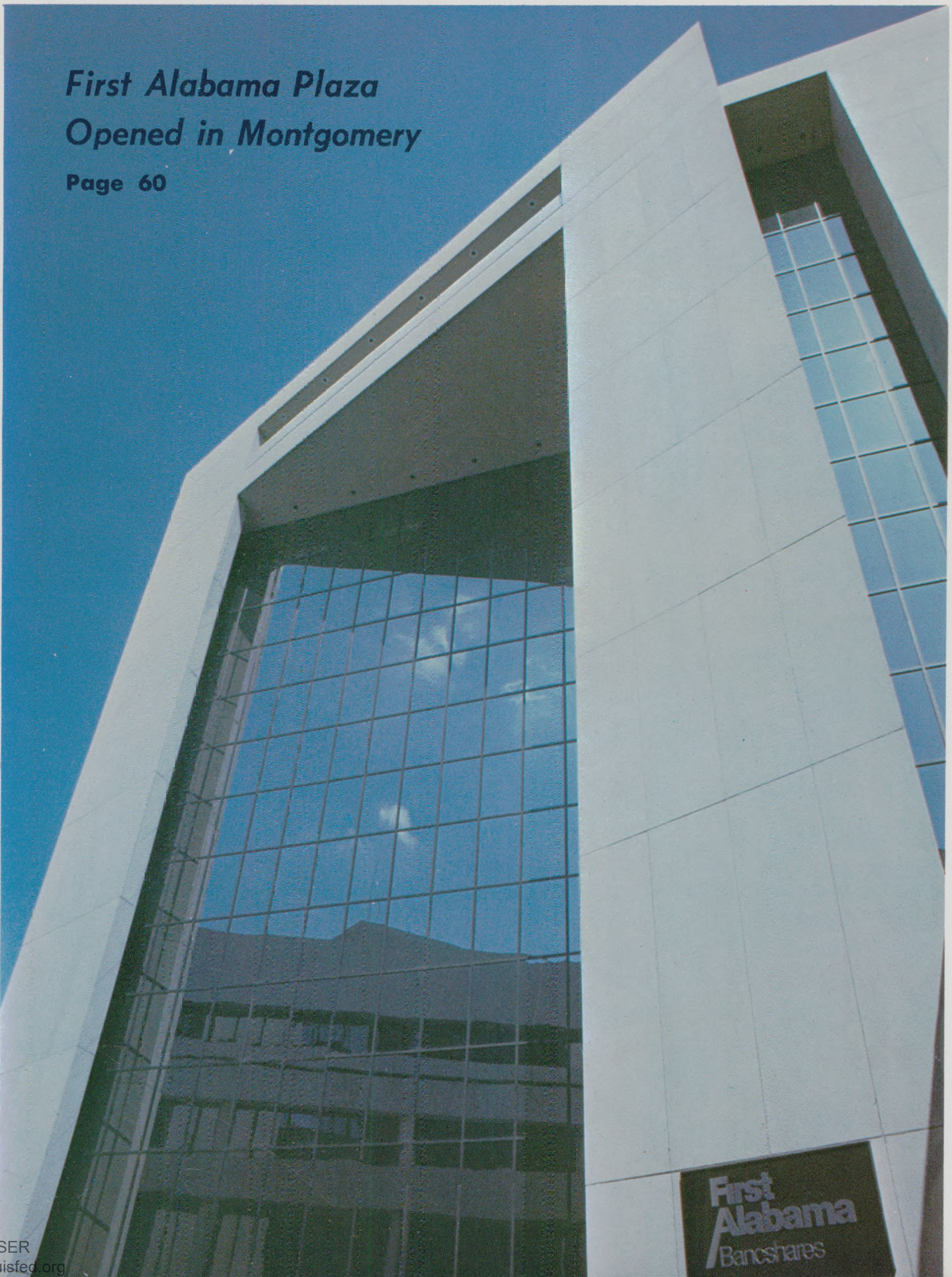
MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

CONVENTION REPORT ISSUE **JUNE, 1976**

First Alabama Plaza Opened in Montgomery

Page 60



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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 72, No. 7 **June, 1976**

FEATURES

CONVENTION REPORTS

DEPARTMENTS

STATE NEWS

Editors

Ralph B. Cox
Editor & Publisher

Lawrence W. Colbert
Assistant to the Publisher

Rosemary McKelvey
Managing Editor

Jim Fabian
Associate Editor

Daniel H. Clark
Editorial Assistant

Advertising Offices

St. Louis, Mo., 408 Olive, 63102, Tel. 314/421-5445; Ralph B. Cox, Publisher; Margaret Holz, Advertising Production Mgr. Milwaukee, Wis., 161 W. Wisconsin Ave., 53203, Tel. 414/276-3432; Torben Sorenson, Advertising Representative.

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Convention Calendar

June

June 15-17: Kansas Bankers Association Bank Management Clinic, Lawrence, University of Kansas.
June 16-17: Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton Hotel.
June 16-18: Missouri Bankers Association Young Bankers Seminar, Osage Beach, Mo., Tan-Tar-A Resort.
June 17-18: Robert Morris Associates Secured Lending: Accounts Receivable, Inventory & Equipment Financing Workshop, St. Louis, Stouffer's Riverfront Inn.
June 20-22: Bank Marketing Association, Bank Planning Conference, Chicago, Hyatt Regency O'Hare.

July

July 11-16: Kansas, Missouri & Nebraska Bankers Associations Basic Trust School, Lincoln, University of Nebraska.
July 11-23: ABA School for International Banking, Boulder, University of Colorado.
July 18-21: ABA I&PD Risk Management in Banking Seminar, Boulder, University of Colorado.
July 19-23: ABA National School of Bank Card Management, Evanston, Ill., Northwestern University.
July 20-22: ABA Governmental Relations Council Meeting, Washington, D. C., Washington Hilton.
July 25-31: ABA Operations/Automation Division Business of Banking School, Durham, N. H., New England Center.
July 25-Aug. 6: Southwestern Graduate School of Banking, Dallas, Southern Methodist University.

August

Aug. 1-13: Consumer Bankers Association, Graduate School of Consumer Banking, Charlottesville, Va.
Aug. 8-13: ABA National School of Real Estate Finance, Columbus, O., Ohio State University.
Aug. 14-20: Bank Marketing Association, Graduate Course in Bank Marketing Management, Madison, Wis., University of Wisconsin.
Aug. 15-28: Central States Conference, Graduate School of Banking, Madison, Wis., University of Wisconsin.
Aug. 16-27: ABA National Trust School/National Graduate Trust School, Evanston, Ill., Northwestern University.

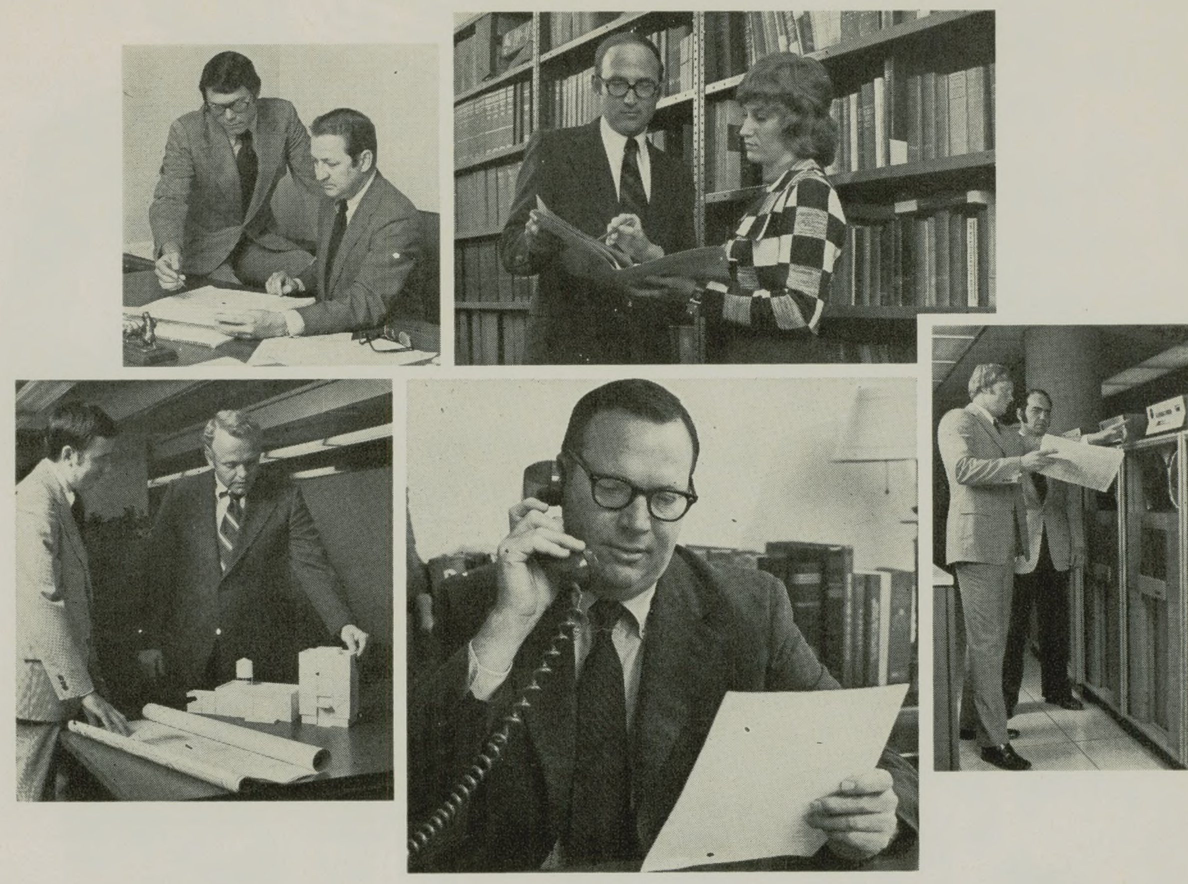
September

Sept. 4-7: Assembly for Bank Directors, Colorado Springs, Colo., The Broadmoor.
Sept. 12-14: Kentucky Bankers Association Annual Convention, Louisville, Galt House.
Sept. 12-14: Bank Marketing Association, EFTS Conference, Toronto, Can., Hotel Toronto.
Sept. 12-15: ABA Bank Card Annual Convention, San Francisco, Hyatt Embarcadero.
Sept. 12-17: Robert Morris Associates, Loan Management Seminar, Bloomington, Ind., Indiana University.
Sept. 12-17: Kansas, Missouri & Nebraska Bankers Associations, School of Basic Banking, Lincoln, Neb., University of Nebraska.
Sept. 15-17: ABA Southern Regional Operations/Automation Workshop, San Antonio, Tex., Hilton Palacio del Rio.
Sept. 19-21: Bank Marketing Association, Public Relations Conference, Chicago, Chicago Marriott Hotel.
Sept. 19-22: ABA National Personnel Conference, San Francisco, Fairmont Hotel.
Sept. 20-21: Mortgage Bankers Association, President's Conference, New Orleans, Hyatt Regency Hotel.
Sept. 26-29: National Association of Bank Women, Inc., Annual Convention, New York, Waldorf Astoria.
Sept. 27-28: Robert Morris Associates, Lending to Banks & Bank Holding Companies Workshop, Chicago, Hyatt Regency O'Hare.

October

Oct. 2-6: ABA Annual Convention, Washington, D. C.
Oct. 6-8: National Association of Real Estate Investment Trusts, Annual Conference, Chicago, Hyatt Regency, Chicago.

Bank on
<u>more</u> from Mercantile...



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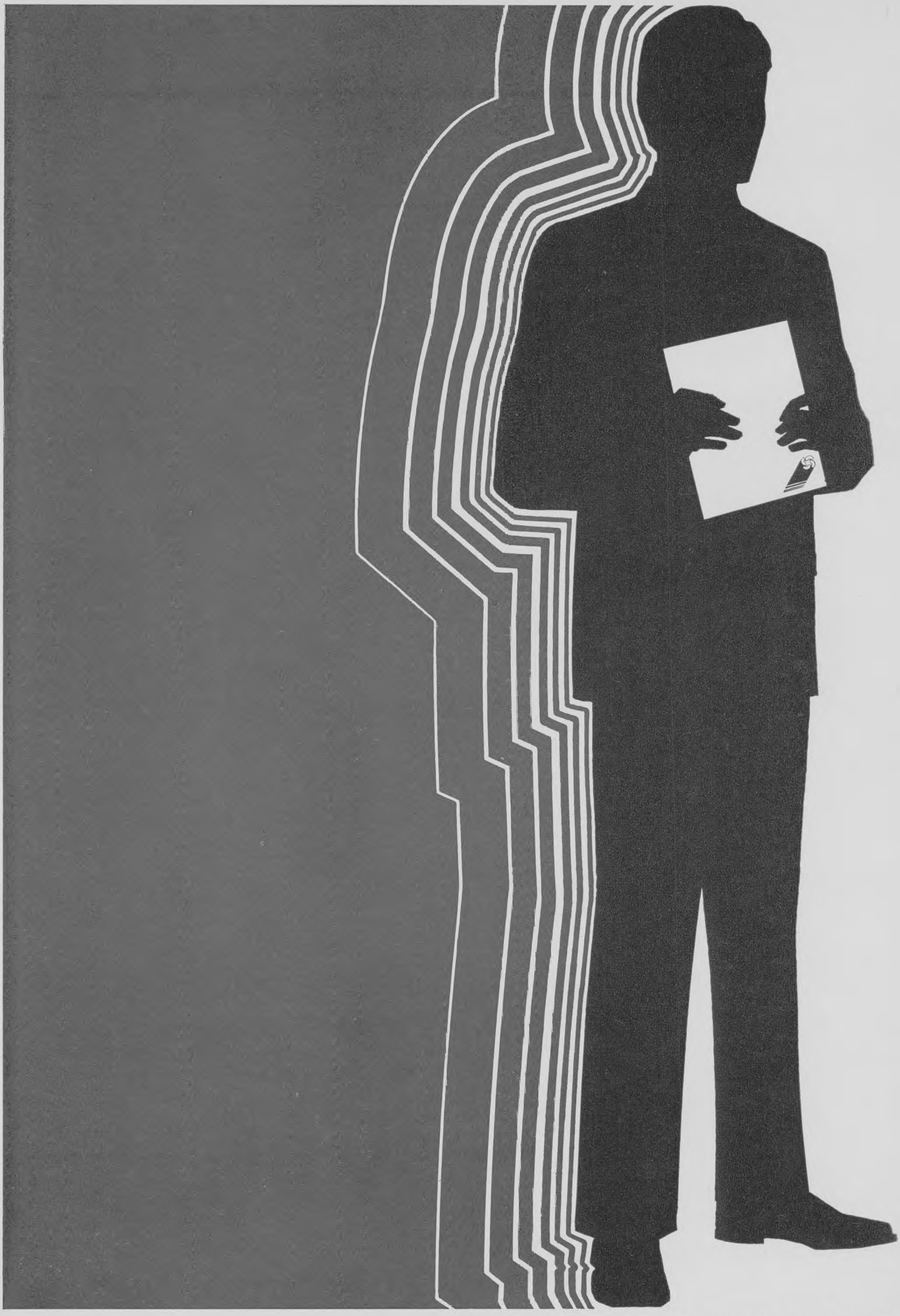

Announcing seven dynamic new Automated Financial Systems

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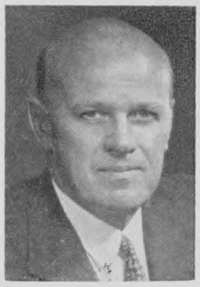
NEWS OF THE BANKING WORLD


HOWARD


HOLLAND


MOORE


RANDALL


PITTS

• **Larry T. Pitts** has been promoted from assistant vice president to vice president, correspondent bank division, First National, Kansas City. L. Dean Howard, assistant cashier in that division, has been named an assistant vice president. Mr. Pitts joined the bank in 1964 and calls on correspondent banks in Kansas, while Mr. Howard, who joined First National in 1973, calls on banks in Missouri and the Southwest.

• **George S. Moore** has been elected honorary chairman, Tennessee Valley Bancorp, Inc., Nashville. A former chairman of Citibank, New York City, he has served as a TVB consultant since 1972. Mr. Moore retired as Citibank chairman in 1970. Besides his TVB affiliation, he is a consultant to Banco Urquijo, Madrid, Spain.

• **Kenneth A. Randall,** chairman and CEO, United Virginia Bankshares Inc., Richmond, has been appointed president and CEO of the Conference Board. He will remain a United Virginia director and succeeds Alexander B. Trowbridge, who has resigned from the Conference Board to become vice chairman, Allied Chemical Corp. Mr. Randall entered banking at State Bank of Provo, Utah, advancing to president before accepting a six-year FDIC board position. In 1965, he was named FDIC chairman, the post he held until his term expired in 1970. Through its conference and research programs, the Conference Board encourages exchanges of experience and opinion and performs analyses of business and economic developments.

• **Robert C. Holland,** who is a former Fed governor, has been named president, Committee for Economic Development (CED), to succeed Alfred C. Neal on July 1. Mr. Neal plans to retire at that time, having served in that position for 20 years. Founded in 1942, the CED makes recommendations on national and international economic policy, government management and educational and social issues. Mr. Holland joined the Fed board in 1961 as an adviser to the Division of Research and Statistics and was named a governor in 1973. Prior to that, he had been with the Chicago Fed.

• **Thomas H. Jacobsen,** former vice president and head of systems and operations, personal banking, at First National, Chicago, has joined Barnett Banks of Florida, Inc., Jacksonville. He will serve there as vice president/bank support services, coordinating bank support activities, including EFTS research and implementation.

• **George W. Coombe Jr.** has been named executive vice president, Bank of America, San Francisco. Since joining the bank in 1975, he has headed the legal, legislative and tax department. Prior to that, he had been on the legal staff of General Motors Corp., Detroit.

• **Harris Bankcorp, Inc.,** Chicago, has begun offering its common stock on the New York Stock Exchange. The HC has reported a first-quarter earnings increase of 3% before securities gains or losses.


Stanley G. Harris Jr. (c.), ch., Harris Bankcorp., Inc., Chicago, and Theodore H. Roberts (r.), e.v.p., are welcomed to New York Stock Exchange by its dir. of new business, William R. Bors. Occasion was listing of HC's stock on Exchange.

By Dr. Lewis E. Davids

Hill Professor of Bank Management, University of Missouri, Columbia

Bankers: Speak Out on the Issues!

SURVEY RESULTS in the April, 1976, issue of *The MBA* magazine showed that "... 22% (of 6,000 doctors, lawyers, engineers and MBAs responding) agree . . . that 'large companies are doing an adequate job of informing the public of their policies and activities,' that is, 'speaking out on public issues.'"

How do bankers, as a class, feel about informing the public? That's not known. However, a 1975 survey of women bank directors (as reported in *Women: The "Forgotten" Directors*) showed that only slightly more than 3% of the respondents felt that "directors don't get all the facts."

"Many bankers feel uncomfortable in commenting on situations outside their areas of professional expertise. In fact, many banks have policies that discourage officers and staff from making public statements that might be construed as political in nature."

I think that's a modest percentage. I think the vast majority of banks *do* provide their executive staffs with all the "facts."

Although few banks conceal important information from their executives, there are few institutions that could *not* improve the reports they provide their executives.

The survey of *The MBA* should be of interest to bankers for several reasons and one is the differing perceptions among MBAs, lawyers, doctors and engineers. Almost half the lawyers surveyed by the magazine believed that large companies inform the public adequately on corporate policies and activities.

Less than 30% of the responding MBAs agreed that "many of the largest companies should be broken up for the good of the country."

Half the lawyers questioned in the survey felt that "some form of government regulation of wages and prices is needed to stem inflation." Only one-in-three MBAs shared such views.

While 57% of the surveyed MBAs believed "corporations fairly represent (the) quality of their products and services," only 38% of the lawyers, 48% of the engineers and 40% of the doctors surveyed by *The MBA* shared those views.

If less than half of those highly educated, professional respondents agreed that corporations fairly represent their goods and services, I think there is need for concern. As highly educated individuals, they should be more informed than the average man on the street.

Several other findings in the survey are of special interest: Only 27% of the combined groups supported the statement that "labor should take a more active role in corporate decision-making"; two out of three felt that "large corporations have a duty to better the quality of life through nonprofit expenditures."

How are bankers influenced by such findings?

Directors establish policy for their institutions. Many bank directors are lawyers, engineers, medical doctors or MBAs, groups that were included in the survey. I think it showed that more lawyers than MBAs support the breaking up of businesses and as having less faith in competition as a means of keeping prices at fair levels. Lawyers and doctors favored increased government regulation, more so than MBAs or engineers. Are such individuals, as bank directors, likely to have similar sentiments when making bank policy?

The composition of a bank's board may have its philosophical "tilt" affected by the mix of professions represented by its directors, but it must be recognized that the bank operates in a certain market area. What are the perceptions of the bank's customers and other individuals of the market area toward the several topics I have noted? Their views may have an important impact on the social and political climate in which the bank operates.

The area in the survey that showed the greatest amount of agreement among the professions was that corporations should be more active in speaking out on public issues. Approximately four out of five MBAs, engineers and doctors supported that stance, while seven out of 10 lawyers adopted the position.

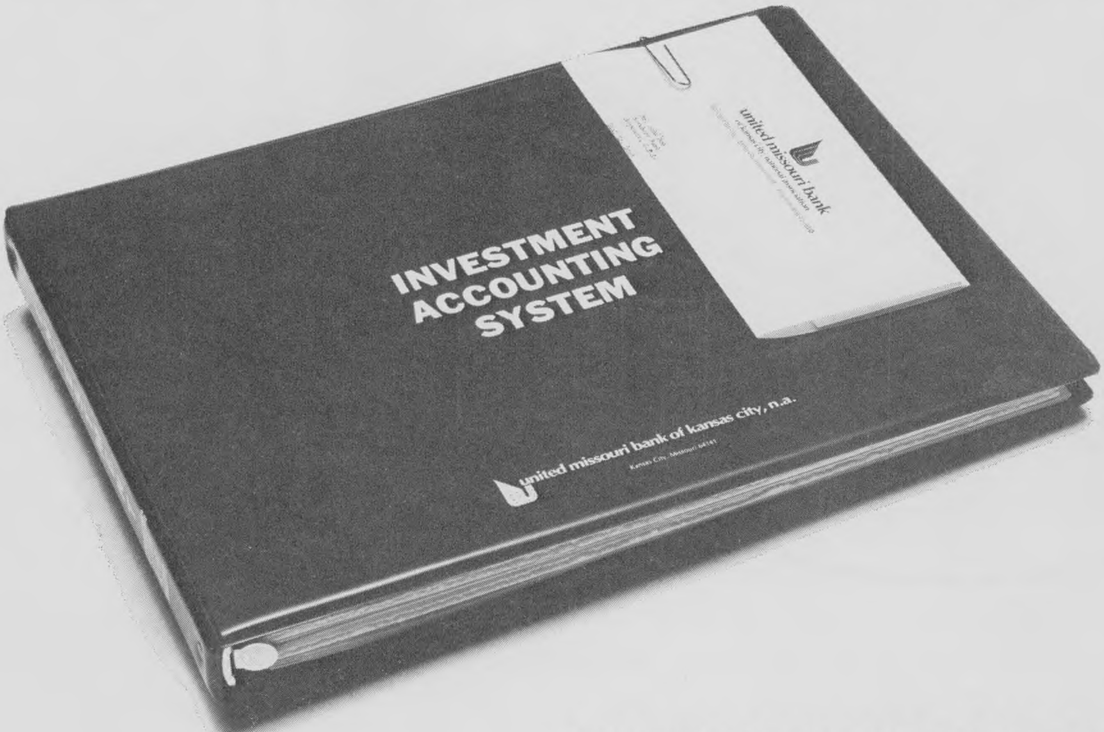
". . . there is the danger that bankers who speak out may be misinterpreted by the public. It appears that bankers are considered as behind-the-scenes manipulators . . . who, controlling the purse strings, control their communities."

Many bankers are like the shoemaker who thought he should "stick to his last." They *are* bankers; they will comment on banking—a topic they know well—and they'll speak out on the consequences of changes in banking regulations. They will, to a lesser degree, be willing to comment on monetary and fiscal affairs that affect banking.

Many bankers feel uncomfortable in commenting on situations outside their areas of professional expertise. In fact, many banks have policies that discourage officers and staff from making public statements that might be construed as political in nature.

The study by *The MBA* points to a need for a reversal of this stance and

HOW TO AVOID SLEEPLESS NIGHTS IN THE BOND MARKET.



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10th and Grand • Kansas City, Missouri 64141 • 816-221-6800 supports more political positioning by banks. Certainly, if the voices of bankers remain muted while those of their opponents aren't, the politicians will misread the sentiments of their constituents. This is adverse to banks and banking.

Still, there is the danger that bankers who speak out may be misinterpreted by the public. It appears that bankers are considered as behind-the-scenes manipulators by the public, manipulators who, controlling the purse strings, control their communities. *The MBA's* study points to the danger of being accused and found guilty of lobbying and of making political payoffs.

In these areas bankers must be circumspect. However, the institution should provide, through its marketing or public relations officer, some medium that allows identification of and response to public issues. This may be done with press releases. Or, a bank spokesman should let the appropriate news media know not only of his availability to provide a statement on public issues, but of the keen interest of the bank as a good citizen in presenting its official position on such tough and touchy issues.

In so doing, the messages should be positive, not negative, and they must not be phrased self-servingly.

Through skillful, rational responses on public issues, those issues will be seen by the man on the street in a more informed light. • •

Retirement-Plan Management To Be Subject of Seminar

COLORADO SPRINGS—The Broadmoor Hotel is slated as the site for a seminar on management of retirement-plan accounts July 19-23. Kennedy Sinclaire, Inc., Wayne, N. J., financial marketing and actuarial consulting firm, will conduct the program.

Due to increasing competition for retirement accounts business, there is a need for greater expertise in the marketing, investment and administration of such accounts, officials of the firm say. The two-part seminar has been designed to meet needs of both professionals having experience and of neophytes in the field.

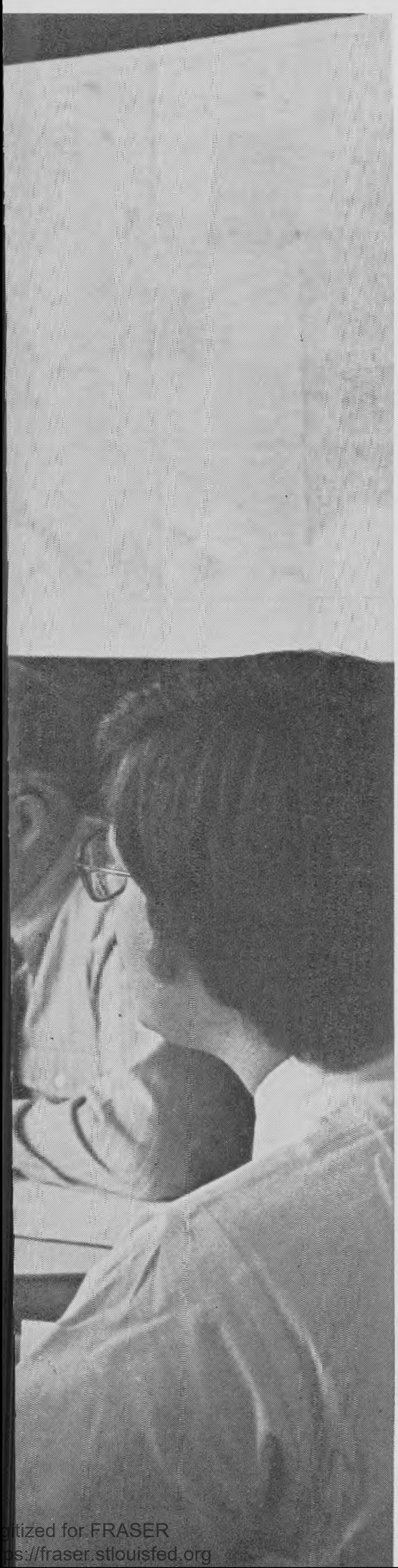
The basic program, which will be covered during the first three days of class time, involves study of retirement-plan fundamentals, plan design, funding methods, reporting and disclosure rules and visual aids.

The final two days have been set aside for an advanced session focusing on target benefit pension plans, employee stock ownership plans, guaranteed return contracts, marketing, investments and fiduciary responsibility. Participants may enroll in one or both parts of the program.

"The year (1976) is very likely to see about 1.5 million housing starts—better in comparison to 1975 but only average when compared to previous years."

—NATIONAL ASSOCIATION OF HOME BUILDERS
Economic News Notes

"The way starts are today, to hit our target we've got to increase Realtor business. Call MGIC– I hear they can help!"



To keep "apps" rolling in, lenders have to do more than just tell Realtors the loan window is open.

For example, many Realtors don't know about the "MAGIC LOAN":

- How it helps them close more sales—faster.
- How it puts people in homes with only 5% to 10% down.
- Or how it makes "conventionals" better by eliminating government red tape.

To help—MGIC has a special kit for you to give your Realtors. It contains a booklet that tells the REALTOR® everything his sales people should know about mortgage insurance.

And a second booklet his sales people can give home buyers when explaining mortgage insurance to them.

This specially designed kit provides the Realtor with all the necessary "MAGIC LOAN" information to help his firm sell more homes. This year. With ease.

Your MGIC Representative can supply you with "MAGIC LOAN" kits right now. So call him today.

With new construction moderate and liquidity high—we want to do everything we can to help you hit profit targets.

That's why we say—when it comes to mortgage insurance, there's no substitute for experience. MGIC experience.

MGIC

Because experience pays.

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The end of the paper chase.

For years, financial institutions have been chasing paper. All kinds of it. Checks by the billions. Deposit slips. Withdrawal slips. Records. Records. And more records to be stored. The Service Card System can change all that.

SCS is a network of point-of-sale and ATM terminals located in financial institutions and retail outlets around the state. With the SCS card, your customers will have instant access to their hometown accounts. They'll be able to get cash without a check. They can make checkless retail purchases with funds being electronically transferred from bank account to merchant account. And the SCS card will provide instant verification of funds available in respective accounts. The SCS card will do all these things and more.

If you're interested in the future money management system right now, talk to us. Fidelity Computer Services (405) 272-2168, First Data Management Company (405) 272-4063 or Ted Shaw or Jerry Baskin at Service Card System (405) 272-4911.

SCS
SERVICE CARD SYSTEM

120 N. Robinson, P.O. Box 25189, Oklahoma City, Oklahoma 73125

Fidelity Bank Announces Decision To Join Oklahoma EFT Network

FIDELITY BANK, Oklahoma City, has announced its intention to participate in a statewide EFT system operated by Service Card System (SCS), Oklahoma City.

At present, the SCS network consists of 2,500 miles of high-speed transmission lines linking strategic geographical areas of Oklahoma. Financial institutions throughout the state have been invited to tie in to the system and will be linked to a large computer switch operated by SCS.

As an SCS member, Fidelity Bank will be able to offer its customers checkless transactions, 24-hour access to accounts for purchases and withdrawals or deposits at POS terminals or ATMs.

Since these services will be available through the system, participating customers of the bank no longer will need to write checks, but may do so, since check verification also is offered through the network.

More than 50 banks are expected to join the SCS program during the next six months. They will be able to issue plastic cards bearing the SCS logo to customers, and will be able to install electronic terminals at check-out counters of retail establishments.

Fidelity Bank officials say the institution will make the SCS terminals available to correspondent bank and commercial retail customers. The bank intends to begin demonstrations of the system to merchants in the near future.

Banks' ATMs Illegal, Appeals Court Rules

CHICAGO—Off-premise banking terminals of Continental Illinois National and First National have been ruled as branches, therefore illegal under Illinois state law, by a three-judge panel of the Seventh U. S. Circuit Court of Appeals.

The Illinois Attorney General's Office had sued the banks, calling the terminals branches. Last December 10, District Court Judge Herbert L. Will said the ATMs were branches under the McFadden Act. Judge Will said banking machines allowing only withdrawals from savings or checking accounts wouldn't violate the act.

The appeals court disagreed, citing a decision of a District of Columbia appeals court holding that all electronic facilities are branches. The Chicago appeals court said the banking activities carried out at the ATMs are business transactions carried on at the Main Office of each institution, therefore making the terminals branches.

Both banks have been operating the facilities in a number of locations in downtown Chicago, and the institutions had begun installation of the machines in retail food chains. Both First National and Continental originally contended that the machines weren't branches because they don't provide full-service banking.

Officials of the two banks reportedly will ask the U. S. Supreme Court to review the case, but neither would comment on the possibility of dismantling the remote terminals in the meantime.

Security Bank, Lawton, Okla., To Open 15 Neighborhood ATMs

LAWTON, OKLA.—Security Bank has announced plans to introduce 15 neighborhood teller terminals by August 1.

The terminals will be located in neighborhood stores and shopping centers and will provide the following services: deposits to and withdrawals from checking and savings accounts, note payments, utility payments, payments for merchandise purchased and transfers of funds.

A bank official says the locations for the terminals, which will be announced at a future date, will be strategically placed so all the town's residents will be within a few blocks of one. While the ATMs will operate 24 hours a day, those in stores that are open 24 hours will have a brief period of "down time" before 6 a.m. daily for maintenance and programming purposes.

To use the terminals, customers will be issued plastic cards and personal identification numbers. The bank is beginning an informational effort to familiarize every customer and citizen of the city with the system.

Central Trust, Cincinnati, Begins Supermarket Test

CINCINNATI—Central Trust has begun a 60-day market research experiment at the Montgomery Kroger Store. Kroger personnel will accept deposits and honor withdrawals on the bank's checking and savings accounts during the period.

Purpose of the test, reportedly the area's first, is to measure customer reaction to such a service and determine operational procedures most suitable to both Kroger and the bank.

Equipment for the test is an NCR 279 teller terminal in the store's courtesy booth. The machine is on-line to Central's computer.

Cash deposits during the 60-day test program have been limited to $300 and withdrawals, to $100. Customers wishing to withdraw funds present their Central cards and enter a personal identification number on the NCR equipment.

Central Trust is contacting its customers in the area by direct mail to advise them of the test, to demonstrate the operational procedures to be followed and to seek cooperation in the experiment. At the test's conclusion, those bank customers will be surveyed on the program.

Clyde Jackson Elected Head Of Kentuckiana ACH

LOUISVILLE—Clyde W. Jackson was elected president, Kentuckiana Automated Clearing House Association (KACHA), at its recent annual meeting. He is vice president in charge of marketing, Bank of Louisville.

The new secretary-treasurer is James W. Martin, executive vice president, operations and data processing group, First National, Louisville. Kentucky vice presidents of KACHA (all of Louisville) are: Malcolm B. Chancey, senior vice president, operations, Liberty National; Frank M. Knego, senior vice president and manager, data services division, Citizens Fidelity; and Albert B. Schnell, senior vice president and treasurer, administrative group, Louisville Trust Bank.

Indiana vice presidents of KACHA are: Joe C. Neff, executive vice president, American Bank, New Albany; and Ronald Carroll, president, Citizens Bank, Jeffersonville. Mr. Neff's and Mr. Carroll's positions were added this year to include representation from southern Indiana banks.

NEWS ROUNDUP

News From Around the Nation

FTC Challenges Interlocks

The Federal Trade Commission (FTC) has filed a suit against a Washington, D. C., S&L, seeking to force six of its directors sitting on the boards of competing commercial banks to give up one of their directorships.

The test case "contains a message for over 1,000 directors of S&Ls around the country," many of whom also serve on the boards of competing institutions, according to an FTC spokesman.

The FTC charged that six of the 11 directors of Perpetual S&L also serve on the boards of either American Security or National Bank of Washington, the city's second and third largest commercial banks. Because the S&L competes with the banks for savings deposits and mortgage loans, the FTC contended, the interlocking directorates are "unfair acts, practices or methods of competition" under the Federal Trade Commission Act.

The FTC acted against the S&L rather than the banks because the agency does not have jurisdiction over commercial banks. The S&L has questioned FTC judisdiction over S&Ls.

Fed Oks GAO Audit

The Fed has reluctantly agreed to a comprehensive audit by the General Accounting Office (GAO) of its bank supervisory responsibilities. The OK came after the GAO gave assurances it would protect the identity of banks, their officers, directors, stockholders or customers studied by the agency. The Comptroller and the FDIC had previously agreed to comparable audits.

The audits were requested by the House Banking, Currency and Housing Committee because of concern over reports that some of the nation's largest banks were on problem lists.

Under the agreement, the GAO will study the effectiveness of the Board of Governors in discharging its bank supervision responsibilities during the past five years. The study will be made through a selection of sample statistics of state-member banks. No inquiry will be made into the Fed's monetary policy activities.

CD Pooling Comment Date Extended

The Fed has extended to July 9 the period for comment on a proposal to forbid pooling of funds into large CDs.

The proposal is opposed by bankers, mutual funds and consumer groups.

The proposal would prohibit payment of interest on pooled funds of $100,000 or more at a rate above the ceiling on deposits of less than $100,000. The Fed said the proposal is based on the belief that pooling violates Reg Q ceilings and "may have potentially adverse effects on member and nonmember financial institutions due to potentially disruptive shifts of funds."

Bid to Halt Due-Course Rule Rejected

A federal judge has turned down a move by the National Automobile Dealers Association to halt implementation of the Federal Trade Commission's rule repealing the holder-in-due-course doctrine for sellers. The rule went into effect last May 14.

The move requested the effective date of the regulation be postponed or that an order be issued declaring the rule null and void.

The rule requires sellers to include in all consumer credit contracts a notice informing the buyer of his right to assert claims and defenses against any party holding the contract. This upset the 200-year-old holder-in-due-course doctrine which states that a consumer must honor his financial obligations to a third party regardless of any dispute with the merchant.

Trading Suspended by Comptroller

A 10-day suspension of over-the-counter trading was ordered by the Comptroller of the Currency involving the securities of Mercantile National, Atlanta, last month.

The bank requested the suspension and the Comptroller ordered it because of possible inadequate public information about the bank and a proposed purchase and assumption of the bank by National Bank of Georgia, Atlanta. It was feared that an informed investment judgment couldn't be made.

Agencies Extend Comment Period

The FDIC & Fed have extended to June 14 the period for comment on a proposed amendment to regulations that would permit depositors to authorize withdrawals from savings to cover checks drawn on demand accounts.

Under the proposal, depositors would have to give their banks written authorization to permit withdrawals from savings to cover checks. Any such agreement would have to provide that all transfers be made in multiples of at least $100 and that the depositor forfeit 30 days' interest on the amount transferred.

Guaranteed Student Loans Proposed

The federal government would provide for 100% repayment on defaulted student loans to lenders in states that have guaranteed student loan programs if recently proposed legislation is passed.

At present, lenders in states that don't have guaranteed student loan programs are reimbursed 100% on defaulted student loans. But the 26 states with programs are reimbursed only 80%.

The reasoning goes that lenders in states with the programs shouldn't be penalized 20%, especially since student loans in these states are administered more efficiently and have a default rate of 10%, compared to 17.5% in states without programs.

How Sweet it is...

To roll your own coin with an Amiel Industries AI-9100 heavy duty automatic coin wrapping machine.

"The Biggest little automatic coin wrapper in the Industry."

COIN HOPPER
Holds 10,000 coins. With an accessory adapter it can hold 60,000 coins.

COUNTING SPEED
Counts nickels, dimes, pennies and quarters at 1,800 coins per minute.

SOLID STATE ELECTRONICS
Assures you of greater reliability and cooler operation. This, in turn, gives you higher coin roll production.

SIMPLE CONTROLS
Push a few buttons, set a couple of dials and you're rolling.

PAPER TO COIN TRANSFER POINT
Pioneered by Amiel Industries assures you of high coin roll *through put.

FIBRE 40: THE ENGINEERED PAPER
The best automatic coin wrapping paper manufactured. Each 8¾ roll is guaranteed to give you 2000 coin roll wraps.

SAVE ON YOUR ADVERTISING BUDGET
Imprint your bank name and logo here and every wrapped roll of coin produced will advertise your bank.

WRAPPED COIN PRODUCTION
The AI-9100 wraps coin at 18 rolls per minute.

How Sweet It is...
To have wrapped coin available when you and your customers need it.

How Sweet It is...
To have peace of mind security knowing that your coin never leaves your bank and is sorted and wrapped by your employees.

How Sweet It is...
To realize that more and more customers are going to be attracted to your bank because of this additional in house coin wrapping capability!

Forward thinking bankers are turning to the AI-9100 as the answer to their coin wrapping needs. For more information and free trial evaluation, call collect (404) 455-0090 or write the nearest Amiel Industries office and see "How Sweet It can be for you!

Corporate headquarters—P.O. Box 48149, Atlanta, GA. 30340, (404) 455-0090 • Plaza 66, Bldg. B-9, Mt. Prospect Ave., Clifton, N.J. 07013, (201) 473-0166 • 2101 Ferry Ave., Suite #604—1800 Pavilion, Camden, N.J. 08104 (609) 962-9490 • 3000 Clearview Pkwy., Atlanta, GA. 30340, (404) 455-0090 • 1285 Rand Rd., Des Plaines, ILL. 60016, (312) 299-6630 • 2284 Weldon Pkwy., St. Louis, MO. 63141, (314) 567-3323 • Suite #125, 12830 Hillcrest Rd., Dallas, TX. 75230, (214) 387-4579 • P.O. Box 1348, Denver, CO. 80201, (303) 499-1663 • 325 Corey Way #111, South San Francisco, CA. 94080, (415) 873-0316 • 395 Freeport Blvd. #10, Sparks, NEV. 89431, (702) 359-9588

All Amiel Industries products are backed up by a nationwide network of factory trained service engineers and spare parts.

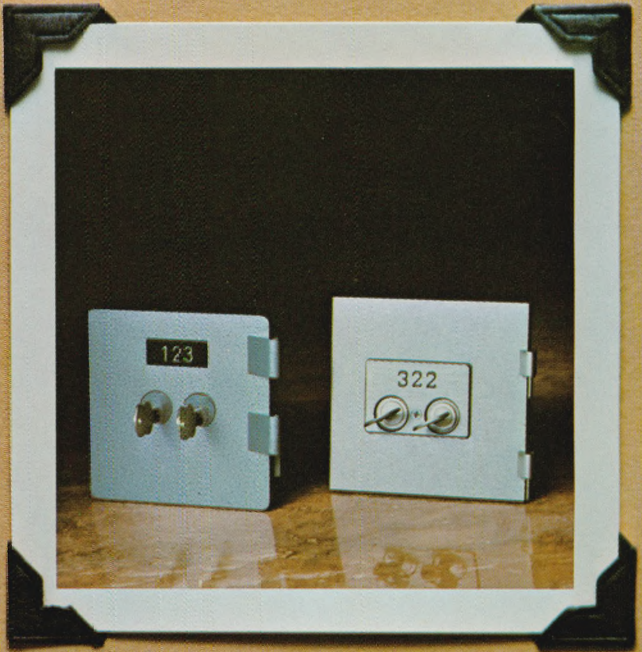
Let us help you get rolling... Today.

