series," commemorating the 100th anniversary of the Indian battle. The collection, by Leonard McMurry, has been purchased by the bank and was on display in its lobby, after which it joined the other art objects on permanent display at Fidelity Plaza. For the series, Mr. McMurry sculpted busts of eight key participants in the battle known as "Custer's Last Stand": Maj. Gen. Alfred Terry, Lt. Col. Custer, Maj. Marcus Reno, Capt. F. W. Benteen, Sitting Bull, Rain-in-the-Face, Gall and the army scout, Curly.

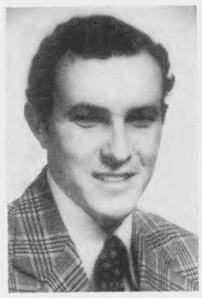
■ J. W. McLEAN, chairman, Liberty National, Oklahoma City, has been given the distinguished service award by the University of Oklahoma. It reportedly is the school's highest honor. The equivalent of an honorary degree, the award was made for "his positive contribution to human progress through devotion to enduring values and unselfish and sustained service to others."

■ WILLIAM P. SULIBURK has been named an assistant vice president and William R. Baker has been elevated to trust officer at National Bank of Tulsa. Mr. Suliburk joined the bank in 1972 and Mr. Baker, in March.

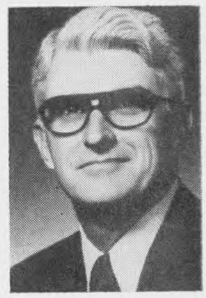
Tennessee

■ JACK B. DONALDSON, executive vice president and manager, corporate banking group, First Tennessee National Corp., Memphis, has been named to succeed Henry H. Haizlip Jr. as manager, real estate group, next December. After that, Mr. Haizlip will continue as First Tennessee president and as chairman and managing trustee, First Memphis Realty Trust. Succeeding Mr. Donaldson will be James A. Kinney, manager, national division, First National, Memphis, anchor bank. Thomas D. Fowler, vice president, has been named to head the bank's national division and Lyman D. Aldrich Jr., First National's metropolitan division, has been elevated to vice president. As corporate group manager, Mr. Kinney will supervise correspondent bank, international, national, area development and commercial finance activities.

■ THOMAS M. FRENCH JR. has been elected executive vice president at First American National, Nashville, and president and CEO at Guaranty Mortgage Co., affiliate of First Amtenn, HC for the two institutions. He succeeds Steve Neely, bank senior vice president, in the latter position. Mr. Neely, who had been serving temporarily at Guaranty, will return to the bank in a senior position of responsibility. Mr. French has over 20 years' mortgage banking experience and Mr. Neely joined First American in 1947. In other news at the bank, Larry E. Morrow and Arnold R. Spruill have been elected assistant vice presidents. Mr. Morrow has been with First American since 1962 and Mr. Spruill, since 1967.



McCAY



FRENCH

■ DORSEY H. McCAY JR. has been named a sales engineer with the Memphis Branch of LeFebure, Cedar Rapids, Ia. He will sell LeFebure banking equipment and security systems in a 24-county area in Tennessee, Arkansas and Mississippi.

■ CHARLES TERRY SCARBROUGH has been elected president and acting CEO at Hamilton National of Polk County, Copperhill. Leland Parrish, whom Mr. Scarbrough succeeds, has been named chairman, replacing H. H. Hyatt. Mr. Scarbrough joined the bank last October as executive vice president after serving as executive vice president and CEO, Hamilton Bank of Jefferson County, White Pine.

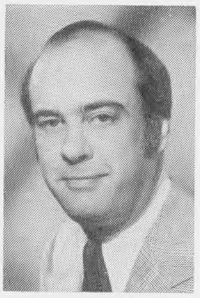
A Salvation Army Honor

William W. Mitchell (l.), ch., First Nat'l, Memphis, receives the plaque proclaiming him as a life member of the Salvation Army's Greater Memphis advisory board from Carl N. Stokes (c.), advisory board ch., and Brig. Gen. John Roy Jones, city commander, Salvation Army. Mr. Mitchell has been an advisory board member since 1948.

Texas

■ L. O. BRIGHTBILL III has been promoted from senior vice president to executive vice president, Texas American Bancshares, Inc., Fort Worth, HC for Fort Worth National. Gary W. Cage, who was the HC's vice president and treasurer, has moved up to senior vice president and treasurer.


BRIGHTBILL


CAGE

In his new post, Mr. Brightbill continues to be responsible for liaison with subsidiary and affiliate banks of Texas American in the areas of credit and banking services in addition to other duties. Mr. Cage's responsibilities include relationships with underwriters, financial institutions, securities analysts and investors in addition to other financially related activities.

