MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

MAY 1, 1977

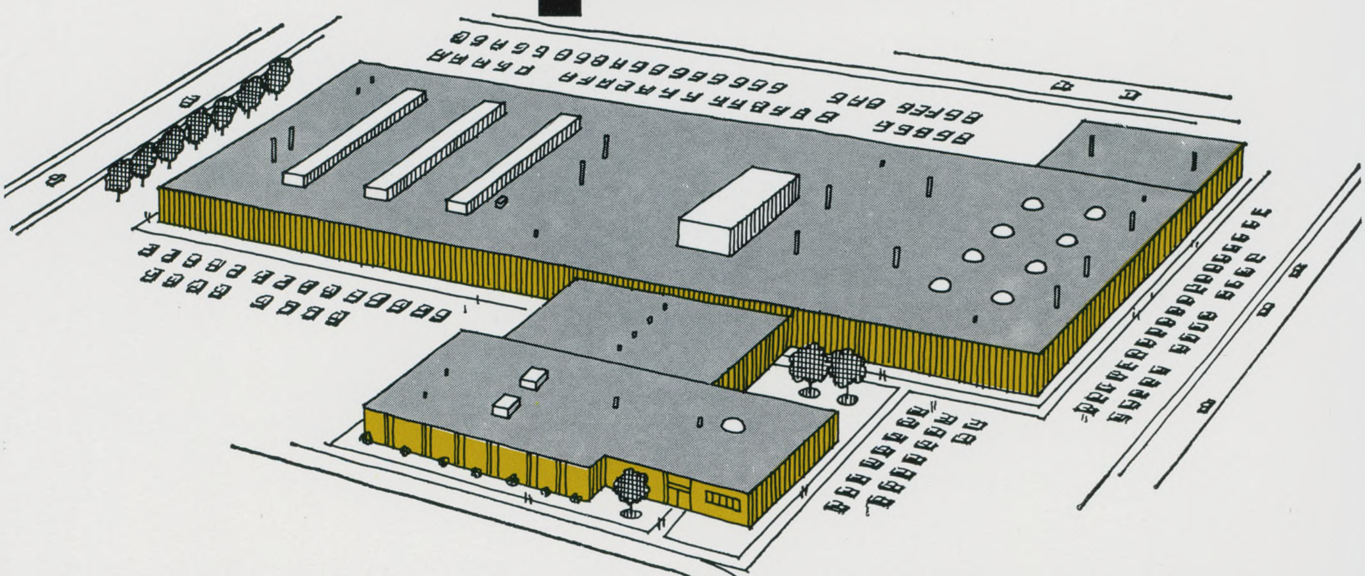
CONVENTION PREVIEWS: Alabama, AMBI, Missouri, Texas, Oklahoma, Kansas

1977: YEAR OF THE NATIONWIDE NOW ACCOUNT? Prominent Bankers Give Views

(see pages 25-36)

First National, Amarillo, Tex., to Dedicate New Complex May 22 (see page 48)

Is your bank interested in more Demand Deposits?



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MID-CONTINENT BANKER is published 13 times annually (two issues in May) at 403 Olive, St. Louis, Mo. 63102. May 1, Vol. 73, No. 5. Second-Class postage paid at Fulton, Mo. Subscription: $10.

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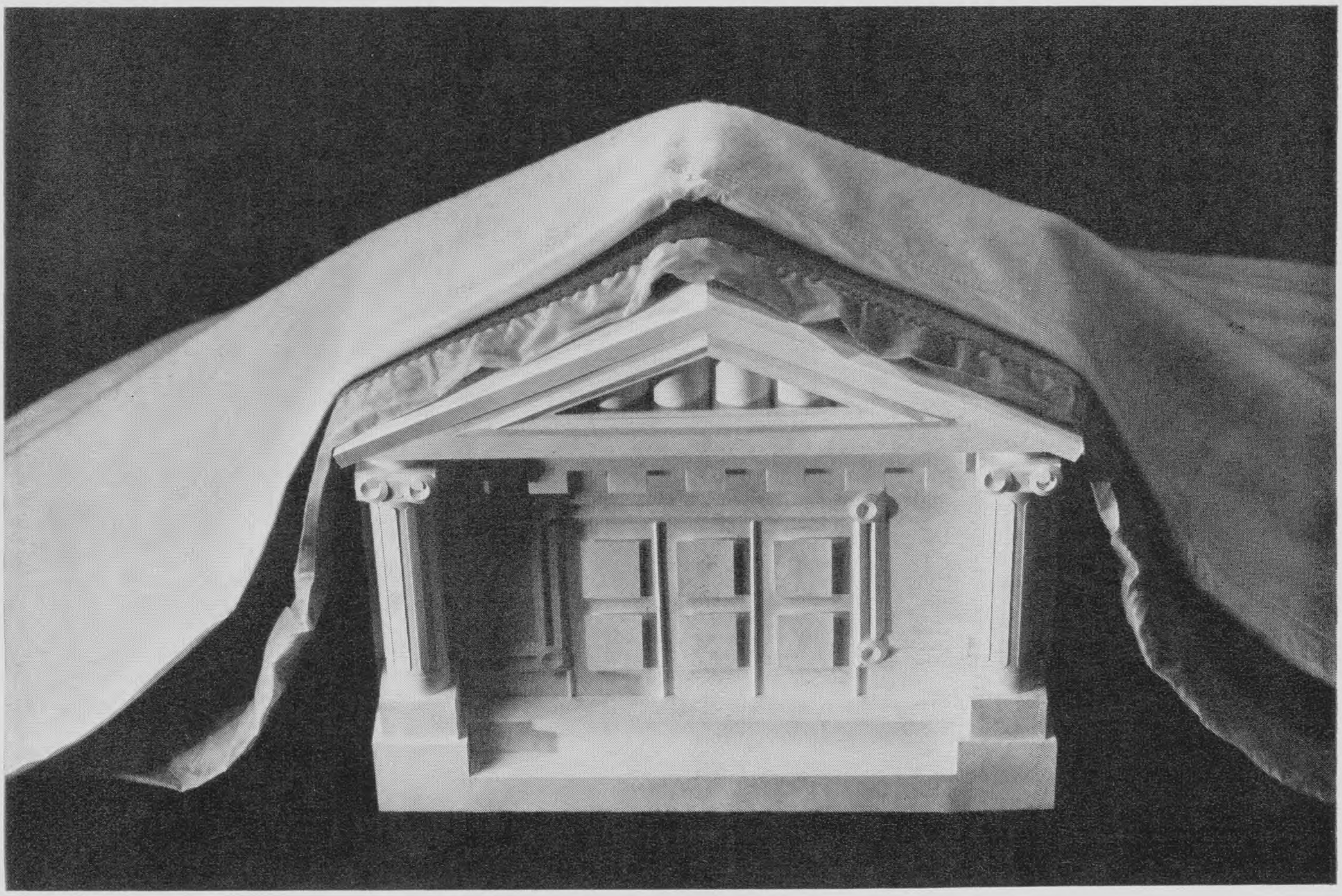

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Discussing coal production in Williamsburg are Murphy Brock, Liberty Vice President; Hugh Steely, Chairman and President of Farmer's National; Jim McKenzie, Asst. Cashier Liberty Bank; "Andy" Frost, Owner of Woodbine Coal Company; and John Lawson, Vice President of Farmer's National.

Liberty National Bank

and Trust Company of Louisville

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 73, No. 5 ***May 1, 1977***

FEATURES

CONVENTIONS

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Convention Calendar

May 12-15: 28th Assembly for Bank Directors, Palm Beach, Fla., the Breakers.
May 14-18: Mississippi Bankers Association Annual Convention, Biloxi, Broadwater Beach/Biloxi Hilton.
May 15-16: ABA/Insurance Industry Conference, Arlington, Va., Crystal City Marriott.
May 15-17: Tennessee Bankers Association Annual Convention, Gatlinburg, Sheraton Hotel.
May 15-18: ABA National Operations/Automation Conference, New Orleans, Hyatt Regency.
May 15-18: Arkansas Bankers Association Annual Convention, Hot Springs, Arlington Hotel.
May 15-18: Bank Marketing Association Staff Sales Training Workshop, Phoenix, Del Webb's Mountain Shadows Resort.
May 15-20: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
May 15-20: ABA National Personnel School, Pittsburgh, Marriott Inn.
May 15-20: Louisiana Banking School for Supervisory Training, Lafayette, University of Southwestern Louisiana.
May 17-20: Bank Administration Institute Computer Performance Measurement Seminar, New York City.
May 22-25: ABA National Conference on Real Estate Finance, San Francisco, St. Francis Hotel.
May 22-25: NABW Southern-Southeastern-South Central & Florida Regional Conference, Nashville, Hyatt Regency Hotel.
May 22-27: Bank Marketing Association Essentials of Bank Marketing Course, Boulder, Colo., University of Colorado.
May 22-27: Bank Marketing Association School of Trust Business Development & Marketing, Boulder, Colo., University of Colorado.
May 22-28: Independent Bankers Association of America Seminar for Senior Bank Officers, Boston, Harvard Business School.
May 22-June 3: Bank Marketing Association School of Bank Marketing, Boulder, Colo., University of Colorado.
May 23-27: Bank Administration Institute EDP Auditing Introduction II Short Course, Norman, Okla., University of Oklahoma.
May 25-27: Bank Administration Institute Estate Tax Planning Seminar, Memphis.
May 30-June 1: American Institute of Banking Annual Convention, Phoenix, Hyatt House.
June 2-3: Robert Morris Associates Commercial Loan Training Program: Content and Methods Workshop, Washington, D. C., Key Bridge Marriott.
June 3-10: ABA National School of Bank Investments, Dallas, Southern Methodist University.
June 5-7: Illinois Bankers Association Annual Convention, Chicago, Palmer House.
June 5-17: ABA National Installment Credit School, Boulder, Colo., University of Colorado.
June 7-10: Bank Administration Institute Operations Management I Short Course, Norman, Okla., University of Oklahoma.
June 8-10: Bank Administration Institute Money Transfer Seminar, Chicago.
June 8-10: Association of Bank Holding Companies, Annual Convention, Colorado Springs, Colo., Broadmoor Hotel.
June 9-10: Robert Morris Associates Loan Quality Control Workshop, Philadelphia, Sheraton-Downtown.
June 9-10: Robert Morris Associates Loan Quality Control Workshop, Philadelphia, Sheraton-Downtown.
June 9-11: New Mexico Bankers Association Annual Convention, Santa Fe, Hilton Inn.
June 9-12: National Association of Bank Women Western/Rocky Mountain Regional Conference, Reno, Nev., Pioneer Inn.
June 12-15: Robert Morris Associates Financial Statement Analysis Workshop, Boston, Colonnade Hotel.
June 15-16: Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton.
June 16-17: Robert Morris Associates Foreign Credit Analysis Workshop, Chicago, Hyatt Regency O'Hare.
June 20-22: National Association of Bank Women Lake/Midwest/North Central Regional Conference, Indianapolis, Indianapolis Marriott Inn.
June 22-24: Bank Administration Institute Current Bank Tax Problems Seminar, Denver.

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By Dr. Lewis E. Davids

Hill Professor of Bank Management, University of Missouri, Columbia

PAP—Its Evolution, Growing Acceptance

TO SOME NONBANKERS, "PAP" means any soft food for babies. To women, the letters have an altogether different connotation; to bankers, PAP stands for Pre-Authorization of Payment.

There is, in one context, a parallel among the several uses of the acronym. In the former use, it's a product that will be acceptable to an infant and prepares a child for more substantial and less digestible nourishment; the second meaning is a test one takes to detect cancer.