AMIEL INDUSTRIES

The World's Leader in Coin & Currency Handling Systems & Equipment

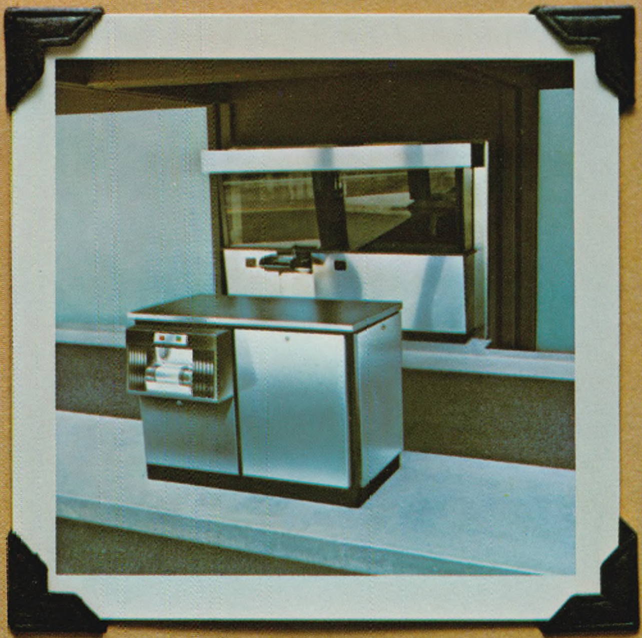
TO MEET YOUR NEEDS,

FIRST with immediate delivery vs. the industry's standard 3-6 month waiting period. Your next order is probably already in one of our regional warehouses.



FIRST to offer both aluminum and polished steel safe deposit boxes with extra features at no extra cost. All are stocked in regional warehouses, available for immediate delivery.

FIRST to offer an emergency ventilator, built directly into the vault door frame to eliminate costly, space-consuming wall installation. Also a standard feature on all Security doors.



FIRST to design a high-quality yet low-cost drive-up system with true-to-life voice communication. There isn't a more reliable system on the market.

WE'VE ALWAYS PUT FIRST THINGS FIRST.

FIRST to introduce totally stainless steel clad vault doors, a no-maintenance feature standard on all Security doors: Saturn II, International and Continental.

FIRST to put our customers first with a national network of independent dealers who give you what you need — when you need it, including a complete program of sales, service and immediate delivery.

Twenty years ago, Security Corporation was just a small company with some big ideas.

Progressive ideas. Like introducing the concept of value to a century-old industry. With innovative products that didn't sacrifice extra features for competitive prices.

The idea that through regional warehousing and an independent dealer network, delivery of financial equipment could be immediate.

By putting our customers first, we've managed to grow as well — and today we're among the four major suppliers in the industry. With vault doors, safe deposit boxes, remote transaction systems, night depositories, walk-up/drive-up windows, undercounter and surveillance equipment, and a host of other quality products.

To see why progressive financial institutions everywhere are turning to Security to meet their needs, write for details on our products and services.

Security Corporation. While others followed the leader, Security became one.

SECURITY CORPORATION

2055 S.E. Main Street, Irvine, California 92714, (714) 979-9000

Personnel

First of Tulsa Honors Senior Execs For Outstanding Performances

FIRST NATIONAL, Tulsa, is a bank that believes in honoring senior executives as well as other personnel for work well done.

The bank initiated its Chairman's Award in 1970 as a method of bestowing special recognition on either an officer who is responsible for a section of the bank that has contributed significantly to profits, or to honor outstanding individual achievement in initiative or imagination in the performance of duties.

Recipients of the award are chosen on an irregular basis by the bank's chairman upon recommendation of the executive committee. The award is given only when the chairman feels it has been earned.

Although the award is not considered to be a formalized "incentive contest" with dollar criteria for eligibility, it is both a personal goal of each officer and a source of pride within the recipient's area of responsibility, according to John L. Robertson, chairman and CEO.

Recipients and their spouses receive two week, all-expense-paid trips to Hawaii or a similar place of their choosing. They are presented with personalized wall plaques to commemorate the special recognition they have earned. A permanent plaque detailing the purpose of the award and listing past recipients is publicly displayed at the bank.

Recipient for 1975 was Jack W. Dikeman, vice president and senior trust officer, who established a profitability analysis system within the trust department. The 1974 award was presented to John V. Harding, vice president in the correspondent banking department, for his work in developing new correspondent business and selling services. • •

Group Initiates Scholarship On Commercial Banking For Students in Kansas

WICHITA—The Young Bank Officers of Kansas (YBOK) has initiated a scholarship program for students in the state's colleges and universities who have a "sincere interest in careers in commercial banking."

Joseph H. Stout, vice president, correspondent banking, Fourth National, and YBOK Education Committee chairman, announced the plan, saying, "The objective of this plan is to attract and encourage talented young men and women into the field of commercial banking by providing a proper incentive. We plan in the outset to offer two scholarships per year."

Scholarships will be for $500 yearly for each student. That amount represents the approximate cost of tuition for two semesters, enabling the students to attend school on a full-time basis. Scholarships will be given for an individual's junior and senior years. The program will begin with one scholarship being awarded to a junior and one to a senior, and one new scholarship will be available each year.

The YBOK Education Committee has established the following guidelines for selection of recipients:

• Career objectives are the first consideration. There should be substantial and sincere interest by a student in a career devoted to commercial banking.

• Scholastic achievements and learning potential must be demonstrated.

• Financial need isn't a requirement of the selection, but will be a deciding factor in the case of a difficult decision.

• Kansas residency is preferred to encourage students from the state to remain in Kansas after graduation.

• Actual selection of recipients will be the responsibility of the school in which the scholarship will be granted.

According to Mr. Stout, it's the desire of the YBOK to offer scholarships through a number of the state's schools, but since Wichita State University is the only institution offering a banking curriculum, an initial commitment of $1,500 has been made to it. It is hoped, he said, that a plan for rotation of the program can be developed among the state's schools.

New Products and Services

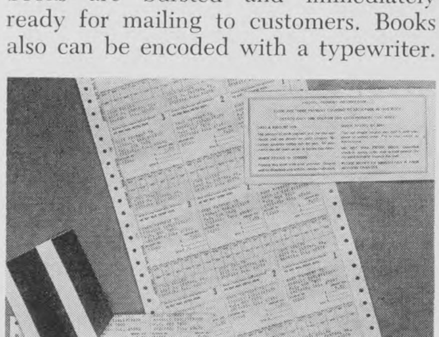
• **NCR Corp.** The NCR Criterion information-processing system was unveiled at a special press conference in Dayton, O., April 30. This new series was developed with three banking trends in mind: electronic funds transfer, more extensive data bases and more on-line communications services. According to NCR, the Criterion will accommodate all current financial and general-purpose data terminals, including NCR's new 2500 modular terminal system. The firm points out that the Criterion—available in two models, 8550 and 8570—was developed to permit easy migration for banks using NCR Century systems without their having to rewrite costly existing programs to achieve higher throughput to meet a heavier data processing burden. The Criterion, says NCR, is a "virtual" machine, that is, one that has several "personalities" and, therefore, is able to duplicate the performance of various manufacturers' computers. Thus, banks that install the Criterion won't have to write all-new software. NCR also says the Criterion's basic design was developed to handle NCR's central information file (CIF) software, which is available in modules such as on-line processing, demand-deposit accounting, general ledger, mortgage loans, installment loans and savings and accrual loans. These modules, according to NCR, can be implemented on a Criterion computer either one at a time or all together to form an integrated CIF system. Write: NCR Corp., Dayton, OH 45479.

Andre Amiel (l.), pres., Amiel Industries, and Marcel Brisebarre, inventor, pose with AI-1510-Pulsar electronic coin sorter and counter. Machine is said to be able to handle up to 2,000 coins per minute in up to eight denominations.

• **Amiel Industries.** AI-1510-Pulsar is the name of this firm's new electronic coin sorter and counting machine that is said to be able to handle up to 2,000 coins per minute in up to eight denominations. A prototype unit was unveiled at a series of showings at the firm's headquarters in Atlanta last month. Coins are fed onto a turntable that utilizes centrifugal force and electronic selection heads to sort, count and bag them. Count accuracy is obtained by use of electronic probing sensors that send impulses to a processing system for totalization. The operation is said to be accomplished with less noise and at higher speeds than mechanical counting machines. Breakdowns are said to be almost non-existent by virtue of the elimination of mechanical assemblies. The unit is equipped with two coin bags for each denomination being sorted and counted. The machine automatically switches the flow of coins from one bag to the other after the first bag has been filled. A series of lights on a console instruct the operator when to remove filled bags. If the operator fails to comply, the machine shuts itself down. The units are expected to be available by September. Write: Amiel Industries, P. O. Box 48149, Atlanta, GA 30340.

New NCR 6590 data modules (r.) use "heads-in-pack" technology to provide 35 million and 70 million bytes of storage. Both Criterion 8550 and 8570, shown here, take advantage of many proved NCR Century peripherals.

• **Rand McNally & Co.** The simplicity and economy of the Hotspot-K coupon payment book now is available in a continuous format for computer preparation from Rand McNally & Co., Skokie, Ill. In less than one second, a computer can prepare a personalized coupon book with 12, 18 or 24 payment coupons, each showing complete due date, account number, payment amount and bank and customer names and addresses, due to new developments in the Hotspot carbon transfer process. No assembly is needed after encoding; books are bursted and immediately ready for mailing to customers. Books also can be encoded with a typewriter.



The coupons weigh less than one ounce and custom designs are available. For samples and information, write: Rand McNally & Co., 8255 North Central Park Avenue, Skokie, IL 60076.

• **Mosler Safe Co.** A new brochure on the 400A Grade A Mercantile Alarm System has been released by Mosler Safe Co., Hamilton, O. The U/L approved system is said to provide economical round-the-clock protection and consists of safe capacitance, holdup and night premise protection, an outside bell and/or a remote police connection. Optional are an inside bell, automatic program timing, motion detectors and external-line security. The device places an electronic field around that which it protects and around its control cabinet. Write: Mosler Safe Co., Department PR-025, 1561 Grand Boulevard, Hamilton, OH 45012.

• **John H. Harland Co.** A complete line of banking service brochures, the Community Bank Advertising Kit, has been released by John H. Harland Co., Atlanta. With the series, a bank has the option of supplying its own copy for imprinting on the insides and backs of brochures, or the institution can use standard copy supplied by Harland. Advertising copy also is included. A

The ABC's of Credit Insurance.

C is for Computer.

And ours is a complex of highly sophisticated data processing equipment. Which means you can receive monthly status reports showing your commissions, claims, premium income by branch and by month, plus year-to-date totals and aggregate totals since the beginning of your contract.

C is also for Character and Capability, two things an Integon representative possesses in abundance. He's a specialist in his field. Yet, he knows enough about banking to communicate on your terms. So when he sets up the program, he makes sure everything is running smoothly. Then he pays you regular visits to keep things that way. And if you need him in-between times, a call brings him on the run.

C is for Change, too. And anytime a change brings new personnel to your firm, our representative is there with a complete training program which helps your staff sell better. So your bank can earn more.

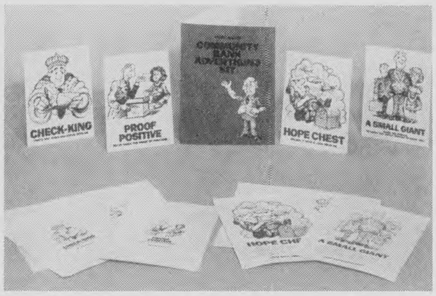
The Integon representative sees that you always have all the supplies you need, including a thorough Reference Manual that details the entire Integon program. And in furnishing these free supplies, we never lose sight of the fact that your business is banking. So all paperwork is designed for quick and easy completion by loan officers, not underwriters.

And finally, C is for Collect Call. Which you should make to J. Wayne Williard, Jr., at 919/725-7261. Or write him at Integon Life Insurance Corporation, P.O. Box 3199, Winston-Salem, N. C. 27102. As Vice-President of Credit Insurance, he can provide more information. Or arrange an appointment at your convenience, without obligation. And no matter what questions you have, he can answer them.

Because he knows the credit insurance business from A to Z.

J. Wayne Williard, Jr., Vice-President

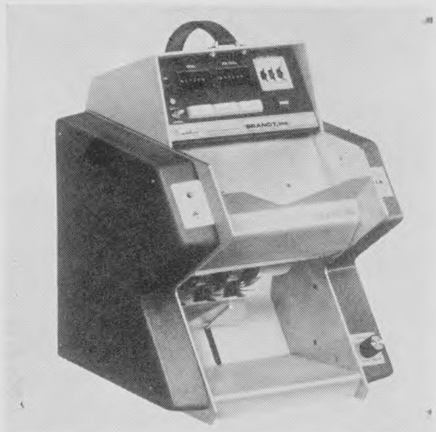
INTEGON®



number of services are covered and a bank can feature only those services it officers. A lobby display and pocket folder to hold brochures also are available. Write: Al Rogers, Marketing Department, John H. Harland Co., 655 Lambert Drive, Atlanta, GA 30324.

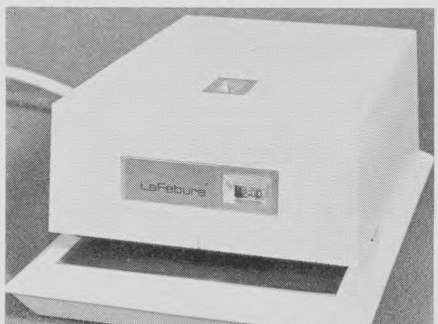
• **Bank Marketing Association.** "Current Radio Commercials" is a collection of more than 160 bank radio spots available on cassettes from the Bank Marketing Association, Chicago. Developed from selections submitted by BMA member-banks throughout the country, the three-cassette package features spots dealing with checking and savings, charge cards, drive-up facilities, retirement accounts and all other bank services. Formats include jingles, humorous spots, dramatizations and hard-sell approaches. "Current Radio Commercials" is available to BMA members only, for $36. Write: Director, In-Bank Training Services Department, Association Services Division, BMA Headquarters, 309 West Washington Street, Chicago, IL 60606.

• **Brandt, Inc.** High-speed counterfeit detection is offered by the Countess® Model 865/CDA from Brandt, Inc., Watertown, Wis. The unit is equipped with a U. S. note Counterfeit Detection Aid (CDA) having a built-in fail-safe system to alert the operator should the CDA become inoperative. Any note passing through the machine that doesn't satisfy tests for genuineness



will stop the machine and alert the operator, and notes can be counted at rates of up to 1,200 per second. Of a compact size, the 865/CDA has switches to bypass the CDA for conventional counting and batching, and documents in a number of sizes can be processed. Write: CDA, Brandt, Inc., Watertown, WI 53904.

• **LeFebure Corp.** A new check-cashing protection system consisting of a document time-dating device and a model 2163 surveillance camera is being marketed by LeFebure Corp., Cedar Rapids, Ia. When a teller cashes a check, the check is inserted into the device, which stamps it with the time



and date and automatically activates the surveillance camera to take a single-frame photo of the person cashing the check. The system also is applicable to customers opening new accounts, making loan applications and account deposits and withdrawals. Write: LeFebure Corp., Cedar Rapids, IA 52406.

David Niven is telling America that he hates to wait...

David Niven, new spokesman for First National City Travelers Checks.

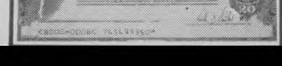
so he carries First National City Travelers Checks.

“When your customers travel they don't like to wait for a travelers check refund any more than I do. When they carry First National City Travelers Checks they won't have to. If these Travelers Checks are lost or stolen, your customers can get an on-the-spot refund at over 45,000 locations worldwide. Thousands more than any other travelers check. And they can spend them at literally millions of places worldwide.

"That's what I'm happy to be telling America in First National City Travelers Checks' big, new television and magazine advertising campaign. You can be sure your customers will listen. So why not take advantage of this opportunity and sell them the Travelers Check that doesn't make them wait for a refund—First National City Travelers Checks. You won't have to wait to see how pleased your customers will be.”

DAVID NIVEN

FIRST NATIONAL CITY TRAVELERS CHECKS



45,000 ON-THE-SPOT REFUND LOCATIONS.

Selling/Marketing

'Tel-Money':

Free Financial Advice Given by Phone Messages

In need of some advice on credit and borrowing? Saving? Or, perhaps, about a checking account? Residents of South Bend, Ind., are able to get such advice any time just by dialing a phone number.

Tel-Money is a service being offered by First Bank. It is a series of recorded messages on the above-mentioned topics, as well as personal financial management, and others. In all, the bank is using 40 of the three-minute recordings, and additional messages have been planned.

To take advantage of the service, a person dials a specified number and tells the operator which tape he would like to hear. If additional or personalized information is needed, the caller is instructed at the end of the message to call First Bank's personal service representative.

Officials of the bank felt that many people are hesitant about discussing complicated personal financial matters with a banker or a family member. With the Tel-Money service, anyone can get answers to questions at any time, privately and anonymously.

The program makes use of the telephone tape library console developed by Teletronix Information Systems of Redlands, Calif. Previously, the system had been used in the Tel-Med medical information program, but this reportedly is the first use of the system for financial education.

ABOVE: Ad for Tel-Money program of First Bank, South Bend, Ind., tells about service wherein one can call number and hear any of 40 recorded messages on financial matters. BELOW: Operator inserts tape into playback machine. Tape contains message that caller has requested and if caller needs additional information on topic, tape instructs caller to phone bank's personal service rep.

Hometown Salute:

Bank's Centennial Ads Feature Local Businesses

Besides being the nation's bicentennial, 1976 is the year of the centennial of Pittsburg, Kan. To recognize that event, First State has run a series of newspaper ads saluting important local business firms.

The series pointed out the contributions the firms have made to the economic well-being of Pittsburg. The ads, bank officials feel, also helped reinforce and contributed to a positive outlook on the economic growth and development of the community. Firms selected to be featured in the series were those with the largest local payrolls, businesses that had experienced good growth in recent years.

Packets of the ads were made up and distributed on a selective, limited basis to a number of local, state and national government officials, bankers and industrialists. While a good part of the distribution was done through the mails, some was done through officer calls.

The program was designed by McCormick-Armstrong of Wichita, the bank's ad agency. McCormick-Armstrong won an award for the series.

A typical ad explained how and when the business being featured was begun, and by whom. That company's development through the years was traced and the number of people currently employed, along with yearly payroll, was noted.

First State also has offered Pittsburg centennial commemorative coins for sale in conjunction with the event.

Correction

An article in this column in the May 15 issue reported on a centennial observance portrait promotion at United American Bank, Knoxville. However, the bank was incorrectly listed as being in Chattanooga. The editors regret any misunderstanding that may have occurred as a result of this error. The promotion featured photos by Olan Mills, headquartered in Chattanooga.

Timmmberrr!

Bankers Make Chips Fly During Opening of Office

DeWalt H. Ankeny Jr. and Stanton Jorgens, president and vice president, respectively, of First National, Minneapolis, exchanged their business suits for plaid lumberjack outfits for the opening of the bank's St. Anthony Falls Office.

Mr. Ankeny and Mr. Jorgens, the office's manager, sawed through a 24-foot timber to open the office, an event that brought a twist to the conventional ribbon-cutting ceremony.

DeWalt H. Ankeny Jr. (l.), pres., First Nat'l, Minneapolis, and Stanton Jorgens, office mgr. & bank v.p., saw log to open new building of St. Anthony Falls Office. The sawing was done in place of conventional ribbon cutting, reflected lumber-industry past of office's area.

As an attraction to new customers, the bank displayed a collection of logging and woodworking tools that dated to the mid-19th century. The bank is located near the Falls of St. Anthony, which supplied the power for as many as 16 sawmills during the last century and the log-cutting operation that opened the new quarters helped recall that community heritage.

The St. Anthony Falls Office building is in the shape of a modified rectangle with an exterior of stone-textured concrete. Its windows are of solar bronze glass in thermal frames. Another feature is the facility's six drive-up lanes and a paved, 30-car parking area.

Security

New Security System Being Installed At Manufacturers Hanover, New York City

A COMPUTERIZED security system, said to be the largest and most advanced bank-owned system in existence, has been installed at nearly a quarter of the branch banks of Manufacturers Hanover Trust, New York.

The Diebold system permits the bank's security department to monitor bank facilities from a centrally located alarm console.

The new system replaces the leased equipment in use at the bank's branches and offices. When installation is completed next year, the equipment will monitor all of the bank's robbery and burglary detection devices. At some locations, the system detects fire and flood conditions.

Unlike previous alarms, which sent signals to a private protection agency that, in turn, notified bank officials and police, the new system transmits detailed information directly to the console.

"This new setup reduces our response time and gives us much greater control over the operations," explained Allan Croak, vice president and security officer. "It's more advanced than the current equipment and virtually impossible for burglars to circumvent."

In the event of a robbery with the new equipment, branch personnel have been instructed to activate holdup alarms at their stations as soon as they have a safe opportunity to do so. The alarm transmits a signal to the console via the on-line savings telephone network.

He said the bank needed a better alarm system because electronically sophisticated burglars had been able to bypass an increasing number of alarm devices and break into vaults, safe deposit boxes and night depositories, undetected, at banks throughout the nation.

Not all the technical failures of the former devices were caused by burglars, he said. "Nearly 80% of all bank alarms are false; most are caused by equipment malfunctions. This new system has the advantage of being able to distinguish mechanical malfunctions from real alarms and spot interference or disruption on telephone lines before it becomes a problem."

New security console monitors alarms from central location at Manufacturers Hanover Trust, New York City. Pictured are Allan Croak (l.), v.p. and security off., talking with bank guard Roland Dattner while Security Off. Vincent Arnone is seated at console. Diebold manufactured equipment.

In the event of a robbery with the new equipment, branch personnel have been instructed to activate holdup alarms at their stations as soon as they have a safe opportunity to do so. The alarm transmits a signal to the console via the on-line savings telephone network.

Dual use of the lines, devised by the bank's telecommunications experts, is a significant technical breakthrough, according to Mr. Croak, and it will result in a considerable savings in telephone leased-line costs.

The console operator is alerted by a flashing red light and an audible device. As he relays the information to the senior security officer on duty, a permanent record of the place, time and nature of the alarm is recorded on a teleprinter adjacent to the console. Local police and the FBI are then notified by phone.

The console operates around the clock and is said to guarantee continuous protection through the use of several backup devices. In the event of a blackout, for example, emergency power is provided by a battery unit capable of running the system for 80 hours. Disrupted phone lines can be restored through a telephone dial backup which reroutes the connection over another line, according to Mr. Croak. • •

Factory trained servicemen.

Proper installation of equipment

Fast, accurate service.

Specially equipped service vehicles

Close to you service

LeFebure takes care of your needs fast

There are hundreds of well-trained LeFebure service technicians. And there's one near you to meet your needs. They're LeFebure employees. They have specially equipped vehicles and tools. They know how to properly install and service LeFebure banking equipment and security systems.

Service is as close as your telephone. Warehouse facilities are maintained at branch offices and service depots throughout the United States. An inventory of standard items and back-up parts are always on hand. Warehouses also serve as a staging area for incoming shipments. Equipment moves quickly from warehouse to job site.

LeFebure servicemen are factory trained in all aspects of installation and service. They continuously keep up-to-date on technology and new equipment. They're professionals.

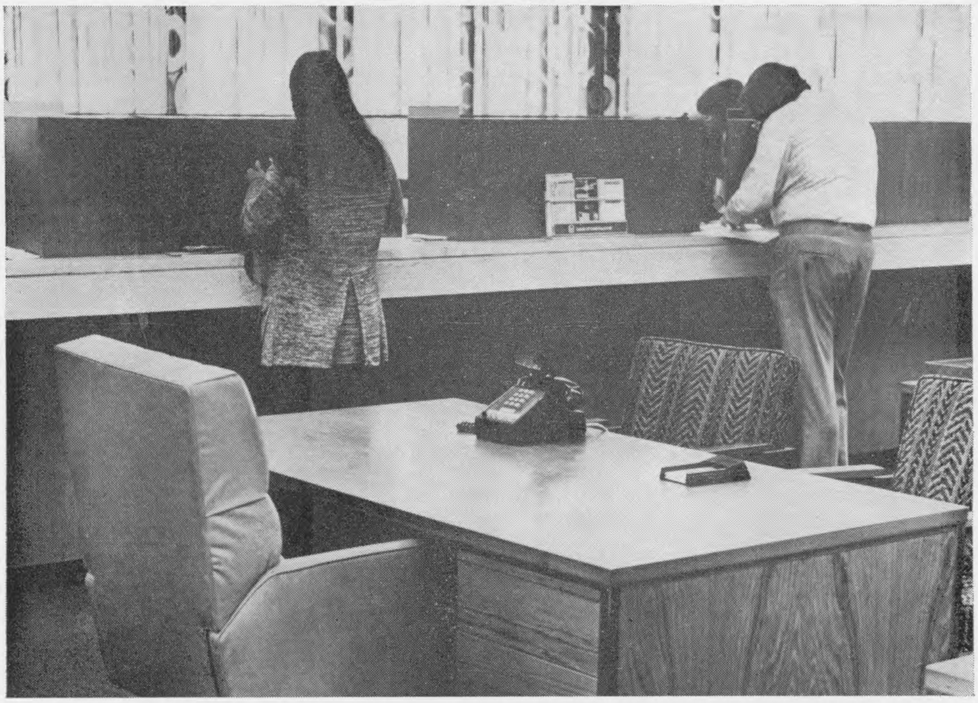
You can put your confidence in LeFebure, a company that has been serving financial institutions for nearly a century.

LeFebure

Division of Walter Kidde & Company, Inc.
Cedar Rapids, Iowa 52406

We make more of the things you need than anyone else in the world.

How Much More is a Good Employee Worth?



Maybe just the cost of an Employee Benefit Program through Scarborough

Scarborough Associates knows and understands the needs of banks and bank employees. Supported by 25 years' experience in employee benefits, we have developed an Employee Benefit Program including:

1. **Major Medical (Hospitalization)**
2. **Dental Care**
3. **Long-term Salary Continuance (to age 65)**
4. **Short-term Salary Continuance**
5. **Life Insurance (to $100,000)**
6. **Accidental Death (to $100,000)**
7. **Cancer Protection**

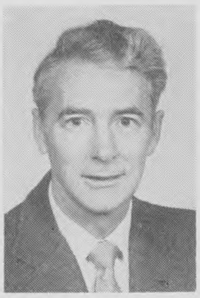
Take a moment to compare the benefits and rates...rates which are based on the favorable claim experience of bank employees. Call collect (312) (346-6060) or write Jim Keye, Director of Group and Association Benefit Programs. At no obligation, he will tailor an Employee Benefit Program designed to satisfy you and your employees.

Scarborough
ASSOCIATES INC.

222 N. Dearborn Street • Chicago, Illinois 60601 • (312) 346-6060

Administered by
Scarborough and Company
the bank insurance people

Corporate News Roundup



FINGER

MYERS

• **Insurance Enterprises, Inc.** James W. Finger and James O. Myers have been named resident vice president-Missouri and resident vice president-Kansas, respectively, of Insurance Enterprises, Inc., St. Louis. Mr. Finger has been with the firm nine years and has been in the life and credit insurance field more than 20 years. He most recently was a field service representative working for Insurance Enterprises in Kansas and Missouri. Mr. Myers has 11 years' finance and insurance experience. Prior to joining Insurance Enterprises last year, he was general sales manager and finance and insurance manager for a Kansas automobile dealer.

• **John H. Harland Co.** J. William Robinson, president and CEO, John H. Harland Co., Atlanta, has been elected to the additional post of chairman. He succeeds the late John H. Harland. Mr. Robinson joined the company in 1950, advancing to president and CEO in

ROBINSON

COMFORT

1969. The board vacancy left by Mr. Harland's death will be filled at a later date, according to company officials.

• **Mosler Safe Co.** Charles H. Comfort II has been named director of EFT marketing at Mosler Safe Co., Hamilton, O. He will report to R. William Ayres Jr., president.

• **Payment Systems, Inc.** Phillip Brooke, technology editor of the *American Banker* newspaper, has joined Payment Systems, Inc., New York City, as vice president and editor of the *Payment Systems Newsletter*. Mr. Brooke has been with the *American Banker* New York headquarters staff since 1967. In his new post, he will have full editorial responsibility for the *Payment Systems Newsletter* and certain other publications PSI plans to offer. He succeeds Kenneth T. Jablon, who remains as vice president and continues with responsibility for circulation, production and subscription fulfillment of the newsletter.

• **Amiel Industries** of North America, Inc. Several appointments have been announced by Amiel Industries of North America, Inc., Atlanta: John L. Harrigan, vice president of marketing; Thomas G. Dauer, vice president of advertising; Charles F. "Budd" Austin, public relations manager; and Virginia L. Vann, public relations assistant.

Monday Security Corp. Honored

Jack Schneiderjohn (2nd from l.), v.p., and Ed Holder (2nd from r.), v.p., Monday Security Corp., Webster Groves, Mo., receive Security Corp. Five-Year Dealer Service awards from John K. Griff (r.), pres., and Gary J. Griff (l.), v.p., Security Corp., Irvine, Calif. Monday Security Corp is part of the national network of independent dealers affiliated with Security Corp., marketer of equipment and services for financial institutions. Not present when the photo was taken was Don Marston, Monday Security pres. This cutline was run incorrectly in March.

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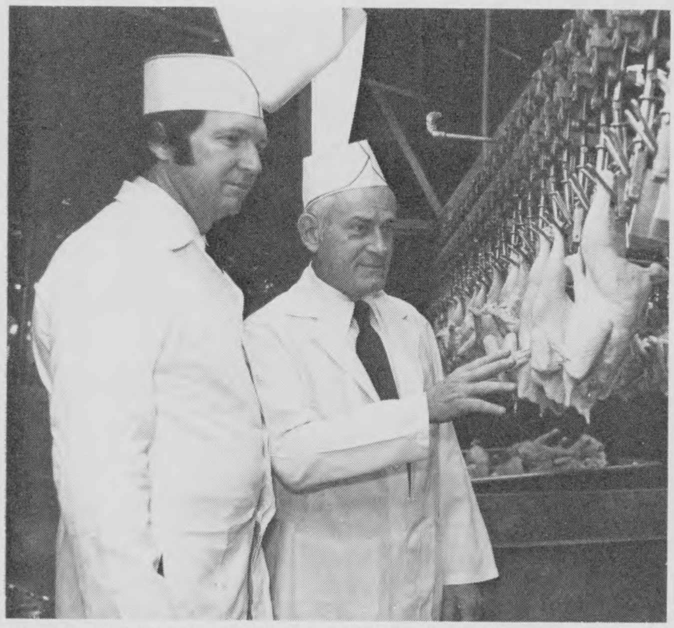

Fred D. Neil, Vice President, Deposit Guaranty National Bank (right), and B. M. Anthony, President & Director, National Broiler Marketing Association, inspecting processing line at Mississippi broiler packing plant.

H. A. "Beau" Whittington, Director of Industrial Development, Deposit Guaranty National Bank.

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FINANCIAL REFORM— Not a Dead Issue!

By W. LIDDON McPETERS, President-Elect, American Bankers Assn., and President, Security Bank, Corinth, Miss.

IN THE WORDS of a comic strip character in the *Washington Post,* "Old bankers never die, they just lose interest!"

If you'll forgive me for making such a pun, I would like to point out that, if old bankers never die, the same can be said for legislative proposals on Capitol Hill. For, unlike bankers, Congress seldom loses interest in any proposal introduced in either house. If a bill is not enacted the first time it is introduced, it will almost certainly turn up the next year in a different form. Specific bills are vehicles that may disappear, but the issues and concepts behind those bills are remarkably long-lived.

That is certainly true of the package of proposals so inappropriately labeled "financial reform." Regardless of what happens in the rest of this session of Congress, it's a virtual certainty that these proposals will reappear next year when the new Congress takes office. The forces that generated this legislation are stronger today than they ever were, and those forces guarantee the Congress will be considering major changes in our financial system for some time to come.

These proposals have already demonstrated amazing longevity. Since 1971, when the Hunt Commission issued its recommendations for change, the ABA has been working for comprehensive change to erase the competitive inequalities that unfairly penalize bank customers. In 1973, when the Administration submitted the first Financial Institutions Act, based on the Hunt Commission recommendations, ABA stepped up its activities.

Despite these efforts, however, on December 11 of last year the Senate passed a Financial Institutions Act that would vastly expand the powers of bank competitors—and, at the same time, leave banks hamstrung by inequitable rules on interest rates, reserve requirements, taxation and other matters. ABA voiced the banking industry's opposition to this bill.

Meanwhile, a parallel effort proceeded as the House Banking Committee prepared its version of financial reform, called the Financial Reform Act (FRA). The ABA testified in opposition. We detailed precise reasons why FRA was not true reform, why it was not equitable to all institutions and why it would ultimately harm bank customers and the general public. Your letters and phone calls to Congress backed up what we were saying.

Partly as a result of our testimony, the old FRA has been broken up into a cluster of smaller bills. Some of this legislation closely parallels the Senate-approved Financial Institutions Act in granting additional banking consumer powers to thrift institutions without eliminating the special advantages they enjoy. Our association is continuing to oppose this legislation.

Mr. McPeter's article is based on a talk he gave last month at the annual convention of the Mississippi Bankers Association. He made similar remarks at the Alabama, Kansas and Louisiana conventions.

The ABA, of course, is always ready and willing to offer a positive and constructive voice in congressional deliberations. But, given the history of this legislation in this Congress, we do not believe that fair and constructive reform that truly serves the public interest is possible this year. This is the message we are sending to Congress, and with your help and the help of bankers like you all over the country, our message is getting through.

But let me repeat: On Capitol Hill, issues do not die and certain members of Congress seldom lose interest. If these proposals are defeated this year, they will be repackaged for consideration next year. The battle will begin again. We cannot delude ourselves that it will not.

Why? Because the forces that spawned these proposals are still propelling us toward change. In fact, some are stronger than ever.

That being the case, it makes sense for us to examine these forces to see how we can manage them to create an equitable banking environment that serves the best interests of customers as well as financial institutions.

Perhaps the strongest force for change is the high importance this nation attaches to providing adequate housing for all income levels. Ever since the Housing Act of 1949, adequate shelter for every American has been an explicit national priority—a priority reaffirmed in the Housing and Urban Development Act of 1968.

Housing was the reason S&Ls were granted special privileges to help them attract additional funds. Housing is the ostensible reason Congress has legislated the interest rate differential between banks and thrifts. And adequate housing is one of the major forces behind the proposals for financial reform

"... we must continue our efforts to make sure this bill ... is not enacted before the close of the 94th Congress. And we must redouble our efforts next year when financial reform legislation will almost certainly return for an encore."

introduced in the 94th Congress.

The House proposals, in particular, amounted to nothing short of political credit allocation to housing—allocating funds to a sector of the economy that Congress considered to have a high social priority.

No one would argue with the importance of housing to the health of our nation's society and economy. As bankers, we are convinced that a solution to our housing problems would provide not only adequate shelter for all Americans, but an important boost to our economy in the form of additional jobs and income.

But direct governmental credit allocation is not the answer to our housing difficulties. For one thing, it fails to take local differences into account. In some rural areas, for example, agriculture, rather than housing, is in much greater need for credit. And, too, enactment of any direct governmental credit allocation proposal sets a dangerous precedent. If credit can be allocated to one high-priority area, why not to another? Are small businesses any less deserving of credit than home buyers? Or urban renewal projects? Or environmental protection?

In a time when our society has identified a great many social priorities, bankers might well find their lending policies and programs limited by a series of governmental credit allocation decisions made in Washington. Even more important, customers who want to borrow for personal and business purposes might find the funds in the banking system already allocated by government decree. This potential loss of freedom to borrow for purposes that you decide are important lies at the heart of the problem posed by political allocation of credit.

A better solution might be some system of subsidies, either direct or through tax incentives, that would work *with* the forces of the money market to channel the flow of funds into socially desirable areas, including housing. Such subsidies would preserve the essential freedom of would-be borrowers and their bankers to make their own credit decisions, based on their unique knowledge of their own communities. Until this or some other solution to the nation's housing problem is found, however, we can be certain that the need for a more stable flow of mortgage funds will continue to exert pressure for major changes in our financial system.

Consumerism is certainly a significant force for change in banking. Consumers—bank customers, if you will—are much more sophisticated today about the value of money. They know that bankers are earning interest on depositors' funds and they want an explicit earning as well as better service on their deposits. This is especially true at a time when inflation has been eroding the value of dollars salted away in savings accounts.

This new consumer demand for higher interest and better service has not escaped the notice of Congress. Already, it has brought about Senate approval of the Financial Institutions Act, which would permit payment of interest on demand deposits.

Even more important, it could make it possible for all regulation of interest rates to stop five-and-one-half years after enactment. Both of these provisions are included in the financial reform legislation introduced in the House.

I should add, however, that, in the House at least, this five-and-one-half-year period is considered an extension of Regulation Q, not a deadline for termination.

In one important area of the nation, New England, the question of paying interest on checking accounts has already been resolved. Financial institutions in all six New England states are already authorized to offer NOW accounts, for all practical purposes, the equivalent of interest-bearing checking accounts.

In its efforts to meet the new demands of the consumer, Congress is not stopping with interest-rate regulations. Recent congressional actions have clearly demonstrated that Congress agrees with the Hunt Commission's argument that the consuming public is best served by the free play of competitive forces. Increased competition among all financial institutions is seen by many in Congress as the best way to provide more and better financial services to the consumer.

This is an important break with the basic premise behind much of the banking legislation of the 1930s. During that period, bank failures had been one of the most visible symbols of the onset of the great depression. It's not too surprising that the survival of banks became a major objective of the banking acts of 1933 and 1935—even when it meant the introduction of some restraints on competition.

Banks were limited in their ability to compete by offering higher interest rates. They were absolutely forbidden to pay interest on demand deposits. Stricter standards made it difficult for new banks to obtain charters, because many believed that over-banking had contributed to the large number of bank failures. And a system of federal deposit insurance and federal regulation of almost all banks was established to prevent future bank failures.

Today there is little doubt that Congress is still concerned about the stability of the banking system—witness recent congressional concern over the news stories about so-called problem banks. But this concern for bank stability is now counterbalanced by an increasing emphasis on increased competition among financial institutions as the key to providing better financial service to the consumer.

In both the House and Senate financial reform proposals, financial institutions would be able to pay interest on checking accounts. And by granting thrift institutions the power to provide a full range of lending and depository services, Congress in effect would be creating some 6,000 additional banking competitors overnight—a far cry from Congress' 40-year-old concern with limiting banking competition, a concern that had its origin in the failure of a fourth of the nation's banks during the great depression.

Bankers themselves have often demonstrated a strong awareness that increased competition can better serve the needs of the consumer as investor. For example, bank automated investment services fill an important need for the small investor. And many bankers are convinced that banks should be able to offer commingled agency accounts—mutual funds, in effect—as an additional service to the small investor. Undeniably, the desire to meet consumers' wants and needs is a significant force for change and innovation in our financial system.

Another major force pushing us toward change is inflation. Many of us remember that, in the 1930s, wage and price increases were not a problem but a desirable objective. With incomes, prices and wages at rock bottom, the only economic indicator that was rising was unemployment.

Inflation must be factored into every aspect of economic life. It pushes the cost of housing sky high. It leads to soaring interest rates, which, in turn, cause disintermediation that dries up the flow of funds to housing. It gives

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REGULATORY REFORM— An Idea Whose Time Has Come

By GEORGE A. LEMAISTRE, Director, Federal Deposit Insurance Corp.

LARGE BANK failures and economic strains have focused attention on the banking industry and our system of bank supervision and regulation to a degree not seen since the 1930s. Beginning with the speech given by Arthur Burns of the Fed at the ABA convention in 1974 in which he decried what he termed a "competition in laxity" and described the existing regulatory framework as a "jurisdictional tangle that boggles the mind," the issue of bank regulatory reform has never been far from the attention of either the banking committees in Congress or the banking agencies.

It's dangerous to leave this matter to Congress, because that group needs guidance in grappling with it. A myriad of proposals has been put forward, untold hours have been consumed in discussion, numerous speakers have pontificated, reams of paper have been produced, and, finally, what should have been a careful analytical exploration degenerated into a personal political vendetta.

I do not need to tell the outcome: After much sound and fury, the issue of bank regulatory reform is dead in the 94th Congress.

Nevertheless, it's desirable to reflect on the subject of regulatory reform in the banking context, since, like it or not, governmental and regulatory reform seems to be an idea whose time has come. When I talk with businessmen, bankers and even consumer advocates, I hear one persistent complaint: Profound dissatisfaction with the pervasiveness of governmental intervention in our day-to-day affairs and with the reams and reams of paper that are required to effect even the simplest and least controversial of transactions. The extent of this concern has been one of the dominant themes of the current presidential election campaign.

The issue posed by this dissatisfaction is not a simple one. Most informed people share the recognition that our economy is too large and complex to function properly without some governmental supervision or regulation.

For example, while some might disagree with the direction of monetary policy at a particular time, few would deny the need for a mechanism to control the quantity of money in the system. Similarly, although one may disagree with the specific policies of many environmentalists, the absence of some controls over the disposal of commercial waste and other pollutants would lead to disastrous consequences in a highly industrialized society such as ours. And, finally, by way of illustration, there is general agreement that some surveillance and supervision of the operation of individual banks is required to avoid an excessive number of failures that would create economic instability.

Accordingly, the problem is not that regulation and supervision of economic and commercial affairs is inappropriate, but, rather, that regulation often outlives the problem it was intended to address; that we do not always take sufficient care to choose the least costly means to achieve the desired end; and, often, regulation results in unanticipated consequences that can be more severe than the problem which regulation sought to remedy.

It is not surprising that these problems are so rarely dealt with effectively. All too often, those who are regulated, while screaming loudest about the sanctity of an unfettered free enterprise system, grow comfortable in their regulated environment and resist mightily when any serious effort is made to deregulate.