Charles S. Signor Dies

Charles S. Signor, 63, senior vice president, Lubbock National, died at his home following a lengthy illness.

He joined Lubbock National in 1954 as vice president in charge of business development, public relations and correspondent banking. He headed the correspondent department at the time of his death.

Mr. Signor also had been serving as chairman of the correspondent banking and marketing sections, Texas Bankers Association.


BERGER


WILLIAMS

■ ARTHUR R. BERGER has been named a senior vice president at First National, Fort Worth, while Wendell Towery has been promoted to assistant vice president. Mr. Berger has had 20 years' experience with a national accounting firm, and Mr. Towery previously was a supervisor of instructors, University of Oklahoma's Management Training School for the Federal Aviation Administration.

■ BRYAN J. WILLIAMS III, vice president, Lubbock National, has been appointed correspondent bank department head, succeeding the late Charles S. Signor. Mr. Williams has been with the bank since 1973 and previously served in the correspondent department at First National, Fort Worth, where he traveled south and west Texas.

■ RONALD BROWN has been elected president and CEO at Houston National, going from his position as senior vice president and general manager, Republic National of Dallas' London Branch. N. W. Freeman, Houston National executive committee chairman, has been named to the additional post of chairman, while H. G. Symonds Jr., formerly president, has been elected vice chairman. A. Schlick Boettcher has been promoted to senior vice president and trust officer. These elections were announced after finalization of the merger between Houston National Co., owner of Houston National, and Republic National's owner, Republic of Texas Corp., Dallas. Mr. Brown joined Republic in 1959, while Messrs. Freeman and Symonds joined Houston National in 1964. Mr. Freeman is chairman and chief policy officer, Tenneco, Inc., Houston.

■ ANNE ARMSTRONG has been named a director at First City Bancorp., Houston. Previous to that, she served as counselor to the President and cabinet member, advising the President and acting as White House liaison for federal programs regarding the bicentennial and opportunities for women, youth and Hispanic Americans.

■ W. L. (BILL) AKIN JR. has been elected assistant vice president and trust officer and Lucille Mendoza has been elevated to assistant cashier at First National, McAllen. Mr. Akin joined the bank in 1970, going from Frost National, San Antonio. Mrs. Mendoza joined the bank in 1954.

■ EDWARD C. NASH JR., president and director, National Bank of Commerce, Dallas, has been elected CEO. Mr. Nash, who was elected president of NBC last August, joined the bank in 1963. He serves as director, Farmers & Merchants National, Kaufman. Also announced at NBC was the election of Jim Meeker to assistant vice president. He is manager, dealer finance and collections, installment loan department.

■ EMIL J. JOOST, international department, and Raleigh Hortenstine III, funds management department, Republic National, Dallas, have been promoted to vice presidents. Thomas A. Swiley, credit administration; David A. Simmonds, international-London Branch; and Ann G. Hensley, Master Charge group have been named assistant vice presidents.

Banking Scene

(Continued from page 12)

tions in other than their own state, provided branching is permitted there. These large banks, whether they are located in a branching or a non-branching state, have their officers traveling through other states, seeking major national acounts—either as borrowing or depositing—or accounts for the other services of the bank, i.e., lock box, trust and pensions. While they will not, technically, accept deposits in a state other than that of their incorporation, as a practical matter, the acceptance of deposits can be handled easily by a wire transfer of funds.

Many large banks have established loan production offices in other states. These offices, in effect, are able to generate loans and create deposits by the rudimentary process of crediting the loan to an account. To that, one must add the compensating balances found in the loan policies of larger banks.

The same can be said about HCs. The philosophy of the Fed has been to bless the acquisition of the finance companies which may operate outside the state in which the bank is incorporated. The money stores, finance companies and loan production offices certainly are of an interstate nature. Thus, if one looks to the substance, rather than the narrow legality of bank structure, it may be concluded that the large banks already have been able to bypass the legislation which, in theory, attempts to restrict their operations. Add to that the interstate operation of bank credit cards and the emerging interstate nature of the use of electronic fund transfers in which the Comptroller of the Currency has authorized electronic communication terminals to be established by a bank beyond its trade area, and we see that this lends credence to the belief that the federal agencies are taking steps to permit a broader base of interstate activities by banks.

It also should be recognized that, under the grandfather clause, there are institutions that are permitted to have their branch HC operations in more than one state.

Remember Hinky Dinky? One should not be as myopic as the U.S. Justice Department. S&Ls and mutual savings banks have interstate activities which compete with commercial banks.