The latter, financial concept of PAP has had a most interesting history in the United States. PAP could be related to many areas, including accepted letters of credit and other negotiable instruments, but in today's economy its greatest impact has been on checks, bank competition and the American public's willingness to—at least in part—switch from the use of checks to PAP.

PAP in its various forms is related more frequently to GIRO systems such as are found in Europe and the Orient. In those areas, the use of checking accounts by the bulk of the population is not as common as in this country. A growing society, postal system, mutual bank, S&L, or—less commonly—commercial bank, often may operate a GIRO system. Under such a system, the institution is pre-authorized by its debtor/customer to make certain periodic payments on the request of the creditor. That remittance simply may be a switch of funds from a savings account to the mortgage department collection section, or it may involve a greater distance—from one postal station to a paper or electronic clearing house, then through the clearing house to the account of the creditor.

The switch in its early days was by use of a paper document. In more developed countries the switch today is done by electronic fund transfer (EFT) and usually involves paperless entries.

While commercial banks outside the U. S. have had experience with GIRO systems, it is paradoxically interesting that the initiative for such a system often is not from commercial banks, but from thrift institutions, postal or railroad systems. In the U. S. much of the initiative has come from a few major life insurance, utility and telephone companies. A few commercial banks, however, have had PAPs for generations. Often, bank regulators are ignorant of such activities, or, if not ignorant, they either ignore them or prefer not to prohibit or regulate a system that is engaging in a modest effort at innovation.

"In some instances, our competitors have distinct advantages . . . in not being subject to the costly regulations bankers must bear as their cross. . . . Food chains, dealing with necessities of life, are likely to get a customer traffic-pattern that's conducive to cross selling the grocery's 'bank services'; a bank's lobby traffic would not be likely to generate sales of food, goods and related services."

In the early 1950s, for example, when I was a newly employed professor of banking at a good-sized but geographically isolated college, one of my first acts was to visit a well recommended bank and open an account. The new-account signature card of that bank had a space for me to authorize the institution to pay a number of likely regular payments: the telephone company, the garbage collector, the gas company, electric utilities, principal, interest, escrow for taxes and insurance on my home, etc.—I even could authorize insurance payments if I wished!

In the eight years that I was a customer of that bank, I enjoyed the service. But I can't remember once having the slightest question or complaint regarding how the bank or the creditors handled my account. One of my colleagues reported having a minor problem with the bank about the payment to the telephone company of an unauthorized collect call made by one of his children's friends, but an adjustment was made on his next statement. Frankly, the bank could not be faulted in its procedures for the initial complaint, although some saw the incident as having made possible a situation that otherwise would have been detected a week or two in advance.

That college paid its staff, which mostly was on a nine-month contract, in 12 equal payments because the school's experience had been that a number of of its faculty members had such poor control of their personal finances that they didn't budget properly to cover the three months of summer recess. The bank, in receiving the remissions from the college during each of the three summer months, expedited a more businesslike payments program, helping keep down the number of overdrawn accounts and NSF checks, not to mention the elimination of the trauma of account holders that accompanies such incidents.

This incident is directly related to a useful and effective development of a PAP system: the bridging effect between a short fall in income in a period of seasonal variation and a systematic approach to meeting the shortfall with a viable technique. This concept involves a planned re-scheduling of a *credit item* or a *check deposit*, while a GIRO or debit approach is a re-scheduling of the date on which an account is debited.

One of the problems of the past winter has been that with the dramatically higher prices of fuel and energy, a significant portion of our population didn't have enough savings to meet such a jump in living expenses. They were not

(Continued on page 113)

our guarantee is simple.

Conventional methods of planning normally involve three basic steps. 1.) The preparation of expensive preliminary drawings by an architect; 2.) your analysis of these plans; and 3.) the acceptance of formal bids from one or more general contractors. Unfortunately, the price often turns out to be far higher than the original estimate . . . and you have four ways to go: back up and start over again; scrap the whole idea until later; compromise your original plan by modification, or bite the bullet and pay the higher costs . . . hoping of course, *that the final tab will not be even higher.*

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• **Tom C. Frost Jr.,** chairman, FrostBank Corp. and Frost National, San Antonio, Tex., was elected president, Association of Reserve City Bankers, at the group's 66th annual meeting in Phoenix last month. He succeeds Gabriel Hauge, chairman, Manufacturers Hanover Trust, New York City. Richard D. Hill, chairman, First National, Boston, was elected vice president. Reelected treasurer was E. Norman Staub, vice chairman, Northern Trust, Chicago.

• **First Union Bancorp.,** St. Louis, has two new directors—August A. Busch III, president and CEO, Anheuser-Busch, Inc., and Sanford N. McDonnell, president and CEO, McDonnell Douglas Corp., both of St. Louis.

• **Jeanne Hession,** senior trust officer and associate counsel, Boston Safe Deposit & Trust Co., has been appointed chairman of the board of trustees of the National Association of Bank Women's Educational Foundation. She succeeds Ruth I. Smith, executive vice president, Tower State, Kansas City, Kan., who resigned to become NABW's vice president. Chartered in 1973, the foundation offers a broad-spectrum professional development program, which works within the banking industry to provide women banking executives with opportunities for career growth and increased job satisfaction. The foundation pioneered the design of a baccalaureate degree in management that enables employed women to earn a degree without career interruption. This program currently is available at Simmons College, Boston; Florida State University, Tallahassee; Mundelein College, Chicago, and Pitzer College, Claremont, Calif.

• **Continental Bank,** Chicago, has announced the appointment of Robert J. Fiddes as trust department representative for the western states, with headquarters in Los Angeles. Mr. Fiddes serves in a liaison function between the bank's western states clients and its trust department in Chicago. Administration of all trust accounts continues to be handled in Chicago. However, says Charles R. Hall, executive vice president and head of Continental's trust and investment services, the bank believes having a West Coast representative will give it a much closer presence to its customers and will enable it to expand on its commitment to better serve non-Chicago trust accounts. Mr. Fiddes joined Continental's trust department in 1968.

Community Involvement

Golden Anniversary:

Group Honoring Lindbergh Led by St. Louis Banker

St. Louis, which received international fame 50 years ago when a young aviator became the first person to fly alone from New York to Paris, will commemorate the event with a giant celebration May 22. The aviator, of course, was Charles A. Lindbergh, and his monoplane was the "Spirit of St. Louis."

The celebration is being organized by the Spirit of St. Louis 1927-1977, whose president is Clarence C. Barksdale, chairman and CEO, First National, St. Louis. This is a nonprofit organization created by St. Louis-area businessmen and civic leaders to celebrate the 50th anniversary of the late Mr. Lindbergh's flight.

"Our celebration," says Mr. Barksdale, "is being held for all people with fond memories of Lindbergh as the world hero in 1927. We have a special attachment to Lindbergh, and it is with great pride that we are planning this celebration. We hope that everyone will accept our open invitation to come to St. Louis and celebrate with us."

The 50th-anniversary celebration is being held in St. Louis because it was there that young Lindbergh received the financial and moral support he needed to build his monoplane, christen it the "Spirit of St. Louis" and fly it alone to Paris on May 20-21, 1927.

The Sunday afternoon and evening riverfront extravaganza, free to everyone, will be held from 5-9:15 p.m. It

Charles A. Lindbergh is pictured in front of plane, "Spirit of St. Louis," in which he flew alone from New York City to Paris in 1927. Historic flight will be commemorated in St. Louis this month with entertainment extravaganza on riverfront. Plans are being made by nonprofit group headed by Clarence E. Barksdale, ch. & CEO, First Nat'l, St. Louis.

will include skydivers, aerobatics, a hot-air-balloon ascension, wing walking and other demonstrations of this nation's aviation progress. A 30-minute-long fireworks display will conclude the celebration, which is being produced by Famous-Barr Co., St. Louis department store.

Another highlight of the anniversary weekend will be a formal banquet for guests from the U. S. and France May 21 in the new St. Louis Gateway Convention & Exhibition Center. At the banquet, the first annual Spirit of St. Louis Aviation Award will be given to an American whose life and career have contributed significantly to the advancement of flight.

Still another aspect of the 50th-anniversary observance of the Lindbergh flight will be a four-month tour (June-November) of 80 U. S. cities this year by a replica of the "Spirit of St. Louis." The tour will retrace the route that Lindbergh, who died in 1974, followed into 48 states in 1927.

The replica, says Mr. Barksdale, will be unveiled in St. Louis. The tour has been made possible by a grant to the Experimental Aircraft Association Foundation (EAA), Hales Corners, Wis., from the Spirit of St. Louis 1927-1977. Mr. Barksdale explains his group decided to make the tour possible as part of a nationwide campaign to "demonstrate that there is a new spirit of St. Louis."

Bank Sponsors Lindbergh Flight Competition

First National, St. Louis, is sponsoring an area-wide essay and model display competition in honor of the 50th anniversary of the late Charles A. Lindbergh's historic transatlantic flight to Paris in the "Spirit of St. Louis."

The essay contest is open to students in grades 3-12 in the bistate (Missouri and southern Illinois) area. They will be asked to write a 300-500-word essay on the theme, "What Did Charles A. Lindbergh's 1927 Flight Mean to the World?" Essay entries will be judged in three categories: grades 3-6, 7-9 and 10-12.

The model airplane display contest is for students in grades 1-6. First National is providing free plastic replicas of the "Spirit of St. Louis" model airplane kits. Youngsters are asked to assemble the plane and display it in a creative manner by placing the model in an appropriate setting, on a display board, in a shadow box or diorama. Winners will be selected on the basis of best display idea and execution and not the display cost involved.

A panel of outside experts from the fields of aviation, art and creative writing will judge the entries, with winners to be notified May 12. Winning essays and model airplane displays will be exhibited in First National's lobby May 16-27.

First-, second- and third-place prizes will be awarded in each category, with a total of 12 prizes. First-place winners will receive $300 U. S. Series E savings bonds; second-place winners will get $200 savings bonds, and third-place winners will be given $100 savings bonds.

Think Snow?

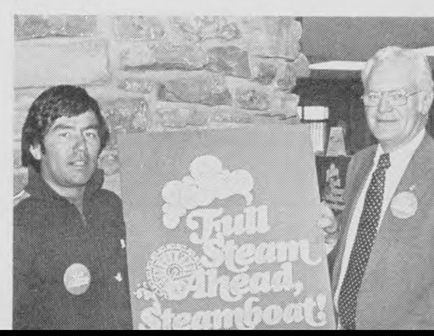
'Full Steam Ahead' Call Revives Town's Spirit

The winter's lack of snow has brought about an attitude of pessimism among many citizens of Colorado ski towns, and Steamboat Springs is no exception. The mild weather led to a temporary closing of Steamboat's ski area, but, thanks to Routt County National's "Full Steam Ahead" campaign, much of that citizen-and-merchant glumness is being replaced with a positive attitude.

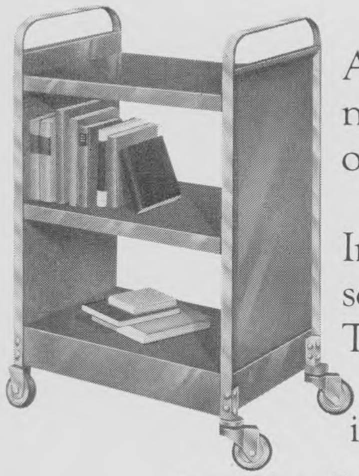
As part of the bank's campaign, "Full Steam Ahead—Steamboat" posters and buttons have been made available to merchants, residents and tourists. Even the community's youngsters have been involved in the event. A coloring contest was conducted to raise money for a local school that was destroyed by fire.