Similarly, regulatory bodies acquire a vested interest in their own existence and the "turf" which they regulate which prevents their objective assessment of the regulatory policies they pursue. As a result, governmental agencies are often loathe to engage in critical self-examination.

Finally, it must be acknowledged that, while it is possible to deal with these issues with some ease in the abstract, real-world solutions are not easy to produce. In part, this is a consequence of practical politics and the fact that any change in the framework of an industry's regulation may lead to significant short-run dislocations or adjustment costs. At least as important is the simple fact that answers to many of these problems are extremely difficult to discover.

These factors provide a partial explanation of why the results of bank regulatory reform efforts were so disappointing in the 94th Congress. Notwithstanding the difficulties, it is important—and perhaps critical—that bankers and bank regulators develop a systematic and reasoned approach to

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Mr. LeMaistre's article is based on the talk he gave last month at the annual convention of the Arkansas Bankers Association. He made similar remarks at the Alabama convention in Puerto Rico.

"I . . . hope bankers and regulators will . . . deal with the issues . . . in an orderly and analytical way. If they do, . . . the net result will be a regulatory framework that is less burdensome and more effective . . ."

regulatory reform.

The failure to develop such a positive approach will have several adverse consequences. A golden opportunity will be lost to deal in a meaningful way with the problems of excessive and inefficient regulation and to highlight the unintended ill effects and hidden costs of regulation. Similarly, an opportunity will be lost to remedy certain demonstrable inadequacies in the present supervisory framework.

Finally, it is critical that we not opt out of the process of shaping the changes that are both inevitable and bound to affect us deeply. The alternative would be to wait for Congress to develop a plan and then either support it or defeat it.

I would like to identify some of the elements of an approach and to suggest some of the changes that might flow from this analysis. These remarks are not intended to be a comprehensive or definitive plan, but are a tentative effort to suggest an orderly way of thinking about regulatory reform.

First, remedies should be developed that respond directly to inadequacies and abuses that are demonstrated by a careful analysis of the facts, rather than to empty phrases such as "competition in laxity." The failure of recent legislative efforts to focus upon specific, demonstrated shortcomings of the system ensures that at least one serious flaw will be with us for at least two more years, or until Congress gets back to the subject.

Recent events have illustrated that the existing framework for the regulation and supervision of bank HC systems is not only unduly costly because of the overlapping and conflicting jurisdictions involved, but, also, in some instances, simply has not functioned properly.

In three of our largest bank failures in the past 18 months—Hamilton National, Chattanooga; American City Bank, Milwaukee; and Palmer National, Sarasota, Fla.—the cause of failure was not abusive self-dealing—which from 1960 through 1973 was far and away the predominant cause of failure—but, massive unsafe and unsound lending practices occurring in the essentially unsupervised environment of a non-banking HC affiliate.

The failure of Hamilton National, a venerable, traditionally conservative, well-run institution, is the most graphic and tragic illustration of this phenomenon. But for $80 million in mortgages initiated by an Atlanta-based mortgage affiliate over a period of months and dumped on the bank, the bank in Chattanooga would be in existence today.

These cases illustrate two points that should be recognized by both the banking agencies and the Congress. First, the notion that one segment of an HC operation can be insulated from the remainder of the system is quite simply a myth. It is the worst form of self-deception to think that the lead bank in an HC is in a safe and sound condition because its last examination was satisfactory if other facets of the HC system are not undergoing equally rigorous scrutiny. When HCs were allowed to proceed in a manner that would be unacceptable in a commercial bank, some of them were encouraged, in effect, to hide enormous risk.

The second point flows from the first. That is, it simply makes no sense for as many as four bank regulatory agencies to have safety and soundness jurisdiction over various segments of an integrated business enterprise as is the case with some HC operations. Inevitably, this approach will be at times conflicting and uncoordinated.

Accordingly, as an individual involved with the agency concerned with the administration of the deposit insurance fund, I would rate the fragmented and ineffectual framework of regulating HC systems and not some vague notion of "competition in laxity" as the most profound cause for concern in our present supervisory structure. As has been suggested by others, including Comptroller of the Currency James Smith, this problem could be remedied by charging the supervisor of the lead bank with the primary supervisory responsibility for the entire system, including the HC itself.

Even if it were not possible to illustrate the adverse consequences of the present framework in concrete cases, such as the Hamilton failure, such a framework should be rejected both because of the governmental waste that results from the unnecessary duplication of effort and because of the burden imposed upon the banker, who must deal with four bank regulators as well as the Securities & Exchange Commission (SEC), the Justice Department, the Federal Trade Commission (FTC) and miscellaneous regulatory bodies.

This brings me to a second element of any serious attempt to reform a regulatory framework: A concerted effort should be made to eliminate redundancy and overlap within the framework of regulation that applies to an industry.

Although many of the regulatory reform proposals that surfaced recently purported to rationalize the bank regulatory structure, some of the most notable instances of duplication and inefficiency were largely ignored by Messrs. Proxmire and Reuss.

In my judgment, the existing system of review under the Bank Merger Act represents a classic example of a regulatory process which, although benign, is redundant, time-consuming and unduly costly.

Our present system of review of the competitive aspects of a merger has three elements. Under the statute, the primary federal regulator is charged with the responsibility for considering both antitrust and banking factors in determining whether a given merger should be approved or denied.

Second, each of the remaining two federal banking agencies and the Justice Department are required to file with the primary regulator their own analysis of the competitive implications of the merger in question.

Finally, after approval by the banking agency, the Justice Department may, within 30 days, sue to overturn the merger on antitrust grounds.

This system was designed by Congress ostensibly to obtain uniform application of the act. Moreover, on paper at least, the system seems a good example of how checks and balances can be built into governmental processes. Yet, the record as developed and reviewed by the Senate Banking Committee this session reveals that uniformity has not been the result. And I can personally testify to the fact that the advisory opinions contribute little, if anything, in the way of facts or analysis that is not brought to our attention by the FDIC staff.

Thus, the net effect of this process is that the energies of bright, competent people are consumed in a meaningless task and that more paper is circulated in a city already choked with it.

The redundancy could be remedied without altering the present application of the law. At the very least, the requirement of the competitive factor reports should be eliminated. However, I would go a step further, and recommend simply that the primary bank supervisor and the Justice Department be given notice of the intention of two banks to merge.

The bank agency would have the responsibility of reviewing the merger from a safety and soundness point of view and the Justice Department

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Factors Behind the Loan-Loss Problem And Their Implication on Supervision

By ROBERT E. BARNETT, Chairman, Federal Deposit Insurance Corp.

WE HAVE been going through a period in which problem banks and failures have received more public attention than usual. Even those of us who are in favor of increased disclosure by banks have been unhappy with news stories that have been exaggerated, out-of-date or simply inaccurate.

I may be overly sensitive on this, since there is substance to the impression one gets from the inaccurate as well as the accurate stories published during this period. Our problem bank list is longer than it has ever been and it includes some sizable banks. Loan losses were up dramatically last year and were more than double the figure for just two years ago.

I cannot explain everything that has happened to banks in the last two years. I have not seen any complete explanations for the significant increase in bank problems that accompanied the recent recession. Unlike some observers, I do not find that the performance of the regulators, including the FDIC, is the cause of the problems, although had all of us done our jobs better, perhaps we could have blunted the impact on some individual banks.

I want to set out three factors which I think account, at least in large part, for the severity of our recent problems and to discuss briefly the implications of these events for bank supervision. While I might make a prediction or two, this article is not about what is going to happen as much as about what has already occurred.

The major strands in the explanation for the increase in bank losses and in the number of problem banks include, first, the 1974-75 recession; second, a general trend toward greater risk-taking on the part of the banking system that goes back a fairly long time; and third, some unusual peculiarities of the recent economic and international situation.

It is important that we not underestimate the relationship between the economy and bank performance. Some analysts and reporters assume that banking should be immune to the general trends and problems of the economy. But that is an unreasonable standard for banks. The 1974-75 recession

was much more severe than anything our economy has experienced since World War II, whether measured by decline in GNP, industrial production or increase in unemployment.

Since banks play such a major role in our economy, we must expect the health of banks to mirror that of the economy. In periods of economic decline, the profits of business firms fall and the number of firms encountering financial difficulties and failure always increases. This will be reflected in nonaccruing loans and loan charge-offs at commercial banks. If this were not the case—if banks were only making loans to firms whose financial condition was so solid that even a severe recession would not affect their ability to pay—the banks would not be doing their job.

Banking involves taking moderate risks on individual credits, although we expect that a well-managed, diversified loan and investment portfolio will keep overall losses at reasonable levels. Maintaining that portfolio is difficult when there is substantial weakness in the general business environment.

We have reviewed the figures on loan losses of commercial banks over the last 25 years and find a definite cyclical pattern. The pattern is not perfect, partly because we only have loss data on an annual basis, and partly because banks exercise some discretion with respect to the timing of charge-offs. Essentially, we have found that the percentage of loans charged off does increase during periods of business recession. This has been true in all of our post-war recessions—1949, 1954, 1958, 1960, 1967, 1971 and 1975. The year of recovery following those recessions always produced a reduction in the loan-loss ratio. Of course, we don't know yet whether that will turn out to be the case for 1976, but if the pattern of those past 25 years continues, then I would expect the loan-loss ratio to decline this year.

While the pattern is rather clear, the magnitude of these year-to-year changes in bank loan losses was actually modest until we got to around 1970. I think that reflects the fact that the economic declines themselves were relatively modest. In fact, most of our recessions of the last 25 years really were slowdowns in the rate of growth of GNP rather than an actual year-to-year decline in the economy. Thus, it is not surprising that, during the period of our most severe postwar recession, we should have a significant increase in bank loan losses and a significant increase in the number of banks on our problem list.

The data on loan losses suggests more than a cyclical phenomenon. The extent of bank problems in the last two years was influenced by this recession, but it also reflects some more basic and long-lasting characteristics. This squares with our general assessment of what has been happening in banking.

Let me suggest a few numbers that illustrate this general trend.

The loan deposit ratio of large banks was 56% in 1960 and 68% in 1975. The ratio of equity capital to assets of large banks was over 8% in 1960 and under 6% in 1975. The ratio of cash and U. S. government securities to assets was over 40% in 1950 and about 25% in 1975. These are significant differences in meaningful ratios.

Since the early 1960s, many banks have abandoned their traditional conservatism and have begun to strive for more rapid growth in assets, deposits and income. "Liability management" became the essential phrase in the modern banker's lexicon. The larger banks also began pressing at the bound-

This article is based on a speech given by Mr. Barnett at the annual convention of the Texas Bankers Association last month in El Paso.

"While real estate markets have turned or appear to be bottoming out in many areas of the country, real estate loan problems in some areas may be with us for some time."

aries of allowable activities. They expanded into fields which some felt involved more than the traditional degree of risk. These activities included direct lease financing, credit cards, underwriting of revenue bonds, foreign operations and others.

This list of activities and the financial ratios I cited reflect a general trend towards increased aggressiveness and increased willingness to bear risks on the part of the banking system in general and large banks in particular.

The HC movement of the 1970s certainly accelerated these developments, although most of the activities of bank HCs could also be, and were in fact, engaged in by banks directly. I am assured by our FDIC examiners that this increased aggressiveness showed up in lowered credit standards as well.

During the 1960s, banks generally were not noticeably harmed by the diversification of activities, the movement towards greater risk in their own financial structure and lowered credit standards. After all, the early and mid-1960s represented a fairly extended period of relatively stable growth and moderately stable prices. The first half of the 1970s proved to be a much tougher economic environment in which to operate. Even apart from the recession of 1974-75, we should not minimize the impact on banks of operating in periods of tight credit, high money costs and extremely erratic movements in commodities and other prices. These factors affected not only the banks directly, but also the stability and predictability of business operations, and that, in turn, had its impact on the repayment of bank loans.

I have mentioned some financial ratios and changes in activities that specifically apply to large banks. Many would argue that small banks have changed much less dramatically than larger institutions, and the loan-loss data support this view. During the 1950s and 1960s, smaller banks generally had higher loss ratios than the larger institutions. That pattern clearly has been reversed in the 1970s. The loan-loss ratios have been noticeably higher for larger banks over the last few years. This has been due in part to some failures of major corporations with substantial lines from large banks, in part to the large bank's greater exposure to construction lending and mortgage banking, and in part to their greater willingness over this period to finance new and sometimes untested operations or ideas. Moreover, since the large banks tend to have higher loan-to-asset ratios, their earnings tend to be more sensitive to loan losses.

The two factors I have mentioned in explaining the increase in bank problems—the general state of the economy and the increased willingness of banks to bear risk—are clearly interrelated. The increased aggressiveness of the banks would probably not have shown up to the same extent in increased problems if it had not been for the decline in the economy. Likewise, the third factor I wish to explore is related to the general state of the economy as well.

In recent years, in addition to the general decline in economic activity, we have had some special problems. Some are directly related to the economy, some are unusual, one-shot events. These include such factors as the tremendous increase in energy costs, rapid rise in food prices, record high interest rates and severe problems in the real estate market.

Let us look first at the real estate problem, since many of our bank failures and major problems for the past two years have come from real estate loan problems. While real estate markets have turned or appear to be bottoming out in many areas of the country, real estate loan problems in some areas may be with us for some time. It is difficult to tell what amount of nonaccruing real estate or real estate investment trust (REIT) loans have been written off thus far, and what the ultimate write-offs will be on the volume of these loans presently on bank books.

Some analysts expect that REIT loans still on the books of the banks will result in losses of up to 25%. While this figure seems high to me, even the more optimistic imply ultimate losses still to be taken by the banks over a period of a number of years to be in the order of a billion dollars.

In some instances, loan swaps and refinancing have forestalled or eliminated immediate charge-offs, but these have been at the price of taking on long-term, low-yielding assets, which may penalize long-term earnings. It is possible, therefore, that bank loans to REITS will be a drag on the earnings of some large banks for several years. If successful, however, these work-out programs may reduce the number of REIT failures and lower future losses on REIT loans.

Why all the real estate loan problems? One answer given is that land booms are accompanied and fed by forces associated with price appreciation and "can't-miss" projections that feed on themselves. Beyond this, I think banks as lenders and as managers of REITs through HCs deserve a considerable share of the blame. High rates on construction loans and REIT fee arrangements that encourage volume purchases and sales undoubtedly contributed importantly to a loss of perspective on loan quality. Too many projects required overly favorable sales or occupancy to break even and, although I recognize that the following is easy to say as a matter of hindsight, the lender's traditional restraint on the developer's perpetual optimism was not present. In many cases, bank real estate lending officers were too young and inexperienced to remember past periods of real estate lending problems.

Some well-conceived projects have ended up with foreclosures and bankrupt builders. These have been due to the general weakness of the economy, greatly increased building costs and much higher energy costs, all of which contributed importantly to the failure of many real estate ventures that appeared sound when they were conceived. High interest rates added to the burden of carrying nonearning assets and accelerated bankruptcies. Now the economy is on the rise and money for permanent financing seems plentiful. Many of these projects will be bailed out by the rising tide of the economy, and, in the longer run, perhaps by inflation.

Some of the real estate developments, however, were poorly conceived to begin with. In some instances, costs were just too high for the market and sizable losses will have to be accepted. Some of the developments, particularly second-home or vacation area condominiums, were based on expectations of ever-increasing prices and eventual resale at a profit. Once it became clear that owning a condominium was not a sure-fire route to ever higher and higher values, it became difficult to sell any. Many of those projects seemed to be based on the "greater fool" theory of investment, that is, even if you foolishly pay too much for a piece of property, sometime in the future you will be able to sell it at an even higher price to an even greater fool.

Many banks have had problems with loans to REITs and real estate developers. A smaller number of banks have been affected by other particular problems, such as losses on foreign operations and oil tankers. It appears that

(Continued on page 111)

Banks Are Doing All Right Despite Their Bad Press

By HARRY V. KEEFE JR.
President
Keefe, Bruyette & Woods, Inc.
New York City

WHAT ACTUALLY HAS happened to banking in the past few years? The industry has been swamped with problems; earnings are down, and bank stocks have acted like hell in the market. Right? Wrong.

Earnings for the 24 major banks representing the Keefe Bank Index were \$64.75 in 1975, up from \$60.24 in 1974, a gain of 7.5%. In fact, bank *earnings* have *risen every single year since 1961*. Earnings were down a modest 2.2% in 1961, the only decline since 1938. This certainly is a record that can be matched by few, if any, other stock groups. Bank earnings are up 47% in the last five years, or 8% a year compounded.

OK—so earnings somehow managed to be up, but judging by what one reads in various brokerage house reports and financial media, bank stocks must have had a lousy market record. Right? Wrong again.

From January 1, 1968, to May 1, 1976, bank stocks rose 44.8%—not much I grant you, but better than the 9.3% gain of the S&P 425 industrial stocks. From the peak of the market in 1972, bank stock prices have fallen 24% and industrials 12%.

From January 1 to May 1 this year, bank stocks have risen 21.2%, whereas S&P industrials are up only 13.9%, so despite their admitted problems, bank stocks, on average, have performed well in the stock market.

Banking is a great industry with a great record. Personally, I have every penny of my net worth in bank stocks. The employees profit sharing plan of my company purchases bank stocks exclusively, and that plan has outperformed, by a significant margin, all major mutual funds and bank trust departments.

It's inherent in the very nature of banking that the industry must be profitable to protect the depositors' funds. It is not necessary, on the other hand, that the steel industry, oil industry or even the computer industry be profitable.

Some bankers certainly acted stupidly in the early '70s. The financial media, who thrive on sensationalism, have seized on the regulators' watch lists to create an impression in the public's mind that a great many banks are in trouble. True, there are six or seven banks that are very shaky, but bear in mind we have 14,000 banks in the U. S. A. Banks are run by people and not all bank presidents are equally capable—some are going to make serious and unpardonable mistakes. But the many should not be penalized for the sins of a few.

Your association and each of you have an obligation to speak back to the newspapers and politicians and make clear what a fine record banking has had. After all, the loan losses suffered in 1974 and 1975 were caused, for the most part, by an inflation-induced depression.

Inflation, in turn, is caused by politicians—not bankers. This is a fact that I have not heard mentioned in Senator Proxmire's or Congressman Reuss' hearings. It is time banking spoke up in its own defense.

For the most part, banks that need capital most do not—and will not in the near future—have access to capital markets. In the last year, four major banking companies have done equity, or equity-related, financing: Citicorp and First Bank System of Minneapolis sold convertible debentures and J. P. Morgan and Northwest Bancorp. sold common stock. The interesting fact of these financings is that each of these four large banking companies had better than average equity/asset ratios *before* they added new capital.

Interestingly enough, there hasn't been much change in the last three years in the relative earned-on-asset standings of the good vs. poor earning banks. Three years ago First Bank System ranked first and Marine Midland last of the 23 banking companies with assets of \$5 billion or more, the same relative positions they held in 1975. First International of Dallas and Morgan have been consistently at top of the list and Bankers Trust at the bottom.

I dwell on the earned-on-asset ratio because it translates into earned-on-equity, which, in turn, is the key to a bank's ability to raise assets above present levels.

If there is one thing I believe strongly, it is that most banks cannot permit their equity/asset ratio to decline further.

There probably is no finite amount

24 Major Banks in Keefe Index

	Charge-offs % Average Loans	*Valuation Reserve % Year-end Loans*
1974	.31	.96
1973	.21	1.01
1972	.20	1.25
1971	.35	1.52
1970	.28	1.77

5-year average .27%

The talk on which this article is based was given by Mr. Keefe at the 1976 Missouri Bankers Association convention in St. Louis.

of capital needed by a bank.

Ask a regulator how much capital a bank needs and he invariably answers: "More."

Probably the most suitable test of capital adequacy is how does a bank's ratio compare with its peers? The collective judgment of a large group of bank managements is most likely the best bench mark as to where the proper level of capital should be.

In the final analysis, it will be the marketplace that will decide capital levels. I have read all the literature on bank capital ratios and cannot find anyone in banking, or the regulatory agencies, that really knows what a proper equity/asset ratio should be.

The "market"—i.e. the suppliers of both short- and long-term funds to banks—will not permit the equity/asset ratio to decline further from present levels.

I am sure that one result of the present congressional hearings on banking is going to be a call for stricter governmental regulation. Politicians have a Pavlovian reaction that the government in Washington knows best what is good for us. I quarrel with that assumption.

When Franklin National's problems surfaced in the summer of 1974, I was approached by the treasurer of one of the nation's largest chemical companies. His board, for some strange reason, had restricted his purchases of bank CDs to those of the 11 members of the New York City Clearing House—of which Franklin was one. He pointed out to me that although he continuously furnished his financial statements to the banking community, the banks did not, in turn, give their financials to him, and further, if they did, his staff did not have either the skill or experience to analyze bank financials.

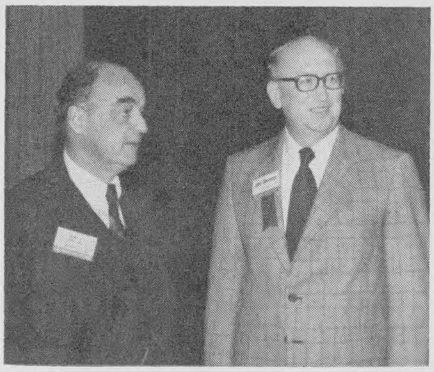
His question: "Mr. Keefe, can your firm give us a quarterly review of the financial statements of the 250 banks located in 37 different states with whom we have deposit relations?" "Certainly," I said. And out of that has grown a service that we call "Bank Watch."

The corporate clients that have since retained us as consultants control, on an average day, 10% to 15% of the total bank CD market—some $8 billion to $13 billion.

Just the other day, the treasurer's department of one of the world's largest industrial companies called us to discuss a credit review of the 300 banks with which the firm frequently has over $2 billion on deposit. His desire: to bank with the strongest companies.

We have a staff of 16 persons processing this data, and the group is headed by the former vice president of a major New York City bank. Many banks—large or small—are being subjected to our constant daily scrutiny.

If your bank has a good balance sheet with good liquidity and strong capital ratios, an income account showing below average loan charge-offs and above-average profitability, then you can be assured that you will be rewarded with increased business from these major companies.



Harry V. Keefe Jr. (l.) is shown talking with John H. Obermann, ch. of Missouri Bankers Association's 1976 convention, after delivering his address. Mr. Obermann is pres., Mercantile-Commerce Trust, St. Louis.

On the other hand, if your financials do not make good reading, then you are going to be penalized by a loss of business.

This discipline of the *marketplace* is going to be a much more effective regulator than any agency in Washington or any state banking department.

Bank managements that perform poorly are going to be fired by their boards—a new, but in my opinion, very constructive trend. Stockholders are going to hold senior managements responsible for their errors.

"In the final analysis, it will be the marketplace that will decide capital levels. I have read all the literature on bank capital ratios and cannot find anyone in banking . . . that really knows what a proper equity/asset ratio should be."

At the end of 1969, the equity/asset ratio for the 24 major banks in our Index was 6.79%. This ratio declined steadily through 1974, when it reached a low of 4.81%—*a 30% deterioration in just five years!*

This was brought about because loans at these 24 major banks rose 15.5% a year compounded, whereas equity *plus* reserves was increasing at but 8.5% annually. Obviously, this disparate growth trend could not continue forever.

It is this *trend*—not the absolute level—that has concerned banking regulators and investors in bank securities, CDs and commercial paper.

In 1975, deterioration in capital ratios was reversed, and the ratio improved around 12% to about 5.4%—thanks largely, of course, to a slowdown in loan demand.

The valuation reserve, despite record charge-offs, increased from 0.96% of loans at the end of 1974 to 1.16% at the end of 1975.

Since the valuation reserve is constructed from a direct charge to earnings, its trend obviously influences reported earnings.

It is clear to me—*in retrospect*—that some banks were overstating their earnings in the early '70s.

For example: One major bank's loan valuation reserve dropped from an absolute level of $46 million at the end of 1969 to $39 million at the end of 1972, whereas, loans meanwhile were increasing from $2.2 billion to $2.4 billion. This bank's ratio of the reserve to loans, therefore, dropped from 2.02% to 1.34%. Had the bank maintained its reserve ratio, earnings would have been significantly lower in 1970, '71 and '72.

Conversely, with a higher reserve going into 1975, the bank might not have had to make the deep charges last year that caused its earnings to drop 24%.

It is a simple truism that as the volume of loans increases so does risk exposure. I would be suspicious, therefore, of the earnings of a bank that let its valuation reserve *ratio* run down during a period of rising loan demand and normal loan losses.

What should be the level of the valuation reserve?

Results of the past few years indicate that during periods of *normal* loan charge-offs—that is when *industry average* charge-offs are running between 20/100ths and 25/100ths—the average reserve should be, *in my opinion,* at least 1.5% of loans. Thus, during a depression year like 1975, there would be an adequate level of reserve to absorb charge-offs and, therefore, no need to impact earnings as severely as *some* banks were forced to do in 1975.

When I speak of a 1.5% valuation reserve level, I am addressing commercial and industrial loans and not such low-risk categories as mortgages on single-family homes, acceptances and loans to securities dealers, etc.

An adjustment in the 1.5% can be made by deducting such low-risk loans from the total and applying a different factor to them—just for a number, something in the order of 40/100ths.

Some banks would argue that their record justifies a lower reserve level, and indeed, I am talking *average* figures. But bear in mind that Morgan, historically the premier lender among the giants, saw its charge-offs jump from .02% of loans in 1973 to .63% in 1975—largely due to the write-down of Grant's where Morgan was the lead lender. Even with this increased charge-off, however, Morgan's valua-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As President of Fourth National Bank, John D. Izard supervises, on a day to day basis, the basic lending operations of the bank. He is particularly knowledgeable in correspondent banking, having served with major Oklahoma banks over 25 years.
Think of a way we might be able to offer you more. Then call John, he'll know what we can do.
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tion reserve rose from .84 in 1974 to 1.02 in 1975.

My concern with the adequacy of valuation reserves derives from the fact that suppliers of funds to banking—both short-term in the form of CDs and long-term in the form of capital—*are seriously concerned by erratic earnings and literally shocked by a quarterly loss.*

Despite the fact that earnings for the industry were in fact up in 1975, it is also a fact that earnings of 35 of the 95 banks followed by the analysts at Keefe, Bruyette & Woods declined last year. I submit that many of these earnings declines could have been averted if the industry had been maintaining reserve levels for the prior five years. The table on page 41 shows that although charge-offs in 1974 were not significantly higher than in 1970—nor indeed, much above the five-year average—the reserve ratio dropped from 1.77% to .96% during that five-year period.

Is my 1.5% ratio too high for the *average* bank? Based on last year's results, I think not. We did a survey of the 1975 loss results for 223 of the largest banking companies and found that 38, or 17%, had charge-offs in excess of 1%. Five had losses in excess of 1.75% and indeed one bank of the 223 reached the infamous level of 2.48%!

In 1971, the reserve ratio for the 24 major banks was actually 1.52%, but dropped to 1.25% in 1972. In 1971, the banks in the Keefe Index had earnings of $45.30 per share, which increased to $47.71 per share in 1972. Had the reserve ratio been maintained, we estimate 1972 earnings would have had to drop to approximately $43 per share, or 10% *less* than was actually reported for that year. *This indicates to me that loan pricing was not adequate in 1972 to support the increased loan volume.*

Loan pricing must be such as to permit the valuation reserve to grow parallel with the level of loans without impacting earnings.

What I have been discussing so far is one of the most visible indicators of the changes taking place in the banking industry. Prior to 1974, the valuation reserve was an arcane accounting category of only passing interest. Its sudden vault to prominence in the last two years is symptomatic of the rather more subtle *fundamental* change in the business of banking: it has been said—"Neither a borrower nor a lender be." Well, according to that old maxim, you are borrowers, very substantial borrowers, *as well as* lenders. You *borrow* billions of dollars a day in CDs, in federal funds, in municipal deposits, in commercial paper and in Eurodollars. Maybe some of you curse the day CDs came to be back in the early '60s, but nevertheless, the fact remains: By becoming *borrowers* of funds rather than simply *gatherers* of funds in the old sense of branch banking, you have, consciously or unconsciously, subjected yourselves to the same degree of scrutiny you yourselves have always applied to your own borrowing clients. If your bank is a billion-dollar institution, it's quite likely that, at the very least, 40-50% of your total short-term sources of funds are supplied to you by *lenders*—corporate treasurers, pension funds, money-market funds, state treasurers and the like. One of the things we have learned in working with these discriminating lenders is that they are afraid, not so much of losing money as a depositor, but of being *embarrassed.* They don't want to be embarrassed and unable to explain to trustees or directors why they lent (or invested) money to a bank with serious problems, especially when there are so many alternatives within the industry. There are in excess of 150 billion-dollar banking companies in the United States today—that's a lot of "lending" opportunities for an institution with CD money to invest.

Consequently, the lender to banking doesn't need the hassle, especially considering the relatively narrow spreads among CDs of the major banks. If he's not getting compensated by more than five or 10 extra basis points in yield for his "risk" of embarrassment, the investment may not be worth the risk. Period. We see a profound change taking place over time toward more discrimination among the lenders *to* banks, going so far as to err *too* much on the side of quality, *especially* when rates are very high as they have been on three separate occasions during the last three years. Make no mistake about it: Bank of America's new philosophy of increased disclosure isn't a "non-recurring" item; you're going to be under the kleig lights from now on.

That's the bad news. So what can you do about it? Or, perhaps more correctly, what *must* you, in your specific capacity as lenders, do about it? Two things:

1. You and your staff, and particularly your national lending officers, must *know your bank.* You must know its weaknesses as well as its strengths. You must have a realistic appreciation of its potential or lack of it if the latter unfortunately is the case. Do you really have *established* access to the national markets? Can you grow with your borrowing client? If your client anticipates growth of 8-10% per year and a concomitant growth in his line of credit, can your bank accommodate him over an extended period of time? You must know these critically important things because if our perceptions are correct, and we think they are, you will be expected to know them by your clients and you will be embarrassed by their questions if you don't. As lending officers, you are the principal contacts for your bank with your borrowing clients. As such, you are the ones who will have to have the answers to the questions that, no doubt, are being asked and will continue to be asked.

2. You must have a more sensitive *appreciation of risk,* and by risk I do *not* mean qualitative credit-risk analyses of your borrowers. Banks always have assumed, and rightly so, that losses will occur; very often, by the time loss potential is recognized, it's too late to pull out. Consequently, banks have relied heavily on their ability to recover their investment through collateral, or as much of it as is humanly possible, no matter how long the original commitment lies in limbo. It's a measure of the strength of the banking industry that it has the staying power to recover much of these investments over a long period of time. So I am not talking about credit risk as it pertains to your clients; *what I am talking about is the risk your bank incurs to itself by making absolute dollar commitments to any client whether it is a AAA or a CCC.* Why?

Traditionally, we have related the size of a loan to a bank's capital, and, indeed, various regulators have set limits on that basis. I suggest that the size of a loan and the risk inherent in it should be related not to capital, but rather to your banks' earnings. The full write-off of *just* one legal limit loan would impact earnings, on the average, about 40% and that *presumes* that your bank has tax credits available. Do you know if in fact it does? The lower the bank's rate of return on assets, the higher the leveraged impact on earn-

Ziegler Wins First NBC Open

Rodger Mitchell (r.), pres., First Nat'l Bank of Commerce, New Orleans, presents the $35,000 winner's check to pro golfer Larry Ziegler, for the First NBC New Orleans open golf tournament. The annual tourney benefits New Orleans' Children's Hospital and was held at the Lakewood Country Club. Looking on in the background are members of the tournament executive committee.

THE BOATMEN'S TOWER

Boatmen's is moving into bold new headquarters, reflecting their strength and commitment to the future. That same strength and commitment backs our correspondent bank team, a team well-versed in today's electronic banking environment. Put Correspondent bankers who know the answers and have the back-up on your team. Boatmen's Correspondent Bankers, technicians when you need them.

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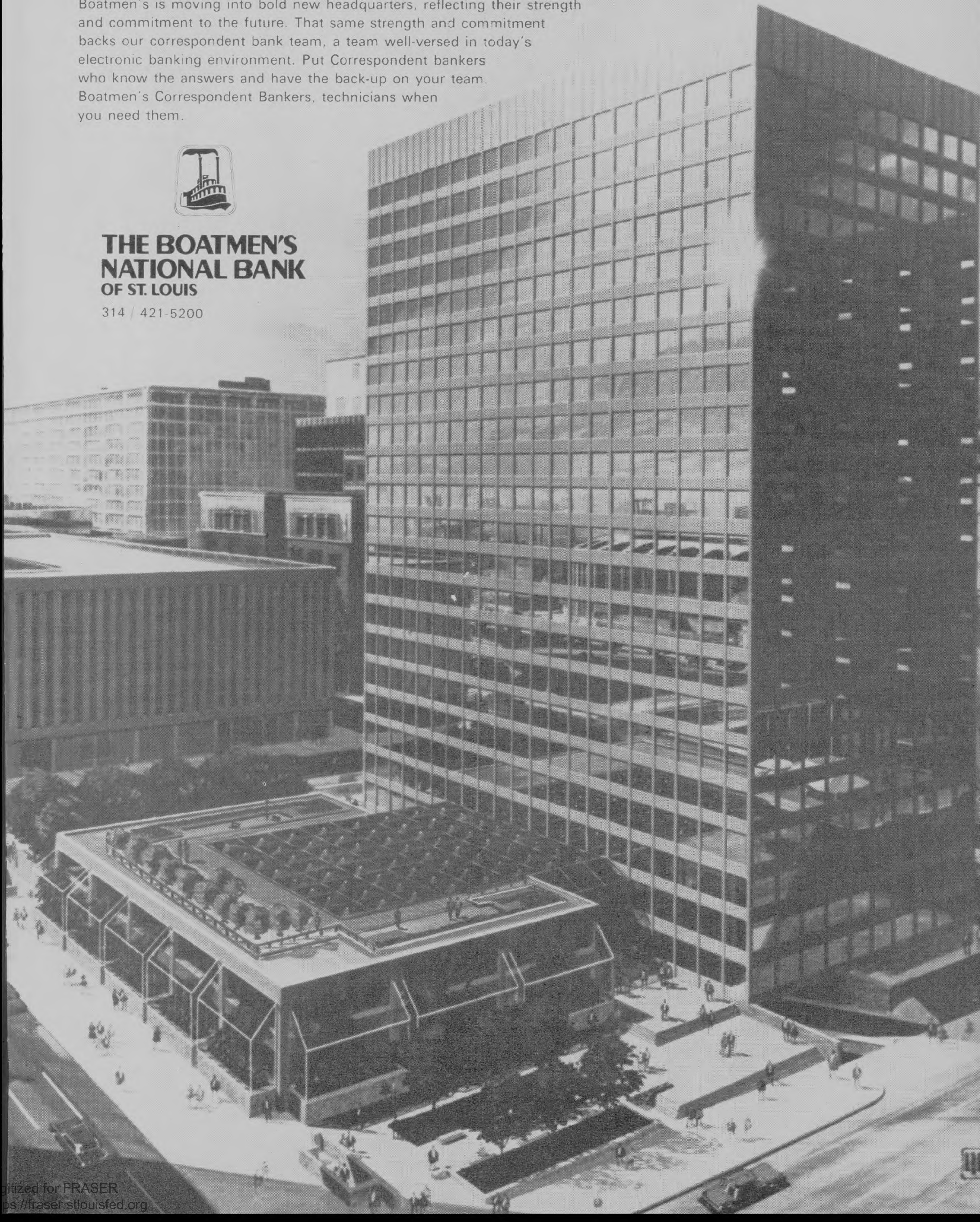


ings. One could theorize that the riskiest bank from an investor's point of view is a bank having substantial capital and, therefore, high lending limits, but a low earned-on-asset ratio against which to absorb losses. That may sound contradictory—the more capital you have, the *worse* off you are—but if you realize that in 1973 Security National of Long Island could make a legal loan of $12 million, but earned only $9.2 million, you know precisely what I mean.

First, *no* bank is immune to a temporary setback in earnings. Anyone who thinks that Citibank or Morgan, or anyone else, can consistently turn out 10+% growth on a quarterly basis indefinitely is off base. Second, as the data show, when it comes to legal limit loans, "some are definitely more equal than others." Between 1970 and 1975, both Citibank and Morgan, among the so-called "big six" in New York, actually have improved in terms of their ability to cushion the shock of a Grant's-type write-off through *earnings strength.*

The message is clear. Perceptions of the banking industry are changing rapidly. Perceptions *by* the banking industry of itself and of the true nature of risk/reward must change as well.

Most banks do not have a corporate plan. They practice something best termed "an exercise in arithmetic futility," consisting of reviewing a previous year's performance and adding or subtracting therefrom in calculating "estimates" for the current year. This is not planning; it is "guestimating." As a result, lenders are not directed to industry groups providing greatest potential for the bank. Consequently, overexposure to some industries can be both deleterious and unprofitable. The management cycle demands that a bank must first have a plan before it can organize; have an organization before it can communicate; communicate before it can direct; direct before it can measure and measure before it can control.

In short, there can be no effective and profitable lending policy until there is a well-thought-out corporate plan that structures types of lending and exposure limits by industry groups; assesses geographic penetration and industry group exposure; and monitors whether an effective price—consistent with risk—is being charged the commercial borrower.

Many loan officers have an in-house enemy in the form of their own chairman, a chairman who is a victim of the "3Fs" sickness: a fetish for footings, furniture and fixtures.

I could cite two or three instances of banks that are now having severe loan problems where the chairman told me two or three years ago: "Mr. Keefe, my goal is to be a billion-dollar bank in three or four years" or "Mr. Keefe, within two or three years, we will be a bigger bank than our competitor." These goals invariably were met because we lived in a period when almost any large bank could inflate liabilities at will. But this *"fetish for footings"* necessitated, it is clear in retrospect, a too-rapid expansion in loans to pay for the purchased facilities.

Then there is the chairman who is a monument builder and adds overhead in the process—i.e. furniture and fixtures. Once again, the loan officer is

(Continued on page 52)

Insurance and Risk Management: What's New for Bankers?

By ROBERT W. MARSHMAN
Vice President
Marketing
Scarborough & Co.
Chicago

IT IS IMPOSSIBLE in the time allotted to me to cover all areas of bank insurance, so I felt information on Bankers Blanket Bond changes, along with a discussion of some of the problems in underwriting Bankers Blanket bonds, would be of most interest to bankers.

I'll explain some of the changes in the Bankers Blanket Bond, then go over the loss picture, explain what these losses have done to the Bankers Blanket Bond market and, finally, make some suggestions for improving this problem.

Bankers are changing their methods of doing business, and this necessitates changes in the bond form. Adverse loss ratios on Bankers Blanket bonds today also dictate changes by underwriters.

Automated clearing houses and electronic funds transfer systems also are changing banking operations. There are approximately 73,000 banking offices today as compared with 47,000 a decade ago. There are many more overseas functions in today's banking. Embezzlement and fraud losses from insider transactions are causing many large losses. Then, of course, we have the real estate investment trusts.

In recent years, some regulations have been relaxed to give bankers greater freedom to respond to changing market conditions. However, as these regulations are relaxed, some bankers have a tendency to assume greater risks and, therefore, increase vulnerability to failure.

So first, let's go over some changes and contemplated changes in Bankers Blanket bond forms.

Kidnap Extortion Rider. We at Scarborough & Co. were the first to make this coverage available as part of the Bankers Blanket Bond.

We write this coverage to afford protection from loss through surrender of property away from the bank as a result of kidnap or extortion and also as a result of a threat to any office or property of the insured. This second part gives coverage for bomb threats at the bank.

In November, 1975, the Surety Association changed its Kidnap Extortion riders, and they can now provide coverage for bomb threats at a bank.

When the Surety Association made this change, it also made other changes and now limits the Kidnap and Extortion coverage to the United States, District of Columbia, Virgin Islands, Puerto Rico, the Canal Zone and Canada. This is important for bankers who have overseas offices. The Surety Association also now has a new provision whereby the bank does not get full coverage over and above the deductible, but must participate in the loss for 20% after applying the deductible.

The speech on which this article is based was given by Mr. Marshman at the annual Association for Modern Banking in Illinois convention in Lincolnshire, Ill., last month.

ATM Rider. Although this rider was issued in November, 1974, many bankers still have not added it to their Bankers Blanket Bond. This rider gives limited coverage to automated mechanical devices situated within a bank's offices which are permanently staffed by an employee whose duties are those usually assigned to a bank teller whether or not public access to such devices is from outside the confines of the office.

A second part of this rider is to provide coverage for automated mechanical devices that are not situated within the office of the bank, but are freestanding units. In these instances, a schedule of location must be drawn up showing not only the location, but also the limit of liability at each of these locations and the deductible at each location.

In no event, however, will this rider pay for any loss as a result of a mechanical breakdown or failure of these automated mechanical devices to function properly, or to pay loss because of misplacement or mysterious unexplainable disappearance of such property that *is* or *is supposed* to be in these devices; or as a result of the use of credit, charge, access, convenience, identification or other cards for gaining access to these automated mechanical devices. Losses as a result of vandalism or malicious mischief also are excluded.

This is a somewhat limited rider in that it does not give complete protection to automated teller machines, but rather gives protection only for losses as a result of burglary, plus damage to the machine as the result of burglary.

EFTS Rider. This rider should be available very soon and will give the bank protection for debiting or crediting a customer's checking or savings

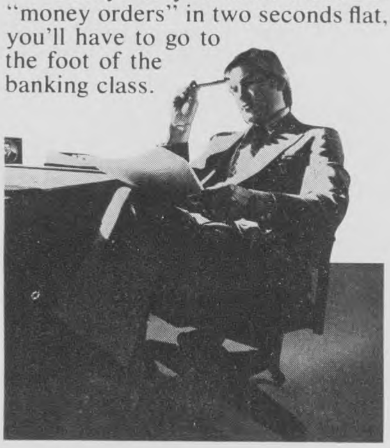
"We at Scarborough also feel that effective internal audit controls are mandatory if there is to be hope at all of controlling these very large internal losses. Every bank should establish a formal loan policy and adhere to it very strictly. Burglary and robbery losses can hurt loss experience, but large internal losses are, in my opinion, the main reason we are having staggering loss ratios."

Quick, name the 5th-most-wanted customer service in your bank.

☐ Check Cashing ☐ Savings ☐ Checking ☐ Money Orders ☐ Drive-Up Banking ☐ Auto Loans ☐ Personal Loans

(And tell us how much it costs you to provide this valuable service.)

Sorry. If you didn't answer "money orders" in two seconds flat, you'll have to go to the foot of the banking class.