My intent is not to take a position on the proposal by the Fed for interstate acquisition of large problem banks. I simply want to put some of the factors into context that bankers should consider when pondering the question of whether their state bankers association or their bank should take a posture for or against the proposal.

In sensitive topics such as this, there is polarization between small and large banks. Their officers think of their own best interests, which may vary between short and long term. It is valid for an individual or bank to have strong feelings concerning the impact on its own institution by a step such as the legalization of interstate acquisition of large problem banks. However, having considered the probable impact, the politics involved and the role of commercial and other financial institutions, I think the overriding consideration should be: What will this proposal do for the public welfare? • •

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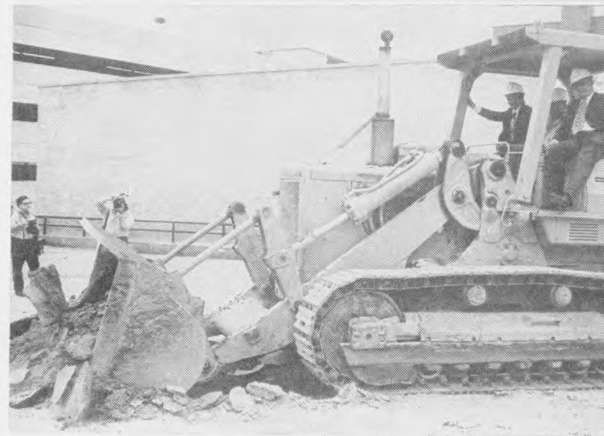


Gray Breidenthal, pres., Security Nat'l, welcomes visitors to groundbreaking for new bank (top) and rides bulldozer as it scoops first bite of earth for foundation of new building. Also riding dozer is R. J. Breidenthal Jr., bank v.p.

Security National Bank To Build New Headquarters In Kansas City, Kan.

SECURITY NATIONAL, Kansas City, Kan., has begun an 18-month building project that will result in a new full-service headquarters building for the institution at the corner of Seventh and Minnesota—directly across Seventh Street from its present building.

The bank plans to occupy the lower three floors of the six-story, eight-level building, which amounts to some 75,000 square feet of area. The entire building will encompass about 140,000 square feet of area. The upper floors will be allocated for future bank growth and rental.

The lower level of the new building will include a four-station drive-up facility, an expanded safe deposit department, a bond department, cash and securities vaults, storage and utilities and an employees lounge and lunchroom that can accommodate up to 200 people when used as an assembly room.

The principal public banking quarters will be at street level. Departments to be located on the main floor include paying and receiving, discounts, statements, installment loans, correspondent, commercial loans, real estate, marketing and senior officers. A commercial tenant will occupy 6,000 square feet of space on this level.

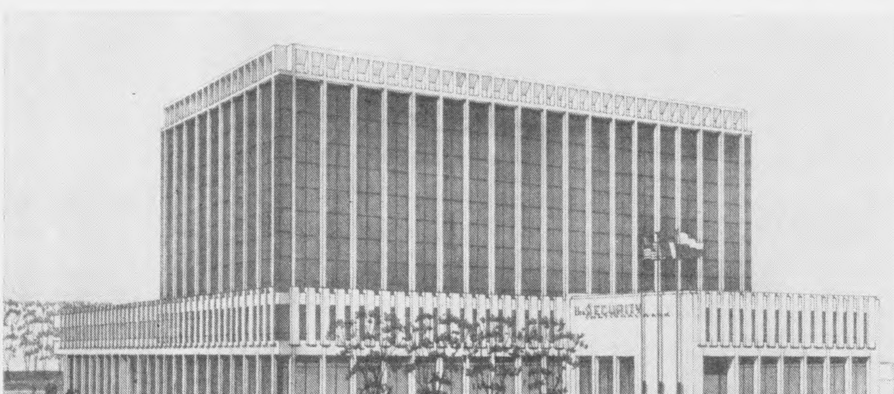
A mezzanine will accommodate building services and rental areas and will be connected to an adjacent parking facility.

On the second floor will be found the trust department, conference and board rooms, officers lounge and future dining room, plus some commercial rental area.

Bank operations will be housed on the third floor.

Gray Breidenthal, president, said, "We at Security National have faith in Kansas City, Kan., and in the future of the center city area. We hope that this commitment on our part will generate additional interest in downtown activities."

Security National was formed in 1933, when Security State and Peoples National were consolidated. In 1962, Riverview State was merged into Security National, and Victory State joined the fold last December. • •



Artist's sketch of new six-story, eight-level Security Nat'l headquarters building, to be constructed in downtown Kansas City, Kan., across street from existing bank.

Betz, Dierks, Courrier.

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J. Ben Courrier
Assistant Vice President
(314) 342-6388

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