Has the campaign been effective? "Yes it has, and in unexpected ways," says Routt County National President Del Scott. "Mother Nature seems to have picked up on the campaign, judging from our recent snowfall!"

Pro Skier Hank Kashiwa (l.), prominent citizen of Steamboat Springs, Colo., joins Del Scott, pres., Routt County Nat'l, in bank's "Full Steam Ahead—Steamboat" campaign to overcome community's woes brought on by nearly snowless winter.



Why banks suggested Ætna Money for a holding company in Missouri and a mill in New Jersey



A holding company with widely scattered subsidiaries needed money for expansion, but had reached the end of its bank credit line.

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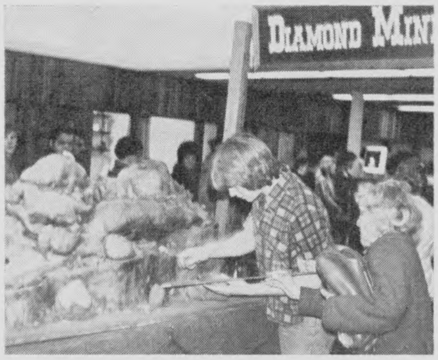
'Magic Mountain':

Bank's Anniversary Fete Features Diamond Dig

The diamond anniversary celebration of Roselle (Ill.) State really lived up to its name. Customers transacting business at the bank during the event were offered a chance to "dig" for diamonds in the bank's "Magic Mountain Diamond Mine"!

The "diamond mine" actually was a replica of a mountain and was on view in the bank's lobby. Besides the usual array of peaks, valleys and so on, this "mountain" sparkled with hundreds of rhinestones, among which were 75 real diamonds. In addition, eight specially marked rhinestones entitled lucky "miners" to a free $75 savings account.

"Mining claims" were issued whenever a customer made a transaction at the bank—a deposit, withdrawal, loan payment, etc. Customers then could take the "claim" to "Diamond Pete," the mining operations supervisor, who helped each customer stake a claim and "assay" the stone selected.



Customers of Roselle (Ill.) State were given chance to "mine" for one of 75 diamonds among hundreds of rhinestones on bank's lobby display, "Magic Mountain Diamond Mine." Here, assistant removes stone selected by customer.

The event was a huge success, says a Roselle State spokesman. Approximately 9,400 mining claims were processed, and 9,300 rhinestones, all 75 diamonds and all eight $75 savings accounts were given away.

A Topical Choice:

Bank Seeks New Business With Free Coffee Premium

First State, Alsip, Ill., came up with an extremely topical premium early this year—coffee. For about a month, the bank offered a choice of two pounds of Folger's coffee or a set of four designer "cactus" mugs free to each person who opened a new savings account with $100 or added that amount to an existing savings account.

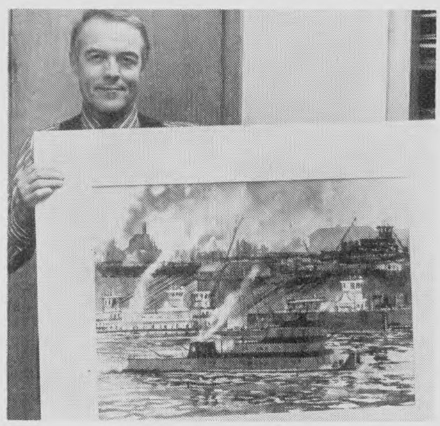
Although Chairman Mace Rubinstein would not divulge the actual amount of new business generated by the premium promotion, he says it was "substantial." Also, the coffee outperformed the mugs in popularity by a 2-to-1 ratio.

The bank advertised the premiums in newspapers in the metropolitan Chicago area, and, according to Mr. Rubinstein, these ads did a good job of bringing in people.

River Scenes:

Mississippi Life Is Topic Of Bank's Art Exhibit

An art exhibit and watercolor lecture-demonstration by regional artist James Godwin Scott have been sponsored by First National, St. Louis.



Pictured with his watercolor, "St. Louis Ship," is artist James Godwin Scott. The work was unveiled during a three-week exhibition of Mr. Scott's works at First Nat'l, St. Louis.

A free exhibition of Mr. Scott's river paintings was held in the bank's main lobby and included Mississippi River memorabilia. In addition, the artist held a painting demonstration in a local park. In that demonstration, he showed how an artist selects from nature when attempting to make a creative statement, choosing as his subject an array of flowers provided by St. Louis' Shaw's Botanical Garden.

The three-week in-bank showing consisted of about 30 of Mr. Scott's best known watercolors depicting life on the Mississippi River at St. Louis. Many of the paintings were shown for the first time.

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Multi-Bank Electronic Network Is Operational in Kentucky; Originates in Louisville

LOUISVILLE—Kentucky's first network of electronic banking services—allowing consumers to use their personal banking cards at other banks' automatic teller facilities—has gone from the planning to the operational stage.

Called Card Interchange, the network now includes three banks—First National, Louisville; Second National, Lexington, and Taylor County Bank, Campbellsville. This spring, two others will be added—Citizens State, Owensboro, and Farmers Bank, Madisonville. In addition, several other banks have expressed interest in joining the network. A First of Louisville spokesman says Card Interchange has the ultimate capacity of linking Kentuckians to some services of their hometown banks from anywhere in the state.

The network was developed by First of Louisville, which functions as the "transmittal" or "originating" bank. The Card Interchange symbol appears on all automatic tellers of all participating banks, permitting customers to recognize units at which they can do their electronic banking while out of town.

A. Stevens Miles (r.), pres., First Nat'l, Louisville, and J. H. Graves, pres., Second Nat'l, Lexington, point to Card Interchange symbol Kentuckians should look for when needing 24-hour banking away from home. First of Louisville is developer of Card Interchange network, and Second Nat'l is one of first two Kentucky banks to join program.

The procedure customers use to withdraw funds from participating banks' automatic tellers is identical to that of their own bank's automatic tellers.

First of Louisville's president, A. Stevens Miles, points out that, while banking still is a long way from the checkless society, this new network overcomes a problem almost all Kentuckians have faced—obtaining cash from their checking accounts at any time of the day or night while out of town. He foresees expanding the network's services in the future to include such additional services as deposits and transfers of funds from one account to another.

New Computer Services Offered To Businesses by HC's Banks

ST. LOUIS—Mercantile Bancorp., bank HC headquartered here, last month announced that all 28 of its banks now offer three major new computer services to small and moderate-sized businesses throughout Missouri and bordering states.

Mercantile is offering computer servicing of accounts receivable, accounts payable and general ledger accounts in a joint program initiated with Automatic Data Processing, described as the largest data processing system in the country. This firm is headquartered in New Jersey, with Missouri offices located in St. Louis and Kansas City.

"This is part of Mercantile's continuing effort to provide complete capabilities to businesses with sales in the $1-million-to-$10-million range, giving them access to services not otherwise available without purchasing costly electronic equipment," says Jerry Goldstein, a vice president of the HC's lead bank, Mercantile Trust, St. Louis. "By putting their accounts receivable, accounts payable and general ledger accounts on a computer, these businesses can achieve internal operating efficiencies, reduce costs and improve their levels of control."

Mercantile already is marketing a wide range of services for small businesses, including cash management and payroll servicing. Both Mercantile Trust and ADP continue to market their own payroll systems independently.

Visa Internat'l EFT System Put in Operation April 4

SAN FRANCISCO—A global electronic funds transfer system, said to be the first of it kind, went into operation April 4. Visa members in the U. S. and 16 other countries began interchanging transaction data electronically through a system operated by National BankAmericard, Inc. (NBI).

Called BASE II International, the system initially links 20 card-processing centers located overseas to the 96 centers in this country. Through it, member banks transmit credit and debit information for card-holder billings as well as data for interchange settlements among themselves.

Inauguration of the international network coincides with global adoption of the Visa name to simplify and strengthen recognition worldwide. Overall, it will reduce international clearing costs for member banks to about a third of current levels, estimates D. W. Hock, president of NBI & Ibanco, Ltd., which administers the Visa card system worldwide.

The new system will become fully operational by July 1.

Operations

Bank Can Monitor Remote Branches With Statewide Security Network

A SECURITY NETWORK linking all of Maryland National's branches and facilities is being installed and will go into statewide operation early in 1978.

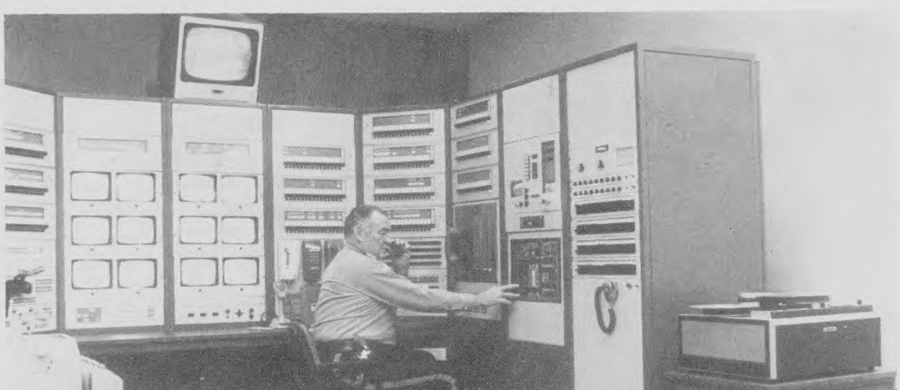
Reputedly the world's largest, this $1-million, bank-owned proprietary branch-monitoring system—designed by Mosler Safe Co., Hamilton, O.—will protect more than 150 remote banking locations. It will replace formerly leased outside security services and will enable the bank's own security personnel to monitor scheduled bank operations and detect criminal or emergency situations on an around-the-clock basis. From the bank's centrally located security console, trained operators will be able to identify accurately various alarm indications and immediately initiate law-enforcement responses to situations occurring in branches anywhere from the tip of the eastern shore to the mountains beyond Hagerstown.

According to Richard T. Davis, assistant vice president and head of the bank's security and protection department, this capability for rapid remote reportings and reactions—even from 160 miles away—adds new dimensions in protection for bank personnel and customers, as well as for monies and valuables on hand.

"One of the major advantages of this new system," says Mr. Davis, "is its ability to furnish up to 10 different and discriminating reportings from each branch bank. We can tell immediately what kind of situation exists, whether it's a holdup attempt or if someone's actually trying to burglarize a vault, open a night depository or tamper with our phone lines and alarm circuits. Day or night, we can identify an unauthorized or illegal entry, when a door's left unlocked or even know when our night cleaning people enter or leave.

"And, because we can precisely distinguish critical alarms, we can better initiate the proper type of police response when necessary, with minimal delay and far less opportunity for either physical danger or property loss. So this affords greater safety and protection at every one of our facilities and, most importantly, for everybody in them. This modern branch-monitoring system also virtually eliminates another banking headache: calling out a valuable police unit to answer a false alarm."

Maryland National's extensive BRM-X branch-monitoring system utilizes modern multiplexing techniques and equipment that transmit, receive and report at millisecond speeds. It consists of three major elements: the regionally zoned and computer-assisted display at the central console monitor; a security transmitter at each remote location and an advanced data-gathering telecommunications network. This latter system, engineered with the close



This is security console of Mosler BRM-X branch-monitoring system, which Maryland Nat'l is installing in branches across state. From this centrally located console, trained operators will be able to identify accurately various alarm indications and immediately alert law-enforcement agencies to situations occurring in branches anywhere in Maryland.

cooperation of the Chesapeake & Potomac Telephone Co., features a new "touch-dial" technique that enables the console operator to initiate coded, single-digit telephone connections to up to 31 preselected numbers almost instantaneously.