Money orders rank just a hair behind checking accounts, savings accounts, check cashing and drive-up banking on the list of services most wanted by bank customers.

Which means that by paying more attention to your money order sales, you can increase your share of a $37 billion market and take advantage of great opportunities for cross-selling more bank services.

Cost per item? . . .

But if you can't tell us how much it costs to operate your current money order program, that's par for the course. Most banks can't.

We can tell you, however, on the basis of our experience with many banks, that money orders may presently be your least profitable service. Because bookkeeping overhead, the cost of forms and storage space, and losses in stolen and raised money orders can gnaw your profits down to losses.

But we've got that all figured out for you. And we're here to tell you that your 5th-most-important service *can also be* one of your most profitable services.

How?

FIMO was made for banks.

The answer is the American Express Company Financial Institution Money Order Program (FIMO®) created to make life easier – and more profitable – for banks.

We designed it to relieve you of costly bookkeeping overhead in the backrooms and expensive exposure to stolen or raised documents. We designed it to relieve you of handling troublesome customer problems.

Best of all, it's set up to provide you with immediate profits and immediate cost controls.

We do all the work.

American Express Company has been processing financial documents, like our new FIMO document, since 1882. Our know-how and our facilities are probably unmatched anywhere in the world.

So when your bank signs up for our FIMO Program, we process the money orders for you. We furnish the forms; we do the reconciling, proofing, filing, storage, researching and adjusting.

You're free to do the selling (you set your own fee, of course) without the burdens of costly chores or expensive exposure.

A double-duty document for you.

AMERICAN EXPRESS MONEY ORDERS
UP TO $1,000

There's still another cost-saver tucked away in the FIMO Program that appeals to bankers who like to think creatively about services – and costs.

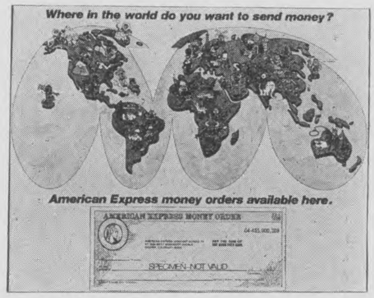
With face values of up to $1,000, American Express Money Orders can also be used in place of many cashier's checks. With the same benefits of reduced exposures, savings of teller time and overhead, and immediate profits that you get when you use them as money orders. Two money-making documents for the price of one.

Double assurance for your customers.

Your bank's good name goes on the money order along with the name of the world's best-known financial-service institution – American Express Company. Your customers have *double* assurance that their money orders will be accepted anywhere – at home or abroad.

We provide attractive point-of-purchase and advertising materials to help you tell your customers that this convenient joint service is available to them.

Call it value added.



The American Express Company Financial Institution Money Order Program doesn't take your own personalized money orders or cashier's checks away from you. It just makes them stronger.

We must be doing it right.

The proof of our program is in the rapidly growing number of banks who use it. Already, hundreds of banks across the country count on FIMO. For very good reasons. We've told you some of them. And we'd like to tell you the rest.

After all, if there's a more profitable way to handle your 5th-most-important service, you owe it to your bank to know the whole story.

AMERICAN EXPRESS Money Orders

Write or call:
G. E. Rosenwald
Director – Money Order Sales Development
American Express Company
#2 American Express Plaza, 37th Floor
New York, New York 10004
(212) 480-3226

account on the faith of any electronic instructions or advices directed to the bank by or through an electronic funds transfer system and purporting to have originated at another banking institution or automated clearing house, provided that such electronic instructions or advices prove to have been fraudulently transmitted, by or through such electronic funds transfer systems.

Basically, this rider gives additional coverage in the check-forgery section of the bond. It does not give protection to the automated clearing houses themselves, but gives protection only to the insured bank.

The way this rider has been written, there is no protection for the bank for any point-of-sale terminals. There is some question as to just what coverage could be involved in the ATMs because of the way the rider has been worded; that the transaction has to have originated at another banking institution or automated clearing house.

This rider does not provide any coverage for errors or omissions, but limits coverage to fraud losses.

Central-Handling-of-Securities Rider. This rider was designed to expand the word "employee" in the bond to include officers, partners, clerks and other employees of central-handling-of-securities systems. These systems normally are the Depository Trust Company, the Pacific Stock Exchange Clearing Corp. or the Mid-West Securities Trust Co.

Securities included in such systems shall be deemed to be property as defined in the bond, to the extent of the bank's interest therein as affected by the making of appropriate entries on the books and records of the system.

The coverage provided in this rider is excess over any coverage carried by the individual system, plus any deductible under the bond.

This rider does not afford any protection whatsoever in favor of the system itself.

The American Bankers Association wants coverage to include Federal Reserve book entry systems, but to date this is not available.

Revision of Dishonesty Clause. This is done by a rider to the bond and changes the definition of a dishonest or fraudulent act to mean only the manifest intent:

1. To cause the insured to sustain such loss; and 2. to obtain financial benefit for the employee, or for any other person or organization intended by the employee to receive such benefit, other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment.

This rider is designed to avoid coverage for the kinds of foreign exchange trading losses suffered by many banks where the traders simply make mistakes, then try to cover up their mistakes and "doubling the bet" in an effort to recoup their losses—and without making or attempting to make any personal profit.

This rider also has some additional limitations in that:

a. It clarifies the fact that losses under the bond will not include loss of interest or dividends, etc.

b. It clarifies that the bond will not respond to contingent liabilities of any sort.

c. It clarifies that the bond will not pay costs, fees and other expenses incurred in establishing amount of loss covered under the bond.

d. It clarifies that the bond will not cover losses resulting from funds erroneously credited to the account of a person who later withdraws them; unless all of the elements of false pretense are involved or unless there is employee dishonesty involved.

We at Scarborough intend to adopt similar wording in our bonds.

The ERISA Rider. This rider states that the bond does not apply to any loss occasioned by reason of any fine, penalty or excise tax on the insured as a result of violation of any provision of the Employee Retirement Income Security Act of 1974.

Notice of Change of Control Rider. Many bonding companies have been quite concerned about the wrong element buying banks and then using funds of the bank they bought to actually pay for the bank. This rider states that upon the insured's obtaining knowledge of a transfer of its outstanding voting stock which results in a change of control (10% or more), the insured shall within 30 days of such knowledge give written notice to the underwriters setting forth:

1. Names of the transferors and transferees (or names of the beneficial owners).

2. Number of shares owned before and after the transfer.

3. Total number of outstanding shares of voting stock.

Failure to give the required notice shall result in termination of coverage of the bond, effective on the date of the stock transfer for any loss in which a transferee is concerned or implicated.

Notice of Merger or Consolidation Rider. At present, all Bankers Blanket bonds give automatic coverage when an insured bank picks up another bank through a merger or consolidation, even though there is an additional premium due the company. With this new rider, the procedure is changed.

1. The bank must give 60 days prior written notice to the bonding company before the merger or consolidation.

2. The bank must obtain written consent from the bonding company in order to extend coverage.

3. The bank must pay any additional premiums due the bonding company.

This rider has been filed with and approved by the bonding company, but it has been taken to the Securities and Exchange Commission (SEC) by bankers. The SEC has ruled that the 60 days prior notice part of the procedure is insider information and that banks don't have to comply with the provision.

Now, let's take a look at the loss picture. Reported cases of fraud and embezzlement in all financial institutions skyrocketed from $20,000,000 in 1964 to $188,000,000 in 1974. Bank losses from internal crime soared to $98,000,000 in the last half of 1975, bringing the total for the year to over $150,000,000. These figures are only for bank losses, not all financial institutions. One official was quoted as saying, "It's the malpractice of the banking industry." These internal crimes against banks far overshadow the burglary and robbery losses which most law enforcement agencies emphasize.

There were 15 bank failures in 1975 and, unlike earlier years, some banks that failed were of fairly substantial size. So far this year there have been approximately four to six failures and possibly more to come.

Even with the Bank Protection Act of 1968, these bank-related crimes have increased, and last year the FBI spent over 10% of its investigative efforts in this area.

Richard Thornburg, assistant attorney general in the Justice Department's Criminal Division, recently stated that the "rising number of bank robberies and related incidents has come at a prodigious cost to the taxpayer and that economic conditions, wider use of narcotics and the failure of banks to take proper and preventive steps are some of the reasons for the increase."

We all know about banks with problem loans, and although these may not end up as Bankers Blanket Bond losses, they certainly increase the possibility of a loss under Directors and Officers coverage. Let me digress and speak about Directors and Officers coverage. Most bankers have this insurance, or at least have looked into it, but I predict there will be some changes in this area.

First, I believe that more and more insurance companies will exclude from coverage any losses affected by the Employee Retirement Income Security Act of 1974; not only for your own pension plans, but also plans managed in the trust department. I also believe that you will see increased premiums for this coverage. Directors and Officers Liability claims have, what we call in

the insurance business, a long tail to them. In other words, it may be six to eight years after the premium has been fully earned before all the potential losses have been paid. Some of you possibly have seen the Wyatt reports on Directors and Officers coverage. Every time a new report comes out, it shows that Directors and Officers Liability Insurance losses continue to rise faster than premium is earned. The last report stated that losses now may be approaching 100% of earned premium.

New FDIC regulations to curb abuses by insiders effective May 1, 1976, will also, in my opinion, tend to increase Directors and Officers litigation at least for a while.

So what have these losses and changes in banking done to the Bankers Blanket Bond market?

We see more and more companies withdrawing altogether from the bond market, or at least becoming very restrictive in their underwriting along with increasing deductibles.

We at Scarborough get several calls a month from bankers who have had their coverage canceled mid-term, or from a banker who tells us his bonding company will not renew his coverage.

According to federal regulators, there are perhaps 20 banks currently without a bond and looking desperately for a market.

Without a dramatic change quickly in the Bankers Blanket Bond loss picture, I predict that bond premiums will double even with larger deductibles. This will make for difficult times for all of us until we find some way to reduce these big losses.

There is a proposed complete change in the Bankers Blanket Bond rating structure schedule very soon, and this will be the first rating structure change since 1969.

What can we do to improve the situation? Raising rates alone will not do the job any more than they did in malpractice insurance for doctors. Better internal controls and risk management are the best solutions. There must be an awareness on the part of top management that there is a problem and then a plan of action to solve it.

Some bonding companies are requiring outside CPA audits before they even will consider writing a Bankers Blanket bond. Other companies are requiring much higher minimum deductibles in *all* cases, and some companies will not quote at all where a bank has more than 10 branches.

Another company representative told me the primary concern is the extent and value of internal controls, precautions and practices that are being undertaken by bank management.

We at Scarborough also feel that effective internal audit controls are mandatory if there is to be hope at all of controlling these very large internal losses. Every bank should establish a formal loan policy and adhere to it very strictly.

Checking the authenticity of stocks taken as collateral and making sure they are not forged or stolen, *before* any loan proceeds are advanced, should be done without exception.

I believe that—at least in commercial loan departments—a 100% direct verification of all large loans is imperative.

Insider loans should be controlled carefully. Some of the largest losses have come as a result of loan transactions with outside business interests of officers and directors.

Burglary and robbery losses can hurt loss experience, but large internal losses are, in my opinion, the main reason we are having staggering loss ratios. Although they may not be too frequent, some of them are of such size that all of you will see the effect of them by increased premiums. A few years ago, it was rare to hear of a loss of a million dollars; but today these large losses occur all too often. So even if your bank has a good loss ratio, you are still going to pay for part of these large losses of others.

Every banker should understand that loss prevention and risk management are the best methods of reducing Bankers Blanket Bond premiums.

The capacity for the bonding companies to write very high limits of coverage is becoming more of a problem. Last year the ABA set up a special task force within its Insurance and Protection Division to analyze what's needed to maintain insurance coverages for banks. Its final report said the best solution seemed to be in greater communication and cooperation between individual banks and their bond carriers.

I feel that these adverse loss ratios can be corrected if we all work together, and that we in the bank insurance business will continue to provide banks with new insurance coverages as banking needs arise. • •

Banks All Right

(Continued from page 46)

asked to produce the income to meet this fetish.

Years ago, a sage southern banker, with an incredibly good loan-loss experience, told me that the secret of his success was keeping the exposure on any single credit low. "Thus," he said, "when I do make a mistake—and I have made many—the loss is small."

Yes, there is a measure of risk/reward. The measure is as follows: If a mistake is made in a particular loan, or a group of loans on similar credits, i.e. REITs, what will the loss do to a bank's earnings? Current accounting methods make the old formula of loan exposure to capital fallacious. Exposure should be related to earnings, and banks with lower earnings power—as reflected in the earned-on-asset ratio—must of necessity take lower risks, *regardless of capital.*

A further test of risk/reward can be derived by asking the question—will the increase in *net* interest income from a loan-volume increase be sufficient to maintain my bank's capital ratio and valuation reserve ratio?

If these questions had been asked in the early '70s, either pricing would have had to change substantially, or the loan volume increase would have been substantially less than the 15.5% compounded rate actually recorded.

While I have lectured that your capital ratios must not decline any further and some of you who are not among the "rich" may be discouraged, do not give up hope. Help is coming.

The aggregate *gross* charge-offs for the 22 major banks in the Keefe Bank Index totaled $2,105.1 million for the years 1965 through 1973. We made an arbitrary assumption that recoveries lag charge-offs by two years and found that recoveries for these same companies totaled $628.2 million for the years 1967 to 1975. The aggregate percentage of recoveries to gross charge-offs was thus 29.8%. The average recovery for the 22 banks worked out to 32.2%, ranging from a high of 52% to a low of 17%.

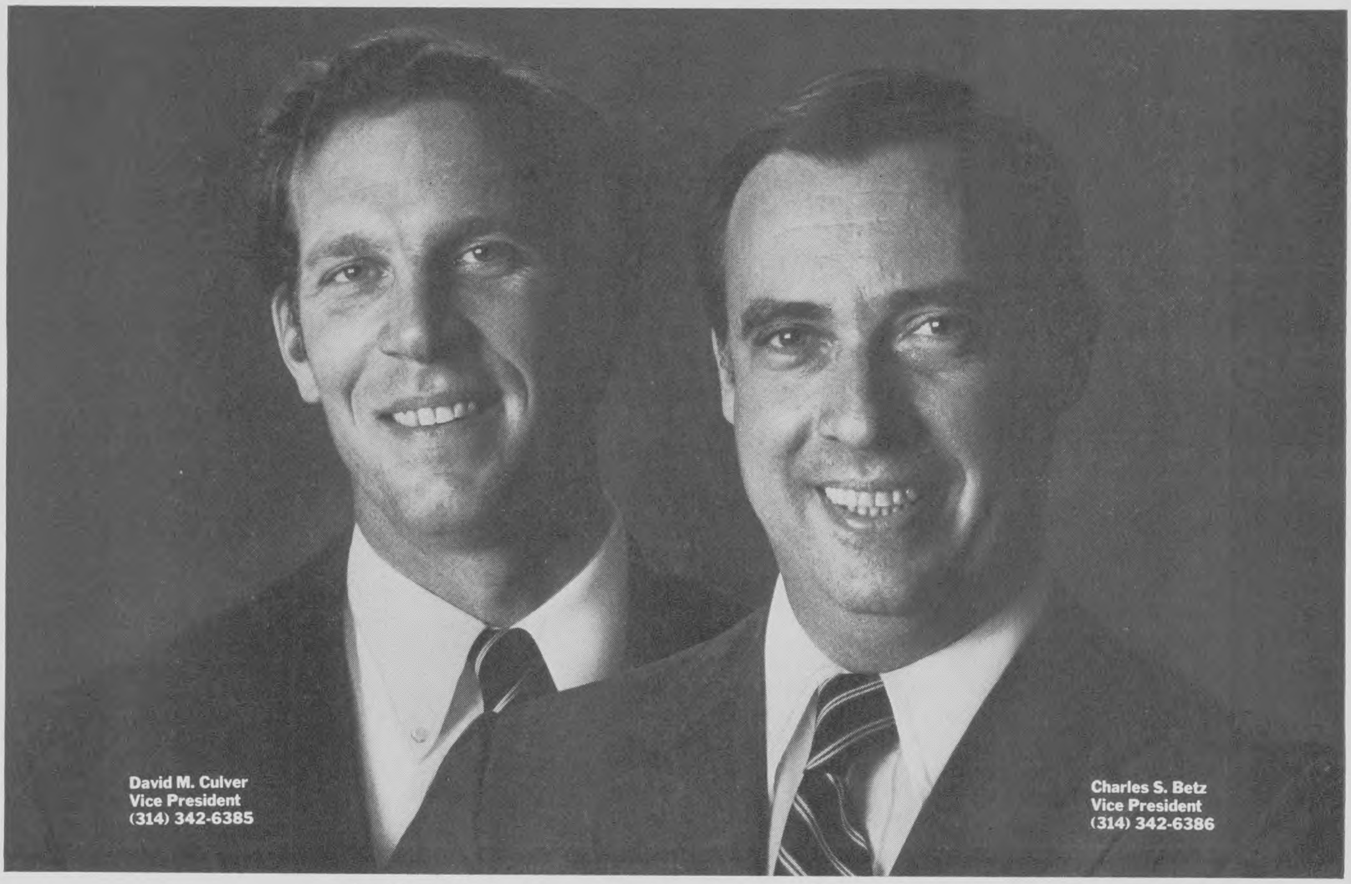
This same group of banks had total charge-offs for the two years 1974 and 1975 of $2,437.7 million (16% more than in the earlier *nine*-year period!). Last year, aggregate earnings for these banks was $2,079 billion.

If recoveries for the banks average only 20%, as opposed to the recent experience of 30%, their after-tax earnings would be increased $244 million, or 18% of last year's earnings.

Personally, I am fully persuaded that neither the marketplace nor the scare headline writers in the financial media are considering the potential magnitude of the loan recoveries I see coming. Good news never seems to get headlines.

An offset to that potential good news is the proposed treatment of non-accruing loans by the Financial Accounting Standard Board. We have done some quick arithmetic on what we hear on the proposal and find that a bank that had 5% of its loans on a non-accruing basis could have its earnings totally wiped out by the new ac-

Work with a banker who knows what his bank can do for you.



At First National Bank in St. Louis, our correspondent bankers are trained in what our bank can do for you. Across the board. Department by department.

The result is men with solid experience and individual authority. So they can make fast decisions for you on their own.

They're backed by a bank with strong, steady growth. And total banking capabilities including overline loans, bond department services, computerized check collection, cash management systems. Plus our annual correspondent seminars where you can exchange ideas and learn about new profit opportunities.

Get to know your First National correspondent banker. He knows his bank. He'd like to put us to work for you.

First National Bank in St.Louis First Union Group
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counting standards. When the FASB asks for comments on the *proposed* rule in July, we should all be prepared to give them an intelligent review.

Ex any problems our accounting friends might hand us, we're quite optimistic over the outlook for 1977 and 1978 bank earnings. We see charge-offs declining and reserves being replenished by recoveries. As the economy continues to improve, loan volume will pick up and non-accruals will go current and some back interest will be paid up. Interest income, therefore, should show some healthy gains.

That's the Keyword: healthy.

Newspaper reports of banking's demise are premature; the old girl's fit and getting ready to engage once again in a flirtation with investors. She caught my eye years ago, and I have never regretted our love affair. • •

SWIGSBIE Administration Elected at Spring Meeting; Swearingen Named Dean

DALLAS—The Southwestern Graduate School of Banking (SWIGSBIE), Southern Methodist University, held its spring planning meeting with the student council and administration April 30 and May 1. The Friday afternoon meeting opened with a welcome and introduction of the agenda by Leonard W. Huck, executive vice president, Valley National, Phoenix. He is completing his three-year appointment as dean for bankers. Eugene L. Swearingen, chairman and CEO, Bank of Oklahoma, Tulsa, has been named to succeed him.

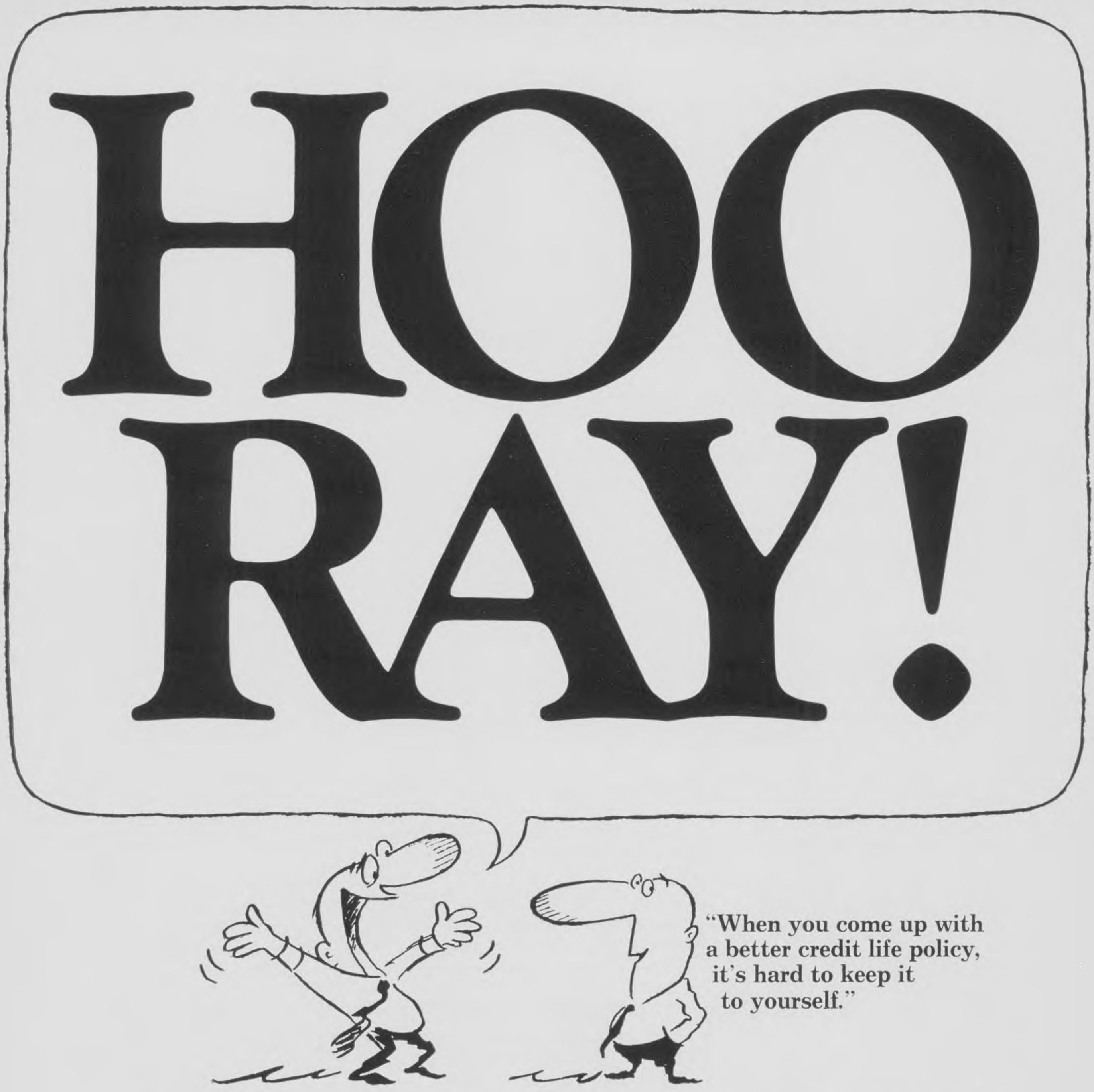
The following Mid-Continent-area bankers were named in SWIGSBIE administrative appointments for the 1976 session: Jo Ann Bass, vice president, Arkansas Bank, Hot Springs—director of school activities and special programs and co-chairman, intermediate class; Britt D. Davis, executive vice president and senior trust officer, Houston Citizens Bank—co-chairman, trust major; Walter C. Jennings, vice president and trust marketing officer, First National, Little Rock—faculty chairman, freshman class; William M. Richardson Jr., vice president, First Alabama Bank, Montgomery—co-chairman, freshman class; and Alan C. Roberts, vice president and trust officer, Fort Worth National—co-chairman, trust major.

Also appointed were Edward E. Stocker, executive vice president and senior trust officer, Continental National, Fort Worth—chairman, trust major, and co-chairman, senior class; Vincent E. Thompson, senior vice president, Republic National, Dallas—co-chairman, commercial banking major, and co-chairman, senior class; and B. Finley Vinson, chairman, First National, Little Rock—chairman of the Foundation of the Southwestern Graduate School of Banking.

Each class was represented by its elected officers. They discussed their plans for events of the upcoming season. Class XVII officers from the Mid-Continent area are Jerry L. Crutsinger, vice president, Texas Commerce Bank,

Two Introduce Twos on 'Twosday'

Burton F. Troll (r.), t.o., Mercantile Trust, St. Louis, and his twin, Warren, of General American Life, officially kicked off "Twosday" at the bank last April 13. "Twosday" was the name given to the first day of issue for the new two-dollar bill at Mercantile Trust.



"When you come up with a better credit life policy, it's hard to keep it to yourself."

Durham Life's new Low 100.

Designed especially for mobile home loans and second mortgages, the fastest growing part of the mortgage loan business.

We call it the Low 100 because premiums are lower for the borrower, but you get 100% protection.

You're paid back the entire unpaid balance net of unearned interest and finance charges, yet you can offer your customers lower monthly payments. We keep the premiums low by fully covering your exposure and no more.

One premium is charged regardless of age. The entire premium is paid at one time, eliminating paper work, collections and policy lapses. And no medical exam is required.

With all this you still get the same attractive commission plan.

The Low 100. One more policy in Durham Life's complete line of credit life. Everything you'll ever need. Call Dan Boney.

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Houston—second vice president; Lillian M. Koppens, assistant vice president, National American Bank, New Orleans —secretary; and F. Nelson Finch II, vice president, National Bank of Commerce, San Antonio—treasurer.

Class XVIII officers from the Mid-Continent area are Pierce A. Hoggett, vice president and trust officer, San Angelo (Tex.) National—president; Jess H. Hodges, vice president and cashier, Fritch (Tex.) State—first vice president; Laurel P. Austin, vice president, First National, Jacksonville, Tex. —second vice president; Yolanda L. Walker, assistant vice president, National Bank of Commerce, Brownsville, Tex.—secretary; and William P. Liles, assistant vice president and trust officer, Fort Worth National—treasurer.

The 1976 session is slated for July 25-August 6. For further information concerning SWIGSBIE, contact Dr. Richard B. Johnson, director, Southwestern Graduate School of Banking, SMU Box 1319, Dallas, TX 75275.

Economic Education in Public Schools Proposed by New Missouri President

BANKING'S IMAGE was discussed at several Mid-Continent-area conventions last month. One speaker who expressed worry over this image also came up with a suggestion on how to improve it. He is Charles K. Richmond, incoming president, Missouri Bankers Association, and executive vice president, American National, St. Joseph.

Although he said he believes the so-called image of banking has been overplayed recently, he believes that, for a number of years, this image—as well as that of all business for profit—has been suffering. This condition, according to the Missourian, hasn't been caused by abuses alone, but also by a lack of understanding and appreciation of our economic system and of free enterprise. Just as the deterioration has been slow, he pointed out, the solution won't be achieved overnight, but bankers must address themselves to it. The solution, as Mr. Richmond sees it, lies in economic education.

There are several organizations in Missouri that presently are conducting or sponsoring economic educational programs for young people, said Mr. Richmond, who recommended that banks support such efforts. As one example, he cited the Missouri Council on Economic Education, which is developing what he described as an excellent program of teacher training, with the goal of making economic education an integral part of the state's public school system.

"It behooves us as bankers and businessmen," he advised, "not only to support the council's work, but also any effort that will accomplish this goal."

"I believe, however, the first priority should be to work toward establishing economic education as a required subject in our schools. To me, learning about our economic system is just as important as learning English or math and should be taught from the elementary-school level through college or the university. It should be a part of our tax-supported educational system. Everybody would benefit, the general public as well as the business community." • •

'Plain English' Loan Contract Announced by Exchange Bank

DALLAS—Exchange Bank has introduced a "plain English" loan contract.

What the device does is to explain, in plain, everyday language, the terms and conditions of a loan. It eliminates such technical terms as "herein," "debtor" and "thereof," replacing them with phrases like "here's the breakdown of my loan I received today," "if this loan is refinanced—that is, replaced by a new note," or "I give you what is known as security interest in my motor vehicle."

While the contract eliminates technical language, it doesn't abbreviate any of the customer's or bank's legal rights.

Sculpture Given Indian Name

TULSA—The new fiber-art sculpture in the lobby of the First National Tower has been named "Talise," a word meaning "town" in the language of the Creek Indians.

The work, which reportedly is the first of its type in this city, was created by Janet Kuemmerlein of Kansas City. The three-dimensional piece utilizes jute, yarn, string and other fibrous materials, creating free-flowing lines that complement the bank's other lobby sculpture, "Icarus."

"Talise" is done in colors of russet, golden autumn, spring green and amber. The green symbolizes the hills surrounding Tulsa, the yellow, Oklahoma's cornfields, and the statue's flowing movement, the wind.

To counterbalance the work, a large rug was designed incorporating the same flowing pattern and color theme as the bank's new sculpture.

Burns Predicts Reduction In Unemployment, Limits On Government Spending

ST. LOUIS—During a visit to the St. Louis Fed May 20, Fed Chairman Arthur F. Burns predicted an unemployment rate of 4-5% within 18 months —provided "structural" changes are made in the economy—and that spending by the government is beginning to be limited due to public pressure.

The changes in the economy, which Dr. Burns has recommended to Congress, are a reduction in unemployment insurance programs and a revised minimum-wage law allowing a lower wage for teen-agers. Teen-agers are a major part of the unemployment totals.

"Government spending," the Fed chairman said, "accounts for 40% of our dollar value of total national production. That is a dangerously high figure, and the public knows it."

Dr. Burns showed concern for the possibility of inflation, but said inflation wouldn't follow the present rapid growth of the economy because of factors that will help keep the lid on prices. These factors, he said, are substantial idle capacity in the nation's plants, substantial unemployment and the Fed's policy of moderating the money supply. He indicated that he already has announced a slight reduction in money and credit growth.

When charged that the Fed was increasing the money supply to improve the chances for a Republican victory in the upcoming fall election, Dr. Burns said that was "absurd." He said that the Fed can't control short-term money growth and that growth must be judged over long periods, noting that a reduction of U. S. Treasury balances for April, because of tax refunds, had caused the recent upsurge in money growth. "The money supply must be controlled to allow enough money and credit for expansion, but not too much," he said.

The Fed chairman also singled out the special review by the General Accounting Office (GAO) of Fed examinations of state-member banks. He said the review isn't a "foot in the door" for a GAO audit of the Fed. "The Fed has many friends in Congress, and we will do everything we can to see that a GAO audit isn't allowed," Dr. Burns stated.

Fed Ch. Arthur F. Burns speaks to press during visit to St. Louis Fed May 20.

"Being a First correspondent bank helped us succeed in landing important new business like Floyd Fairleigh's feed yard."

Gene Foncannon, First National Bank of Kansas City
Duane Ramsey, Security State Bank of Scott City
Floyd Fairleigh, Fairleigh Feed Yards

The Security State Bank of Scott City, Kansas is a true success story. A correspondent bank relationship has helped it grow and maintain important new accounts.

It began in 1967 when Duane Ramsey of Security State solicited the agri-business of Mr. Floyd Fairleigh of Scott City. To handle his sizeable credit needs, Security State sought the participation of the First National Bank of Kansas City.

First National responded by offering a major line of credit and the agri-business expertise of people like Gene Foncannon.

Correspondent help like this has played a part in the growth of Security State Bank. And as Floyd Fairleigh's small feed yard operation has grown to six agri-business corporations, Security State has grown with many new accounts.

If your bank needs a productive correspondent relationship to solicit and obtain new business, extend credit, add expertise and a depth of personnel in your area of interest, call the professional staff of the First National Bank Correspondent Department.

We take pride in the success of Security State Bank.

Our correspondent banking tradition has been built on help like this.

Why not put our strong tradition of excellence to work for your success.

Your success is our tradition.

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Agricultural Outlook Brightest In 40 Years, Says Hardin

THE LONG-TERM economic future of American agriculture looks generally brighter than at any other time in the nearly 40 years he has been watching it closely, Clifford M. Hardin, vice chairman, Ralston Purina Co., St. Louis, told Missouri conventioneers last month. Mr. Hardin is a former U. S. Secretary of Agriculture.


HARDIN

Mr. Hardin gave analyses both for the next 12 months and for the long term. He forecast a large wheat harvest in 1976, but corn production as low as 5.5 billion bushels and as high as seven billion bushels. With average weather for the balance of the year, he said total production should fall between 6.1 and 6.5 billion bushels.

As for livestock this year, Mr. Hardin foresees continued improvement in the cow and calf business, an expected improvement over current levels in beef prices the next several months, continued profitability in milk production, but prices and returns to broiler and turkey producers not to average as high as the previous year.

In summary, according to Mr. Hardin, prospects for the 1976-77 farming year are good, with a great many more pluses than minuses in the outlook.

For the long term, Mr. Hardin pointed out that the commercial worldwide demand for U. S. farm products has been rising generally over the past two decades and will continue to rise into the 1980s and beyond. When the peaks and valleys are averaged out, he said, U. S. farm exports have risen about 5% a year the past 20 years, and he expects the increase in the next decade or more to average perhaps as much as 6% or 7% a year. He credited this expected increase to population growth, and rising affluence throughout the world, bringing an almost automatic demand for more and better foods on the part of the people who have the money, whether they live in Europe, Africa or Asia. This pattern of food preference, Mr. Hardin pointed out, seems to exist with peoples of all ethnic and geographic backgrounds and all levels of economic development.

In Mr. Hardin's judgment, the American farmer will be able, in the future, to produce enough to meet that kind of rising demand—at least in most years. In fact, he went on, it's probable that we again will have surpluses of some crops in some years, and it's also possible that we again will have shortages of some crops in some years.

The kind of feed grain and food programs created by Congress in the future is of critical importance, Mr. Hardin warned. It's highly important that nothing be permitted to interfere with our ability to maximize exports. Price-level supports are the key, he emphasized.

According to Mr. Hardin, the gap between the "haves" and the "have nots" is growing, not only between developed and developing countries, but within the developing countries themselves. He said the U. S. and other developed countries simply cannot begin to produce enough to meet the world's real nutritional needs, and so the developing countries must learn how to produce more on their own soil, with the developed countries helping them learn how to do it. • •

"If there were any other way, we would have taken it, but our attorney recommended we file bankruptcy. That includes what we owe on the family room.

There's no way in the world we can pay back the loan."

Bankruptcies are skyrocketing. And so are losses from unemployment, divorce, and extended illness. Cover your home improvement loan portfolio today with **profitable, guaranteed protection** from Insured Credit Services. As the world's largest private source for HIL credit loss insurance, we're currently working with over 1,000 leading banks. Call or write William F. Schumann, President, for details.

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First Alabama Plaza financial complex in downtown Montgomery includes eight-story First Alabama Bancshares headquarters (l.), new four-story annex to First Alabama Bank (r.) and portion of 12-story First Alabama Bank office building (at rear of annex). Out of photo at r. is parking facility.

On the Cover

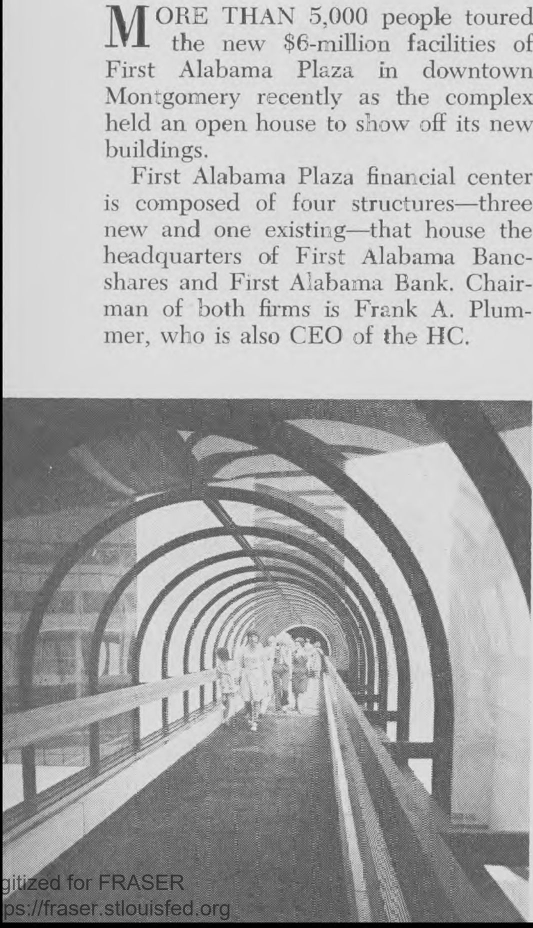
New pre-cast stone-and-glass First Alabama Bancshares headquarters building is one of four structures comprising First Alabama Plaza in Montgomery. Building includes many unusual angles due to being constructed on irregular-sized site. Each of building's four sides varies in width. Windows in photo are depressed to square off interior of building and provide protective cover for entrance doors. Reflection shows new four-story annex of First Alabama Bank.

In Montgomery:

First Alabama Plaza Complex Opened; Street Renamed to Honor Project

MORE THAN 5,000 people toured the new $6-million facilities of First Alabama Plaza in downtown Montgomery recently as the complex held an open house to show off its new buildings.

First Alabama Plaza financial center is composed of four structures—three new and one existing—that house the headquarters of First Alabama Bancshares and First Alabama Bank. Chairman of both firms is Frank A. Plummer, who is also CEO of the HC.



The new construction includes the eight-story First Alabama Bancshares headquarters, built of pre-cast stone and featuring large areas of reflective glass. Across First Alabama Plaza Street (named in honor of the complex) is a new four-story annex for First Alabama Bank, an extension of the bank's 12-story headquarters that was constructed in 1907. Also included in the complex is a multi-story parking facility.

The HC and bank buildings are connected by a clear glass-enclosed skywalk positioned 15 feet above street level.

The new First Alabama Bancshares administrative headquarters is home to the administrative and operations departments of the HC and its subsidiaries, and is located on the upper six floors of the eight-story building. Each floor is designed with movable walls to provide for varied office requirements.

Executive offices, a reception area and a large conference suite are located on the top floor, as is an outdoor ter-

Clear glass-enclosed skywalk connects First Alabama Bancshares building and annex of First Alabama Bank.

Among top officers of First Alabama are Lynn H. Mosley (l.), pres., First Alabama Bancshares, and James S. Gaskell Jr. (r.), pres., First Alabama Bank.

race providing views of the Alabama River, which flows through the edge of the downtown Montgomery area.

The first two floors of the building house offices of First Alabama Bank's travel agency and Master Charge-BankAmericard division.

The bank's new annex has three drive-in teller lanes on the ground level with the entire second floor used for a staff cafeteria and private dining facilities for guests of the bank. The cafeteria seats up to 250, while the private dining rooms can handle up to 60 in

four rooms. Two sides of the structure are glass enclosed and provide panoramic views of the gardens and fountain that are landmarks in downtown Montgomery.

The third floor of the annex houses the bank's computer section and provides individual office space for computer programers and service personnel. The computer center processes the daily work of First Alabama Bank and its 62 correspondent and affiliate banks throughout the central and south portions of Alabama.

The fourth floor multi-purpose room can be used as an auditorium, accommodating up to 750 people. The stage has a large rear-projection screen and numerous multi-color stage and accent lights. The rear-projection room houses a theater lighting console, a sound control board with tape decks and a turntable as well as custom-built audio-visual equipment for multi-media presentations. All equipment can be operated from the projection room or from a permanent podium on the stage.

Movable soundproof partitions make the area flexible in use and size. The partitions can be arranged to provide for up to five meeting rooms with two hallways in addition to a 150-person-capacity auditorium.

The main lobby in the 12-story First Alabama Bank building, built in 1907, has been remodeled and modernized to accommodate an additional ground-level entrance from the new annex building.

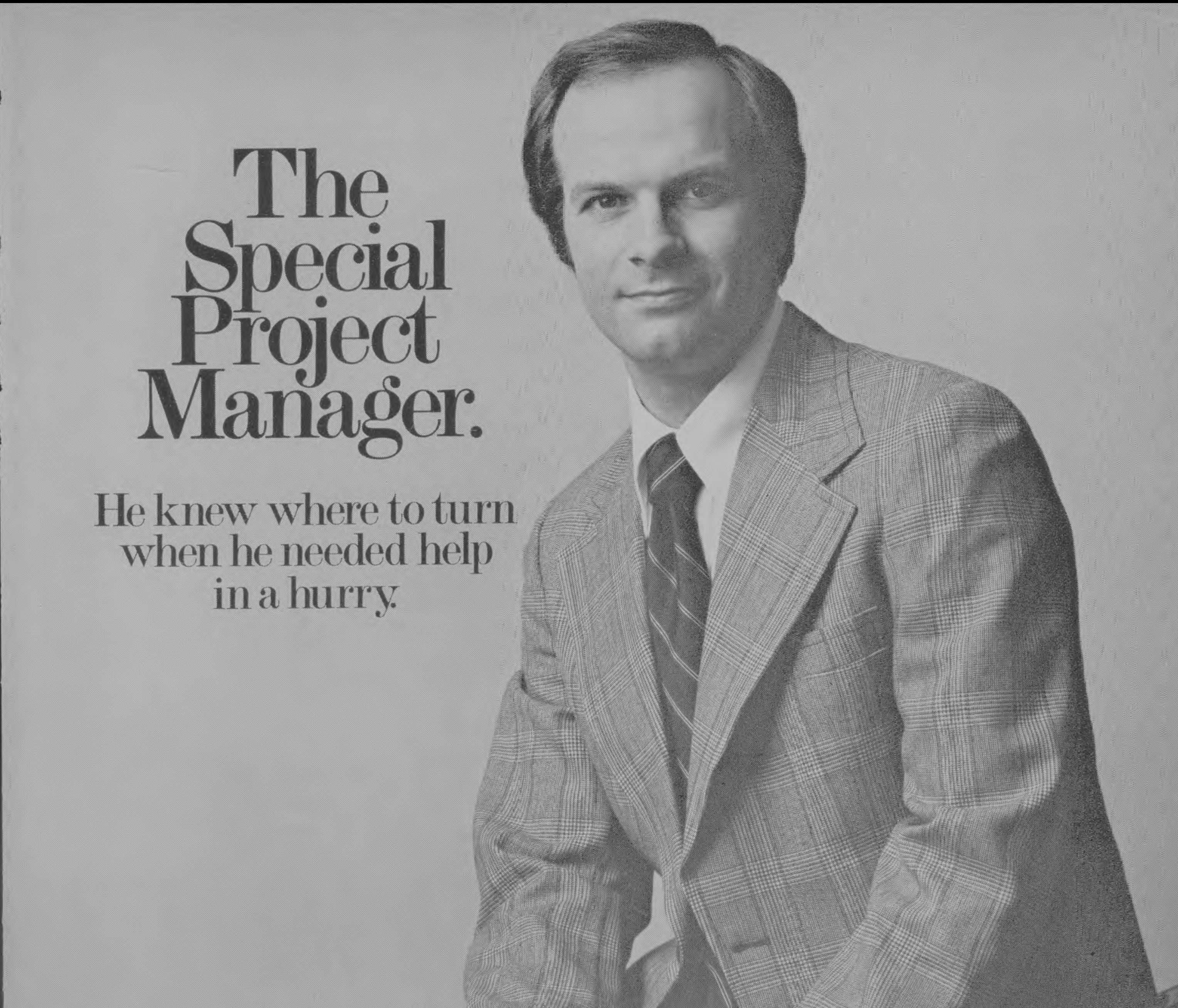
The multi-level parking facility, with a capacity of 150 cars, includes an elevator that serves all levels and provides direct connection to the annex. Located under the parking facility is the bank's purchasing department and a warehouse.

First Alabama Bank is 105 years old and has assets in excess of $407.5 million. It maintains 16 locations within the city of Montgomery.

First Alabama Bancshares has $1,239 billion in assets and includes 11 bank affiliates and five non-bank subsidiaries that maintain more than 90 offices throughout Alabama. • •

LEFT: At open house, Frank A. Plummer (l.), ch. of both First Alabama Bancshares and First Alabama Bank, Montgomery, and Mrs. Plummer (r.), greet Montgomery's Mayor James Robinson and his wife in Mr. Plummer's new office. Mr. Plummer is also CEO, First Alabama Bancshares. RIGHT: Partial view of First Alabama Bank's new computer center in annex building. During open house, computers were programed to produce various cartoon characters as souvenirs for youngsters.

View of eight-story First Alabama Bancshares building as seen from new annex of First Alabama Bank, Montgomery. At top, right, is portion of annex, which is across street from HC headquarters.



It was an important assignment, not only in his bank's long-range plans, but also for Jack's career. That's why he wanted some expert advice. And he knew who could provide it: his Northern Trust calling officer.

A phone call and a few minutes later, Jack had an appointment with an expert who could give him the information and perspective he needed to manage his important new project successfully.

That's one of the advantages of being a correspondent of The Northern Trust: a lasting personal relationship with a calling officer and staff who care about all your problems. They are the kind of people who can provide special help with your special assignment, whether it's building assistance, market planning, float reduction, or operational analysis.

If you'd like that kind of correspondent relationship, contact the calling officer for your area at The Northern Trust Bank, 50 S. LaSalle St., Chicago, Ill. 60690. Telephone (312) 630-6000.

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LEFT: Donald E. Lasater, ch., Mercantile Bancorp., speaks to crowd of civic leaders at dedication of Mercantile Tower last month in St. Louis. RIGHT: Climax of dedication ceremonies saw unveiling of "Synergism" stainless steel sculpture that rises two stories from north patio of Tower grounds.

Sculpture Unveiled at Mercantile Tower Dedication

MERCANTILE TOWER, which, at 35 stories, is said to be the tallest building in Missouri, was dedicated in St. Louis last month in the presence of several hundred business, civic, labor and public officials.

The ceremonies were held on the north patio of the Tower at Seventh and Washington in downtown St. Louis.

Donald E. Lasater, chairman, Mercantile Bancorp., was master of ceremonies. The HC and Mercantile Trust Co. are principal tenants of the building, which is the first portion of Mercantile Center, a six-block development expected to be built over a 10-year period by Mercantile Center Redevelopment Corp., a joint venture of Mercantile Trust and Crow, Pope & Land Enterprises, St. Louis.

A highlight of the ceremonies was the announcement by Mr. Lasater of an $80,000 grant by Mercantile for the Institute for Urban and Regional Studies at Washington University, St. Louis, to conduct a national symposium on human, private and public investment opportunities in mature American metropolitan areas. The grant was accepted by Dr. William H. Danforth, chancellor of Washington University. The symposium is scheduled to be held in St. Louis next year.

The dedication ceremonies were concluded by the unveiling of a polished stainless steel sculpture called Synergism. The 4½-ton, two-story art work forms the central sculptural theme of Mercantile Tower and its related Mercantile Center.

Mercantile's occupancy of the Tower brings under one roof all Mercantile headquarters operations, which for many years have been located in several separated downtown St. Louis buildings.

The Tower is presently 75% leased with Mercantile occupying floors three through 20. The upper 15 floors are being leased by a number of firms. • •

ABA Survey Shows 10% Rise In Bank-Held Farm Debt; Paces Total Ag Credit Growth

WASHINGTON, D. C.—Total U. S. farm debt held by banks increased nearly 10% to about $26.5 billion during 1975, nearly equaling the growth in U. S. farm debt from all sources for the same period. Those figures are part of the American Bankers Association's 1976 Agricultural Credit Survey.

The ABA survey is based on year-end 1975 figures reported by a representative sample of 1,298 banks from across the U. S. According to the survey, seven out of 10 banks experienced increases in farm operating loans, while 60% reported increases in equipment and other types of farm loans.

A further growth in farm lending for 1976 was predicted by bankers participating in the study, but they saw probability for little change in farm interest rates for this year. Farm interest rates averaged about 8.9% in 1975, the ABA says.

Why did farm lending keep pace with the growth of agricultural credit last year? More than 90% of the participating banks reported a deposit increase, contrasting with the 1974 figures: That year, total farm debt grew 12% and bank-held farm debt increased only 7%.

The quality of farm loan portfolios improved by year-end 1975, the survey showed. Forty percent of the reporting banks had that experience, while only 7% indicated a decline in portfolio quality.

Over half the banks expect their farm customers to encounter increasing payment difficulties in 1976, the ABA said, due to fluctuating commodity prices, increasing farm operation costs and bad weather in the early part of the year.

The survey also reported that more than 90% of the responding bankers felt that farmers in their area were receiving adequate credit from all sources, while 70% said young beginning farmers in their area were receiving sufficient credit from all sources to become established in farming.

Bankers 'Go to Class,' Teach Expertise in Field

Stock Yards Bank, Oklahoma City, has begun a program in which its officers and employees share their expertise in various fields of banking with students of local high schools and colleges.

The first session included a presentation on computer processing and internal auditing by Gary Lauderdale, operations officer.

Alabama Bankers Enjoy Puerto Rico Site; Woodrow Becomes Association President

By LAWRENCE W. COLBERT
Assistant to the Publisher

A BEAUTIFUL ISLAND, balmy weather and impressive speakers combined to make the 83rd annual convention of the Alabama Bankers Association a rousing success.

From May 18 to 22, the Alabamians creatively mixed business and pleasure on the Caribbean island of Puerto Rico. More than 600 bankers and spouses were in attendance in San Juan.

The business sessions featured such well-known speakers as George A. LeMaistre, FDIC director; Monroe Kimbrel, president, Atlanta Fed; and W. Liddon McPeters, ABA president-elect and president, Security Bank, Corinth, Miss. A special treat was an address by Puerto Rico's secretary of the treasury, Salvador E. Casellas.

In a forceful speech, Horace W. Broom, association president, and president, Citizens Bank, Hartselle, said, "In this bicentennial year, it is time to take stock and determine the path America will follow for the next 100 years. We are at a crossroad. We must control our spending or we will continue to have inflation. If we follow the present trend, we are well on the road to socialism.

"Before we look too long at what is wrong with our country, let us look at the foundation upon which our forefathers built. The wrongs of the past and present do not change the validity of our structure. It works and has worked for 200 years. It is flexible enough to give to every man and woman the freedom he or she wants. Yet it is strong enough to prevent abuse.

"We have begun to realize that, even though we are only 6% of the world's population, we consume 35% of the world's irreplaceable resources. It has been proved time and time again that when we as Americans know what we should do, when we are told what to do by leaders in whom we have confidence, we respond well.

"Our system has given men the opportunity and inspiration to progress from Kitty Hawk to the moon and beyond. We have harnessed steam, developed hydro power and split the atom. No nation on the face of the earth has been blessed with more great men than this country. This was due to the economic system of free enterprise and personal reward for individual effort. Men could follow their dreams.

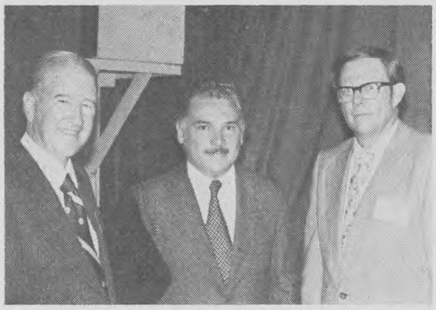
"Many things in our country are wrong, but compared with other nations, it is still the fairest, richest and freest land of all.

"Patriotism should be just as much a positive value in our national life as honesty and morality. Even with all its shortcomings, this is still the kind of society in which we want to live. Ten things may be wrong but there are 100 things right. What is wrong can be put right.

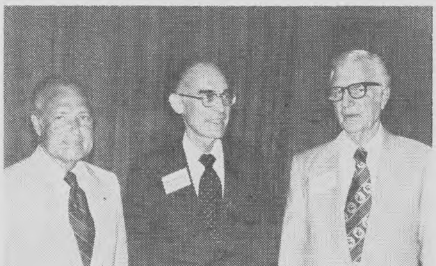
"If we are going to make things right in America, we need a new spirit of patriotism. We must give credit to our patriots of today in all walks of life. We should recognize the dedicated medical teams that are more concerned with healing the sick than with personal gain. I would like to see some flag waving for dedicated lawyers who stand tall in the fight for truth and justice. We need a medal of honor for teachers, in church and school, who train the minds of youth to respect the principles of democracy.

"We need to esteem parents who bring their children up in the admonition of God. We need to honor the farmers, servicemen, bankers, labor leaders and youth who give their energies to build a better country. We need to honor our political leaders and our officials of state who refuse to sell out to the highest bidder.

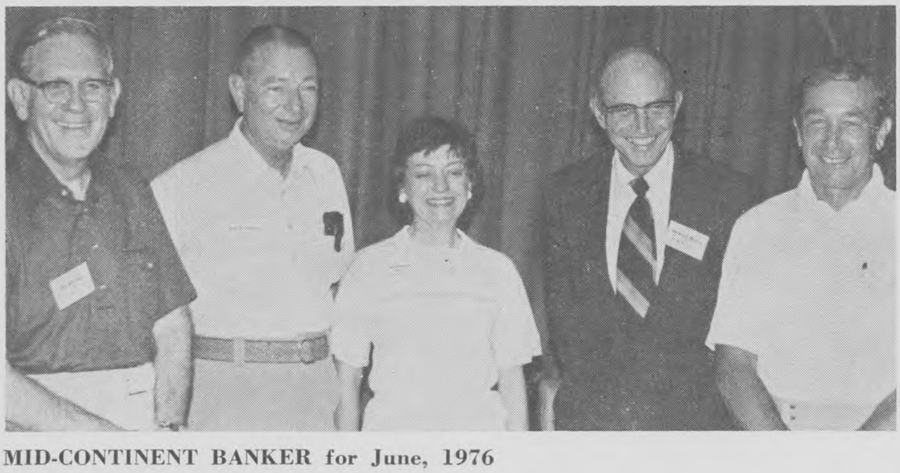
"There is no way to study American history without recognizing the influence religion has had on this country.



Association Pres. Horace W. Broom (r.) poses with two Puerto Rican guest speakers—Julio A. Torres (l.), pres., Puerto Rico Bankers Assn., and Salvador Casellas, secy. of treas., Puerto Rico.



Three additional speakers at the convention included W. Liddon McPeters (l.), ABA pres.-elect; Monroe Kimbrel (c.) pres., Federal Reserve Bank of Atlanta; and Clarence L. Turnipseed (r.), ABA v.p. for Alabama, and pres., First Nat'l, Brewton.



New Ala.BA officers for 1976-77 include (from l.) 2nd V.P. William H. Mitchell, pres., First Nat'l, Florence; Pres. Robert H. Woodrow Jr., ch., First Nat'l, Birmingham; Sec.-Treas. Sue K. Morris; Exec. V.P. Howard J. Morris Jr.; and 1st V.P. Charles S. Snell, pres., Citizens Nat'l, Shawmut.

Howard Morris gets a bottle of wine.

Bob Woodrow gets gavel and loving cup.

Bill Mitchell gets nominated by John Gay.

God, through dedicated men, has given us a heritage unique in the world. From the beginning, our nation has been one that has believed in the sovereignty of God.

"The founding fathers were God-fearing men who gave definite expression of their allegiance to God in the Declaration of Independence and in the Constitution.

"It was in 1789 that Congress adopted the great seal of the United States. Appearing on the reverse side of the seal is 'annuit coeptis,' which means 'He has favored our undertaking.'

"Our Liberty Bell in Philadelphia is inscribed with the words God spoke to Moses in Leviticus 25:10, 'Proclaim liberty throughout the land and to all the inhabitants thereof.' Even though 'in God we trust' has been used on our coins since the Civil War, it was as late as July 30, 1956, that Congress adopted it as our national motto.

"We do have an exciting heritage—one that challenges our integrity, our patriotism, our devotion and our determination to accept the responsibility handed us by our forefathers.

"Our pledge to our country in this bicentennial year should be to recognize freedom is for all . . . ; to strive for individual support of our country, knowing good government must come from us, the people. We must realize a free society chooses its own future and a free society chooses whether or not it will remain free. We must strive to uphold and support our system of free enterprise and to reaffirm our belief in the Supreme Being.

"Let us remember that a celebration of the past carries with it a responsibility for the future."

Mr. Casellas spoke on the unique problems facing the Puerto Rican economy and presented a fascinating picture of the island, including its banking system.

He said Puerto Rico's basic economic objective is to provide a satisfactory level of living and adequate employment opportunities to its people. Achieving these goals, however, is made difficult by a number of factors, including a population of more than three million—about 900 people per square mile. Land is scarce and the sources of raw materials are distant, due to Puerto Rico's position in the ocean.

He described the island's "operation bootstrap," an economic program aimed at attracting manufacturing firms from the United States mainland and other areas. This program has been going on for some 30 years and has transformed the island's economy from a stagnant, low productivity, one-crop system into what he describes as a dynamic, diversified, highly productive one.

Personal income per capita has tripled over the years, but the unemployment rate (10%) has not yielded to progress.

He described Puerto Rico's banking

(Continued on page 75)

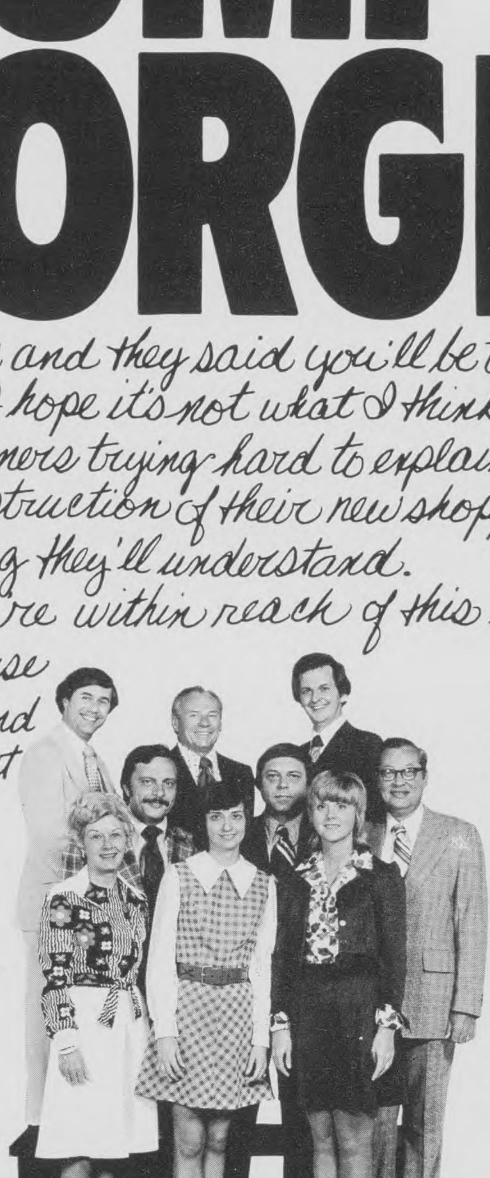
DON'T JUMP GEORGE!

I've called your office and they said you'll be tied up until late afternoon. George, I hope it's not what I think! You're probably in there with your customers trying hard to explain why you won't be able to finance the construction of their new shopping center, and knowing you, you're hoping they'll understand.

Well George, if you're within reach of this letter, don't jump in with the bad news, excuse yourself from the meeting and call us in the correspondent department at American National.

We'll help you out with a loan participation and send you back into the meeting with the answer your customer came for in the first place.

Jack and the Gang



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Atlanta Fed President Pats Alabamians on Back For Progress in Ability to Better Serve Public

ALABAMA bankers received a pat on the back for the progress they have made in the past five years in offering more and better service to the people of that state.

Speaking at the Alabama Bankers Association convention in San Juan last month, Monroe Kimbrel, president, Atlanta Fed, began his remarks by stating that, several years ago, Alabama bankers were giving him more than their share of the headaches that go with the job of being head of a Federal Reserve bank.

"But more recently," he continued, "you people from Alabama have taken a back seat in the problem arena. We have not heard much from you. So I am pleased to be here to see you are still alive and fit, to praise you, and to give you some advice."

He said that people in the Fed were concerned with what some thought were evidences of an inability on the part of Alabama bankers to serve the public adequately for the following reasons: Non par banking was still being practiced, most Alabama banks were smaller than banks in adjoining states and only one Alabama bank could operate outside its county of domicile.

"The picture of Alabama banking today is much different," he said. "Alabama banks, as a whole, have more than twice the assets they had five short years ago. Your average bank has also doubled in size; it employs about 25% more people, and has one and a half times as many offices. You, further, have more than 20 new banks. You now have several banking organizations that are comparable in size to large organizations in surrounding states. Four operate statewide, and your largest three each have assets well in excess of one billion dollars."

While these quantities have been increasing, quality has too, Mr. Kimbrell said. For one thing, Alabama has abolished nonpar banking. Alabama banks operate more conveniently for their customers than before, because the number of bank offices in the state has increased considerably faster than the state's population. Deposits are more equally spread among banks in most local markets than five years ago, despite the growth of large statewide organizations.

"Your banks' capital-asset ratios have fallen by less than those of banks in the U. S. as a whole or the rest of the Sixth Federal Reserve District. More than banks in the U. S. or the rest of the Sixth District, you have shifted assets from U. S. government securities to loans and to state and local government securities. Yet, your loan losses have remained moderate, and your loan portfolios, as our examiners say, are very 'clean.'"

Not everything in Alabama banking has changed, he added. And Alabamians are to be congratulated for that. Alabama bankers on the whole kept their heads during the swing to go-go banking in the early 1970s. Growth figures demonstrate that Alabama bankers took advantage of their opportunities, but unlike some of their neighbors, did not overreach their luck or skill. While the proportion of assets committed by banks to real estate loans in most neighboring states was rising, this proportion remained nearly constant in Alabama banks. Loan losses in Alabama banks also rose less than in neighbor states. Further, Alabama bankers depended less on Fed funds and large CDs.

"So from all the evidence we have, you adhered to banking practices that were both prudent and opportunistic," he said.

"We are aware that your good record may have come partly from a perverse kind of good fortune. Perhaps it was because you had fewer opportunities in your state, but we are not sure of that. But what we do know is that even your larger banks concentrated on banking expansion in their backyards, while those elsewhere ranged far afield—in terms of geography and types of nonbanking activity. You owe your good record, at least in part, to prudent and sound judgment."

The results are here for all to see, he said. "Along with your own advancement, you have maintained relative stability. The newspapers have not been filled with speculation about the poor condition of this or that Alabama bank, reports of earnings declines here, losses there, management shakeups, emergency mergers or FDIC takeovers. You have not been without problems, but you have generally been able to cope.

"We know that our activities, at the Federal Reserve Bank of Atlanta and in the Federal Reserve System in general, directly influence some of you. So I would like to say a few words about what we are after. In most matters of supervision and regulation, Federal Reserve banks act within a general framework of goals, procedures and oversight established by the Board of Governors. We try to make most decisions at the Reserve Bank level and keep them out of the board's lap. In supervising banks and bank HCs, we try to follow principles that are similar to those many of you have followed in recent years: To approve what seems prudent and beneficial to the public, but not to allow actions that might lessen competition and endanger banking stability. Our efforts continue to aim toward balancing these objectives when they are in conflict."

When the Fed processes expansion applications, he said, it takes a close look at financial performance. Maintaining sound, adequately capitalized banking subsidiaries is fundamental to HC and bank management. Capitalization is still prominent in the opinions of the Board of Governors. Therefore, any applications for additional subsidiaries or activities are studied to see their impact on the strength and flexibility of the parent company or bank.

Adequate equity capital support is required for future expansion, Mr. Kimbrell said. Loan losses, nonearning assets and weak loan demand have eroded and continue to erode the capital bases of many banks. Capital markets and possibly earnings will have to be tapped, not only to replenish capital but to provide support for expanding operations. Capital will become an even more important issue when future applications are considered.

"Competition is a further concern of ours that has grown out of our responsibilities to the public. Our directions from Congress, in the Bank Holding Company and Bank Merger Acts, make it clear that we should avoid the dimunition of competition through HC acquisitions or bank mergers. Only when

large costs to the public are avoided, as in the saving of a failing bank, may the Federal Reserve approve acquisitions or mergers that diminish competition.

"In this regard, two problems concern us very much. First, we have little latitude for direct competitors interested in combining. Each of the three acquisition applications of Alabama bank HCs denied by the Board of Governors so far has had large elements of direct competition.

"Second, we are mindful of our influence on the longer-term development of state banking structure. Our attention to this aspect of expansion has grown over the years. Thus, larger organizations that are likely to become competitors will have difficulty combining even if they do not compete now. Almost 15 years ago, the majority of the Board of Governors expressed concern with state banking structure in a Florida case and more recently in Tennessee, Maryland and Texas. Minorities of the board, on more than one occasion, have expressed similar concerns about Alabama."

On the positive side, he continued, the Fed has favored combinations of noncompetitors and extensions of bank activities that strengthen banks or add to the quality and variety of services banks can offer the public. Over the past five years, the Fed has approved more than 50 Alabama HC acquisitions in which these aspects were predominant.

"We realize that you have not always agreed with every one of these approvals. The evidence is clear, however, that Alabama's smaller independent banks have remained competitive with the larger banks and bank HCs. I suspect that independent bankers make up the great majority of this audience today. I also suspect that all of you—in HCs and out—have had to work harder in recent years to satisfy your customers.

"You will have to keep on working hard if you want to keep up with your customers' needs and your competition (and I would emphasize here that your competition will probably come more and more from outside of what we now call the banking industry). Economic recovery came to Alabama earlier than to other Southeastern states and has advanced further. In the Southeast, Alabama and only one other state now have more people employed than before the recession started. With your sound condition, you are in an excellent position to help your state sustain this lead.

"But you will not be able to stand pat. As an ex-country banker turned Federal Reserve bank president, let me give you some advice. When you design lending policies, include objectives of soundness and liquidity, but do not neglect flexibility to meet the needs of your community, state and nation.

"When you plan goals for asset mix, place emphasis on those activities which can enhance economic development in your area. Participations in loans to large or national credits, and Fed funds sales, have their attraction in maintaining liquidity or producing high yields; but such investments provide little stimulus for growth in your own backyard. On the other hand, dependence on Fed funds purchases and large CDs can be quite dangerous in certain circumstances.

Over the years, he said, changes in banking have caused businesses, consumers, and governments to place increasing reliance on banks. Bankers today have a vital role in financing the economic recovery now in process. They should avoid neither this role nor their opportunities to extend new services to their communities. To fail in this is to slow the recovery and to serve the public poorly.

"I urge you to continue in the future to act as I think Alabama's bankers on the whole have acted in the past: To be prudent but not to hold back from opportunities," he said. • •

Enjoying first night's entertainment are (l.) Mr. and Mrs. Larry Colbert, *Mid-Continent Banker*, St. Louis; and Mr. and Mrs. Bert Watts, Protective Life, Birmingham.

Alabama Convention

(Continued from page 70)

system, which, he said, has grown rapidly and soundly. The system consists of 11 commonwealth-chartered institutions with 199 branches throughout the island; three U. S.-chartered banks with 24 branches; and two Canadian banks with 10 branches.

He said three of the native banks are among the 200 largest in the U. S.

He described Puerto Rico's Government Development Bank, which was created to press forward the economic development program. This bank makes middle- and long-term loans to industry on terms that would ordinarily be unacceptable to commercial banks. It also performs certain functions that make it analogous to a central bank as it serves as a fiscal agent for all governmental units on the island, including the commonwealth government, public corporations and municipal governments. It has the responsibility of marketing the debt obligations of these governmental units and it acts as a depositary for government funds. It also acts as a settling agent in the island's clearing system.

By and large, Mr. Casellas said, Puerto Rican banks operate similar to mainland banks. However, none of the commonwealth-chartered banks belong to the Fed, although they are eligible for membership.

Although Puerto Rican banks have enjoyed remarkable growth through the years, they have shared the problems of the mainland banks during the recent recessionary period, he said. This is because of the close ties Puerto Rico has to the mainland. The main effect of the recession period has been to reduce the rates of growth in the major indicators of banking activity.

Officer elections resulted in Robert H. Woodrow Jr., chairman, First National, Birmingham, advancing to the post of president of the association. Charles S. Snell, president, Citizens National, Shawmut, advanced to first vice president, and William H. Mitchell, president, First National, Florence, was elected second vice president.

BICENTENNIAL theme was much in evidence as Tennessee bankers held their 86th convention in Nashville. Singing bank group, The Third Dimension, led off the convention with series of patriotic numbers. Gayle Gupton, s.v.p., 3rd Nat'l, Nashville, acted as orator for his bank group.

Repeal of 10% Interest Limitation A Crucial Issue Facing Tennessee

By RALPH B. COX
Editor & Publisher

TENNESSEE BANKERS, during their 86th convention in Nashville, pledged their efforts to work for a limited constitutional call that could revise the state's maximum interest rate of 10%. The present 10% limitation on corporate lending rates was written into the state's constitution in 1870 and during recent periods of high interest rates has inhibited financing in the state.

Tennessee BA's outgoing president, Jack O. Weatherford, chairman, Murfreesboro Bank, pointed out to convention delegates that the "economic well being of Tennessee" was at stake in an August 5 election that will determine the call for a limited constitutional convention. Bankers must, and will, he said, work hard for the success of that election. Otherwise, he stated, future high interest periods will see capital being drained out of Tennessee.

Tom Wiseman, a former state treasurer and chairman of the state's Citizens for a Constitutional Convention, reiterated the importance of the proposed convention and asked for banker support in the coming election.

Mr. Wiseman reminded bankers that the present 10% interest ceiling in Tennessee has had a depressing and inhibiting effect upon the economic health and continued growth of the state.

"We are net capital importers," Mr. Wiseman told Tennessee bankers. "We do not generate enough capital in our state to finance our own needs. Therefore, in times of high money rates in the national market, Tennessee money leaves Tennessee to seek these higher rates and we are unable to attract money from the capital-exporting centers to finance our own business expansion."

Independent bankers in the state also pledged their support of the constitutional call. C. G. Williams, president, Bank of Commerce, Morristown, and outgoing chairman of the independent division, pledged that his group was "going to be a very visible force in support of the convention."

In the past, the state's independent bankers have given only lukewarm support to efforts to remove Tennessee's usury ceiling.

Convention Speech. A common theme that ran through the convention was concern over increased bank regulation.

TBA President Jack Weatherford noted that bankers everywhere are concerned with what he termed as "over-

NEW TBA OFFICERS are pictured (l. to r.): chairman, Jack O. Weatherford, Murfreesboro; president, Hugh M. Willson, Athens; president-elect, Jack R. Bulliner, Henderson; and first vice president, T. Scott Fillebrown Jr., Nashville.


LEFT: Convention speaker Stephen Gardner (c.), v. ch., Federal Reserve Board, is pictured with outgoing TBA President Jack Weatherford (l.) and outgoing TBA Chairman W. W. Mitchell, ch., 1st Nat'l, Memphis. RIGHT: Convention speaker Willis W. Alexander (c.), e.v.p., American Bankers Association, flanked by ABA V.P. for Tenn. W. E. Newell (l.), ch., 1st Nat'l, Kingsport; and Sam M. Fleming, former ABA president and retired ch., 3rd Nat'l, Nashville.


LEFT: Outgoing chairman of state bank division, Ben S. Kimbrough, pres., First Trust, Clarksville; speaker Harlan Matthews, Tennessee state treasurer; and outgoing chairman of national division, Virgil H. Moore, pres., 1st Farmers & Merchants, Columbia. RIGHT: Independent bankers welcomed speaker Charles O. Maddox Jr. (c.), pres., Independent Bankers Assn. of America, and pres. Peoples Bank, Winder, Ga. On left is newly elected president of TBA Independents, James Fitzhugh, pres., Bank of Ripley; and on right, retiring president, C. G. Williams, pres., Bank of Commerce, Morristown.

regulation." Mr. Weatherford acknowledged that regulation of the banking industry was needed because banks are handling other people's money. But bankers are now beginning to protest on this "over-regulation" and "our voices," he said, "are being heard."

Willis W. Alexander, executive vice president, American Bankers Association, also picked up the regulation theme. He characterized the situation as "regulatory overkill and overzealousness" by federal agencies. He specifically criticized the Federal Trade Commission's recent ruling upsetting the holder-in-due-course doctrine.

Mr. Alexander also pointed to the inequity of a federal ruling allowing savings and loan associations to pay a higher rate of return on IRA accounts (individual retirement). Banks should not be placed at a competitive disadvantage with S&Ls, he said, but he also noted that this decision is being "appealed."

Mr. Alexander called upon federal regulators to "let us alone; let us digest what we have."

The ABA leader also advised bankers that the banking industry must maintain its credibility. He suggested, for example, that testimony *against* certain types of banking legislation should not predict dire results should the legislation be adopted. Plausible objections should be voiced against any possible legislation, he advised, but "scare tactics" should not be used.

The real answer to better understanding of banking and better legislation, he said, will come about through better economic education in this nation. He pointed to an excellent program now being conducted by the Advertising Council of America and which is being supported by the ABA, the Department of Commerce and the Department of Labor. Bankers should obtain more information from ABA headquarters, he urged.

Another speaker, Stephen S. Gardner, vice chairman of the Federal Reserve Board, acknowledged there is a national preoccupation with the idea that every problem in our society can be corrected by a law.

Under this philosophy, he said, it is conceivable that the sheer volume of controls may be, or will become, unmanageable.

The Federal Reserve governor noted, nonetheless, that banking issues are highly sensitive ones with Congress, which has been closely looking at the structure of banking over the past three years.

Mr. Gardner hinted that structural reform is probably needed and probably will come. "There is just too much dissatisfaction," he said, "with the status quo not to expect important changes in the rules governing the structure and powers of depository institutions."

However, the Federal Reserve vice chairman said, regulatory reform which coincides with structural reform and which is based on a responsible majority view of the economic and social effectiveness of our system will probably be regulatory reform that otherwise might not emerge.

It was this thought, said Mr. Gardner, that led him to testify recently on a series of regulatory reform measures before the Senate that would subject all federal government regulators to a scheduled four- or five-year review. The purpose of the (review) effort, he said, would be to reduce the burden of regulation on the economy and to assure that competitiveness exists in our industry and trade and that the consumer would be protected from monopolistic and cartel-like competition that maintains higher prices and costs than would otherwise obtain.

Mr. Gardner expressed little doubt





ANNUAL BANQUET saw many Tennessee bankers and their wives honoring bicentennial year by wearing costumes that depicted any period from Revolutionary War era to Fabulous '50s.

that financial institutions could expect some dramatic and interesting developments. "And I hope as this effort proceeds," he said, "that banking institutions and the thrift institutions will not continue to march up the Hill and address only narrow partisan interests.

"I expect (financial institutions) to address their own interests, but also would like to see them expand their views and address the broader issues." These issues, he said, are unemployment, productivity, capital formation, energy conversions, government deficits and inflation. "I suggest," concluded Mr. Gardner, "that a comprehensive regulatory reform review can be useful to the resolution of these issues."

Independent Bankers. In a speech to the TBA independent division, national IBA President Charles O. Maddox, chairman, Peoples Deposit Bank, Winder, Ga., expressed displeasure with regulators—both national and state—which he charged had allied themselves with the larger banks and holding companies. This philosophy, he said, makes it easier to concentrate credit and deposits in the hands of a few institutions.

Mr. Maddox noted that Tennessee independent banks could increase their competitiveness if they would follow an example of smaller banks "grouping together" as they had done in his state (Georgia). He suggested smaller banks could share costs in data processing, printing and other expense areas, plus participating in loans on a group basis. This procedure, he remarked, would allow the smaller bank to be more competitive with the larger financial institutions.

Officers Elected. In official action, TBA members elected a slate of new officers as follows:

Chairman, J. O. Weatherford, chairman, Murfreesboro Bank; president, Hugh M. Willson, president, Citizens National, Athens; president-elect, Jack R. Bulliner, president, First State, Henderson; first vice president, T. Scott Fillebrown Jr., vice chairman, First American National, Nashville; and second vice president, George R. Taylor, chairman and president, Merchants Bank, Cleveland.

Association members also elected three new directors: for East Tennessee, Herbert Whitfield, president, Greene County Bank, Greeneville; Middle Tennessee, Virgil H. Moore Jr., president, First Farmers & Merchants, Columbia; and West Tennessee, John E. Gauldin III, president, First Bank & Trust, Dyersburg.

Divisional chairmen also were elected as follows: national division, James Smith, senior vice president, Park National, Knoxville; state division, Arch Fitzgerald, executive vice president, Cleveland Bank; and independent bankers, J. R. Fitzhugh, president, Bank of Ripley.

Tennessee members of the American Bankers Association elected as their representative on the ABA governing council for two years, W. C. Adams, president, Bank of Maryville.

Tennessee bankers also authorized the creation of a *corresponding division.* Membership will be made up of city correspondent banks with total deposits of $100 million or a minimum of $1 million in correspondent balances. Officers were not elected to this new division. • •

'Favorite Son' McPeters Warns Mississippians That Congress Still Wants Financial Reform

By JIM FABIAN
Associate Editor

THE NATIONAL legislative scene was the main topic at the 88th annual convention of the Mississippi Bankers Association in Biloxi last month.

"Favorite son" W. Liddon McPeters, ABA president-elect, and president, Security Bank, Corinth, warned his colleagues that Congress generally never loses interest in any of its pet legislative proposals, and, even though the banking lobby devastated this year's Financial Reform Act, no one should be surprised to see the act resurface next year—and perhaps annually until those pushing the anti-banking legislation finally become convinced that they are sponsoring a lost cause. (Mr. McPeter's remarks are published in full in this issue, beginning on page 35).

J. Herman Hines, chairman, federal legislative committee, and chairman, Deposit Guaranty National, Jackson, reported on the MBA's sixth annual Washington, D. C., visit which took 35 bankers to the offices of Mississippi's congressional delegation and the various bank regulatory agencies.

The group assembled a series of questions that it thought were of paramount interest to Mississippi bankers and posed them to the various agencies, Mr. Hines said. In addition, a social hour afforded members of the delegation an opportunity to meet informally with congressmen from other states, most of whom were members of the House Banking and Currency Committee.

William E. "Billy" Howard Jr. (l.), MBA pres., and pres., Commercial Nat'l, Laurel, presided at convention. Leo W. Seal Jr. (r.), pres., Hancock Bank, Gulfport, conducted ABA portion of meeting as ABA v.p. for Mississippi.

"This past year has proved to be the most challenging in the recent history of banking insofar as federal legislation is concerned," Mr. Hines said. He traced the course of the Financial Institutions Act of 1975, stating that the Senate passed it last December with only 14 dissenting votes, one of which came from Mississippi's Senator James Eastland. He also commented on the House Financial Reform Act, which, he said, would enable banking's competitors to "gain everything while commercial banks gained nothing. The Comptroller of the Currency's office would be abolished, other bank regulatory agencies would be politicized and the door would be open to the allocation of credit."

The MBA legislative committee participated in a state-wide bank presidents seminar to explain the ramifications of the banking acts to Mississippi bank presidents. The unanimous decision of those in attendance was that the Mississippi bankers emphatically oppose the enactment of the Financial Reform Act of 1976.

"Plans were made for an all-out assault on this horrendous piece of legislation," Mr. Hines said. Under the leadership of the contact banker in each congressional district, groups of bankers went to Washington to visit with their congressmen. A total of nine trips, involving 38 bankers, was made. Letter writing campaigns were organized and the cooperation of bank officers, directors, employees, stockholders and customers was received in sending letters to both Mississippi congressmen and those from other states.

"The results of these letters and the combined efforts of other bankers throughout the nation have been most gratifying," he said. "Every member of the Mississippi congressional delegation pledged to vote against and work against this proposed legislation."

Miller P. Holmes, chairman of the state legislative committee, and president, Delta National, Yazoo City, said that all legislative problems are not confined to the nation's capital—there are many in Jackson, too. He said that bankers don't carry the weight on the state level that they once did. Of the 126 bills affecting banking in the recent state legislature, he said, 16 were passed despite banker opposition.

Presiding Officer William E. Howard Jr., MBA president and president, Commercial National, Laurel, presented the report of the executive committee. Among matters touched upon was the fact that the MBA held special meetings during the year on the following topics: Direct deposit of social security checks and the Real Estate Settlement

New MBA officers are (from l.) John H. Mitchell Jr., v. ch., Nat'l Bank of Commerce of Mississippi, Starkville—MBA pres.; Ray K. Smith, pres., First Nat'l, Greenville—MBA v.p.; and R. D. "Bobby" Gage III, pres., Port Gibson Bank—MBA treas.

Procedures Act, the Equal Credit Opportunity Act and the Financial Reform Act of 1976.

The MBA published the first edition of "Selected Mississippi Banking Laws," which replaces the former "Brown's Handbook of Banking Laws," which had last been revised in 1969.

Mr. Howard concluded the report by stating, "It is our feeling that ours is one of the best associations of its kind in the country. The interest shown by our members in participating in association activities is excellent. Your executive committee wishes to engage your association in those matters that are relevant and meaningful which will benefit our banks, our communities, our state and our country. We urge your full participation."

Mr. Howard, during his president's address, urged Mississippi bankers to attend the ABA convention in Washington, D. C., this fall to lend support at the installation of W. Liddon McPeters when he becomes ABA president.

Orrin H. Swayze, director emeritus, School of Banking of the South, stated that 1,230 students were currently enrolled in the school. Of the 4,809 students who have graduated since the school's inception in 1952, 470 have been Mississippians. He said 50 female students are currently enrolled and that they generally do a better job than the male students. He said that, although the school has no shortage of students, it is seeking better qualified candidates, a fact that is reflected by stiffer entrance requirements. He pointed with pride to the growing number of senior officers attending the school and chided those who consider themselves to be too old to learn. "If a banker thinks he's too old to go to school, he's too old to run a bank!" he said.

ABA vice president for Mississippi, Leo W. Seal Jr., president, Hancock Bank, Gulfport, reported that all but two Mississippi banks are ABA members. He stressed the importance of bankers contributing to BankPAC, which has established a goal of $370,000 to be spent during the 1976 political campaign. He urged bankers to make an effort to encourage each officer in their bank to contribute $2 to this fund and said that, if each bank officer in the U. S. participated, the goal would be met.

O'Dell A. Sanders, chairman, resolution committee, and president, Tunica County Bank, presented resolutions supporting BankPAC, the U. S. Savings Bonds program, the educational efforts of the Young Bankers Section and responsible government (which does not necessarily mean big government).

John H. Mitchell Jr., vice chairman, National Bank of Commerce of Mississippi, Starkville, was elected MBA president, succeeding Mr. Howard, and Ray K. Smith, president, First National, Greenville, was elevated from treasurer to vice president. Elected treasurer was R. D. "Bobby" Gage III, president, Port Gibson Bank. In the ABA election, Crawford S. McGivaren, vice chairman, Bank of Clarksdale, was elected to the governing council to succeed J. C. Whitehead, chairman and president, Bank of Mississippi, Tupelo. • •

New Site Gets OK

It didn't take delegates long to make themselves at home at the Mississippi convention's new sites —the Biloxi Hilton and Broadwater Beach hotels. Mixups were held to a minimum and most bankers agreed that the accommodations were vastly improved over those of previous conventions.

Most of the convention activities on the day of the first general business session (Monday) were held at the Biloxi Hilton, while activities on the second day were held at the Broadwater Beach. The hotels are within one block of each other and the only time that the short hike between the two was out of the question was during a torrential downpour Monday afternoon that all but washed out a number of hospitality sessions scheduled for that time.

■ CARL E. CARVER JR. has been named a director of First United Bank of Mississippi, Meridian. He is a partner in the F. W. Williams State Agency, an insurance firm.

■ GARY L. KONSLER has joined Mississippi Bank, Jackson, as vice president and trust officer. He formerly was assistant vice president at National Bank of Detroit. Walter Richard Bivins has joined Mississippi Bank as consultant on economic and governmental affairs. He most recently served as deputy executive director, Mississippi Employment Security Commission, and was one of the bank's founders.

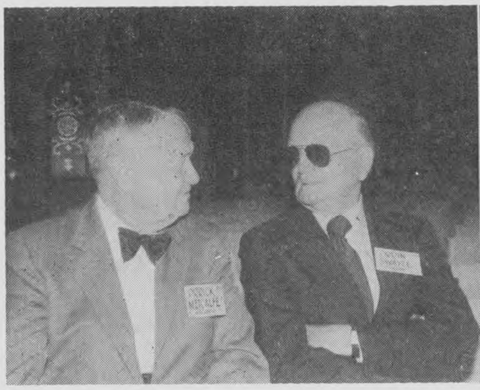
CBA Names M. E. Goldsmith As Vice President-Administration

WASHINGTON, D. C.—Margaret E. "Peggy" Goldsmith has been named to the newly created post of vice president-administration by the Consumer Bankers Association.