In addition to the security that the new system will provide, the bank also cited flexibility and cost economies as reasons for implementing the Mosler BRM-X remote monitoring system. In recent years, the $2-billion-deposit Maryland National has been opening or acquiring an average of six new branch locations annually. Now, anticipated growth in any area can be accommodated easily because the new security installation is expandable to well over 250 separate locations. Operations officers expect the bank-owned system to pay for itself rapidly in terms of more complete and uniform administrative control and reduced operating, service and maintenance expenditures.

Mr. Davis also points out that the bank's new security network doubles the information formerly transmitted from remote locations and, with its advanced communications system, can offer an estimated 70% cost savings over conventional reporting methods. He also favors the new BRM-X system because it interfaces with its own computer for routine branch-status analyses, personnel updates, event summaries, etc., but doesn't depend on computerization to maintain continuous protection. While teletypewriter and CRT readouts usually will be available immediately to security supervisors, the Mosler BRM-X system will operate fully independently during any computer or other power outage.

"When all 150 or more branch offices and buildings are protected by this statewide system next year," Mr. Davis says, "we feel we will have rounded out a program of total security quite consistent with Maryland National's forward attitude toward financial, employee and customer responsibilities."

Alabama Trust School July 17-23; Open to Out-of-State Bankers

BIRMINGHAM—The fifth annual session of the Alabama Trust School will be held July 17-23 at Birmingham Southern College here. The school, which is open to banks in neighboring states as well as those in Alabama, is sponsored by the Alabama Bankers Association's Trust Division.

The three-year school consists of 39 hours of classroom instruction, augmented by special lectures and discussion groups. Diplomas are issued on completion of the third year.

Registration fee for each one-week session is $200, which includes tuition, room and board. Application forms and registration fees must be submitted by June 1.

For application forms and further information, write: Coordinator, Alabama Trust School, P. O. Box A-6, Birmingham Southern College, Birmingham, AL 35204.

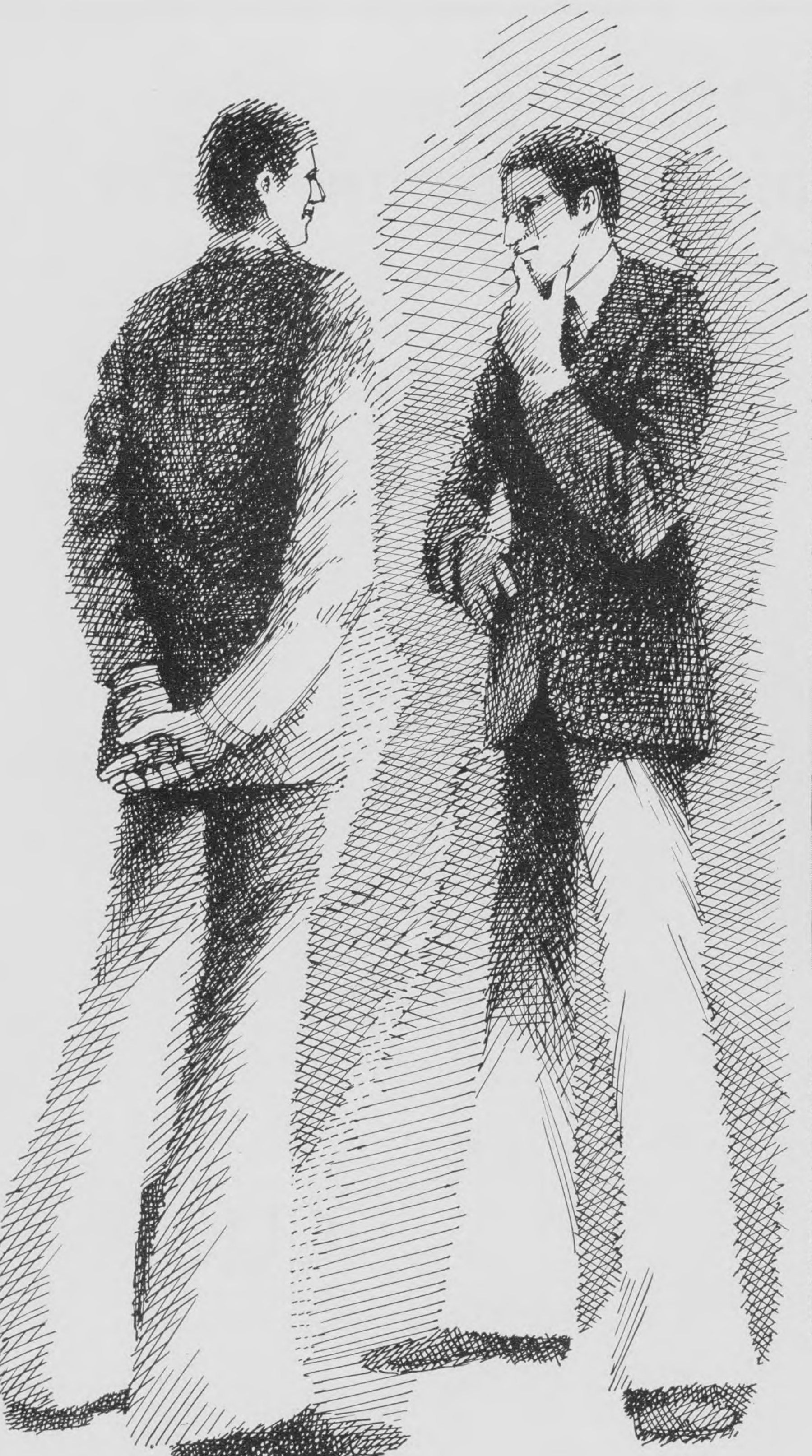
Mercantile Buys Tower

ST. LOUIS—Mercantile Trust last month announced that it has purchased the interests of its joint-venture partners in Mercantile Center Associates, Crow, Pope & Land Enterprises of St. Louis.

"As a result of this action," says Mercantile's chairman, Donald E. Lasater, "Mercantile Trust Co. now is the sole owner of both Mercantile Center Associates, which holds title to the Mercantile Tower and the adjoining garage, and also of the Mercantile Center Redevelopment Corp., developers of the six-block, multi-use complex in downtown St. Louis."

Amount and terms of the purchase were not disclosed.

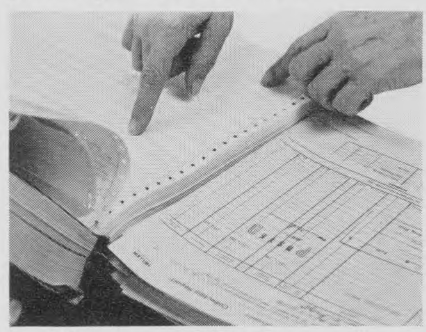
You've got one good reason to consider secured lending...



The most important reason, of course, is profit. You don't want to lose your profitable customers or prospects should they require a secured loan. But you can't ignore the fact that secured lending diverts your time and resources from your basic business and, unless you have a highly qualified staff, can become risky. However, there's a profitable and efficient way to avoid these problems . . . participate with Heller.

In a manner of speaking, our staff will become your secured lending department. They are not only experts, they are the experts in secured lending . . . the most experienced, and very likely, the best in the business. With over a half-century in the secured financing business, Heller people pioneered many of the modern lending techniques.

It's with this experience that Heller people today perform eight essential functions necessary in administering your secured loan. While your staff concentrates on your primary banking business, Heller is performing the following services to protect your bank's dollars.



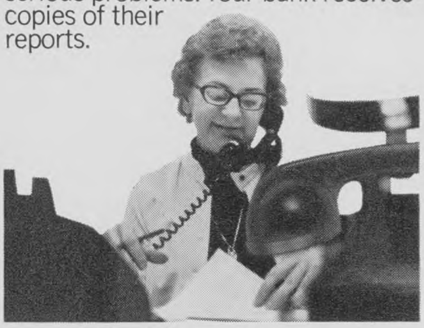
Reconciliation of Agings.

Each month Heller determines which of a borrower's invoices represent eligible collateral. What differentiates our operation is that we evaluate the individual pieces of collateral in terms of their "real dollar" value, as opposed to computing their eligibility through some calendar-oriented, mathematical formula. Yet, our approach is positive, keeping a delicate balance between your collateral protection and accommodation to your customer's needs.

and at least eight good reasons to consider participating with Heller.

Field Examinations.

Field examiners conduct audits in the borrower's place of business at 90 to 120 day intervals. Each is Heller-trained to rationalize the figures, as well as balance them, and their reports often highlight correctable "conditions" before they become serious problems. Your bank receives copies of their reports.



Verification.

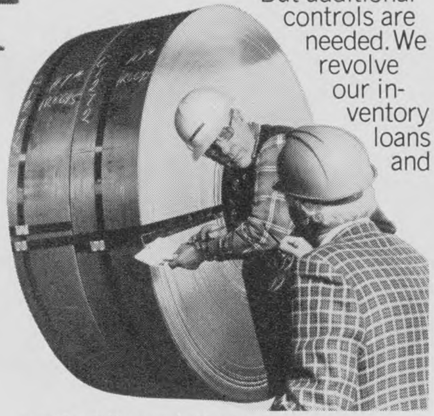
Frequent telephone verification of collateralized receivables checks their authenticity, amount and terms. This way, exceptions can be personally and considerately resolved—something computers can never be taught to do.

Legal Work.

While mindful of their obligation to protect the legal positions of both Heller and the bank participant, our attorneys are also business-minded. They seek ways to make a safe loan, drawing upon their experience to avoid qualifications that may sour the dealings.

Supplemental Loans.

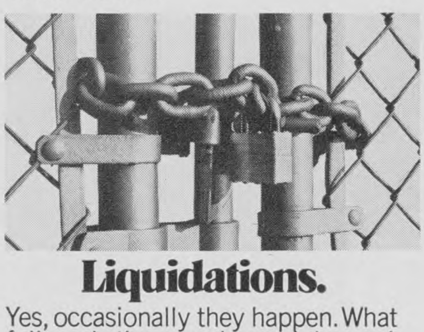
To maximize your customer's borrowing capacity, a secured loan may include inventory and/or chattels as well as accounts receivable. But additional controls are needed. We revolve our inventory loans and



control them daily, not monthly. Our inventory analysts understand "auction values," and physically check beyond a bookkeeper's in-and-out tallies. Chattels are evaluated by specialists in machinery and equipment.

Credit Administration.

Our account executives keep a complete up-to-the-minute picture of the borrower's financial position, carefully following trends affecting collateral and operations. Typically this continuous review leads to a reduction in bad debt expense, as our record demonstrates.

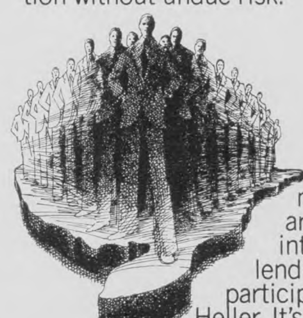


Liquidations.

Yes, occasionally they happen. What follows is the complex and demanding period called a "workout," a time when only the specialized experience of the lender and cool determination to "see it out" can prevent a loss. Heller's record in handling these situations, like our general expertise in secured lending, is probably the best in the business.

Processing.

In fairness to your customer, it is Heller's policy to process disbursements or pay-downs respecting the customer's loan on the day we receive the collateral or payments. Our years of experience permit instant attention without undue risk.