Miss Goldsmith continues as secretary and assistant treasurer of the CBA, positions she has held since 1947. In her new post, she will supervise all administrative activities of the CBA.

Miss Goldsmith, who joined the CBA in 1942, also serves as registrar and assistant secretary-treasurer of the association's Graduate School of Consumer Banking.

The CBA represents the interests of the installment lending operations of many of the nation's commercial banks.



LEFT: Orrick Metcalfe (l.), ch., Britton & Koontz First Nat'l, Natchez, gave necrology report and Orrin H. Swayze, dir. emeritus, School of Banking of South, reported on school's progress. CENTER: Huddling before business session were (from l.) Steve E. Babington, dir., Brookhaven Bank, and ch., ABA nominating com.; MBA Exec. Dir. John R. Hubbard; and speaker W. Liddon McPeters, ABA pres.-elect, and pres., Security Bank, Corinth. RIGHT: J. Herman Hines (l.), ch., MBA federal legislative com., and ch., Deposit Guaranty Nat'l, Jackson, and J. C. Whitehead, ch. & pres., Bank of Mississippi, Tupelo, discuss latter's beard, grown in honor of bank's centennial. In middle background is Robert E. Ross, v.p., Bank of Mississippi, another beard grower.

LBA President and ABA President-Elect Focus On Banking Legislation at 1976 Convention

By RALPH B. COX
Editor & Publisher

THE LOUISIANA Bankers Association, at its annual convention last month, announced an earlier meeting date for its 1977 convention: April 1-4 at the new Hyatt Regency, currently under construction in New Orleans adjacent to that city's Superdome. It will be the first time in many years that the LBA hasn't used the familiar Fairmont (formerly Roosevelt) Hotel as its convention headquarters.

The convention will be held earlier, according to Robert I. Didier, LBA executive vice president, so that association officers can be free to attend hearings and sessions of the Louisiana Legislature. In the past, the LBA had held its annual conventions in late April or early May—at the same time the Legislature was in session.

The President's Report. In his report as LBA president, J. D. Acklin Jr., president, Planters Bank, Haynesville, warned that banking has enemies within the financial industry who would try to enter banking through the back door, using as their key uninformed elected officials who have the mistaken notion that bankers haven't been doing a proper job of serving the public. He suggested that the best hope of defeating such attacks is in actively supporting the LBA.

Robert I. Didier Jr. (l.), LBA e.v.p., visits with J. B. Falgoust, 1975-76 assn. treas., and e.v.p. & cash., Bank of Vacherie.

Mr. Acklin told how pleased and proud he is of the way bankers in Louisiana and throughout the country fought the proposed Financial Reform Act of 1976. He pointed out that this was the first time in the 29 years he's been in banking that banks have risen as one unified force against any proposed legislation. He regards this as a healthy sign and an indication of the strength of the nation's banking industry. However, he warned, the battle is a long way from being won, but, as he put it, "The only way we can hope to keep the rats out of the pantry is by being ever vigilant and by being prepared to move in concert through a strong, viable association."

NEW LBA OFFICERS, DIRECTORS: L. to r., they are—pres., Donald L. Delcambre; pres.-elect, Walter B. Stuart III; treas., George S. Lensing; and directors, Charles A. Davis Jr. and Travis Gore.

Another instance of banker activity cited by the LBA president was the comments made to the Fed and FTC by more than 1,000 bankers on the new holder-in-due-course regulation. It was Mr. Acklin's opinion that this action was enough to force the Fed into some kind of positive action.

"Let me say here, no matter how large or small your bank," implored Mr. Acklin, "when the agencies ask for your comment on a proposed rule or regulation, let them hear from you. You know as well as I, that many of the proposals are completely asinine and uncalled for, but they still affect the operation of all our banks. The more of us they hear from, the better our chances of getting the proper results."

In reviewing the LBA's accomplishments during the past year, Mr. Acklin pointed out that "we got our BANK-PAC rolling along toward a promising future" and predicted that this will prove to be an important organization in the years ahead and will add political clout to the banking industry as nothing has before.

Mr. Acklin listed as one of the past year's largest accomplishments the state-wide institutional advertising program. Member banks pooled some $57,000 and bought more than 200 outdoor boards and commercial time on every TV station in Louisiana. By supporting this image-building effort, according to Mr. Acklin, LBA member banks have proved they're concerned about their industry's image and are prepared to commit real money to improve it. He added that public opinion will have a lot to do with the eventual success or failure in banking's battle to keep S&Ls and credit unions from becoming an even greater threat than they are today.

ABA President-Elect Speaks. W. Lid-


LEFT: LBA convention ch., James G. Alario (l.), e.v.p., State Bank, Golden Meadow, is shown with ABA Pres.-Elect W. Liddon McPeters (r.), convention speaker and pres., Security Bank, Corinth, Miss.; J. D. Acklin Jr. (2nd from l.), LBA pres. and pres., Planters Bank, Haynesville; and Pat Willis, ABA v.p. for Louisiana and v.p., Fidelity Nat'l, Baton Rouge. RIGHT: Photographed during School of Banking of South breakfast are school officials (l. to r.) Don Woodland, asst. director of school; Orrin Swayze, retired, Jackson, Miss.; Walter B. Stuart III, v. ch., First Nat'l Bank of Commerce, New Orleans, and assoc. director of school; Frank Craig, pres., Fidelity Nat'l, Baton Rouge; and Charles J. Cassidy, school director and ch. & pres., First State, Bogalusa.

don McPeters, ABA president-elect and president, Security Bank, Corinth, Miss., focused on financial legislative proposals and how they never die. In his talk, which is reproduced elsewhere in this issue, Mr. McPeters pointed out that Congress seldom loses interest in any proposal introduced in either house. If a bill is not enacted the first time, according to the ABA officer, it almost certainly will turn up the next year in a different form. Specific bills are only vehicles that may disappear, he continued, but the issues and concepts behind those bills are remarkably long lived.

Mr. McPeters said this certainly was true of "that package of proposals so inappropriately labeled financial reform." Regardless of what happens in the rest of this session of Congress, he predicted, it's a virtual certainty that these proposals will reappear next year when the new Congress takes office. He warned that the forces that generated this legislation in the first place are stronger today than they ever were, and those forces guarantee that Congress will be considering major changes in our financial system for some time.

Thus, he said, it makes sense for bankers to examine these forces to see how bankers can manage them to create an equitable banking environment that serves the best interests of customers as well as financial institutions.

The ABA president-elect discussed the forces that spawned these proposals and that are still propelling us toward change—housing as a social priority, the growing strength of the consumer movement, inflation, the technological revolution and the passage of time itself. This pressure, he pointed out, is felt most strongly by Congress, bank regulators and bankers themselves and is so strong that regardless of what happens in this session of Congress, many of the issues and concepts now currently being called financial reform will continue to be a high priority on Capitol Hill for years to come. That's why, he warned, bankers cannot rest on the defeat of the so-called banking reform legislation in this session of Congress, but must look further ahead. They can begin, he advised, by looking to their relations with members of Congress who will be shaping next year's legislation.

50-Year Club Inductees. Six bankers who have been in their chosen field at least 50 years were honored at the convention's Monday night banquet. They are: Herbert Cobb, president and trust officer, Exchange Bank, Natchitoches; H. B. Fisher, president, Caldwell Bank, Columbia; William Grady Kelly, senior vice president, Bank of Choudrant; George Ramel, director, Continental Bank, Harvey; Guy G. Trudeau, director, Bank of St. John, Reserve; and Oscar Wurster, chairman and president emeritus, Catahoula Bank, Jonesville.

New LBA Officers. Donald L. Delcambre, president, State National, New Iberia, was elected LBA president. Elected president-elect was Walter B. Stuart III, vice chairman, First National Bank of Commerce, New Orleans. The new association treasurer is George S. Lensing, president, Bank of Dixie, Lake Providence.

Elected to serve three-year terms on the LBA board were: Charles A. Davis Jr., president, Shreveport Bank; and Travis Gore, executive vice president and cashier, Concordia Bank, Vidalia. They represent the LBA's Northwestern and Northeastern groups, respectively.

Shown at Salem China Co. booth at LBA convention are (l. to r.): Paul Melton, v.p., Louisiana Nat'l, Baton Rouge; Thom Welch, Salem rep.; and Mel Rambin, pres., First Nat'l, Port Allen. Mr. Welch is holding specially designed Salem Bicentennial Cup.

Three exhibitors have some conversation during LBA convention. They are (l. to r.): Steve Sibley, Nat'l Safe Co., Baton Rouge; Alton Westbrook, Westbrook Fixtures, Jackson, Miss.; and Jim Ringold, Nat'l Safe.

Pictured at Favorite Check Printers exhibit at LBA convention are (l. to r.): Judy Hamlin, sales rep. of firm, located in Little Rock; Mary Helen Loe, Southern Nat'l, Tallulah; and Peter Braunfisch, v.p., Favorite Check Printers. Mrs. Loe won TV prize.

Washington Scene Dominates General Sessions At Arkansas BA Convention in Hot Springs

By JIM FABIAN
Associate Editor

THE KEEN INTEREST Arkansas bankers have in the national legislative arena was markedly evident at the 86th annual convention in Hot Springs last month. The entire program of the first business session was devoted to remarks made by a parade of speakers from the nation's capital.

Representing four bank-related agencies in Washington were George LeMaistre, FDIC director; Dr. Lawrence Kreider, executive vice president-economist, Conference of State Bank Supervisors; H. Joe Selby, first deputy comptroller for operations, Comptroller of the Currency; and Jerry Thomas, under-secretary of the Treasury.

Mr. LeMaistre discussed bank regulatory reform. He said that the effort that went into regulatory agency reform in Congress should have resulted in a careful analytical exploration of the topic; but, rather, it ended up as a personal political vendetta. The issue is dead as far as the current Congress is concerned.

Yet, he said, governmental and regulatory reform seems to be an idea whose time has come, whether bankers like it or not.

"Profound dissatisfaction with the pervasiveness of governmental intervention in our day-to-day affairs and with the reams and reams of paper that are required to effect even the simplest and least controversial of transactions" is the recurring complaint of businessmen today, he said.

He said that most would agree that regulation is necessary, but that it "often outlives the problem it was intended to address, that we do not always take sufficient care to choose the least costly means to achieve the desired end and that regulation often results in unanticipated consequences that can be more severe than the problem the regulation sought to remedy."

Also, he said, those who are regulated grow comfortable in their regulated environment and resist any serious effort to deregulate.

He called on bankers and bank regulators to develop a systematic and reasoned approach to regulatory reform, stating that failure to do so will have several adverse consequences. "A golden opportunity will be lost to deal in a meaningful way with the problems of excessive and inefficient regulation and to highlight the unintended ill effects and hidden costs of regulation," he said.

The alternative, he said, would be to wait for Congress to develop and plan for regulatory reform after which bankers would have to decide either to support or defeat the plan.

Mr. LeMaistre recommended that remedies be developed that respond directly to inadequacies and abuses, remedies that are backed by careful analyses of the facts. He also said that a concerted effort should be made to eliminate redundacy and overlap within the framework of regulation that applies to an industry. This redundancy, he added, could be remedied without altering the present application of the law.

He said that kneejerk opposition to change will not prevent its occurrence, but may serve to exclude the opponents of regulatory reform from participation in shaping that change.

"I sincerely hope that we, as bankers and bank regulators, will have the foresight to deal with the issues involved in an orderly and analytical way," he said. "If we do, I am convinced that the net result will be a regulatory framework that is less burdensome and more effective, and an industry which better serves its customers."

Dr. Kreider emphasized the efforts of the Conference of State Bank Supervisors (CSBS) to assure strong state banking departments and a viable dual banking system.

He noted that CSBS has sought to increase the usefulness and efficiency of state banking departments and to encourage modernization of state banking laws and bank regulatory procedures primarily through an extensive educational program and such specialized programs as the one currently being pursued cooperatively by the Comtroller of the Currency and the state banking departments to achieve consistent classifications for national lines

New Ark.BA officers are (from l.) William H. Kennedy Jr.—pres.; Doyl E. Brown—v.p.; John M. Lewis—treas.; and Cecil W. Cupp Jr.—pres.-elect.

Past presidents of Ark.BA (and friends) gathered for photo during convention. Unofficial gathering has been held annually since 1929.

of credit shared by one or more state and national banks.

Dr. Kreider outlined a federal legislative program aimed at accomplishing the goal of maintaining and strengthening the dual banking system, which includes opposition to attempts to politicize the Fed through political appointments of district bank presidents; support for national as well as state charter options for foreign facilities and mutuals in those states that have indicated by statute a need for such institutions; rejection of federalization of all foreign facilities and opposition to the basic thrust and philosophy of all legislation that would centralize bank regulation in a federal agency.

He noted that CSBS has increasingly felt compelled to take public interest positions against legislative, regulatory and other proposals that tend to inhibit or preclude banks from serving their communities. In this context, he noted that CSBS had recently come to the defense of the office of the Comptroller of the Currency and supported retention of statutes, regulations, policies and procedures protecting the confidentiality of individual bank examination reports.

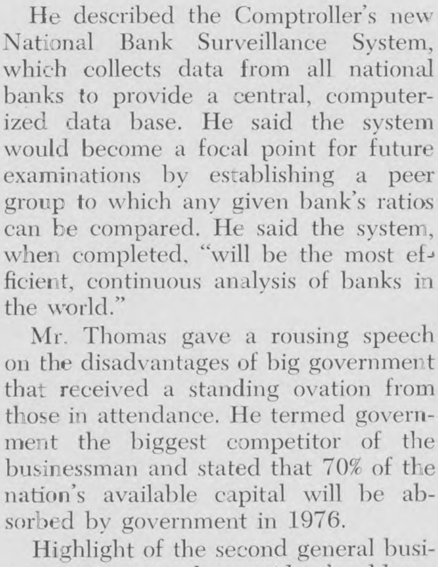
Mr. Selby discussed changes being made by regulatory agencies, particularly the Comptroller's office. He said the current role of federal bank regulators is that of constructive critics, ensuring compliance with the law, monitoring honest dealings, not dictating policy and leaving final decisions to management.

He said the Comptroller's office is on the verge of the first real breakthrough in applying modern technology, information systems and management techniques to the process of bank examination. This is a part of the current competition among regulatory agencies to devise the best and most effective mode of examination and follow-up procedures.

He described the Comptroller's new National Bank Surveillance System, which collects data from all national banks to provide a central, computerized data base. He said the system would become a focal point for future examinations by establishing a peer group to which any given bank's ratios can be compared. He said the system, when completed, "will be the most efficient, continuous analysis of banks in the world."

Mr. Thomas gave a rousing speech on the disadvantages of big government that received a standing ovation from those in attendance. He termed government the biggest competitor of the businessman and stated that 70% of the nation's available capital will be absorbed by government in 1976.

Highlight of the second general business session was the president's address, delivered by Dorman F. Bushong, outgoing Ark.BA president. Mr. Bushong is president, Farmers & Merchants Bank, Rogers.



Among speakers at Ark.BA convention were George LeMaistre (l.), dir., FDIC, and Dr. Lawrence Kreider, e.v.p., Conference of State Bank Supervisors. Both are from Washington, D. C.

He commented on the trend of country banks being forced to offer services normally provided only by urban banks, due to increases in population of Arkansas' rural areas. He cautioned bankers to make sure they make proper charges for these services. He decried the custom of bankers to sell services below cost, saying that banks have a mandate to provide services but they also have a mandate to turn a profit for their stockholders.

He congratulated bankers for their successful efforts to influence Congress against enactment of financial reform legislation, stating that bankers do not have to compromise when they are dealing in areas where they know the public's interest is being eroded.

He called for legislation to define and control electronic funds transfer usage and congratulated the Ark.BA task force on EFTS on the job it has been doing. He asked that bankers inform the state banking department what they want in the EFTS area.

Convention resolutions were presented recognizing Ark.BA members who had died in the past year, saluting the U. S. Savings Bond program and supporting freedom from unfair legislation at the federal level.

Elected to lead the association for the coming year were: William H. Kennedy Jr., president, National Bank of Commerce, Pine Bluff—president; Cecil W. Cupp Jr., president, Arkansas Bank & Trust, Hot Springs—president-elect; and Doyl E. Brown, president, First National, Wynne—vice president. John M. Lewis, president, First National, Fayetteville, was elected treasurer.

Winners of the two TV sets given away at the business sessions were G. F. Winn, director, Warren Bank, and David O. Ramey, vice president, Citizens State, Bald Knob. • •

Banker Involvement Was Running Theme Of Speakers at Oklahoma Convention

By LAWRENCE W. COLBERT
Assistant to the Publisher

BANKER INVOLVEMENT was the running theme of speakers at the 79th annual meeting of the Oklahoma Bankers Association, held in Oklahoma City May 11-13. Registration of more than 1,000 set a new attendance record.

Speaking on banker commitment, William J. Copeland, vice chairman, Pittsburgh National, said that banking is under severe and constant attack. He noted that banking came out of the worst recession since the 1930s better than it went in. He called on bankers to commit themselves in the following areas: public service, customer benefit innovation, high moral business conduct, political activity and social affairs initiative.

"We must do something within the next 10 to 15 years about the growth of the federal government," Governor David L. Doren told Oklahoma bankers. He then recounted his plans for reorganization of state government.

"Oklahoma, by the grace of God, did not succumb to the depth or magnitude of economic distress experienced in other parts of the country," Tracy Kelly, association president, said referring to the recent recession. "This is largely attributable to our strong endowment of oil, gas and agriculture and the basic industry and thrift of our people," Mr. Kelly continued.

He cited the passage of EFT legislation and the success of the OBA's educational program as the highlights of his year as president. Referring to the EFT legislation, he remarked, "My admonition to all bankers across the state is to go slow, be cautious on EFT. Set aside vanity, upmanship, expensive marketing schemes, for a deliberate, economically sensible and practical electronic delivery system that fits your particular marketplace. Make sure your system will interface with the rest of the marketplace."

Mr. Kelly is chairman and president, American National, Bristow.

He referred to the attempted breakup of the oil industry by Congress as a great danger that has ominous implications.

"The drive for divestiture does not stem from any antitrust considerations," he said. "There is no sign that the large oil firms have monopolistic shares of production, marketing or refining, or that they have been squeezing competitors out of business. Nor can proponents of divestiture make any solid consumerist claims, since there is no evidence that divestiture will lead to lower prices for petroleum products. In fact, the opposite is probably true.

"The controversy is not economic at all, but ideological. The drive for divestiture represents a political declaration that large oil corporations—and, by extension, big companies of all kinds, including banks—are somehow evil. It is that old corollary of populism rearing its head again: Bigness is bad, smallness is good."

He termed divestiture attempts as "irresponsible tampering in the opening skirmish in a philosophical assault on traditional American business methods" that could be the initial step toward nationalization of the oil business. "When will it be banking's turn to capitulate?" he asked.

He called on bankers to police themselves as a way of allaying the forboding threat congressional intent holds for banking. "My exhortation is, let us develop a greater awareness of each other, a business philosophy that recognizes that customer satisfaction, in a capitalistic society, is the justification for a bank's very existence. Let us begin again to live up to the spirit of our corporate charters."

Additional comments were made in the EFTS area by Roger Guffey, presi-

Outgoing Pres. Tracy Kelly pins badge of office on Pat Moore, new OBA pres.

GUFFEY PARKER BOREN

New OBA officers for 1976-77 are (l. to r.) John V. Anderson, pres., First Nat'l, El Reno—treas.; Walter V. Allison, ch., First Nat'l, Bartlesvile—pres-elect; Pat Moore, pres., American State, Thomas—pres.; and Tracy Kelly, ch. and pres., American Nat'l, Bristow—ch. of the board.

dent, Kansas City Fed. He said the Fed has been interested in the EFT-related developments that have originated and are continuing to occur in the Oklahoma area. He congratulated Oklahoma bankers for being in the forefront of EFTS innovation.

"The legislation you considered, developed and passed this year demonstrates what I call managed change," he said. By managed change, he said he meant a balancing of technological, regulatory and legislative forces in a manner that provides long-term benefits to the public.

"I believe you are to be commended for producing a law that is equitable, relatively free of regulatory hassle, yet which has achieved the objectives of both bankers and legislators by permitting expanded customer services while maintaining the essential features of the unit-banking concept," he said.

Mr. Copeland, in referring to the lumps banking has been taking, said that some of the criticism has some basis of justification—but only some.

"To the degree that excessive bad judgment was involved in those loans that went sour—the ones that should never have been made in the first place and which would have gone bad even if there had not been any recessionary period—we are subject to justified criticism. For normal risk taking we are not. That's our business and it is essential in a free or semi-free economy. Those who aren't knowledgeable should restrain their criticism."

He said there are important distinctions between bad judgment and risk taking and bankers should never lose sight of these distinctions. It would be a serious blunder if bankers took recent publicity to heart and were deterred from risk taking in order to avoid criticism. "That would mean we would no longer serve the nation's needs in helping lubricate the mechanisms of economic recovery. It possibly would mean aborting that recovery," he said.

He added that the implication that banking is tottering on the brink of breakdown is absolutely false and he illustrated his point by presenting what he termed the "tremendously good marks" the banking industry achieved during the recession—increases in capital accounts and reserves.

A progress report was given on the Oklahoma Business Development Corp., organized in 1970. Since its inception, the corporation has received in excess of 200 inquiries, of which some 30 credit requests were reviewed. More than $2.1 million has been disbursed to 10 Oklahoma firms. The staff has facilitated loans of more than $3 million in cooperation with the Small Business Administration, the Oklahoma Industrial Finance Authority, FHA and other lenders.

The corporation is presently working on projects representing more than $3 million for firms expanding in Oklahoma communities.

Priorities for 1976 include raising an additional $152,000 from business and industry to increase the corporation's loan potential to $5 million and to permit the corporation to be certified by the Small Business Administration. The second priority is signing up additional bank members.

Elected to head the OBA for the coming year were the following: President—Pat Moore, president, American State, Thomas; chairman—Tracy Kelly, chairman and president, American National, Bristow; president-elect—Walt V. Allison, chairman, First National, Bartlesville; treasurer—John V. Anderson, president, First National, El Reno.

Mr. Moore, in his acceptance address, raised doubts about the future of the American society. He said the atmosphere that appears to prevail regarding the free enterprise system deeply concerns him.

He pointed to the new and more restrictive regulations being imposed by regulatory, bureaucratic and consumer agencies. He said these regulations have become so heavy "that I sometimes fear we bankers and our counterparts in the productive economy will surely collapse."

He said that compliance with the regulations boosts costs, erodes profits and shrinks capital ratios.

He said bankers have been quiet about overregulation for too long. "Too long have we been quiet about the burdens of an over-expanded, deficit-financed bureaucracy. Too long have we been quiet about the part we have played in making this republic the most affluent in history." • •

CheckOKard Center Opens

OKLAHOMA CITY—The ChecOKard Banking Center Number One has opened for use by all ChecOKard holders in this area. The on-line ATM reportedly is the only such facility in the city and is located in the downtown metro Concourse beneath Liberty Tower.

With a ChecOKard and secret ID number, ChecOKard holders of 11 participating banks are able to make deposits to and withdrawals from checking accounts and may receive checking-account-balance information. By June 15, holders of the cards also will be able to deposit to or withdraw from savings accounts or transfer funds between savings and checking accounts. Electronic check verification and guarantee services also are provided at 50 merchant locations.

The new center operates seven days a week and customers can withdraw as much as $100 daily.

Banks participating in the ChecOKard program are American National and Security Bank, both in Midwest City; Choctaw State; Del State, Del City; First National, Moore; Park State, Nicoma Park; and these Oklahoma City banks: Liberty National, Medical Center State, Shepherd Mall State, Southwest Plaza Bank and Quail Creek Bank.

ChecOKard is a full-service electronic on-line computer banking capability of National Sharedata Corp. While operating in the Oklahoma City area initially, any bank in the state may join the program.

■ JOHN H. GREER has joined Shepherd Mall State, Oklahoma City, as senior vice president. He has been in banking in the area for 12 years, serving in the areas of real estate, data processing, BankAmericard and commercial loans.

■ BANK OF OKLAHOMA, Tulsa, has promoted Dennis Brand and John Rownak to assistant vice presidents. Both joined the bank in 1973. Jack Stephens has been named personnel officer, and R. Allen Nelson Jr. has been elevated to systems officer. They joined Bank of Oklahoma in 1975.

■ JOHN M. REARDON, president, Southwestern Bank, Oklahoma City, has been elected to the executive committee of the ABA's Housing and Real Estate Finance Division. He will be installed following the ABA's annual convention in October.

Fifth Loan Charge-Off Report Published by Robert Morris

PHILADELPHIA—Robert Morris Associates (RMA) has published results of its fifth annual survey of commercial loan charge-off experience of its member banks. Statistics are for the year ending December 31, 1975.

The report is divided into two sections, one providing data on domestic loans and the other on international loans.

Included in the first section are gross charge-off, recovery and net charge-off figures, distribution of charge-offs by numbers of loans and dollar amounts involved and a ranking of high-loss industries for the year. The data are grouped by bank asset size and by Federal Reserve district.

The international section presents gross charge-off, recovery and net charge-off data for three bank-size categories, also giving an indication of aggregate charge-off experience by country and type of borrower. Survey reports of 110 banks were used in this section.

AT TEXAS BANKERS CONVENTION:

Texas Will Replace New York, California As Nation's Money Center, Gov. Says

By LAWRENCE W. COLBERT
Assistant to the Publisher

"TEXAS WILL BECOME the financial center of the United States, surpassing New York and California!" These bold words were the prediction of Texas Governor Dolph Briscoe Jr., a former Texas banker. His statement was part of a speech on fiscal responsibility of government and the Texas economy, delivered at last month's Texas Bankers Association convention in El Paso.

This kind of optimism was also typical of several other convention speakers. Robert E. Barnett, newly installed FDIC chairman, spoke on the solidarity of the nation's banking system. Michael Doman, regional administrator of national banks for the Eleventh Region, said that the national banks of Texas are healthy and vigorous. He cited the rapid growth of Texas banks but questioned why they had not progressed further in EFTS.

El Paso again proved to be a gracious host to the convention. Approximately 1,450 registered for the 92nd annual meeting to enjoy the hospitality offered by El Paso and Juarez.

Governor Briscoe said that government spending at all levels has gotten out of hand. "The federal budget has quadrupled in just 10 years—jumping from less than $100 billion in 1965 to almost $400 billion in 1975. Next year, the federal government will spend twice as much as it did during our first 150 years as a nation."

He said that state government appropriations in Texas for the current biennium are about $12.8 billion, up 250% from the $3.7-billion figure spent in 1966-67.

"During this period," he continued, "appropriations for public school education have increased three-fold, welfare has increased four-fold and higher education, five-fold.

"The more we spend at every level, the more people we have to hire to spend it," he said. "That's a law of bureaucracy and it goes up proportionately. As a result, state employment has jumped 199% from 1957 to 1974."

He said one out of every six Texas workers now works for the government at some level and the Labor Department projects that, in the near future, one out of every four new jobs will be in government.

"In my opinion," he said, "we cannot allow this to happen. It will lead us to bankruptcy."

He said that neither man nor government can afford to live beyond its means. "We can no longer afford to trade our economic freedoms to the government in exchange for false promises of a better future. We can no longer naively assume that government has the power, the wisdom and the financial resources to solve every problem that besets our civilization. The fiscal problems currently confronting other state governments reaffirm such a position."

He described the fiscal plights of numerous other states and said, "I am determined that the state of Texas will not experience the fiscal problems of the nature that I have just described. We all recognize why Texas has not experienced these problems—our strong economy.

"When other states were losing jobs, we were creating new ones by attracting and expanding industry. The eco-

Luncheon speaker Art Linkletter poses with James W. Turnage, convention entertainment ch., and exec. v.p., El Paso Nat'l.

BRISCOE KARNES DOMAN

New TBA officers include (l. to r.) R. M. Duffey Jr., ch., Pan American Bank, Brownsville—treas.; S. R. Greenwood, pres., Temple Nat'l—pres.; and Charles L. Childers, pres., Tyler Bank & Trust—v.p.

nomic climate here in Texas brought industry in while other states were taxing so heavily they were driving business and industry out. If we maintain our economic climate, Texas will become the financial center of the U. S."

FDIC Chairman Barnett commented on the agency's problem list, which, at the time of the TBA convention, contained about 370 banks, including national and state member banks as well as nonmember institutions. He said the number was increasing steadily all during 1975, but that it now appears to be leveling off. Banks on the problem list represent only about 2½% of all insured commercial banks, he said, but the total is at its highest level in 25 years.

He added that the problem list totals reflect the condition of the economy, although there is a lag of about 12 months due to a lag in the examination and analysis process. Thus, he said, it is not surprising that now, about a year from the low point in the recession, we are at a high point on our problem list. If the current relationship follows previous experience, the number of banks on the problem list should get smaller later on this year.

He said that those who say inadequate bank regulation was the cause of so many banks being on problem lists miss the point, since the reason so many banks are on the list is because regulators are doing their job and spotting the banks that are getting into trouble.

He said regulators would continue to stress the importance of banks achieving adequate capitalization and he said the agencies will demand that loan, investment and operating policies and practices be reasonable ones.

"Frankly, I believe the FDIC and the other regulators have done an excellent job of bank supervision during the past two or three years after the magnitude of the problems became apparent to us," he said. "Very large bank failures have been resolved by the FDIC working closely with the Comptroller of the Currency or the Fed without the loss of a dime to any depositor and with only minimum disruption in the communities affected. Compare that with the result of the bank panics in the 1920s or early 1930s!" (See page 39 for an article based on Mr. Barnett's remarks.)

Mr. Doman spoke during the TBA's national banking division meeting. He reported on the strong, but safe, growth of Texas' national banks.

He chided bankers, however, for a poor showing regarding the adoption of EFTS operations in serving bank

Bankers and wives enjoy shopping trip to Pronof Center in Juarez, where mariachi band greeted them. At left is Rex B. House, v.p. and mgr., corres. banking, Texas Bank, Dallas.

customers. He said that a recent Comptroller survey indicated that, on a national level, 10% of the national banks had at least one automatic teller machine (ATM) in operation, but that Texas ranks 26th in the percentage of national banks with ATMs. He said this low participation indicates a lack of convenience for bank customers.

He said that the view that ATMs are money losers is short sighted, since that was true primarily on the part of the first banks offering ATM service. According to the Comptroller's survey, banks that hopped on the EFTS bandwagon within the last year or so have generally been satisfied.

"Like it or not, the era of electronic banking—like the swine flu—is nearly upon us. An ATM now is almost like innoculation. It may be a pain in the arm but it can help you avoid sickness and that run-down feeling."

He said that customers are likely to conduct their business with the financial institutions that can service their needs most conveniently. He cited the instance of one bank that averaged 2,400 transactions per month on its ATM to support the convenience claim.

He also cited the extraordinary growth of thrifts in Texas, which is far in excess of 100% in less than 20 years. He said the deposit growth rate of S&Ls is exceeding that of banks. The proliferation of thrift offices is making it more convenient for customers to obtain financial services. Thus, they are demanding more from their institutions.

"Texas banks should be in the foreground of the EFTS development," he said. "Instead, they are at the bottom half of the states of the nation. Time may very well be running out for you if you wish to maintain your position as the dominant financial entity in the state."

Among the resolutions passed during the convention were proposals commending the board of directors of TBA for vigorously opposing federal legislation detrimental to banking; calling on the Texas congressional delegation to help restore constitutional balance to the powers exercised by the three branches of government; and a call to Congress to reclaim the legislative powers that have been usurped by many federal agencies.

Newly elected TBA officers are S. R. Greenwood, president, Temple National—TBA president; Charles L. Childers, president, Tyler Bank—TBA vice president; and R. M. Duffey Jr., chairman, Pan American Bank, Brownsville—TBA secretary-treasurer.

State banking division officers are Robert B. Lane, executive chairman, Farmers State, Clifton—chairman; Warren B. Duren, president, Mills County State, Goldthwaite—vice chairman; and M. L. Everett, president, Washington County State, Brenham—secretary-treasurer.

New national banking division officers are H. Hart Nance, president, Citizens National, Waco—chairman; C. W. Jones, president and chairman, Mercantile National, Corpus Christi—vice chairman; and Gene H. Bishop, chairman and CEO, Mercantile National, Dallas—secretary-treasurer.

Outgoing TBA President J. B. Wheeler, president, Hale County State, Plainview, was elected to the ABA governing council. • •

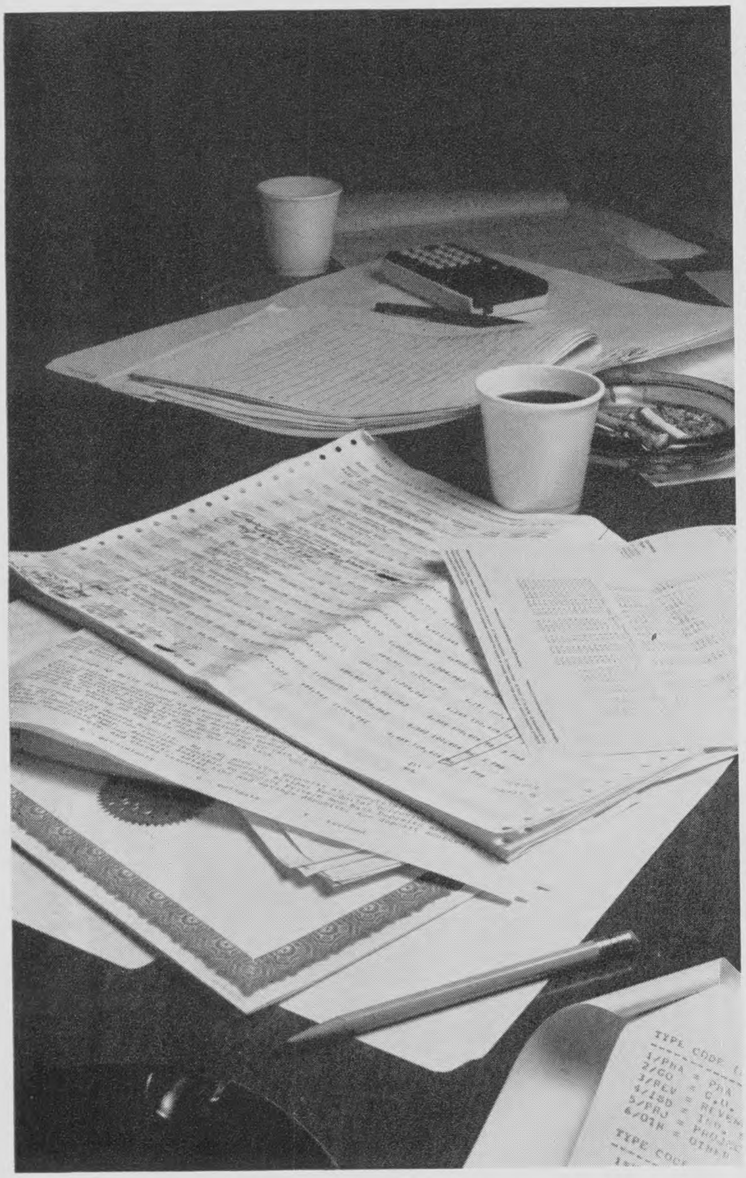
■ MICHAEL ROY CROW has been named vice president of First City National, Houston, going from the parent HC, First City Bancorp. of Texas, Houston, which he joined in 1972. At the bank, Joseph J. Zavislan has been elected trust operations officer; Jeanne von Hollerick Atherton, trust officer; and Nelson H. Creath, assistant vice president, petroleum and minerals department.

Bank Opens 'Newfangled' Window

Walter H. Wallerich (r.), ret. v.p., First Nat'l, Fort Worth, was the first customer at the bank's "newfangled" walk-up window in the elevator lobby of the parking garage adjacent to the Motor Bank. Looking on are Pam Collins and Jack F. Demetruk, s.v.p. & cash. The full-service teller facility has opened initially from 2-6 p.m., Monday-Friday. Mr. Wallerich was in charge of the bank's operations activities, which included tellers, for nearly 44 years. He joined the bank in 1912.

Everything about the portfolio added up.

But the earnings.



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Kansas Bankers Advised to Keep Guard Up Against Financial Reform Act Repeat

By LAWRENCE W. COLBERT
Assistant to the Publisher

KANSAS BANKERS were advised not to lower their guard in defending their industry from attempts at the federal level to impose odious legislation that would further constrict banking in the marketplace.

The warning was given by ABA President-Elect W. Liddon McPeters, who is also president, Security Bank, Corinth, Miss. Mr. McPeters was one of the principal speakers at this year's Kansas Bankers Association convention, held last month in Wichita.

He reminded his listeners that Congress seldom loses interest in any proposal introduced in either house. If a bill is not enacted the first time it is introduced, he said, it will most certainly turn up the next year in a different form. Specific bills are only vehicles that may disappear—but the issues and concepts behind those bills are remarkably long-lived.

"This is certainly true of that package of proposals so inappropriately labeled financial reform," he said. "Regardless of what happens in the rest of this session of Congress, it's a virtual certainty that these proposals will reappear next year when the new Congress takes office. The forces that generated this legislation (the Financial Reform Act of 1976) in the first place are stronger today than they ever were—and those forces guarantee the Congress will be considering major changes in our financial system for some time to come."

Making his first state convention appearance since becoming president of the Kansas City Fed was Roger Guffey. He said the convention theme—Caucus '76—seemed particularly appropriate because Kansas bankers are known for their proclivity to get together to discuss and clarify the critical issues affecting banking.

"On the one hand, you are facing rapid development of electronic payments technology, with the associated impacts in your markets and operations. On the other hand, the industry is under attack through so-called 'reform legislation' in Congress."

He cited the excellent work bankers had done in combatting the Financial Reform Act in Congress. He said that among the banking industry's most able spokesmen has been Kansan Rex Duwe, current ABA president and chairman and president, Farmers State, Lucas.

He called attention to the fact that the Fed, too, has been under attack and that the attacks have been incorporated into proposed legislation known as the Federal Reserve Reform Act. He said the legislation "strikes at the very heart of the traditionally independent Federal Reserve System."

While supporters of the legislation claim it would democratize the Fed, Mr. Guffey said he believes the legislation would politicize the Fed and perhaps create a dangerous situation for the economy.

He pointed out the lessons of what happens when the money-creating process in a nation is taken over by political forces—the creation of money to finance politically desirable projects leads to inflation, the printing of more money and then rampant inflation. "Inevitably, the financial structure becomes so weak that the economy collapses, and often, the political structure as well," he said.

ABA Pres.-Elect W. Liddon McPeters (l.) poses with J. R. Ayres, KBA pres., following Mr. McPeters' address to the convention.

Presiding Officer J. R. Ayres, president, Citizens State, Miltonvale, in his president's message, spoke of the excessive amount of bureaucratic interference and regulation that banking is faced with.

"Banking has always been highly regulated," he said, "but within the past few years the tempo has been ever increasing. At the present pace, we will soon be as highly regulated as the railroads and public utilities."

He said all bankers were becoming aware of the difficult task of maintaining profitable operations on the part of these over-regulated industries.

He reviewed the problems facing banking and offered solutions that should enable bankers to cope with and meet the challenge of change.

He said banks must plan and prepare a card base if they want to fit into

New officers for KBA include (l. to r.) Carl A. Bowman, exec. v.p.; J. R. Ayres, pres., Citizens State, Miltonvale—ch.; Floyd V. Pinnick, pres., Grant County State, Ulysses—pres.; Elwood Marshall, pres., Home Nat'l, Eureka—pres.-elect; and Duane M. Stoskopf, ch. and pres., Kendall State, Valley Falls—treas.

Experience Counts in Correspondent Banking at First National

Our bank was only twelve years old when this picture was taken at the northwest corner of Main and Douglas in Wichita, Kansas.

While our name has changed, the location is the same, as 100 years ago. This year is our Centennial.

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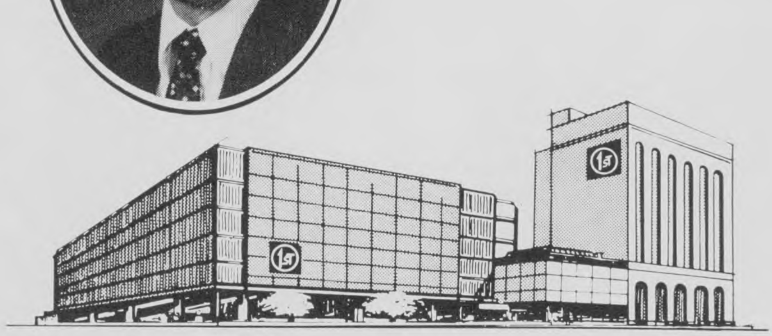

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Correspondent Banking Specialists Since 1876 the payments system of the future, to remain competitive and to provide services to the public. Bankers should investigate the costs and services of the various EFTS providers.

Bankers should cost-analyze their services, then review their pricing policies and determine a fair and reasonable price for all services if they want to control their ever-increasing costs in today's inflation-ridden economy. He said bankers should eliminate costly activities that no longer meet the needs of customers.

"How do we compete with institutions that are receiving favorable treatment under existing taxes, social laws and regulations?" he asked. By letting the facts be known to the voting public and representatives of government, he said. He called on bankers to become activists and to let the truth be known about unfair treatment. He urged bankers to help legislators and congressional representatives who believe in the free enterprise system. He suggested Kansas BankPAC as a good vehicle to do this, since it offers support to free-enterprise candidates at the state and national levels. He termed a personal contribution to BankPAC an investment in banking's future.

In order to obtain relief from burdensome legislative, administrative and regulatory strictures, Mr. Ayres recommends that bankers become active in the political process. "Join hands with our farmer and business friends and encourage them to complain to the members of the legislatures," he said.

Bankers can maintain and increase their share of the marketplace by developing more services that will help the public solve its problems. He mentioned estate planning as such a service and said it can meet the needs of the farmer, rancher and individual entrepreneur.

He also recommended increased use of banking schools to keep staff people abreast of new developments in banking.

Announcement of the Arthur W. Kincade award was made at the convention. Starting at next year's meeting, the sum of $10,000 will be awarded annually to the Kansas banker who has best exemplified the extension of credit on personal character and performance rather than on material collateral.

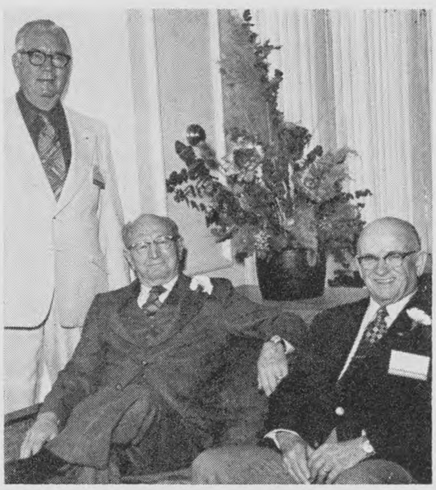
The award is named for Mr. Kincade, who is chairman emeritus of Fourth National, Wichita. It is given by the family of R. H. Garvey. Mr. Garvey benefitted from Mr. Kincade's support when seeking funds for terminal elevators from Eastern banks. Mr. Kincade is said to have told the Eastern bankers that "R. H. Garvey will never ask for a loan he can't and won't pay back."

At the welcome party on the opening night Michael G. Glass (l.), pres., Wichita State, visits with Michael V. Astle, v.p., Central State, Wichita. Mrs. Glass is at right.

Any Kansas banker is eligible for the award if he has been in banking a minimum of 10 years, has fulfilled the criteria of the award since 1970 and is not an employee of Fourth National. The award is administered by the KBA.

New officers elected by KBA include Floyd V. Pinnick, president, Grant County State, Ulysses—president; Elwood Marshall, president, Home National, Eureka—president-elect; and Duane M. Stoskopf, chairman and president, Kendall State, Valley Falls—treasurer. L. W. Stolzer, chairman and president, Union National, Manhattan, was elected to the ABA nominating committee and governing council.

Six new regional representatives were inducted for three-year terms to serve on the KBA governing council. They are W. Max Meyers, president, Brotherhood State, Kansas City; W. E. Oakes, president, State Exchange Bank, Yates Center; Elmer E. Heiman, president, Baileyville State; Robert W. Asmann, senior vice president, Fourth National, Wichita; Jay L. Jelinek, president, Munden State; and Howard K. Loomis, president, Peoples Bank, Pratt. • •



New 50-year club inductees included (seated, l.) H. H. Snyder, Lyons State, and L. B. Campbell, First Nat'l, Madison. Chairman of the 50-year club and host for the special luncheon was Earl Lesher (standing, l.), Fourth Nat'l, Wichita.

■ ROY A. EDWARDS III has been elected vice president, Douglas County State, Lawrence. He joined the bank in 1975.

■ MARK L. MILLER has been promoted to vice president and trust officer, Planters State, Salina. He has been with the bank three years.

Supervision-Regulation Reorganized by Fed; Leavitt Remains Director

WASHINGTON, D. C.—The Federal Reserve System board of governors has announced a reorganization of its Division of Banking Supervision and Regulation. Continuing as division director is Brenton C. Leavitt.

The action will realign senior management in the division's three critical areas of responsibility: processing of banking applications, implementation of supervisory and regulatory policy and long-range special projects and financial analysis.

To implement the reorganization, the Fed has announced these appointments to associate directors:

• John E. Ryan, from assistant director. He will have overall responsibility for the supervisory and regulatory policy functions. He joined the Chicago Fed in 1959, going to the board's staff 10 years later.

• William W. Wiles, from assistant director. Mr. Wiles will have responsibility for processing of banking applications. He joined the board's staff in 1964.

• Ralph H. Gelder, formerly commissioner of business regulation for Maine. He will be responsible for long-range studies for improving supervisory function, financial analysis of HCs and examiner training. As part of this change, the Bank HC Analysis Program will be transferred from the Office of Staff Director for Management to the Division of Banking Supervision and Regulation, with function under Mr. Gelder's purview. Mr. Gelder also was Maine's superintendent of banking, 1973-74, and was with the New York Fed from 1960-73.

The program will continue under the direction of Peter E. Barna, assistant director.

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Improve Image of Banking: Require Economic Education In Schools, Says MBA Pres.

Bill Monroe (2nd from l.), Washington editor, NBC Television Network, visits after his convention talk with Mills H. Anderson (l.), MBA treas. (now v.p.) and pres., Bank of Carthage; MBA President Richard J. Pfleging (2nd from r.), pres., Bank of St. Ann; and Felix Le Grand, MBA e.v.p., Jefferson City.

By ROSEMARY McKELVEY
Managing Editor

A PROPOSAL to improve banking's image by making economic education a required subject in schools was put forth at the Missouri Bankers Association's annual convention last month by incoming President Charles K. Richmond. Mr. Richmond, executive vice president, American National, St. Joseph, was following in the footsteps of his father, George U. Richmond, who headed the MBA 25 years ago.

According to the new MBA president, learning about this country's economic system is just as important as learning English or math and should be taught from the elementary school level through college or the university. It should be a part of our tax-supported educational system, he continued, and everybody would benefit, the general public as well as the business community.

Although, in Mr. Richmond's opinion, deterioration of banking's image has been overplayed, he does believe that for a number of years, banking's image—and that of all business for profit—has suffered. This situation hasn't resulted only from abuses, said Mr. Richmond, but by a lack of understanding and appreciation of our economic and free-enterprise system. Just as the deterioration has been slow, he continued, the solution won't be achieved overnight, but bankers must address themselves to it. At this point, he made the suggestion about making economic education an integral part of the nation's educational system.

Mr. Richmond pointed out that several organizations in Missouri are conducting or sponsoring economic education programs for young people, and he recommended that MBA members support such efforts. As an example, he cited the Missouri Council on Economic Education, which is developing what he described as an excellent program of teacher training, with a goal of making economic education a vital part of the state's public school system. It behooves bankers, he advised, to not only support the council's work, but also any effort that will accomplish this goal.

Another area Mr. Richmond touched on was that of legislation or, more specifically, legislators. He pointed out that this year Missourians will be electing one senator, 10 congressmen, all their state representatives and many state senators. He said there are an unusual number of incumbents not running again, and he urged each convention delegate, regardless of political affiliation, to support financially and work for candidates they believe understand or have a feeling for the problems facing our economy, not just the problems pertaining to banking, but also problems of fiscal responsibility, inflation, overreaction and over-regulation, candidates who have an appreciation of the free-enterprise system. In his opinion, bankers have a real opportunity this fall to improve the legislative climate.

Mr. Richmond's remarks came in his acceptance speech at the end of the two-day convention. However, the twin themes of banking's image and bankers' legislative responsibilities also were discussed by Richard J. Pfleging, outgoing MBA president, as he opened the convention. Mr. Pfleging, president, Bank of St. Ann, also pointed out how many members of the U. S. and Missouri legislatures will be elected this year. He said Missouri bankers this year have the responsibility to become involved in careful selection of new faces for at least 24% and up to 32% of their state senators and 17% of the state representatives, excluding changes caused by incumbents possibly losing their bids for reelection.

"We should carefully screen all candidates to be sure that we have found that one most understanding of our views," advised Mr. Pfleging, "for we impose on our legislative staff in the Missouri Bankers Association the burden of literally retraining and re-exposing at least 20% of the elected officials to banking's story. . . .

"We must become deeply involved in the selection of the best candidates available to serve the best interests of the public and banking. And then we must actively participate both physical-

NEW MBA OFFICERS (l. to r.): pres.—Charles K. Richmond; v.p.—Mills H. Anderson; treas.—Pat Lea.

Pardon our Pride...

but the new MBA President is our boy

Charlie Richmond

Having one of our own people elected president of the Missouri Bankers Association is quite an honor. Not that we're surprised. Charlie Richmond is the kind of man who is always willing to take on a little more than is required of him. So, we're especially proud to see Charlie's talent, ability and effort recognized and honored by the members of MBA.

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Extended-facility bill is signed into law during MBA convention by Governor Christopher S. Bond. Looking on in background are (l. to r.): MBA President Richard J. Pfleging, pres., Bank of St. Ann; Paul M. Ross, ch., MBA Governmental Affairs Committee, and s.v.p., First Union, St. Louis; Mills H. Anderson, MBA treas. (and now v.p.) and pres., Bank of Carthage; State Representative Al Nilges (D.,Bourbon) of 126th District, who worked for bill's passage; and Charles K. Richmond, MBA v.p. (and now pres.), e.v.p., American Nat'l, St. Joseph.

ly and financially in seeing that they are adequately and fairly informed of the issues that affect banking on a day-to-day basis. Let's not leave the job to someone else."

President Pfleging reminded conventioneers of BANKPAC (Banking Profession Political Action Committee), Washington-based nonpartisan organization whose purpose is to support congressional candidates favorable to banking's objectives. He asked that delegates donate funds, by personal checks, to this group.

Mr. Pfleging gave two examples of what can happen when Missouri bankers get involved in state and national legislation. The first was Missouri H. B. 1395, which was intended to provide necessary rate relief for the small loan industry, but, as he described the bill, was one that became burdened with some of the most difficult and unacceptable loan-collection provisions. When it became clear that the MBA couldn't "get the bill cleaned up," the association wrote its members and spelled out the bill's unacceptable provisions. The bankers, in turn, contacted their representatives, and the bill did not pass.

Mr. Pfleging's second example was the Financial Reform Act of 1976. All state bankers associations met with the ABA in Chicago last March 1, and the MBA went home and drew up a game plan that resulted in "legislative hotline" letters. Mr. Pfleging said that these letters resulted in about 800 letters from bankers to Congresswoman Leonor Sullivan, other members of the House Banking and Currency Committee and other Missouri members of the House. He pointed out that bank directors wrote many letters, which had added impact because they represented a good cross section of Missouri businesses. In addition, a number of bank officers spoke before civic groups; at least five meetings were held with Missouri congressional delegation members while they were home, and a group of St. Louis bankers met with Mrs. Sullivan. The MBA received copies of a petition with some 1,800 signatures on it.

Although MBA members' response to this crisis was gratifying, Mr. Pfleging added, it was by no means what they could have accomplished if all members had used the opportunity. For example, he said, one letter from each bank to each Missouri congressional delegation member would have generated more than 8,000 letters. If each employee of the 700-plus Missouri banks signed the petition, according to Mr. Pfleging, there would have been 21,000 signatures on it.

He referred again to the Financial Reform Act and warned that bankers may have to pull out all the stops again in the near future because it has been split into three separate packages—one on Federal Reserve reform, the second on the financial reform portion of the original bill (although this has been killed, for all practical purposes, for another year) and one on foreign bank branching in the U. S.

In his talk, President Pfleging referred to the bad publicity commercial banks have been getting during the past year. He pointed out that when New York City defaulted on its bonds, it was banks that were blamed for the city's inability to sell any more of its "worthless" obligations. He also discussed the problem-bank issue and how a congressional committee was almost successful in obtaining full public disclosure of highly confidential bank examination reports of many of the largest banks in the country. As Mr. Pfleging put it, "That hot potato came down to the final breath before the congressional committee holding the hearings decided not to seek a contempt of Congress citation against the Comptroller of the Currency for his refusal to reveal the contents of those reports.

"You, no doubt, wonder, as I do," lamented Mr. Pfleging, "if the government will ever slow down in its serious and endless interference with the free-enterprise system that is the very fabric of American endurance. It seems that everything out of Washington falls into one of three categories, either repressive legislation that discourages the profit motive, oppressive taxation that directs capital to the state or inflationary fiscal policies."

He ended his report by saying that bankers can't always be against something. They must learn to be an effec-

Inducted into MBA's 50-Year Club during annual convention last month were (back row, l. to r.): Fred H. Kruse and Herbert Meckfessel, both of North St. Louis Trust; Edwin R. Schertzer, Tower Grove Bank, St. Louis; and Leonard J. Schrewe, First Nat'l, St. Louis. (Front row): Edward A. Schroeder (l.), Tower Grove Bank; and James Hickey, Webster Groves Trust. All are retired, except for Mr. Hickey, who is s.v.p. & treas. of his bank.

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tive force in bringing forth new and better ways to serve the public unselfishly because that public is the only reason banks exist.

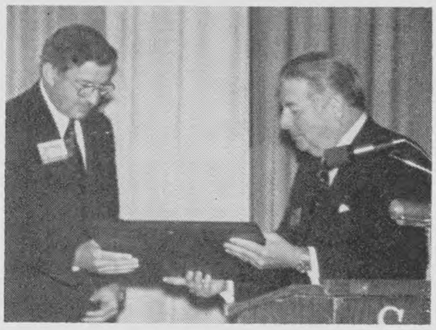
"Thirty-thousand credit unions and S&Ls are waiting for us to falter," Mr. Pfleging warned. "These are the opportunity years—use them or lose them." The latter phrase, by the way, was the theme of the 1976 MBA convention.

New Facility Law. Governor Christopher S. Bond, who was the luncheon speaker on the final day of the convention, took the occasion of his appearance before the MBA to sign into law House Bill 1198. The new law permits banks in second-, third- and fourth-class counties to locate facilities within 15 miles of the main banks, after obtaining approval of the commissioner of finance. The measure also allows banks to make loans at all facilities.

During his talk, Governor Bond announced that Missouri is undertaking a national information campaign designed to help attract new jobs for the state's residents. He said the program represents a major new step of the "Jobs for Missourians" program he has made the top priority of state government.

According to the governor, the Division of Commerce and Industrial Development in the Consumer Affairs Department has retained the national public relations firm of Carl Byoir & Associates, Inc., New York City. He added that the Byoir organization, which handled Kansas City's "Prime Time" promotional effort, was selected through a competitive process conducted by the division.

Task Force Report. Mr. Richmond also was chairman of a special task force formed during the past year to study the MBA's program and performance and how the association could serve its members better. In his report on the task force, Mr. Richmond said members determined that the MBA should serve in three interconnected areas—legislation, education and communication—and in organization. He described how the task force sent personal letters to 693 bankers asking for suggestions and received 141 responses. He added that no recommendations could be made at this time, but some would be forthcoming by mid-summer.



MBA President Richard J. Pfleging (l.), pres., Bank of St. Ann, accepts plaque from Harrison F. Coerver on behalf of Missouri banks' efforts in promoting U. S. savings bond sales. Mr. Coerver, president, Mercantile Trust, St. Louis, is ABA savings bond coordinator and Missouri state banking chairman.

William H. Stephenson, who has been the MBA's administrative assistant, was given the new title of administrative vice president during the convention.

New Officers. Mr. Richmond was elected MBA president for the coming year. The new vice president is Mills H. Anderson, president, Bank of Carthage. Elected treasurer was Pat Lea, chairman and president, First National, Sikeston.

ABA Officers. Elected to the ABA's Governing Council were Mr. Pfleging and Charles W. Risley Sr., president, Excelsior Trust, Excelsior Springs. Mr. Risley headed the MBA in 1974-75.

■ RICHARD F. FORD, president and chief operating officer, First National, St. Louis, has been elected an advisory director, St. Louis Union Trust Co. Both are affiliates of First Union, Inc., St. Louis, of which Mr. Ford is executive vice president.

■ PARK BANK, St. Joseph, has undergone a name change to United Missouri Bank of St. Joseph, reflecting its affiliation with United Missouri Bancshares, Inc., Kansas City.

■ CLIFFORD PENERMON has been elected assistant vice president and senior installment loan officer of Gateway National. St. Louis. He will supervise collections and operations of the department. Mr. Penermon most recently was a collection department credit adjustor, Liberty Loan Corp., Clayton.

■ AN AFFILIATION AGREEMENT has been reached between Ameribanc, St. Joseph, and Peoples State of Spickard. Regulatory approval is pending.

■ JACK SUTHERLAND has been elected senior vice president, Mercantile Bank, Kansas City. He joined the bank in 1973 and established the international department.

■ LESLIE T. PROCTOR has been named a director of Commerce Bank, Columbia. He is the bank's vice president in charge of lending and previously served as a national bank examiner with the Comptroller of the Currency.

■ MERCANTILE NATIONAL, St. Louis County, has begun construction of its new facility in the Bellerive Executive Park. It will have 3,036 square feet of space, three drive-up lanes and a 24-hour automatic teller. Of a contemporary style, the building will have

reddish-brown velour brick with vertical panels of rough-sawn cedar siding and bronze glass. Completion is expected in mid-July. Consultant and construction manager for the project is Bank Building Corp., St. Louis, and Robert D. Katzenmeyer, a Bank Building associate.

Died: Dale M. Lewis, 64, retired first vice president, St. Louis Fed, April 28. He joined the bank in 1926, advancing to assistant vice president, 1949; vice president, 1951; and first vice president, 1966. He retired in 1971.

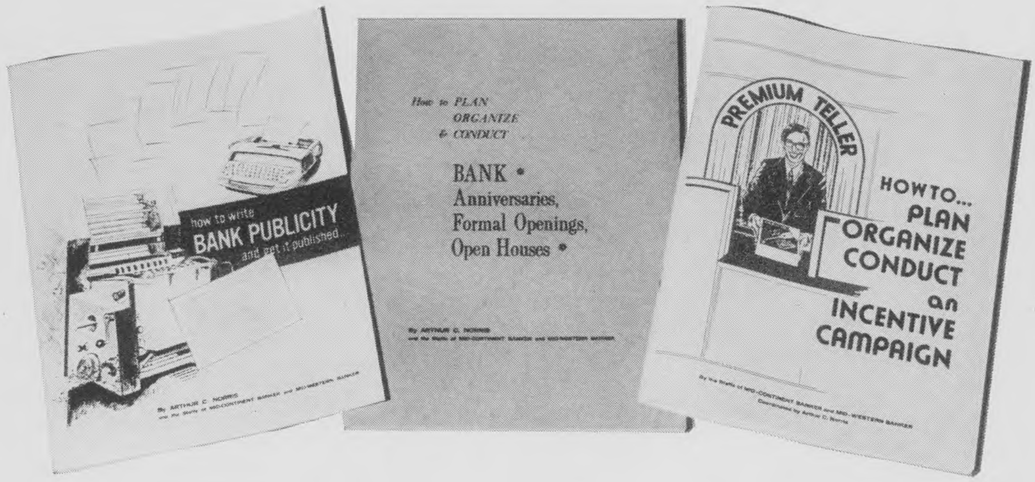
New 50-Year Club V.P.

ST. LOUIS—Arthur H. Gidionsen, retired vice president, Tower Grove Bank, St. Louis, was elected vice president of the MBA's 50-Year Club at its meeting during the association's convention here last month. He succeeds D. D. Salveter, chairman and president, Bank of Crocker, who gave up the post because of illness. Jesse McCreery of Higginsville remains the club's president, and J. Benjamin Courrier, commercial banking officer, First Nat'l, St. Louis, continues as secretary.

The 54 members present at the club's get-together represented a total of 2,884 years in banking, and their combined ages totaled 3,887. The oldest member present was 84.

Correction

An item on the First Timers page in the May 1 issue about David Culver, head of the regional banking division at First National in St. Louis, incorrectly listed his title as assistant vice president. Mr. Culver is a vice president. The editors regret any misunderstanding that might have occurred because of this error.



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Plans for EFT Network Are Unveiled At Annual Illinois Convention; Open to All Banks in State

By ROSEMARY McKELVEY
Managing Editor

Plans for state-wide EFT network of banks were disclosed by panel consisting of Daniel N. Quigley (standing), IBA EFTS ch. and e.v.p., Nat'l Boulevard, Chicago; Michael Sherin (foreground) and Anthony Dilorio, both of Peat, Marwick, Mitchell.

CREATION of an electronic funds transfer network for Illinois banks was announced during the annual Illinois Bankers Association convention in St. Louis last month. The new EFT program was unveiled during a presentation by Daniel N. Quigley, IBA EFTS chairman and executive vice president, National Boulevard Bank, Chicago, and two representatives of Peat, Marwick, Mitchell & Co.—Michael Sherin and Anthony Dilorio. The project was created as a result of an IBA-commissioned study made by Peat, Marwick. Mr. Quigley also is chairman of a steering committee, which will work on getting the program in operation.

The network will be a nonprofit corporation operating on a cooperative basis, with member banks called patrons. It will be open to all Illinois commercial banks, those in the Association for Modern Banking in Illinois (AMBI) as well as in the IBA. Later, membership will be thrown open to other financial institutions, service bureaus, retailers, etc.

Between Sunday, May 23, and Tuesday, May 25, when the presentation was made, some 30 Illinois banks had pledged a minimum of $10,000 each in seed money to get the program underway, Mr. Quigley said. He also asked that other Illinois banks do the same.

There will be an entry fee, which will be a one-time-only charge, of from $1,000 to $2,500 per bank, with from 400-600 banks as charter members. The schedule for the network is: June 1, 1976, founders' group to be organized; October, 1976, formalize the organization; May 1, 1977, run a technical acceptance test; then later, on a date not yet set, activate the network. This activization will be followed by a monitoring of the network's activity. Future plans also call for the Illinois network to hook up with other similar networks.

Phase I of the network should be check verification, according to the Peat, Marwick representatives.

In leading up to the Peat, Marwick announcement of the new network, Mr. Quigley said that the IBA was going to "take one of the most aggressive steps in its history." He pointed out that a large customer base is necessary for the success of EFT operations, and without considerable participation, no system is going to "fly." He advised his listeners to look around them and they will see that needed customer base.

"Personally," continued Mr. Quigley, "I believe the way you handle the issue of EFT today will determine the future consortium approaches." He criticized "those banks that have chosen proprietor roles without first attempting to seek a solution through association or consortium approaches." He said he believes that the IBA, through its approach, can offer banks more progressive and innovative steps to EFT development in the industry.

According to Mr. Dilorio of Peat, Marwick, his firm—in carrying out the EFTS study for the IBA—had considered three approaches—a "do-nothing," a proprietorship, or "develop-your-own-system" approach, and the cooperative program, which the firm recommended to the association. Financial advantages of the latter, he pointed out, include minimizing initial capital commitments and operating costs and setting fees at actual costs. In addition, the nonprofit membership corporate form provides various advantages when seeking appropriate Internal Revenue Service rulings and other required regulatory agency approvals. There's a primary risk in a cooperative EFT network, he warned, and it's that organizers won't generate sufficient membership to support the organization on a financial and operational basis.

Under the cooperative form, as described by Dr. Dilorio, user banks are the network's owners, and control is exerted through voting.

Amendment to the Amendment. What started out to be a simple vote on a proposed amendment to the IBA constitution during the last convention business session turned into a heated argument. The amendment, as originally proposed, would have allowed the IBA to conduct all elections of officers

NEW IBA OFFICERS: (l. to r.) treas., J. D. Lemmerman; 2nd v.p., B. F. Backlund; pres., Ray G. Livasy; and 1st v.p., John R. Montgomery III.

IBA President Arthur F. Busboom (r.) visits with IBA 50-Year Club members just before their luncheon. Pictured, l. to r., with Mr. Busboom, are: Nell Hayes, retired, Southern Illinois Nat'l, Fairview Heights; D. K. Farr, e.v.p. & cash., Henry State; Irma Meckfessel, v.p. & t.o., First Nat'l, O'Fallon; E. L. Jurgens, pres., State Bank, Arthur; Gladys Dey, Litchfield Bank; Melvin C. Lockard, ch., First Nat'l, Mattoon; and John Pfister, Elmhurst Nat'l.

by voice votes or secret ballots at the annual conventions, even when there were contests for offices. In the recent past, balloting has been done by mail. Reason given for submitting the proposed amendment was that in 1975—even with a contest for the second vice president's office—only 423 ballots were cast, reflecting less than 44% of the membership. This year, it was noted, only 28% of the membership voted. In addition, it was said that mail balloting costs the IBA a lot in time and money.

After the proposal was read by B. F. Backlund, president, Bentonville Bank, and incoming IBA second vice president, opposition was voiced immediately by Arlan McPherson, president, Champaign County Bank, Urbana. He suggested that the amendment be amended to say that in the event there is only one nominee for each office, the election should be by acclamation at the convention and approved by voice vote of those delegates in attendance.

After some discussion and a little confusion as to just what was being voted on, those present approved Mr. McPherson's amendment to the amendment. In other words, IBA members will vote on new officers at their annual conventions *unless* there's a contest for one of the offices. In that case, balloting will be done by mail prior to the meetings.

Resolution Also Opposed. Two resolutions were proposed at the convention, but one, like the above amendment, ran into some flak in the person of Jack Marantz, president, Bank of Springfield. This amendment read: "Be it resolved that the Illinois Bankers Association make every reasonable and appropriate effort on the state and national level to assure for Illinois' banks operational parity with other financial intermediaries in the matter of their ability to serve the economic needs of the citizens of Illinois."

Mr. Marantz voiced disapproval of the resolution on the grounds that it was illegal and against the IBA constitution. Some conventioneers evidently thought it would allow a change in the state's banking structure, even to permitting branching. At that point, IBA President Arthur F. Busboom, president, Bank of Rantoul, assured everyone that any proposed structural change would have to be approved by members in a mail ballot. He indicated that the resolution merely meant that Illinois banks should have the right to try to have the same interest-paying abilities and taxation as their competitors in the financial field. However, in a voice vote, convention delegates turned thumbs down on the resolution.

The second resolution proposed fared better and was approved. It asked that the IBA review present Illinois usury statutes and, where necessary, encourage and promote corrective legislation.

The President's Report. In giving his presidential report to conventioneers, Mr. Busboom alluded to comments he made in the May 15th issue of MID-CONTINENT BANKER in which he discussed loan losses. He said he suggested that many banks under pressure to satisfy stockholders, depositors or good customers had failed to use discretion in making some loans, thus leading to bad loans and problems in operations. His conclusion was that bankers can't rely on anybody but their own managements to police these difficult situations and solve them before they start. In effect, he continued, bankers must determine sensible profit goals based on sensible and observed operational policies.

Mr. Busboom said his purpose was not to praise his analytical abilities as to individual bank problem situations, but to wonder if some of these same ideas aren't applicable to the banking industry as a whole.

"While we may never be able to solve the individual problem bank situation," he said, "I am convinced we can solve the problem banking industry situation. In fact, we *must* solve this

LEFT: Robert C. Schrimple (l.), IBA e.v.p., visits with Pierre A. Rinfret, Rinfret-Boston Associates, Inc., convention speaker. CENTER: IBA Pres. Arthur F. Busboom (l.) goes over program with another speaker, Representative John B. Anderson (R.,Ill.). RIGHT: Richard G. Held (l.), special agent in charge, FBI, Chicago, waits to make appearance before convention. With him is J. R. Montgomery III, who moved up from IBA 2nd v.p. to 1st v.p. during convention.

situation if we are going to survive either as an industry or as individual banks."

The IBA president contrasted banking as it was when many of the delegates started out and as it is today. He pointed out how, formerly, a banker's major concern probably was just keeping the doors open, but now it's different: Banks don't compete among themselves; they must contend with S&Ls and credit unions, with many S&Ls surpassing banks in size. However, he pointed to banking's biggest problem—an ever-expanding federal authority that seems bent on preempting all state and local control and all individual decision making.

"Washington has created such an alphabetical jungle for us to work through," according to Mr. Busboom, "that bankers are becoming concerned when they will have time to concentrate on banking. We have ERISA, RESPA, OSHA, EEDA, FIA, FINE, ECOA and just about any other combination of letters to consider."

What does all of this mean to Illinois banks, he asked, and answered by saying that they had better start hanging together or they will be hanging individually. He suggested that banks follow the example of the world's religious groups, which—back when everyone agreed there was a God and Heaven—fought over who had the most workable set of keys for entry thereto. But, he said, when organized groups dogmatically proclaimed that neither exists, the religions began looking for their points of agreement more than their points of disagreement.

He then proposed that unit-bank advocates and branch-bank advocates work together in public on mutual problems and still debate their opinions on structure. Even though a difference on structure does exist, he said, Illinois banks should put up a united front and start winning their battles against encroaching competition and regulation.

New President's Address. Like Mr. Busboom, the incoming president, Ray G. Livasy, president, Millikin National, Decatur, alluded to the difference between banking today and in other times. Whereas there was little real criticism of banking years ago, he pointed out, today the criticism is a bit more pointed and a great deal better organized. Also, today, he continued, government involvement in banking and business affairs not only is widespread, but taken for granted. He also discussed banking's image and how everything that happens in this field is dutifully, almost eagerly, reported in the general press. As an example of how well known the financial establishment has become, he pointed to a recent poll that showed Fed Chairman Arthur Burns being voted the third most influential man in America, behind only President Gerald Ford and Henry Kissinger.

LEFT: Arlan McPherson, pres., Champaign County Bank, Urbana, is shown voicing opposition to voting procedure amendment to IBA constitution proposed during convention.

RIGHT: William Colby, former CIA director, speaks at luncheon session of IBA convention.

Mr. Livasy suggested that bankers establish a rapport with newspaper editors and reporters assigned to their institutions, that they be willing to be candid, objective and indulgent with the fact that these editors and reporters know little about business and even less about banking.

"I would count it a major accomplishment," he continued, "if 100 of us would take time to visit, on our own initiative, our news editors or reporters this year."

New IBA Officers. During the final business session, Mr. Livasy advanced to IBA president; John R. Montgomery III, president, Lakeside Bank, Chicago, became first vice president; Mr. Backlund, second vice president; and J. D. Lemmerman, president, National Bank of Monmouth, treasurer.

ABA Election. Elected to the ABA's Governing Council for two years were Mr. Livasy; Gavin "Guy" Weir, president, Chicago City Bank; and Raymond C. Burroughs, president, City National, Murphysboro. • •

■ A GROUP of investors, headed by Patrick C. O'Malley, has purchased controlling interest in OPAR Corp., a one-bank HC with First Bank, Oak Park, as its primary asset. Other investors in the group are Ronald R. Curcio, Ronald J. Farmer, Robert S. Kosin, Ronald Melina, Melvin S. Newman and Andreas Tegtmeier. Mr. O'Malley has been named bank chairman and CEO and James R. Frankel and Raymond O'Laughlin have been elected directors of First Bank. Gwendalyn Ragans has been elected assistant cashier, customer service department. She has been with the bank three years.

■ GEORGE ARQUILLA JR., president, Burnside Construction Co., has been elected chairman, Heritage Olympia Bank, Chicago Heights. Named directors were Scott Hunter, bank vice president, and Bruno V. Valente, vice president, industrial division, Heritage Bancorp., Inc., Chicago, parent HC. Mr. Arquilla also is a director of Heritage/Pullman Bank, Chicago, an affiliate. Mr. Hunter joined the bank in 1965, the year Mr. Valente joined the HC.

■ HAL E. CLEVINGER, formerly of Merchants National, Topeka, has joined Central National, Sterling, as vice president and senior trust officer. Judith A. Fisher also has joined the Central National staff. She formerly was with Whiteside County Bank of Morrison and has been named assistant cashier-operations.

■ ROBERT J. HILDEBRAND, vice president and trust officer, Granite City Trust, has been elected president of the Illinois Bankers Association's Trust Division. His term commences July 1. Other Trust Division officers elected were: Charles G. Dalton, Chicago Title & Trust Co.—first vice president; Everett Kassing, assistant vice president and trust officer, First National, Belleville—second vice president; and Donald X. Murray, assistant secretary, IBA, Chicago—secretary. Named to a three-year division executive committee term was John Finnegan, senior vice president and trust officer, Mid-City National, Chicago, while Charles H. Flanders of IAA Trust Co., Bloomington, was elected to a two-year executive committee term.

■ DULANEY NATIONAL, Marshall, has moved into its new building. The bank's exterior is colonial in style, and its interior, which has 4,248 square feet of space, features a 34-foot mural, "The War of Independence," which originally was printed in 1852 from 1,700 wood blocks. All furnishings, fabrics and paint used in the bank follow the style of historic Williamsburg, Va. More than 2,500 visitors attended Dulaney National's two-day opening ceremonies, which included drawings for 35 door prizes.

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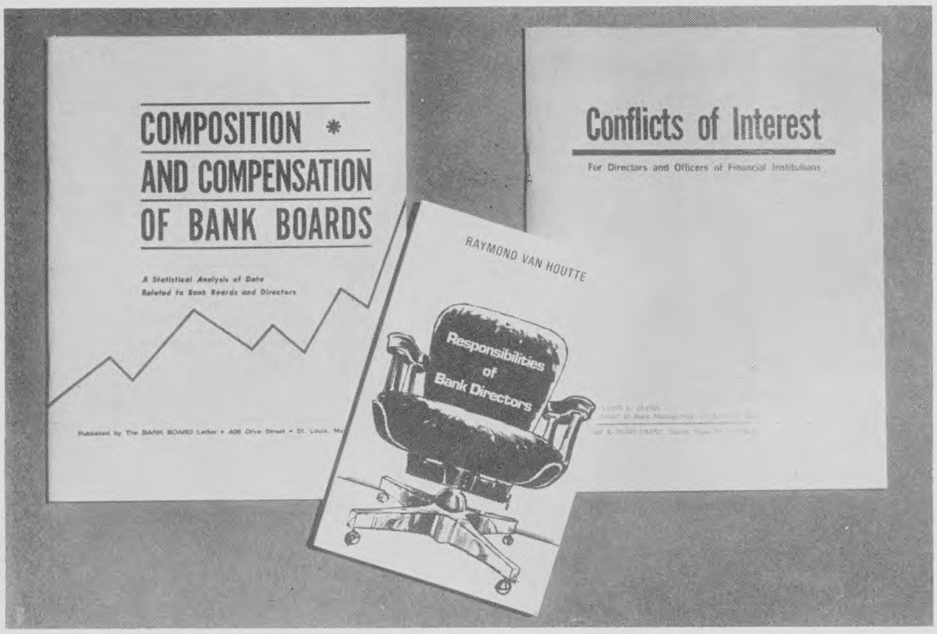

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'Same Ground Rules':

Open, Unfettered, Free Competition Is Set As AMBI's Goal at Third Annual Convention

By ROSEMARY McKELVEY
Managing Editor

ALTHOUGH the Association for Modern Banking in Illinois (AMBI) is only three years old, it has matured beyond its chronological age. This was made evident at AMBI's third annual convention last month at the Marriott Lincolnshire Resort in Lincolnshire.

AMBI was formed in 1973 by Illinois bankers who want structural changes in the state's banking laws. When the Illinois Bankers Association refused to alter its stance against multi-office banking and other changes, dissident IBA members formed AMBI. The latter's main purpose is to get the state legislature to change the state's present unit-banking statute.

AMBI's 1976 convention showed that this is still the prime objective of the association. For instance, during the convention, members were exhorted to join AMBIpac, a voluntary, nonprofit organization whose members consist of AMBI bankers and others interested in changing Illinois banking law. Its purpose, as outlined in brochures distributed at the meeting, is "to financially support those candidates for the Illinois General Assembly and state-wide office who promote improvement of banking so that multi-unit banking can be accommodated in Illinois and to support those questions of public policy having the same objective." AMBIpac funds will be distributed principally to candidates—of either major political party—for the Illinois General Assembly, but these funds also will be available to candidates for state-wide offices such as governor, secretary of state, etc. Contributions can come only from individuals, not from banks. Decisions on how to distribute the money collected will be made by AMBI's Executive Committee, working with legislative representatives retained by the association. These decisions will be based on reviews of candidates, their positions and, where applicable, their voting records.

However, AMBI does not limit its concern to legislative activities. It is establishing the Institute for Modern Banking, a comprehensive banker-education program to be developed over the next three years. Loren M. Smith, president, United Bank of Illinois, Rockford, chairman of the Education Committee, said the program will focus on improving management and technical skills of Illinois bankers and will emphasize creativity and positive response to change.

The institute, which will feature conferences, courses, seminars and workshops, will not duplicate existing programs of other organizations, but will cooperate to make such programs available to AMBI members.

The institute's School of Modern Bank Management, the first year of a three-year course, will be held at Bradley University, Peoria, August 9-13. Designed for a class of 75 bankers, each of whom has a minimum of five years' banking experience, the curriculum will deal with aspects of professional management. Any places not filled by AMBI members will be open to nonmember banks.

Along the same line, AMBI's Trust Committee—headed by Kenneth Roeh, vice president and trust officer, First National, Rockford—will have its first Trust Seminar on the last two Fridays in October, one in Chicago and the other in Springfield. Subjects will be "Probate Administration" and "Taxation of Trusts and Estates."

NEW AMBI OFFICERS: Seated (l. to r.)—v.p., Robert C. Humphrey; pres., Gerald Sinclair; treas., Willard Bunn Jr. Standing (l. to r.)—exec. v.p., Peter A. Reilly; ch., Lester A. Kassing. Not pictured are: 2nd v.p., Loren M. Smith; and sec., William B. Norton.

LEFT: Walter J. Charlton (c.), pres., First Trust, Kankakee, moderates panel on competition and constraints during AMBI convention. Panelists are: Robert P. Abate (l.), pres., Elgin Nat'l; William D. Plechaty (2nd from l.), s.v.p., Continental Bank, Chicago; George E. Phalen, e.v.p., First Nat'l, Boston; and Arthur "Ron" Swanson, AMBI legislative representative, Springfield. RIGHT: Political action scene panel members are (l. to r.), Mr. Swanson; Jay K. Buck, s.v.p., Northern Trust, Chicago; James Cassin (moderator), s.v.p., First Nat'l, Chicago; Gerald Sinclair, e.v.p., Salem Nat'l; and Albert R. Imle, AMBI legislative representative, Springfield. Mr. Imle took place of scheduled panelist, Robert B. Maher, also AMBI legislative representative.

AMBI also will try to educate the public. Lester A. Kassing, president for 1975-76, told the convention that the association had commissioned the making of a 16mm film that should be ready within 90-120 days. The film will last 15 minutes and will be shown to all kinds of consumer groups. Mr. Kassing, president, Jefferson Trust, Peoria, said its purpose is to let such groups know that the structural changes AMBI wants are in the public interest as well as in banking's.

President's Report. Mr. Kassing opened the convention with a talk that showed he was optimistic about the future, saying that "the majority of signs now seem to register on the plus side." However, he also issued a warning by comparing banking to a garden which could be invaded by competing thrift institutions. As he put it, "As we sniff these sweet-smelling roses of better times . . . we dare not neglect to monitor the bees who also are coveting our garden, lest their unexpected sting of encroachment catch us unprepared.

"I submit that the horizon is growing indistinct. Swarms of bees coveting our flower beds are disturbing our vista today. They are stronger, cleverer and closer on the horizon than they were just five short years ago.

"Planning for our banks' futures and their reasonably reliable capital strengthening through earnings has become awesomely complicated, because of the geometrically increasing host of outside forces which seriously affect us. Yet, we bankers have expressed little effort to control most of these forces. We've been reacting, not initiating.

"We note the ravenous appetites of our savings and loan friends. We are beginning to sense the muscle flexing of the credit unions (probably the next to be viewed as the 'darlings' of the financial intermediaries . . . a role the S&Ls have recently enjoyed). We hold our breath expecting the nonfinancials to carve out a plot of our garden with new savings/investment instruments. And we seem content to wilt under the load of governments at all levels that have an increasing propensity to heap more stifling legislation and regulation upon us.

"As this government interference accumulates, many of our businessmen's alternatives will disappear. These artificial constraints act to paint us into a corner. No longer will we have the luxury of choosing between several business alternatives. Innovation would . . . be circumscribed. Development of new customer-pleasing services at customer-attractive prices might be discouraged. Our retention of market shares could suffer measurably."

Mr. Kassing then asked his audience where this will lead bankers and answered: "Unless some unforeseen hurdle appears on the scene, I can envision the nonbank financial segments effectively rewriting the history of retail banking over the next several years."

He referred to the Financial Reform Act of 1976 (shortly after his talk, it was announced that the proposed act had, in effect, been killed because of lack of support in the House Banking and Currency Committee). According to Mr. Kassing, thrift institutions are getting many of banking's powers even without the act. These institutions, he maintained, probably will delight in launching their "full-service personal banking program with price-cutting leaders" and will sustain such a campaign for several years. He reminded his listeners of how lethargic most retail accounts are, but asked, "Will those customers be able to resist 'such a deal?'" Once such customers are lost to commercial banks, he warned, how will banks get them back without serious impact on their earnings and capital positions?

The AMBI president then advised conventioneers to create their own scenarios, to look at the hard probabilities, possibilities, then begin initiating instead of reacting. He also suggested the following:

"Strongly support AMBI, where, in concert, we can create positive programs and aggressively pursue them together . . . give special emphasis to exercising our leadership roles by becoming more involved with our elected representatives. Take your thoughts and your positions *to* them."

He recommended that they remember that the theme on which AMBI is based promotes a climate of open, unfettered and free competition. Accordingly, he added, it's somewhat inconsistent for AMBI members to set up legal roadblocks for nonbank competition. Rather, he said, "we want to open up fuller competition. We want the same ground rules; we need to emphasize a positive tone."

50-Year Bankers. At the closing luncheon session, Mr. Kassing announced that the following AMBI members had become 50-Year Club members: Melvin Lockard, chairman, First National, Mattoon, Mattoon Bank and First National, Cobden, and vice president, Cumberland County National, Neoga; Viola E. Korn, vice president, Drexel National, Chicago; Joseph Bryac, Continental Bank, Chicago; Michael Mercario, Northern Trust, Chicago; and Vallie Flack, president, Bank of Ziegler.

John Perkins Endorsed. Mr. Kassing also announced that AMBI—through its Executive Committee—has endorsed John Perkins for ABA president-elect in 1977. Mr. Perkins is president, Continental Bank, Chicago.

New Officers. At a board meeting following the close of the convention, the following officers were elected for 1976-77: chairman, Mr. Kassing; president, Gerald Sinclair, executive vice president, Salem National; vice president, Robert C. Humphrey, president, State National, Evanston; second vice president, Loren M. Smith, president, United Bank of Illinois, Rockford; secretary, William B. Norton, president, First National, Morris; and treasurer, Willard Bunn Jr., chairman, Springfield Marine Bank. • •

Financial Reform

(Continued from page 36)

the consumer a painful education in the value of his dollars and makes him aware that interest rate regulations penalize the small saver when rates rise above Regulation Q ceilings. It aggravates every economic problem that we face in trying to increase economic productivity and create full employment. Inflation is a major consideration in every piece of financial legislation considered in Congress.

Certainly, an equally important force driving us toward change is the technological revolution represented by computers and electronics. It's difficult to overemphasize the impact of the computer on banking. You can get some idea of its scope, however, if you stop to think for a moment where our banking system would be today if we had to sort and handle all the nation's checks by hand. And the computer did much more than simplify services bankers were already offering. It opened up whole new areas of banking services to the public.

The coming of electronic funds transfers could do much the same thing. The day of the automated point-of-sale terminal is fast approaching and automated tellers are already realities. These machines cut down on the need for paper checks, but they also make it possible for bank customers to gain instant access to their savings accounts —in effect, turning their savings accounts into electronic checking accounts for payment of their bills. Clearly, these machines could make irrelevant the whole question of paying interest on demand deposits.