More and more banks are entering into secured lending through participations with Heller. It's an extraordinary business relationship. Your customer's financial needs are served. You keep your customer, continuing to provide his normal banking functions, while you generate interest income from your portion of the loan. And you have the comfort of knowing Heller is protecting your investment. Heller has lending partnerships with banks of all sizes—from those with under $20 million in deposits to many of the nation's 25 largest banks. Find out what they've found out about this marketable, profitable lending concept. Call Heller today.

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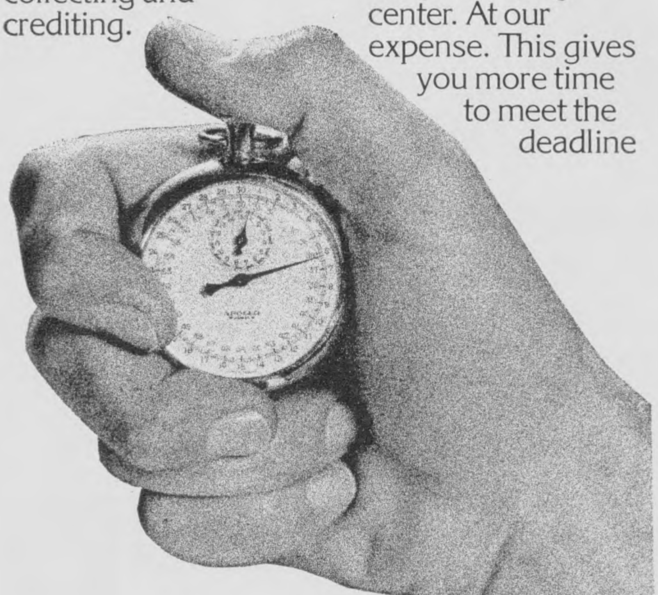

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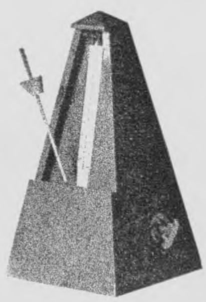

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1977—Year of Nationwide NOW Accounts?

Stage being set for legislative action On NOWs, interest payment on reserves

Special to MID-CONTINENT BANKER

ALMOST OVERNIGHT, it seems, the question of payment of interest on some type of demand deposits has moved to the front legislative burner in Washington, becoming a national issue of concern to all bankers. Yet this issue has been building impetus for seven years or more.

The issue has many labels—"NOW (negotiable order of withdrawal) accounts" and "interest-bearing consumer transaction account" being the most prominently mentioned. Regardless of what these new types of accounts are called, it's clear that Congress intends to make a major effort to legislate them into existence nationwide—for both banks and S&Ls—sometime this year. As of this writing, neither the specifics of such legislation, nor its possible schedule, are known. While some observers doubt that such a bill could pass Congress at present, few believe it could be held off indefinitely.

In the meantime, Fed Chairman Arthur F. Burns has publicly declared his preference for nationwide NOW accounts, combined with payment by the Fed of interest on the required reserves it holds. The American Bankers Association, at a late-February meeting, declared its intention to seek a constructive solution to the question of payment of interest on consumers' transaction balances, rather than to wage an all-out war of opposition to any and all such proposals.

How have NOW accounts relatively and suddenly changed from a New England issue to a question concerning bankers in every state? A review of recent history underscores the trend—hitherto often unnoticed by bankers outside New England—toward some sort of nationwide payment of interest on transaction balances. As scrutiny of the events listed below shows, the erosion of prohibition of payment of interest on demand deposits and a trend toward the offering of third-party payment services by thrift institutions began slowly some years ago but has accelerated ever since:

- In 1970, S&Ls were permitted to make pre-authorized transfers from savings accounts in payment of various household-related expenses.
- In 1972, state-chartered mutual savings banks (MSBs) in Massachusetts were authorized to offer NOW accounts. A few months later, New Hampshire followed suit.
- In 1974, Congress authorized all depository institutions (except credit unions) in Massachusetts and New Hampshire to offer NOW accounts. In the same year, shareholders of money market funds were allowed to write drafts (or checks) against their accounts. Credit unions were granted authority to offer share-draft accounts, the equivalent of NOW accounts or checking accounts that pay interest. Banks were permitted to accept savings deposits from state and local governments, something the thrifts already were allowed to do.
- In 1975, banks were authorized to transfer funds from savings accounts to demand deposits by telephone order (again, balancing powers already granted to thrifts). Authority of S&Ls to make pre-authorized transfers from savings accounts was extended to cover any type of payment, and similar authority was granted to banks. In the same year, banks also were authorized to offer savings accounts, to a maximum of $150,000, to business firms.
- Finally, in 1976, Congress passed legislation permitting NOW accounts for all depository institutions (except credit unions) in all six New England states.

To summarize those events, NOW accounts were an invention of state legislatures and regulators originally intended to benefit thrifts. Only later were they expanded by Congress to banks in an effort to balance the powers of competing financial institutions within the New England region.

Although debate on the question of interest-bearing consumer transaction accounts now is dominated by events in Washington, it's important to remember that the origins of this national debate go all the way back to state-level competitive, regulatory and legislative initiatives. Such evolutionary processes have been described as "potboiling"—permitting new powers for state-chartered institutions, which causes extension of those powers to federal institutions.

By the same token, potboiling be-

States in which thrift institutions may offer checking or NOW accounts

State	Checking Accounts	NOW or NINOW+
Connecticut	MSB/S&L	MSB/S&L
Delaware	MSB	
Illinois		S&L+
Maine	MSB/S&L	MSB/S&L
Maryland	MSB	
Massachusetts		MSB/S&L/CU
Nevada	CU	
New Hampshire		MSB/S&L
New Jersey	MSB	
New York	MSB/S&L	
N. Carolina	CU	
Oregon	MSB/S&L*	
Pennsylvania		MSB+
Rhode Island	MSB/S&L/CU	MSB/S&L
Utah	CU	
Vermont	MSB	MSB/S&L
Wisconsin		S&L**+

* Not effective yet
** In litigation
\+ Non-interest-bearing NOW acct.
MSB--Mutual savings bank
S&L--Savings & loan assn.
CU --Credit union

tween thrift institutions and banks also has been effective. Either way, potboiling within a state or region can quickly lead to pressures in adjoining states or regions for similar changes.

Recent changes in New York help illustrate the potboiling process even more clearly:

- In May, 1974, several MSBs in New York introduced "payment orders," check-like instruments, and secured the State Banking Department's approval of the new service.
- A suit filed by the New York State Bankers Association and three of its members in July, 1974, resulted in a court ruling that state law did not authorize MSBs to offer such services.
- The New York legislature, however, enacted a law in 1976 to grant demand-deposit powers to state-chartered thrifts. In early April of this year, Congress nearly passed, but finally rejected, a move to grant checking-account powers to federal S&Ls in New York state.

Nevertheless, through potboiling and an increasingly powerful combination of competitive and political forces, interest on demand deposits undeniably has become a national issue.

Certainly by 1976, it was clear that payment of interest on some form of checking accounts soon would become a major national issue for bankers. Last September, having found that interest on demand deposits had become a stumbling block for certain pieces of legislation, leadership of both the House and the Senate Banking committees asked the Fed to conduct a study of the probable impact of payment of interest on demand deposits and report back to the 95th Congress by February 1 of this year.

The Fed's staff study was completed on schedule and forwarded to Congress. Although as of this writing the Fed's Board of Governors has made no formal recommendation to Congress regarding interest on demand deposits, the Fed's staff has been working with the congressional staff on a possible legislative package.

Among other things, the Fed staff study reported that payment of interest on demand deposits is likely to lead to the pricing of bank services more nearly in line with costs. (In that regard, other studies have shown that the costs of so-called free checking accounts often equal 20% or more interest on balances in those accounts.) The study noted, too, that the ban on interest on demand deposits has been eroded by developments in financial markets already described above.

The Fed staff predicted that such payment of interest would temporarily reduce bank earnings by 5 to 20% of pretax earnings during the worst year of a transition period. The impact of such a change would be lessened somewhat, the study said, if both banks and thrifts nationwide could offer NOW accounts only to individuals and nonprofit organizations. (Since then, Chairman Burns has said he would prefer offering NOWs only to individuals.)

Banks with both relatively low earnings and relatively large amounts of deposits that were potentially subject to a switchover to NOW-account status would encounter the most difficulty in adjusting to removal of the prohibition of payment of interest on demand deposits, the Fed staff reported.

The study report suggested that payment of interest on required reserves held by the Fed could offset part of the cost impact of nationwide implementation of NOW accounts. And it said there should be uniform reserve requirements on such accounts, with all those reserves held at the Fed. The study also predicted that interest on demand deposits would not have a significant effect on interest rates in credit markets.

What does the future hold? At a February leadership meeting, which included the ABA's Governing Council, Government Relations Council and the leadership of all 50 state bankers associations, the ABA rejected the concept of straight elimination of prohibition of payment of interest on demand deposits. However, the ABA did declare its intention to search for a constructive solution to the question of payment of interest on consumers' transaction balances.

Will this issue ultimately be linked to payment of interest by the Fed on required reserves? Chairman Burns specifically has stated that the two issues must be considered together, but for bankers it may be easier initially to examine the two issues separately. The ABA has described it this way: "Two separate—but many-sided—issues confront bankers: first, direct and open payment of interest on a new class of demand-type deposits, theoretically balanced by realistic (and increased) service charges; and second, payment of interest on Fed-held required reserves, seen by some as a possible solution to the Fed's membership problem, by others as a potential disruption of correspondent relationships."

"For bankers, as for other groups which would be affected by such legislation," the ABA said, "the need now is to seek to resolve divergent opinions and arrive at some consensus—especially in light of competitive inroads made recently by nonbank financial institutions and organizations."

In that connection, the ABA scheduled a second leadership meeting for late April to continue the process of building an industry-wide consensus on the question of payment of interest on a new type of demand-deposit account.

Demand-Deposit Interest Payment Impact Could Be Serious on Independent Banks

By CHARLES O. MADDOX JR.*
President
Peoples Bank
Winder, Ga.

INTEREST-generating NOW accounts could have the most serious impact of any development in the past 50 years on the manner in which our banks are operated.

I have been in contact with New England bankers for over a year and a half, securing data on the impact of demand-deposit interest. Contrary to public assertions that the experimental NOW account program was having a minimal effect on commercial banks, I found that the impact of payment of interest on demand deposits was in direct proportion to the percentage of demand deposits to total deposits in each bank.

Where a large percentage of demand money was rapidly converted from personal checking accounts to NOWs, the impact of the additional expense to the bank approached disastrous proportions.

One New Hampshire banker, with whom I discussed the detailed breakdown of profit-and-loss, indicated a drop in earnings of 52% from the preceding year. This drop was directly attributable to interest payments on NOWs.

Anyone feeling that demand-interest

** Mr. Maddox is immediate past president, Independent Bankers Assn. of America. This article is based on remarks made by Mr. Maddox at the recent IBAA convention in Washington, D. C.*

accounts will not have a material impact on their bank should multiply their demand funds by 2% or 3%. In the case of my bank, payment of interest on demand funds at a 3% rate would have resulted in a loss last year.

When considering the impact of interest on demand deposits, we must realize that Congress can't be primarily concerned with whether we as independent community banks—or even commercial banks as a whole—make a profit. However, Congress should be vitally concerned with the disastrous results of the action it contemplates. Interest on demand deposits would trigger a great variety of problems, not only for commercial banks, but for all members of the financial community offering NOW accounts.

History gives us a perfect example of the problems brought about by interest paid on demand funds. In the 1920s, interest paid on such deposits was 5%, 6% and 7%. If we are going to take on this kind of expense, we would be forced not only to change our loan ratios, but to change the criteria used in evaluating the quality of the loans we make. With the dog-eat-dog approach of everyone chasing after the deposit bone, we soon would encounter the same problem already showing up in New England: Banks fully realize it is unwise to pursue interest-paying demand deposits but they are forced to do so to maintain their deposit bases.

The second and most disturbing element about demand-deposit interest is the lessening of liquidity it would cause in our banks, both because of the higher percentage of loans we would be forced to make to cover the interest payments and because of the poor loan quality that would result. This would create added problems for individual banks and regulatory bodies.

A final detrimental effect of demand interest would spring from the fact that the increased costs must be absorbed either by the banks or charged to the consumer. If capital supplied by earnings became deficient in the judgment of regulatory authorities, we would be involved in an additional equity-capital problem.

It's estimated that an interest-rate increase of between 2% and 3% must be put into effect as a partial offset to the added expense of demand deposit interest. One need only look at the size of one's average account to see that the net result of such a move would be a small return to the average checking depositor. The lion's share of the interest would go to large depositors. Inevitably, rates on all loans would go up substantially.

During visits to Canada and England, I discussed the impact of demand-deposit interest on the rates bankers there must charge. In Canada the savings rate is from 9% to 12½% and the rates charged customers range from 13% to 16%. In England a savings rate of 12% to 15% is paid and charges to customers run from 17% to 22%.

I am at a loss to understand those who would take us down the same road. • •

Mid-Continent-Area Bankers Oppose NOWs, Say Customers Will Have to Pay for Them

Chief executives of state associations present views

Demand-Deposit Interest Objected to Strongly By Missouri BA Pres.

Strong opposition to the proposal that commercial banks could or should pay interest on checking accounts across the board is expressed by Charles K. Richmond, president, Missouri Bankers Association, and vice chairman, American National, St. Joseph, Mo. Mr. Richmond stresses the fact that his views are personal and do not represent those of the MBA, since the association's board has not formally taken a position on the issue.

"I believe that paying interest on checking accounts is an unsound banking practice and I think banking's experience in the '20s and early '30s testifies to that fact," Mr. Richmond said.

Staff economists on congressional committees and some regulatory groups and other professional economists seem intent on building a case for payment of interest on demand deposits, he said. They write off the experience of the past, sometimes in one brief paragraph, explaining that the prohibition of interest on checking accounts in 1933 was a trade-off to get federal deposit insurance approved.

"I have a strong feeling that most bankers who were on the line back in those days would be opposed to the current trend. Maybe there are more lessons to be remembered from that period than are being mentioned now," he continued.

Another principal reason for Mr. Richmond's opposition to payment of interest on demand deposits is the severe impact on bank earnings it would have, Mr. Richmond said, particularly for the smaller banks. He said it is being suggested that the Fed pay interest on reserve balances to help offset the increased costs banks face when paying demand-deposit interest, but that will not help many small nonmember banks.

"Raising service charges on checking accounts to a figure more in line with actual costs will help offset the new interest expense," he said, "and also raising loan rates could be a source of additional offsetting revenue. These developments very likely would be to the detriment of the small- to medium-balance customer."

Such a proposal would not help the average consumer, he said, which means it is ill-conceived. The affluent customer will benefit from the interest paid at the expense of the small- to medium-balance customers whose average collected balance might earn insignificant interest but whose service charges might be increased significantly.

"This same customer is likely to be an installment borrower where, again, he might have to help pay the tab through higher loan rates," Mr. Richmond said. "A proposal that would so drastically increase costs and reduce profitability at a time when strengthening capital and reserve accounts is being strongly promoted by bank regulators seems to be in direct contradition to the regulator's stance."

Mr. Richmond said he is sure there are many banks without computerized checking accounts. It occurs to him that it would be a horrendous job to

"It is quite obvious that neither the mutual savings banks, S&Ls nor the credit unions feel they should have to adhere to the original purpose for which they were established."

handle interest on regular checking accounts or NOW accounts if it were done manually. Some of the banks located in areas where transportation to a computer center is a problem could find themselves in a difficult situation.

"As for the much publicized NOW account," he said, "it is basically equivalent to an interest-bearing checking account with one significant difference—the reserve requirement is lower. I am opposed to nationwide NOW accounts for the reasons stated above. I would point out, however, that the proposal under consideration, as I understand it, provides only for household accounts at an interest rate somewhat less than the present maximum of 5%. Also, the establishment of a NOW account apparently requires customer initiative. The NOW account would impact earnings to a lesser degree than across-the-board payment of interest on demand deposits."

The question usually arises who or what is the force behind this NOW account movement and the answer is somewhat vague, Mr. Richmond said. Mentioned for varying reasons are professional and congressional staff economists, certain consumer advocates, the Fed and large thrift institutions.

"I believe the overriding force is the desire of the large thrifts to provide third-party payment power to their customers and thereby try to increase their share of the market," he said. "It is quite obvious that neither the mutual savings banks, S&Ls nor the credit unions feel they should have to adhere to the original purpose for which they were established. They want to expand into other financial areas without the constraints imposed on banks while retaining the advantages allowed them initially."

We are being told by such prominent lawmakers in Washington as Senator Thomas J. McIntyre (D.,N.H.) that NOW accounts are inevitable, Mr. Richmond said. Fed Chairman Arthur Burns has implied the same inevitability.

"I am not convinced that they are or need be inevitable," Mr. Richmond said.

Mr. Richmond listed several alternate positions that the ABA has suggested:

- Oppose the payment of interest on checking accounts in any form, including NOW accounts.
- Oppose payment of interest on demand deposits but support the spread of NOW accounts.
- Support payment of interest on government deposits only.
- Oppose payment of interest on checking accounts, including NOW accounts, but support pre-authorized transfers between demand and time deposits.
- Support payment of interest on checking accounts, including NOW accounts, only if interest is paid on reserves kept in Fed banks.
- Support payment of interest on checking accounts if interest limitations are set at low levels and gradually increased only after it has been determined that there has been no damage to the industry.
- Support a gradual phase-in of interest on checking accounts only if interest is paid on reserves kept at the Fed.
- Support payment of interest on checking accounts only if all usury ceilings that affect commercial banks are removed.
- Support payment of interest on demand deposits in those areas where NOW accounts are allowed.

"It behooves each of us as bankers to give serious study to this entire question including these alternatives," Mr. Richmond said. "Particularly, we should try to make a determination as to how our respective banks will be affected by the various proposals. Hopefully, we will be able to make some sound and practical decisions if called upon to do so."

Use NOWs as Trade-off For Interest on Reserves, Says Okla.B.A. Chairman

The proposal espoused by Fed Chairman Arthur Burns relating to commercial banks offering NOW accounts initially strikes Oklahoma bankers as being repulsive, said Tracy Kelly, chairman, Oklahoma Bankers Association, and president and chairman, American National, Bristow, Okla.

"When we look at the alternatives, however," he said, "it seems to be the more propitious alternative for commercial banks to take."

However, he continued, in order for banks to maintain their share of the market and continue to serve their customers, certain trade-offs should be made to make NOW accounts more palatable.

First, the Fed should pay interest on all of its reserve deposits from member banks, he said. Second, the ¼% disparity in the interest rate enjoyed by thrifts should be eliminated.

"We are all in the same market for consumer dollars," he said. "In order to survive and remain profitable, Oklahoma banks respectfully urge that the interest rate differential be removed so the free market can work."

Mr. Kelly also thinks that, if NOW accounts are implemented, they should be phased in over at least a two-year period, rather than being thrust on banks.

Mr. Kelly said that Fed membership for banks of under $100 million is of minimal value, a fact evidenced by the number of banks switching from national to state charters.

But he said he was glad to note that the Fed is probing ways of being more serviceable and effective to its members. In recent months the Fed has engaged in some introspection and has become more sensitive and responsive, he said. The Fed should be more assiduous in its efforts to please because it is the "only game in town."

Kentucky Bankers Opposed To Demand Deposit Interest And NOW Account Spread

Because of the predominance of relatively small banks in Kentucky, the recommendation of the majority would be for steadfast opposition to any change of any kind with respect to the payment of interest on demand deposits or the admission of depository thrift institutions into the checking account business, said O. T. Dorton, president, Kentucky Bankers Association, and president, Citizens National, Paintsville, Ky.

"The principal factor to be considered is suggested by the Fed impact study on payment of interest on demand deposits," Mr. Dorton said. "There, the idea is expressed that the transitional costs of converting to explicit payment of interest on demand deposits are likely to fall most heavily on smaller banks.

"Smaller banks have, as the study points out, a much larger proportion of smaller household deposit accounts. It is likely that cost increases will be greater for such accounts.

"Therefore, smaller banks will experience larger earnings reductions than larger banks and will probably experience longer transitional problems."

He said such would seem to be the case for his $41-million-deposit bank, where more than 60% of the demand deposit accounts carry balances of less than $500.

Many bankers and writers say that by leaving things as they are, present legislative trends favor the growth and diversification of thrifts and credit unions while leaving banks with traditional powers and legislation that is not current enough to enable banks to cope with competition, he said.

"According to this argument, banking legislation of a positive nature is a must," he said. "Failure to act in these key areas, they say, means that banking will stand still, while credit unions, savings banks and S&Ls will continue to gain powers that were once exclusive to commercial banks."

Most country bankers in Kentucky are not confronted with intense credit union competition and most Kentucky S&Ls disavow much interest in NOWs or checking account privileges, he said.

If a compromise or consensus to offer NOWs or payment of interest on demand deposits becomes the predominant point of view of the banking industry, he continued, the issue must be approached from the standpoint of equality—equality in chartering and capital requirements, in taxation of all financial institutions, in regulation, in interest paid to savings or checking customers, in branching and, in general, in the services available to financial customers.

Mr. Dorton said that, whatever change is offered, it seems to open a Pandora's box of problems. Among these is the question of giving or selling services.

"If payment of interest is forced upon the banking industry," he said, "this cost must be overcome by selling services."

The services now given by banks to their customers are tax-free, he said, but would become taxable through the payment of interest on demand deposits or NOW accounts and the charging for services necessitated by such a change.

"It is undoubtedly true that we live in a fast-changing society," Mr. Dorton said, "and certainly where change is necessary in the banking industry, it should be accomplished. But, the American free enterprise system has been well served by its banking system and more consideration should be given to the impact of piecemeal change as contemplated by Congress."

". . . thrifts will find a way . . . to offer transaction or checking accounts in the same manner as credit unions have devised the share-draft account for their members."

Little Support Expressed For Demand Acct. Interest Among Texas Bankers

There is little or no support for interest-bearing checking accounts among Texas bankers, from those representing the largest banking houses to those representing the smallest, said S. R. Greenwood, president, Texas Bankers Association, and president, Temple National.

Whether or not the specific statutory authority for all financial institutions to offer interest-bearing checking accounts could be accompanied by enough inducements to attract banker support is, at best, doubtful, he said.

Proponents of a package of this kind envision its key elements as including the removal of the interest rate differential on savings accounts and equal reserve requirements, equal supervisory burdens and equal tax treatment at state and federal levels for all financial institutions, he said.

"It is the view of the proponents on the positive side," Mr. Greenwood said, "that bankers possess the qualifications, experience and dedication to compete well under conditions of substantial equality. On the negative side, proponents argue that bankers simply do not have sufficient influence in the long run to prevent the eventual legislative authorization to thrift institutions for some type of interest-bearing transaction or checking account; that legislation of that kind is inevitable."

A companion argument is that thrift institutions will find a way, even without specific legislative authority, to offer transaction or checking accounts in the same manner as credit unions have devised (with the help of banks) the share-draft account for their members, he said.