EFTS could sharply reduce the cost and time of transferring funds from one account to another—in other words, no more float. That change alone has enormous implications for the future of banking. And consider the implications of these machines for branching. It's possible that an extensive system of off-premise electronic machines might make extensive bricks-and-mortar branch systems obsolete.

But perhaps the greatest force for change in our financial system is the passage of time itself. Our world has changed drastically since the 1930s, when most of the major banking legislation under which we operate today was enacted. Our economy has grown and changed in nature. Our society's priorities have been altered. Our population is more mobile. The communications revolution has minimized regional differences and increased worldwide interdependence. And banking itself has gradually changed to take these and other changes into account.

All of these forces—the importance of housing as a social priority, the growing strength of the consumer movement, inflation, the technological revolution and the passage of time itself—all are generating pressure for major changes in our nation's financial system. And this pressure is felt most strongly by Congress, bank regulators and bankers themselves. Indeed, the pressure is so strong that, regardless of what happens in this session of Congress, many of the issues and concepts now being called "financial reform" will be high priority on Capitol Hill for years to come.

That is why we, as bankers, cannot rest on the defeat of the so-called banking reform legislation in this session of Congress. We must look much further ahead. And we can begin by looking to our relations with the members of Congress who will be shaping next year's legislation.

It is impossible to overemphasize the importance of political involvement for bankers this year. The future of our industry may well depend on it.

Part of that involvement should be financial—either through BankPAC or through direct contributions. And, as bankers, we can do much more through our political action committees.

But political contributions by themselves are not enough. They can help elect men and women who we believe will give a fair hearing to the complex issues of banking. But we, through our own continuing efforts, must make sure that those we help to elect get complete and accurate information on banking issues when they need it. And that means a personal commitment on the part of every banker. We saw how effective that commitment could be this spring when ABA voiced the industry's total opposition to the mislabeled financial reform legislation. Letters and phone calls from bankers all over the country helped kill the omnibus Financial Reform Act in the House.

Now we must continue our efforts to make sure this bill, in some other form, is not enacted before the close of the 94th Congress. And we must redouble our efforts next year when financial reform legislation will almost certainly return for an encore.

Andrew Jackson was famous for getting his words confused but making his intention clear. According to legend, he stood behind the cotton bales at the battle of New Orleans. And, as the British drew near, he gave the historic command: "Elevate them guns a little lower!" The command was a little confusing, but he got his point across: Shoot the enemy, both high and low. The strategy was effective.

Let us try to apply that same kind of strategy as we continue to oppose legislation—wherever and whenever it appears—that is manifestly designed to perpetuate the competitive imbalances in the existing financial system.

Our efforts should not be directed toward preserving the status quo—that's an unrealistic objective and one that I think few bankers really want. Indeed, I think bankers can be proud of their efforts over the past several years to support positive legislation that genuinely serves the public interest. Now we must apply that same kind of positive approach to legislation that will truly allow all financial institutions with the same powers to compete effectively and flexibly, under equal ground rules, to serve the public interest. That is true financial reform.

The future of our industry—and our ability to serve the public effectively—depends on our ability to communicate that message to Washington. • •

Regulatory Reform

(Continued from page 38)

would review the competitive factors. If, in the judgment of the banking agency, the merger was defective in terms of banking factors, then the agency would have the authority to prevent it. The Justice Department could, as it does now, file suit under the antitrust statutes to stop the merger within the time period.

Another area of redundancy has been underscored by the recent highly publicized efforts of the SEC with respect to disclosure of financial information by large HCs about to go to the market with debt issues. Congress made a determination that banks should be exempt from the registration requirements of the Securities Exchange Act of 1933. That decision was undoubtedly based on the belief that the special expertise of the bank supervisors would better protect investors, on the idea that the disclosure of the sort mandated by the securities laws was incompatible with the maintenance of confidence in the banking system and, perhaps, on the political clout of banks at the time.

Whatever the reason underlying this scheme or its merits, the rapid evolution of the HC and its dominance of banking have served to nullify it. So long as HC systems finance through the HC rather than the bank—and that has been one of the attractive features of the mechanism—bank exemption from SEC jurisdiction is meaningless.

Congress should face up to this fundamental anomaly in the law and vest jurisdiction for the protection of investors in bank securities in either the SEC or the banking agency or agencies. The failure to do so will lead to further duplication of time and effort as well as further conflict and confusion.

I have focused upon the administration of the securities laws and the Bank Merger Act not so much because the redundancy involved in each leads to "bad" or ineffective regulation, but because they illustrate so clearly the extent to which we have all come to expect, and live easily with, needless and wasteful government when the same resources could be employed to achieve meaningful and needed results.

At best, as in the review of merger cases, the result of duplication and overlap in governmental function is waste and inefficiency within the government. At worst, as in the area of HC supervision, the result is increased costs and burdens upon those regulated and their customers, confusion of responsibilities, and, most importantly, regulation that is far less effective than it might be.

Finally, and most importantly, any serious effort at regulatory reform must be based upon an analysis of the objectives and functions of the entire bank regulatory framework.

Congress has assigned to the banking agencies and to other agencies of the government—such as the Justice Department, the FTC and the SEC—a host of functions, including, among others, the promotion of economic stability through the administration of monetary policy; the protection of the safety and soundness of the banking system and individual banks through bank examinations and supervision; the protection of investors and the securities markets through fair and adequate disclosure under the securities laws; the promotion of competition; the protection of consumers; the enforcement of anti-discrimination laws; the regulation of interest rates paid on deposits; and the amelioration of the effects of bank failures when they occur.

As even the recitation of this partial list suggests, bank regulation is multifaceted. All too often, these several goals conflict, necessitating trade-offs in terms of both the allocation of resources and the resolution of disputes.

In order to understand, much less intelligently reform, the structure and content of bank supervision and regulation, each of these functions and its relationship to other functions should be fully comprehended and evaluated. Indeed, it is quite likely that much of the recent controversy surrounding bank supervision is the result of misunderstanding, confusion and submerged disagreements as to the relative weights which are to be accorded the different functions involved in bank regulation.

While the evaluation of each of these functions is a tedious and difficult process—and one for which the political crucible of Congress is especially ill-suited—it is essential if regulatory reform is to lead to anything but disruption of a system that often works.

The current presidential campaign confirms what we should have already known: That reform of our governmental and regulatory processes is an idea whose time has come. Kneejerk opposition to change will not prevent its occurrence, but may serve to exclude the opponents from participation in shaping that change.

I sincerely hope that bankers and bank regulators will have the foresight to deal with the issues involved in an orderly and analytical way. If they do, I am convinced that the net result will be a regulatory framework that is less burdensome and more effective and an industry that better serves its customers.

Loan-Loss Problem

(Continued from page 40)

some of these problems have been greatly exaggerated. For example, there has been a widely cited figure of American bank vulnerability on oil tanker loans of something like $17 billion. It appears now that responsible analysts are saying that the correct figure for American banks is actually nearer $3 billion.

Or to take another example, many of the loans to less developed countries that have been cited as a potential problem for large banks appear to be loans to foreign subsidiaries of AAA U. S. corporations. Nevertheless, these special problems, combined with the decline in the economy and the increased vulnerability of some banks, have led to increased loan losses and a larger number of problem banks.

Loan losses need to be viewed within the context of a bank's overall ability to absorb such losses through earnings and through reserve and capital accounts. I have mentioned the decline in bank capital ratios and the increase in loan-to-deposit ratios, particularly for the large banks. Some of the decline in capital ratios has been the result of rapid growth of foreign operations, increased reliance on purchased money, HC acquisitions and inflation, all of which contributed to rapid deposit growth for all banks.

During the past year or so, however, many banks have made considerable progress in reducing their vulnerability. Bank capital increased faster than deposits last year and, as a result, capital ratios rose. The deposit mix of banks, and particularly large banks, has improved considerably from the standpoint of cost and stability. Banks have not bid aggressively for CDs, allowing a sizable runoff. Thus, while bank deposits have increased by over 7% since the end of 1974, that increase occurred despite a sizable reduction in large CDs. Bank loans are virtually unchanged from year-end 1974, whereas holdings of U. S. government securities have increased by about $40 billion. Thus, the banking system is clearly in a more liquid and less vulnerable position than it was a year or so ago.

There is also reason for optimism when we look at bank earnings. In the aggregate, bank earnings have held up fairly well during this very difficult period. Bank earnings rose by about 2% last year, making banking one of the few industries to show an increase in earnings during the recession.

But that average increase masks some wide variations. Along with some sizable gains, there were a lot of moderate gains and some sizable declines. Despite weak commercial loan demand and declining loan rates, banks generally maintained their spread between gross earnings and money costs. Money-center banks actually improved their spreads. Banks experiencing the worst year-to-year comparisons generally did so because of loan losses.

Loan losses have come to play a major factor in determining bank net income. This is quite different from the situation only a few years ago when loan losses had a negligible effect on earnings. The increased importance of loan losses is shown in a recent report of Keefe, Bruyette & Woods, Inc., bank stock analyst, which reported an average ratio of net loan losses to outstanding loans of .65% for 82 large banks in 1975. There was considerable variation among banks and among regions. The percentage for 10 New York banks was .72% and for 10 southern banks the figure was 1.1%. It was lower in the rest of the country and only .41% for five large banks in Texas.

It is difficult to predict bank earnings for this year. First-quarter reports seem to indicate that most banks have declines as compared with last year. That reflects lower loan volume and lower interest rates as compared with the first quarter of last year, and an increased tendency of banks to spread out loan charge-offs throughout the year rather than concentrating them heavily in the last quarter.

While it is hard to forecast the balance of the year, since much will depend on loan demand and interest rates, I would expect comparison with last year to get better throughout the year. I would also expect to see some improvement stemming from a reduction in loan losses.

The trends I have described so far have been reflected in our list of problem banks. The FDIC's problem list, which includes national banks and state member banks as well as nonmember banks, now totals about 370 banks. That number was increasing steadily all during 1975 but now appears to be leveling off. While that is only about 2½% of all insured commercial banks, it is nevertheless at its highest level in 25 years.

We have compared figures of our problem list with data on the economy as a whole, in much the same way we did with loan losses, and found again a meaningful relationship. However, whereas loan losess appear worst just when the state of the economy is worst, our problem list tends to lag by an average of about 12 months. This should not be surprising since there tends to be a lag in the examination and analysis process and since our own examiners are not apt to be completely insensitive to recent economic and financial developments. Thus, it is not surprising that now, about a year from the low point in the recession, we are at a high point on our problem list. If the current relationship follows previous experience, I would expect the number on our problem list to get smaller later on this year.

Not only has the banking system gotten considerable attention over the last year or so, so has the bank supervisory system. There are those who say or imply that inadequate bank regulation was the cause of so many banks being on problem lists. That misses the point, however, since it is good bank regulation and supervision that spot the banks that are in trouble and puts them on lists for closer supervision. The question probably should be: Could better regulation and supervision have prevented banks from reaching a condition which required closer supervision by bank regulators? What are the implications of this economic cycle analysis of bank problems for bank supervision?

It is my view that bank supervision as we know it in the United States, as opposed to its characteristics in other countries, such as Japan, is limited in its ability to dictate the soundness of the banking system. It appears that a considerable part of the bank problems of the last couple of years have been due one way or another to the general state of the economy. That is clearly a matter beyond the control of the process of bank supervision. Some of the problems have been due to specific unpredictable events like the rapid increase in oil prices and a resulting decline in the demand for oil and oil tankers. It would have been nice if we had been able to anticipate and prevent the debacle of the REITS, for example. In view of the vast number of financial experts who failed to foresee these problems, I don't think it is surprising that bank supervisors failed also.

There is one area, however, in which we do have an ability to lessen the impact of the business cycle. We must be careful in this area, however. It is the one covering bank attitudes toward risk and the willingness of bankers to increase loan ratios and decrease capital. We are giving more attention to these matters at the present time, and we will continue to demand more capital from banks inadequately capitalized, as well as demand that loan, investment and operating policies and practices be reasonable. We have so informed members of the two banking committees who have expressed concern over capital adequacy.

We are analyzing trends rather than static pictures much more intently than we did in the past. Computers are whirring constantly as we try to find ways to discover problems sooner. We are looking much harder at management and are willing to step in quicker with formal orders requiring action on management's part. We've asked Congress for more powers to deal not only with dishonest bankers but grossly negligent ones.

We recognize, however, that banking is a risk-taking business and we must rely on market forces, on management and on owners, in addition to our supervisory judgment, to determine the appropriate degree of risk for individual banks. I do not believe that even the most outspoken critics of banking and bank regulators want the regulators to run the banks rather than the bankers. We can all agree that that is not our function. If we are too intent upon preventing *all* bank failures in our regulatory posture, we may have some success in shortening our problem lists, but the conservative banking philosophies we would have to adopt would retard the progress of the economy.

Attempting to prevent all bank failures is not our function, either. In some cases, government policy, which I endorse, has encouraged a shift towards a riskier banking posture. We have issued regulations on "leeway investments" that have broadened the types of investments that can be made. By disapproval of redlining and promoting the concept of equal credit opportunity, we have actively pushed banks into lending that they may feel (though I do not necessarily agree) is more risky. The FDIC has been in the vanguard of those who insist that the Bank Merger Act be interpreted to permit more competition between banks. This approach has as its corollary an unwillingness to protect competitors from the results of competition—i.e., one wins, one loses.

Frankly, I believe that the FDIC and the other regulators have done an excellent job of bank supervision during the past two or three years after the magnitude of the problems became apparent to us. Large bank failures have been resolved by the corporation working closely with the Comptroller of the Currency or the Fed without the loss of a dime to any depositor and with only minimum disruption in the communities affected. Compare that with the result of the bank panics in the '20s or early '30s!

The corporation and the other regulators should be praised, not berated, for this performance.

The jury is still out, however, on the question of prevention. Somehow, the regulators must do a better job of carrying out the full range of responsibilities given them by Congress, some of which have only limited direct effect on safety and soundness. They must spot problem situations earlier, must be willing and able to move in more quickly with effective enforcement action and must do all of this while recognizing that our economy needs the initiative, ingenuity and aggressiveness of free enterprise and competitive banking.

In any case, I believe that the movement since 1960 has been essentially healthy, though it may have gone too far in some respects. Overall, the system is not in bad shape and I do not think we have to be apologetic. Some individual banks made mistakes and have suffered for them. I would have preferred it if we could have spotted those individual situations earlier, and perhaps corrected them.

No one, particularly a bank regulator, likes to see a bank fail. But the role of banking supervision in general, and certainly of the FDIC, is much more oriented toward soundness in the banking system and maintenance of confidence in that system than in protecting individual banks. While I recognize the interrelationship of the two concepts, it should be kept in mind that they are different. As long as banking is part of the competitive enterprise system, there will be bank failures.

What the FDIC has done, however, is cushion the shock of a failure. I am sure you have all seen the recent Gallup Poll which showed that 93% of Americans with bank accounts feel their money is safe. This comes after intensive bad publicity about bank problems, and soon after the largest bank failures in our history. Frankly, we feel that this overwhelming display of confidence is a direct result of the FDIC's efforts over the years. Any suggestions that the operations, funding or control of the corporation be changed must deal with the possibility that this confidence may be eroded.

We certainly can improve our policies and our operations in many areas, and I intend to explore the possibilities during my term as FDIC chairman. We cannot completely sever the links, however, between the performance of the economy and the performance of the banking system. If the economy continues to improve, next year will probably be a very good year for banks. I suspect that banks will be somewhat more cautious in their lending policies than was the case during the past few years. We will be more cautious as well and view unusual situations much more skeptically than we did five years ago. Whether or not that caution will prove warranted or perhaps overdone, will depend in great part on the performance of the economy in the years ahead. • •

Olin Named Pres. & Chairman Of CSBS; Harvel C. Adams Elected First Vice President

WASHINGTON, D. C.—John B. Olin, superintendent of banks for Oregon, has been named president and chairman of the Conference of State Bank Supervisors (CSBS). He also has been appointed a member of the Ad Hoc Committee on International Banking Regulation and of the association's Nominating Committee.

Harvel C. Adams, Arkansas' bank commissioner, has been elected CSBS first vice president. He also has been named to its Federal Legislation Committee.

Their elections were made at the Washington-based organization's 75th annual convention at the Broadmoor Hotel in Colorado Springs, May 9-12. James E. Faris, Indiana director of financial institutions, is the immediate past president of CSBS.

Those from the Mid-Continent-area elected to office were Joseph H. Hemphill, commissioner of banking, Tennessee—chairman, District Three; Van Smith, president, Bank of Tuckerman, Ark.—vice chairman, Membership Promotion, and District Three council member; and C. Wayne Highsmith, president, Edgemont Bank, East St. Louis, Ill., and Charles L. Childers, president, Tyler (Tex.) Bank—council members, District Two and District Four, respectively.

Consumer Bankers Association Releases Flood Insurance Booklet

WASHINGTON, D. C.—The Consumer Bankers Association has released a booklet illustrating bankers' responsibilities in compliance with the National Flood Insurance Act.

"The Consumer Banker and Flood Insurance," as the publication is entitled, details special requirements placed on lending institutions by the law. Clear explanations are provided for bankers who finance home construction and improvements in flood-prone areas.

The booklet also explains responsibilities for bankers when financing mobile homes or when taking second trusts or security interest on real property located in a flood-hazard area.

Two copies of "The Consumer Banker and Flood Insurance" have been made available, without charge, to members of the Consumer Bankers Association. Nonmembers may obtain copies for 50 cents each. Write: Consumer Bankers Association, 1725 K Street, N. W., Washington, DC 20006.

NEWS From the Mid-Continent Area

Alabama

Correspondent Symposium Held by First of Mobile

MOBILE—About 60 bankers attended First National's correspondent bank symposium April 29.

The annual symposiums, which began six years ago, are organized by the bank's senior vice president-correspondent banking department, James C. Andress.

This year, participants heard a number of representatives of the state government and of a local investment brokerage firm. First National officials also were on hand to discuss a variety of topics.

Members of the speakers' panel this year were Fred F. Denton Jr., state industrial development director, Montgomery; James P. Ferrill, assistant vice president, systems development and review, First National; Richard E. Conner, account executive, Merrill Lynch, Pierce, Fenner & Smith, Inc., Mobile Office; and David C. DeLaney, vice president, investments, First National.


ADAMS


McCORD

■ N. Q. ADAMS has been promoted to executive vice president and treasurer of First Bancgroup-Alabama, Inc., Mobile, and T. R. Foster has been named vice president, comptroller and finance officer. Mr. Adams retains his title of senior executive vice president and Mr. Foster remains senior vice president and senior comptroller at the HC's lead bank, First National, Mobile. At the bank, Robert S. McKean has been named vice president; William B. Carmichael and Charles D. Wilkinson, assistant vice presidents; Irvin E. Farmer and John M. Nix, operations officers; Lee Robinson Gwynn and John H. Martin III, branch officers; and Anna Lawson Rogers, loan operations officer.

Arkansas

■ LARRY McCORD has joined Union National, Little Rock, as assistant vice president and correspondent bank officer, corporate division. He will call on correspondent banks in Arkansas. Mr. McCord formerly was assistant cashier and assistant manager, Caddo Trust, Belcher, La.

■ CITY NATIONAL of Fort Smith hosted an all-day conference for correspondent bankers from Arkansas and Oklahoma April 29 at the Fianna Hills Country Club. About 40 bankers were in attendance. During the morning, golf and tennis matches were held, while two topics were examined during the afternoon seminars: EFTS and Employee Stock Ownership Plans (ESOPs). Hank Lyday of NCR Corp. discussed the former, and equipment of the future was displayed. ESOPs were covered by Bob L. Sellers of Bob L. Sellers Associates, Memphis, consultant to City National on its ESOP. Bankers asked many questions on ESOPs, illustrating the growing popularity of the programs. Activities were concluded with an evening banquet, during which trophies were presented to the winning golf team and Eloise Bedwell of the bank's women's department commented on the spouses' activities that had been held concurrently.

Illinois

■ GEORGE C. MOTTIER has joined Central National, Chicago as second vice president, correspondent banking group. He formerly was with Union Commerce Bank, Cleveland, as an officer in the commercial loan department's metropolitan division. At Central National, the following have been named vice presidents: S. Michael Polanski, John A. Nevell and Woodrow A. Sutton Jr. Mr. Polanski joined the bank in 1971 and advanced to second vice president, correspondent banking group, 1974. He now serves in the commercial banking group. Messrs. Nevell and Sutton are in the international banking group.


MOTTIER


MARLOWE

■ P. WILLIAM MARLOWE, formerly vice president and cashier, Bank of North Aurora, has been named CEO of the new First Security Bank, Aurora. His title there is executive vice president and cashier. Succeeding him at Bank of North Aurora is James T. Cannon, formerly loan officer, Naperville National. Mr. Marlowe has more than 10 years' banking experience, having been with his former bank since before its 1970 opening. Prior to that, he was with Gary (Ind.) National. Mr. Cannon joined Naperville National in 1972. Previously, he had been with Harris Trust, Chicago, and State Bank, Geneva.

■ JOHN BALTZ has joined First National, Millstadt, as auditor. Formerly with Peat, Marwick, Mitchell & Co.,

William H. Miller Dies

William H. Miller, 80, retired s.v.p. & dir., Continental Illinois Nat'l, Chicago, died May 4. Prior to his 1965 retirement, Mr. Miller had called on correspondent banks in Illinois and Indiana. He entered banking in 1912 at Nat'l City Bank, Chicago, which eventually merged with Continental. He advanced to s.v.p. & dir. in 1951 and was a dir., Commercial Nat'l, Berwyn, and dir. & treas., Reserve City Bankers Assn.

St. Louis, Mr. Baltz is the third generation of his family in banking in Millstadt. His grandfather, G. F. Baltz, was an organizer of First National in 1903 and served as its CEO until 1959. Woodrow Baltz, John's father, is the bank's vice president, while Merton, John's uncle, is First National's president.

■ L. CHESTER MAY has been elected chairman and CEO, Chicago Bank of Commerce. He is the retired vice president, finance, of Standard Oil Co. (Indiana). Harry S. Brown, former treasurer and vice president, finance, Rand McNally & Co., has been named president and chief operating officer of the bank. The former chairman and president, Clarence A. Beutel, has been elected vice chairman.

MAY

BROWN

BEUTEL

■ KENNETH C. THOMAS, president, Ken Thomas Construction Co. and of Pekin Supply Co., has been named a director of First National, Pekin. James N. Jansen, a bank director since 1957, has been elevated to director emeritus.

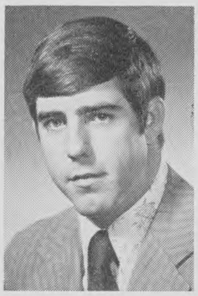
■ BONNIE J. BOOTEN has been advanced from assistant cashier to assistant vice president at First National, Alton. She joined the bank in 1957 and will head the newly established marketing department. Mrs. Booten has been handling the bank's advertising and will assume responsibilities for marketing research, public relations, promotions and business development.

■ CONTINENTAL ILLINOIS CORP., Chicago, has elected the Reverend Raymond C. Baumhart, S. J., president, Loyola University, Chicago, and Paul J. Rizzo, senior vice president, IBM Corp., as directors.

Indiana

■ DENNIS L. LEMEN, vice president, American Fletcher National, Indianapolis, has been named head, region II, metropolitan division, covering the west area of Indianapolis. Jeffrey C. Lind, assistant vice president, has been appointed head of the Indiana division's east region. The bank has formed an agribusiness department in the Indiana division, and D. David Murdock, assistant vice president, has been named its head.

LEMEN



MURDOCK

LIND

■ INDIANA NATIONAL, Indianapolis, has promoted Robert H. Kohrs and Gary K. McWilliams from vice presidents to senior vice presidents. Mr. Kohrs heads the national/international division, while Mr. McWilliams is head of the Indiana division. Mr. Kohrs joined the bank in 1974 and formerly was vice president, Asian banking group, Chase Manhattan Bank, New York. Mr. McWilliams entered banking in 1959 at Indiana National.

McWILLIAMS

KOHRS

Kansas

Special Newspaper Edition Helps First of Hutchinson Celebrate Its Centennial

HUTCHINSON—First National opened for business on May 2, 1876, as Reno County State, and to celebrate its first 100 years of operation, the bank has held a week-long open house and published a newspaper-style account of the town's history.

Written by Lee and Dean Hinnen of the *Hutchinson News*, the paper traces the town from its formative years, when its only building was a wooden shack that served as a post office and hotel, with beds that hung on the walls. C. C. Hutchinson, an Indian agent and land speculator, staked out the town with buffalo bones, which were about the only "natural resource" the area offered at the time.

The town actually was born by state law in 1872.

Although beset by many ups and downs, Hutchinson slowly began to grow, like the trees that had been planted by E. L. Meyer, the town's druggist and a bank organizer. When Mr. Meyer, along with three St. Joseph, Mo., bankers, S. W. Campbell, I. T. Hosea and J. S. Lemon, organized Reno County State with several Hutchonians, capital stock was set at $50,000. Actual operating cash was $19,800.

S. W. Campbell was the first cashier—the only employee at the time—and his salary was $1,800. Later, when he was promoted to the position of president, E. L. Meyer became the first of a line of Meyers to be involved with the institution. He was named cashier and shortly thereafter (May, 1884), the bank became First National. Mr. Meyer later served as president.

As the newspaper goes on to say, there were many rocky years for the bank and for the town itself. But First National moved ahead to prosper, and the ensuing years saw the bank involved in a number of firsts:

• First National moved into its six-story "skyscraper" headquarters building in 1912. It was the town's first steel structure.

• During both world wars, the bank was instrumental in Hutchinson bond drives. Due in great part to First National's war bond sales, a navy ship was named for the town during each war.

• In 1962, the bank offered the state's first farm management service under the direction of Bill Kimmel. That same year, First National and Hutchinson National led a group of 11 banks to establish a joint data processing center.

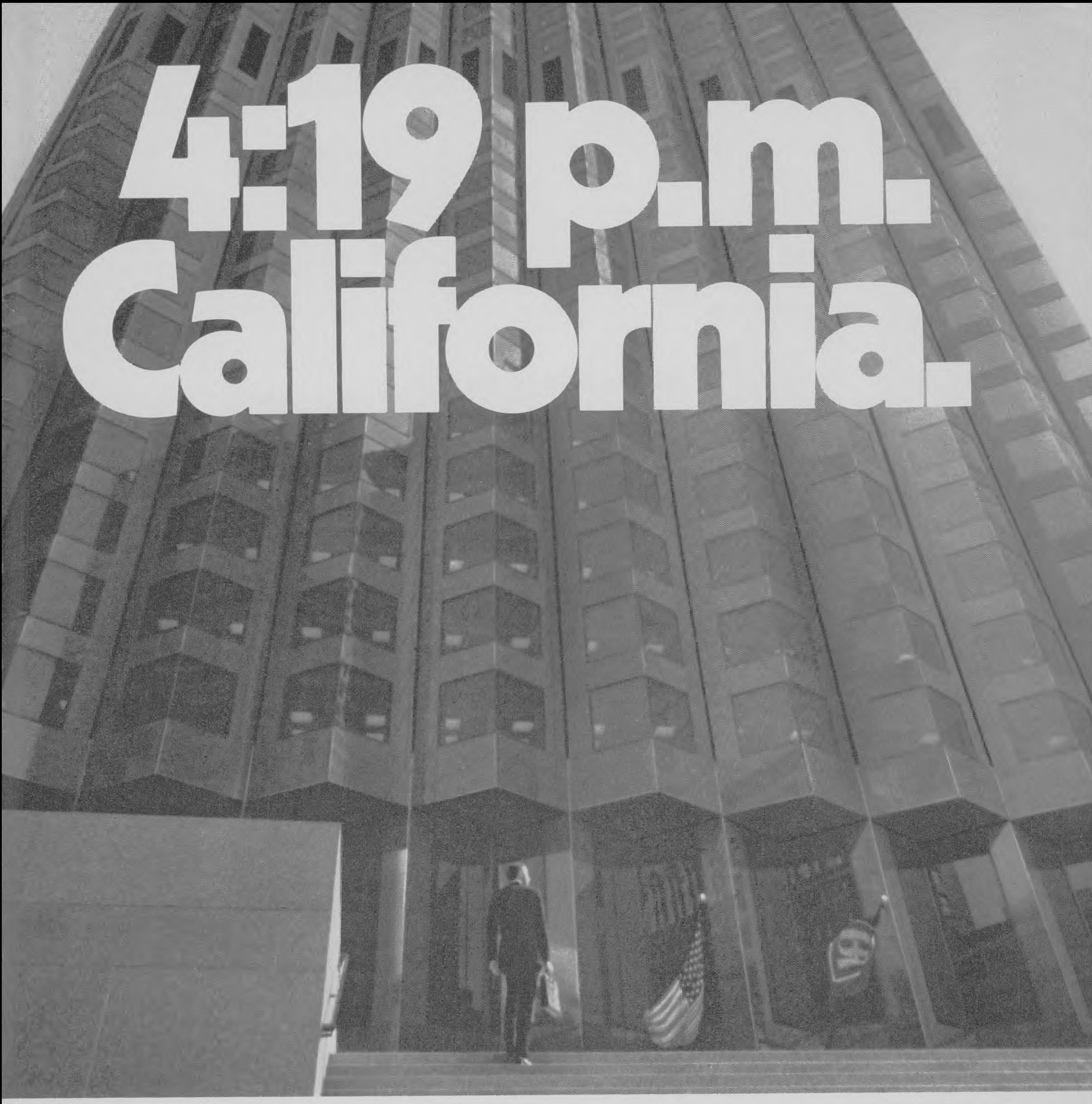
Nation Meyer, currently First National's president, is the grandson of E. L. Meyer.

■ O. ARTHUR KREBS has joined Southgate Bank, Prairie Village, as senior vice president in charge of the marketing division. He succeeds Sam Molen, who has retired and continues as a bank consultant. Mr. Krebs formerly was with United Missouri Bank, Kansas City, for seven years, and prior to that had been with Anchor Savings Association.

Died: Willis Shaffer, director, advertising and public relations, Hutchinson National, on May 7 following a heart attack.

Kentucky

■ CITIZENS FIDELITY CORP. and its affiliate, Citizens Fidelity Bank, both of Louisville, have announced top-management changes. J. David Grissom has advanced from bank president to chairman and CEO and from HC president to vice chairman. He succeeds Maurice C. S. Johnson at the bank, while Mr. Johnson retains the posts of chairman and CEO at the HC. Daniel C. Ulmer Jr. moved up from bank executive vice president-banking services to president. Joseph M. Rodes continues as bank executive vice president-financial services



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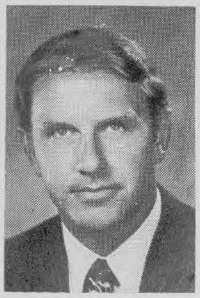
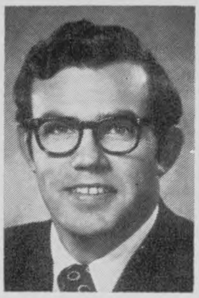
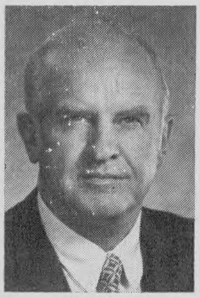


ULMER



GRISSOM



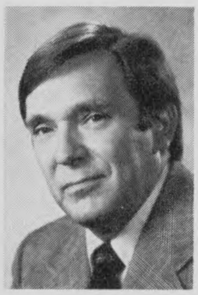
JOHNSON

RODES

and succeeds Mr. Grissom as HC president. The moves were made in anticipation of Mr. Johnson's 1977 retirement.

■ LOUISVILLE TRUST has named James T. Crain Jr. and Robert C. Gray Jr. senior vice presidents and trust officers. Mr. Crain joined the bank in 1964 and advanced to vice president and trust officer in 1971. Mr. Gray joined the bank after service with Citizens Fidelity, Louisville.

CRAIN



GRAY

Louisiana

■ LOUIS H. MARRERO IV has acquired all shares of ICB Corp., New Orleans, that formerly were owned by Wilson P. Abraham. The acquisition involved 26% of the HC's total outstanding stock. Mr. Abraham has resigned as chairman of the HC and of its subsidiary, International City Bank, New Orleans, and Mr. Marrero has been elected to succeed him in those positions. Mr. Marrero, an attorney, is president, Marrero Land & Improvement Association.

■ PAUL A. HARPER JR. has joined First Guaranty Bank, Hammond, as senior vice president and senior lending officer. He goes there from Branch Banking & Trust Co., Wilson, N. C., where he was vice president, corporate banking department.

■ PAUL S. SELLS has been elected chairman, Pontchartrain State, Metairie, and Kenneth A. Kuebel has been named president. Both have served on the bank's board for the past two years. Mr. Sells is president, Ground Pat'i, Inc., and Mr. Kuebel is a real estate appraiser and contractor.

Mississippi

■ WILFRED E. IRISH JR. has been elected vice president at Deposit Guaranty National, Jackson. Named assistant vice presidents were J. W. "Tom" Bertaut, Jean S. Porter and W. Stanley Pratt, while Alex A. Hogan has joined the bank as investment counselor. Mr. Irish joined Deposit Guaranty National this year after 30 years with the U. S. Army. Mr. Bertaut joined the bank in 1966; Mrs. Porter, in 1957; and Mr. Pratt, in 1973. Mr. Hogan recently retired as vice president, Merrill Lynch, Pierce, Fenner & Smith, Inc., Jackson Office.

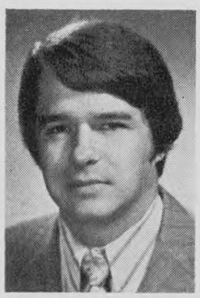
IRISH

■ JAMES M. BIGLANE, chairman, First Natchez Bank, has been elected chairman of the State Banking Board.

Missouri

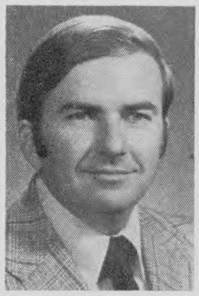
■ MERCANTILE TRUST, St. Louis, has promoted the following: John E. Berra and Lawrence E. Pirtle, data processing, to vice presidents; James B. McGuire, trust department, to assistant vice president; and David S. Griesemer, to assistant trust officer.

BERRA

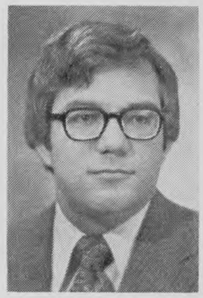


PIRTLE

■ G. WAYNE THOMAS has been elected president and CEO, Boatmen's Bank of West County, Ballwin, succeeding William H. Jones, who has been named chairman. The former chairman, Alfred A. Nall, has retired with the title of honorary chairman. Mr. Thomas, a past chairman of the Missouri Young Bankers, has been with the bank since 1975. Mr. Jones joined the bank in 1959 after eight years with the FDIC.



THOMAS



McSORLEY

■ FIRST NATIONAL, St. Louis, has promoted Gary S. Pratte from assistant vice president to vice president and B. J. McSorley from commercial banking officer to assistant vice president. Mr. Pratte entered banking at First National in 1969 and currently heads the credit and loan service departments. Mr. McSorley joined the bank in 1970. He was named commercial banking officer, regional banking division, Missouri territory, last December.

■ LARRY G. KELLEY has joined Commerce Bank of St. Charles as president. The bank has promoted William A. Carpenter to senior vice president. Mr. Kelley formerly was executive vice president and cashier of Commerce Bank of Florissant, an affiliate, which he joined in 1966. He has been a St. Louis-area banker since 1952, while Mr. Carpenter, who joined Commerce Bank of St. Charles in 1971, has been in banking in the area since 1964.

Edwin W. Hudspeth Dies

Edwin W. Hudspeth, 70, retired pres., Mark Twain Bancshares, Inc., St. Louis, died May 5 of a heart attack. A founder and past pres. of the HC, he entered banking, 1922, at a bank in East St. Louis, Ill., as a messenger. His survivors include his son, Edwin G., v.p., Mark Twain Bancshares, Inc.

■ MERLE M. SANGUINET, chairman, president and CEO, St. Louis County National, Clayton, has been elected chairman, County National Bancorp., Clayton. He continues at the HC as president and CEO. Robert Von Talge has been named HC vice president and treasurer, advancing from vice president. He joined the HC in 1973. At St. Louis County National, Richard J. Kempland has been appointed vice president, business development, and will direct the activities of the bank's newly formed business development department, which will oversee development of banking and trust business. He joined the bank in 1959.

SANGUINET

VON TALGE

KEMPLAND

■ JACK D. BURLINGAME has been elected senior vice president of United Missouri Bancshares, Inc., Kansas City. At the affiliate, United Missouri Bank of Kansas City, Howard L. Boswell has been promoted to assistant vice president and Kenneth F. Harris has been named assistant cashier. Carl H. Schupp and G. Lynn Mitchelson, bank executive vice presidents, have been named directors of the HC. John R. Pitnick has retired from the bank after nearly 43 years. He was vice president, business development department.

New Mexico

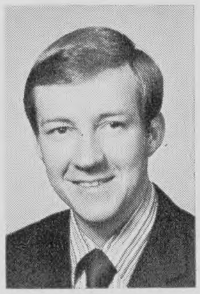
■ ALFRED F. MALLETT has been promoted from assistant vice president and branch administrator to general manager, First Plaza, at First National, Albuquerque. Sobeida "Sobie" Chavez has been elected assistant vice president, real estate, and Michelle W. "Mickey" Wescher has been named assistant cashier and assistant branch manager, Del Norte Office. Mr. Mallett and Mrs. Wescher joined the bank in 1975, while Mrs. Chavez has been with First National since 1970.

■ PAUL L. FOLLMER has been named vice president and installment loan manager, First National, Santa Fe. He goes there from First National, Albuquerque, where he had been vice president and loan department head for the past four years.

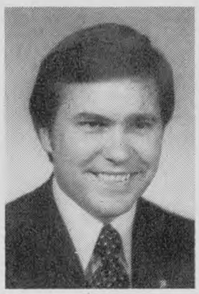
Oklahoma

■ FIRST NATIONAL, Oklahoma City, has elected Edward M. Behnken and Richard P. Kerrick executive vice presidents and Ken W. Townsend senior vice president. Robert J. Waller and Edwin J. Lippmann Jr. have advanced to assistant vice presidents, while Anthony J. Mirrione has been named assistant cashier. Messrs. Behnken and Kerrick are executive committee members. Messrs. Behnken and Mirrione joined the bank in 1972; Mr. Kerrick, in 1954; Mr. Townsend, in 1962; Mr. Waller, who is in the correspondent bank department, formerly was with the Dallas Fed; and Mr. Lippmann joined First National in 1973.

KERRICK



TOWNSEND



WALLER

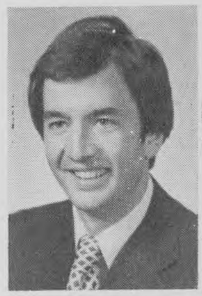
BEHNKEN

■ FIRST TULSA BANCORP., Inc., and its lead bank, First National, both of Tulsa, have announced the following promotions and changes: John L. Robertson has requested early retirement and has resigned as chairman, president, CEO and director of both. Robert R. Gilbert, HC executive vice president, has been named acting CEO of the HC, and Kenneth C. Olinger, bank vice chairman, has been named First National's acting CEO. Joining the bank's staff as vice president and senior trust officer and as vice president, respectively, are Richard M. Corbridge and Joe B. Sylvan III. Named vice presidents and trust officers were Harold H. Cullison and Paul E. Kallenberger, while D. Wayne Esslinger has advanced to trust investment officer and Boyce B. Smith has been named trust officer.

ROBERTSON

GILBERT

OLINGER

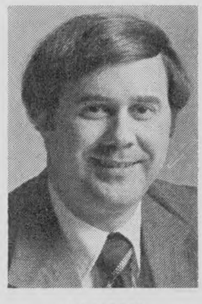


VAUGHN

■ WILLIAM D. VAUGHN, assistant vice president, Fidelity Bank, Oklahoma City, has been assigned to the correspondent bank division. He had been in the commercial credit and collateral department, loan division, and formerly served as an FDIC examiner for western Oklahoma.

Tennessee

■ DAVID B. RAMSAY III has been advanced to vice president, correspondent division, at American National, Chattanooga, while Elizabeth M. Dalton, also in the correspondent division, has been named assistant vice president.



RAMSAY

Texas

■ L. O. BRIGHTBILL III, executive vice president, Texas American Bancshares, Inc., Fort Worth, has been elected president and CEO of the wholly owned subsidiary, Exchange Bank, Dallas. He succeeds Charles H. Bird, who has retired. Mr. Brightbill joined the HC in 1973, advancing to executive vice president in 1975. He formerly was with Fort Worth National, the HC's lead bank.


GRANT


BRIGHTBILL

■ JOSEPH M. GRANT has been elected a director of Texas American Bancshares, Inc., Fort Worth. Earlier this year, he was named president of the HC's lead bank, Fort Worth National.

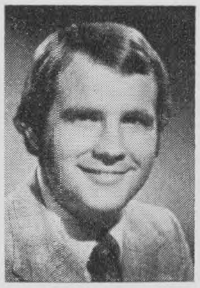
■ JERRY D. BRYANT has been elected senior vice president, personnel department, and Larry C. Cooper has been promoted to vice president, trust investments department, at Frost National, San Antonio. Mr. Bryant has served as the bank's personnel director since 1975. Mr. Cooper joined the bank in 1974.

■ ANDREW J. LANFORD has been named vice president and trust officer of First National, Fort Worth. Promoted to assistant vice presidents were Bruce Cherry, correspondent banking department, and Gerald Bentley, Master Charge department. Mr. Lanford formerly was with the Texas Department of Banking, examination division, and will manage the bank's newly formed employee benefits department, trust and investment services division. Mr. Cherry joined the bank in 1968 and Mr. Bentley, in 1972.


COOPER


BRYANT


LANFORD


BRUCE CHERRY

■ ROBERT L. KIRK has been named vice president, credit department, domestic banking division, First City National, Houston. Named assistant vice presidents were F. Boyd Cherry, Luis Fernandez, Nora Gillespie, Richard F. Hickman, Charles Burton Lents, Dennis R. Lye, John Pat Parsons, Charles Patterson, Bruce C. Richardson, W. W. Scott Jr., Patrick A. Tucker and W. Randolph Woodard.

■ PERRY RUSSELL, senior vice president, Houston Citizens Bank, has been elected vice chairman of the ABA's Housing and Real Estate Finance Division. He will be installed following the ABA's annual convention in October.

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