Mr. Greenwood questions whether a substantially level playing field for all financial institutions is achievable. Two recent pronouncements have some bearing on this question, he said. One is the announcement of the U. S. League of Savings Associations' legislative program calling for leaving the differential intact in statutory form for the next five and a half years. The other is the blast issued by Senator Thomas J. McIntyre (D.,N.H.) against the Fed for removing the differential on IRA and Keogh accounts, an action that clearly was in the interest of a large number of individuals who wish to save toward their retirement.

Mr. Greenwood said that senators William Proxmire (D.,Wis.) and Edward W. Brooke (R.,Mass.) strongly urged that the Fed not take such action because it would be "most untimely" and would "prove to be counterproductive to the objective which we jointly share to enact a modest legislative package" to authorize nationwide NOW account authority.

But, Mr. Greenwood said, it is the words of Senator McIntyre that the Board's action is a "unilateral, special-interest initiative on behalf of commercial banks which represents gross insensitivity to the interests of thrift institutions" which are the most chilling in terms of hoping for some degree of fair play in the level-playing-field package approach.

"If action on a matter as relatively minor as letting banks pay the same rate of interest as thrifts on small, individual retirement accounts invokes this kind of rhetoric from three of the five members of the Senate Banking Committee's subcommittee on financial institutions, what real hope is there for balanced and basically fair legislation? The view from my crystal ball indicates virtually none," he said.

Aside from political realities, Mr. Greenwood said he has deep doubts about the advisability of legislation that would thrust all S&Ls, credit unions and other thrifts into the demand-deposit function. In years to come, he said, the process of accumulating funds by banks for financing the great variety of economic needs of our communities may be impaired by thrift "bank" activities in acquiring demand deposit types of accounts.

"Perhaps, through a Fed funds mechanism or otherwise, banks could borrow excess funds from the thrifts to satisfy economic needs that are beyond their lending scope," Mr. Greenwood said, "but how is the public interest served by creating another middleman in the financial intermediary process? Under present conditions and laws, thrifts are viable and thriving."

Mr. Greenwood said there is no compelling reason to change a financial structure that has worked well for decades. He is more persuaded by the philosophy of Bert Lance, director of the office of the budget in Washington: "If it ain't broke, don't fix it!"

Demand-Deposit Interest Could Harm Small Banks, Says Ill.B.A. President

Persuasive arguments about economic efficiency and benefits to depositors can be offered in support of the proposals for banks offering NOW accounts and the Fed paying interest on reserves, said Ray G. Livasy, president, Illinois Bankers Association, and president, Millikin National, Decatur, Ill.

However, he added, a number of banks, especially small- and medium-size institutions, are likely to be adversely affected, a point that has not received sufficient attention. He said that the short-term transitional and—in some cases—permanent costs to many banks may be severe. The Illinois Bankers Association feels an obligation to raise reservations on behalf of its members, he said.

"We share in a fundamental commitment to a competitive, market-oriented financial system," he said. "We believe that many banking decisions are made in an environment that closely resembles the classic textbook model of a market economy. Thus, we support developments that increase competition, while avoiding excessive market power for some institutions, for the benefit of our customers, employees and stockholders.

"It's important to remind ourselves that Congress and the states have decided that financial institutions have a special relationship to depositors," he said, "and, accordingly, have constructed a legal and regulatory protective framework. Thus, our present banking system differs significantly from the textbook model."

Banks have developed a structure of products, prices, competitive practices and operating procedures on the basis of competition within a structure of laws and regulations, he said.

Over the years, numerous proposals have been made to change parts of this legal or regulatory structure on the premise that change will increase competition, he added. Many of the proposed changes have initially appeared to provide such benefits, but they often fail to stand up under closer scrutiny because the real world effects of a change in the banking environment are distributed in a different manner than the simple, elementary theoretical model a market-type economy would indicate.

"A more sophisticated type of economic analysis that takes account of the existence of legal and regulatory constraints, participants with unequal market power, differing rates of adjustment to change and other important differences from the textbook economy is likely to lead to a more complex assessment of benefits and costs and provide a logical justification for a partisan point of view," he said.

He cited the great deal of interest in re-examining the prohibition on payment of explicit interest on demand deposits. In addition, there is significant pressure to expand NOW account privileges to all banks. To round out the package, the Fed is urged to pay interest on required reserves. The basic supporting arguments are that these changes will improve the economic efficiency of our financial system, lead to a more efficient allocation of resources and benefit consumers, firms and government units.

"There is considerable likelihood that a large number of banks will be unable to make timely changes in their price structures and thus will experience an extremely difficult transition period."

Initially, Mr. Livasy said, these are reasonable assumptions. Little has been said about the fact that the distribution of the costs and benefits of these changes will not be uniform among all banks.

"Banks are not permitted to pay interest on demand-deposit accounts," he said. "They do provide an implicit income on these deposits by providing checking account and other bank services at less than full cost or at no cost. Overall, the cost of these services constitutes an important part of a bank's operating expenses. Many banks will be able to make prompt adjustments in their pricing structure to pay interest on demand deposits while at the same time assessing a service charge against checking accounts and other types of banking services. These banks enjoy sufficient market power, geographical location or customer mix so that the adjustment can be made in a short time period."

There is considerable likelihood that a large number of banks will be unable to make timely changes in their price structures and thus will experience an extremely difficult transition period, he said. Numerous other banks may never be able to fully restructure their pricing and service mix. Thus, for a large number of banks, and very likely small and medium-size banks, the net impact of the payment of interest on demand deposits is likely to be higher operating costs, lower earnings and possibly some impairment of capital.

"NOW accounts can be subject to the same analysis," he continued. "Many of the same arguments apply, although in lesser magnitude. Some of the more practical-minded advocates have recognized some of these transitional problems and have suggested that NOW accounts be limited to consumers and that the rate of interest paid be fixed below market rates."

The proposal to pay interest on reserve balances is a far more complicated subject, Mr. Livasy said. The arguments of economic efficiency and resource allocation generally apply.

"Certainly, all banks that are Fed members will benefit with earnings from previously non-earning assets, while federal government income will be reduced," he said. "The impact on the corresponding banking network is difficult to assess because it involves the issue of the probability of banks choosing to utilize Fed services as opposed to correspondent bank services. One principal benefit to the Fed is likely to be a slowing or halting of membership erosion."

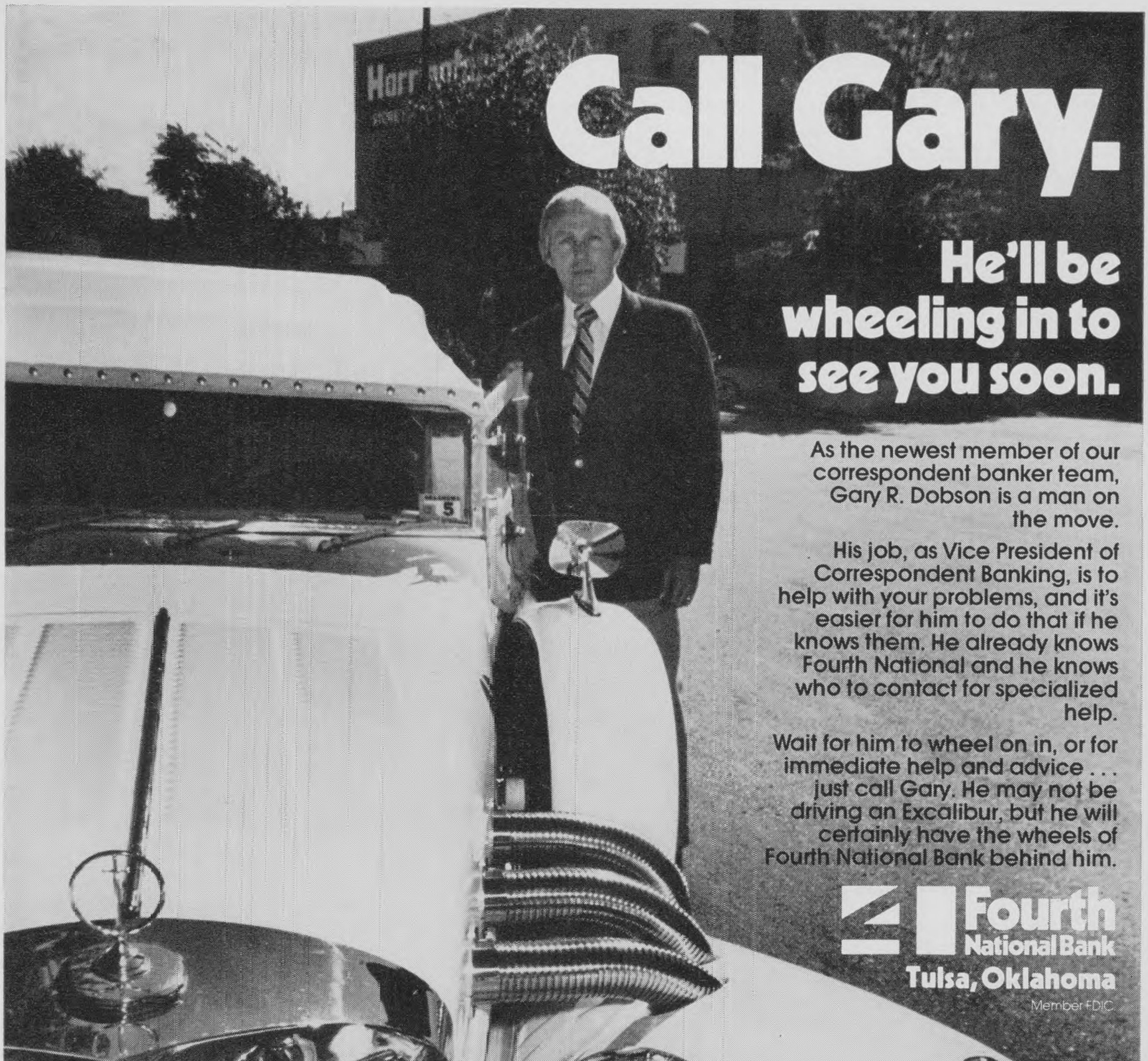
Mr. Livasy said the Illinois Bankers Association has significant reservations about the proposed changes in the pricing structure of deposits and introduction of NOW accounts.

"We feel that, on balance, the proposal to pay interest on required reserves has important benefits in a broad context," he said. "We recognize that there are powerful forces generating demands for these changes. We are of the view that an important segment of the banking industry will be adversely affected and that ultimately this will have a harmful effect on many communities, consumers and business firms."

One Objective of Thrifts Is for Nationwide NOWs, Says Kan.B.A. Pres.-Elect

The stage is definitely being set for legislative action that would permit nationwide NOW accounts in all financial institutions, said Elwood Marshall, president-elect, Kansas Bankers Association, and president, Home National, Eureka, Kan.

The ABA, at a joint meeting attended by the Governing, Government Relations and State Association Advisory councils, accepted this concept contingent on the public being served by having common rules apply to all finan-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cial institutions authorized to offer such transaction balances, he said.

"In my opinion," he added, "the big emphasis on the payment of interest on transaction balances has been brought about by actions on the part of the thrift industry, which, it would seem, is interested in obtaining a larger market share of the consumer dollar and possibly the investment dollar."

This pressure by the thrift industry, he said, which in some instances may have gone beyond the intent of Congress in the assumption of powers, has caused the Fed Board of Governors to institute a staff study and this study seems to provide authority for some of the following assumptions:

- That commercial banks are paying between 4½% and 5% implicit interest on demand deposits at the present time in the form of services performed at less than cost and, in some cases, through premium programs and other gimmickry.
- That the implicit interest being paid on demand deposits is not necessarily what the public wants done with the earnings on demand-deposit balances.
- That a free marketplace is the only way resources can be allocated efficiently. Thus the prohibition of interest on demand deposits is inefficient.
- That the Banking Act of 1933 was enacted in a crisis atmosphere without formal hearings and that the prohibition of interest on demand deposits was predominately a trade-off or compromise to permit enactment of legislation requiring deposit insurance.

"I tend to agree with the results of the various studies and the feeling that some action to abolish the prohibition of interest on demand deposits is inevitable. And I believe that bankers should take an active part in this movement in order to influence the direction ultimately taken by legislators in an attempt to see that some measure of equality in competition is obtained."

Mr. Marshall said it would appear that the NOW accounts recommended by Fed Chairman Arthur Burns and which are already authorized in some states, would be the proper vehicle, since it would then be possible for financial institutions to establish a separate class of accounts on which service charges could be established that would reasonably offset the cost of such service and on which a fair rate of earnings could be allowed the consumer.

"Since the business community already has found ways to keep all but small transaction balances in interest earning investments or accounts," Mr. Marshall said, "I tend to lean toward giving business accounts and corporations the same privileges as individuals."

There is a possibility that the Fed sees the payment of interest on transaction balances as being an advantage in its favor in the power struggle going on among regulatory agencies, he said.

"I believe the weakest financial institutions and those with least strong management will lead the parade to 'give the bank away,'" he said. "Failures will become commonplace. Bank ownership will lose its attractiveness.

"On the other hand," he continued, "marginal checking account customers will be forced out of the banking system and advantages will accrue to larger bank customers at the expense of smaller bank customers."

Mississippi Bankers Oppose Now Accounts; Recommend More Study

Mississippi bankers are opposed to the offering of NOW accounts because they are not convinced that this type of account serves the best interests of the public. This is because they place certain types of financial institutions at a disadvantage vis-á-vis their competition, according to John H. Mitchell Jr., president, Mississippi Bankers Association, and vice chairman, National Bank of Commerce of Mississippi, Starkville.

With regard to payment of interest on reserve accounts by the Fed, Mr. Mitchell's personal opinion is that Mississippi banking would support a reasonable return on reserves that are now sterile, provided no adverse effect on the management of the nation's monetary policy would result.

"The larger question of payment of interest on demand deposits should certainly be researched and discussed fully since there seems to be some sentiment—at least in a few quarters—to renew this practice after some 42 years," he said.

"I must say that I am skeptical of a

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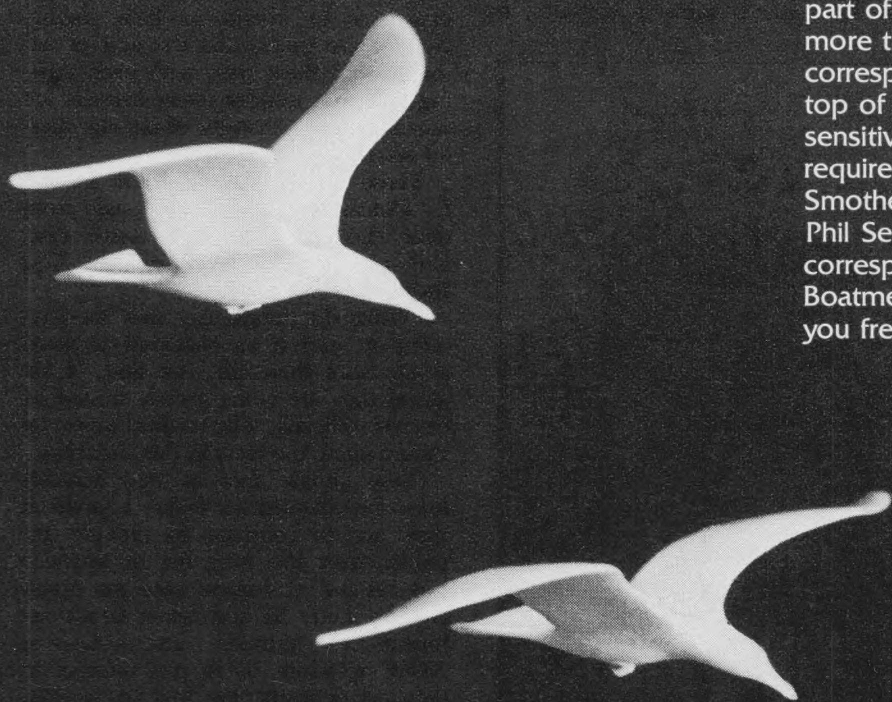

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return to this practice and would have to be convinced of its soundness before I . . . could support such a move," he said. "We do not have a closed mind on the issue, but most of my fellow bankers with whom I have visited on the subject are yet to be convinced of the soundness of a return to interest-yielding checking accounts."

Mr. Mitchell said there are several reasons for this skepticism, some of which pertain to the advisability of blurring the demarcation of powers among the various intermediary type financial institutions. The point must be made clearly, he said, that if banks are to begin paying interest on demand deposits, they must make up the increased operating expense by generating additional income, which most likely would have to come from increased service charges on checking accounts.

Mr. Mitchell said it seems to him that the smaller depositor would be hurt more than the larger depositor from increased service charges since the amount of interest he may earn on his interest-bearing checking account would probably be less than the amount of service charge on the account, particularly if it is a high-volume account. A point to consider, he continued, is that the interest earned on checking accounts would be taxable.

Mr. Mitchell recommended that the entire subject be studied extensively by competent persons and groups before any serious attempt is made by Congress to permit these "significant changes" in banking structure.

Demand-Account Interest 'Horrifies' Many Bankers, Says La.B.A. Past Pres.

Checking accounts are difficult and expensive to obtain in these highly competitive times, and the cost of administering them rises with each passing year. No wonder many bankers are horrified at the thought of paying interest on demand deposits.

These are the thoughts of Donald L. Delcambre, immediate past president, Louisiana Bankers Association, and president, State National, New Iberia, La.

"While the public may view the payment of interest on checking accounts as no more than fair," he said, "I am afraid they are being grossly misled by elected officials who either know or should know the facts in this situation.

"One simple fact is that bankers must be allowed to make a profit if they are to continue to provide the public with the long list of financial services our customers take for granted," he said. "If and when banks are forced to provide interest-bearing NOW accounts, or to pay interest on demand deposits, the loss of revenue will simply have to be made up from some other sources.

"The public is going to have to return the money it receives in interest on NOW accounts or on checking accounts to the banking system through the payment of higher service charges, higher interest rates on loans, or through some other means," he said.

Mr. Delcambre said that the Fed has proposed payment of interest on reserves in response to pressure by bankers, who have long seen such payment as no more than fair. "But now we are being told that the government is willing to help make up losses we will incur through the payment of interest on demand deposits by paying us interest on our reserves," he said.

Such a move on the Fed's part will take some of the pressure off bankers to raise service charges and interest rates, he continued, but it is a matter of the Fed doing the right thing for the wrong reason. If the payment of interest on reserves will be fair after we begin paying interest on demand accounts, he said, why hasn't it been fair all along? Or is it just that the Fed, in

response to political pressure, is bending over backwards to make this pill a little more palatable for bankers?

"After all is said and done," he said, "so long as NOW accounts and interest on demand accounts are plugged into the system simultaneously throughout the nation, as Fed Chairman Arthur Burns proposes, I really don't foresee any long-range detrimental effect to the commercial banking system. The only ones who will be hurt will be our customers, because they will be the ones who will be forced to pay the bill."

He stated that the matter really is more complicated than it seems. "Only when we look way underneath the carpet do we find the real reason for all the noise," he said. "The simple fact is that the S&L folks want third-party payment powers. S&Ls on the East Coast were the originators of the NOW concept and the idea of giving NOWs to S&Ls nationwide at the same time they are given to banks is understood.

"Meanwhile, S&Ls will go merrily along offering a limited, highly profitable list of services and basking in the warm light of Regulation Q," Mr. Delcambre said.

What are bankers going to do? he asked. How can they hope to succeed in a campaign aimed at halting the payment of interest to the consumer on his checking account?

"I'm afraid the situation is nothing short of hopeless," he said. "We stopped the S&Ls from gaining additional powers without paying the fare last year through brute force. But brute force is never the long-range answer. If you threaten it, it can work for you, but in the political arena it can't be used over and over again successfully.

"I'm afraid banking's only hope of halting the S&L incursion into our industry will be to demand equality—on rates paid on savings, regarding reserves, taxes and services performed," he said.

Anti-Crime Seminars

Four anti-crime seminars will be sponsored this year by Mosler Safe Co., Hamilton, O. Each will last two days instead of one day, as did previous seminars.

The seminars will be held as follows: May 18-19, Washington, D. C.; June 15-16, New Orleans; October 12-13, Kansas City; and November 16-17, San Francisco.

The 1977 programs have been expanded to include presentations on executive kidnap and hostage/extortion by FBI special agents and on the subject of bomb threats and search by members of the U. S. Army Bomb Disposal Unit. In addition, a special morning session will be devoted to an explanation of the Bank Protection Act of 1968 as it relates to requirements of the Insurance Services Office.

During the remainder of the two days, experts will crack a safe on stage, burn a hole through a six-inch-thick safe with a burning bar and demonstrate electonic alarm defects of all but the most sophisticated systems. In addition, safes that have been peeled, ripped, core-drilled, punched and "water bombed," the latest MO (modus operandi), will be displayed.

Information on the seminars may be obtained by writing: Robert Rosberg, Mosler, 1561 Grand Boulevard, Hamilton, OH 45012.

Former Comptroller Sees Bank Reform As Main Challenge Facing Banking

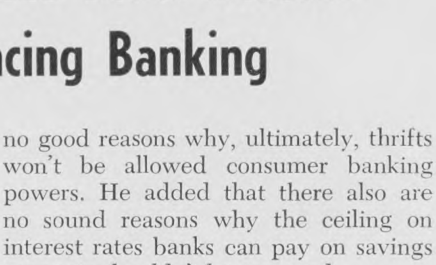
TOPICS covering marketing, asset-liability management, regulation, personnel management and EFTS were discussed at United Bank of Denver's recent correspondent bank management conference. More than 200 bankers from eight Rocky Mountain region states attended.

One speaker, James E. Smith, executive vice president, First Chicago Corp., and former Comptroller of the Currency, said the main challenge he sees coming is bank reform. If financial reform moves in a genuinely balanced manner, Mr. Smith believes bankers should go along. He said that banking's success in stopping proposed financial-industry reforms in 1975-76 will not happen again. His reasoning: There were new banking committee leaders in both the Senate and the House at that time, but both have learned a lot since then. Labor unions and the housing construction industry were concerned that if thrifts received consumer-banking powers, they would neglect the building industry. However, this separation of labor and home builders from S&Ls will be mended, and then the thrifts will continue their move toward powers they want. Finally, Congress, in the midst of an election year, concerned itself only with what had to be done.

According to Mr. Smith, there are no good reasons why, ultimately, thrifts won't be allowed consumer banking powers. He added that there also are no sound reasons why the ceiling on interest rates banks can pay on savings accounts shouldn't be removed.

Kent Glover, regional administrator of national banks, 12th National Bank Region, said the new examination-implementation procedures were designed to allow fairer, more objective examinations and will allow examiners to be more concerned with the future of the bank under examination rather than its past or present. He advised smaller banks to stress to their directors the importance of having written policies for their loans and investments.

Harry Bloom, Colorado banking commissioner, spoke on capital adequacy. He said that although federal and state agencies differ in the formulas they use for determining capital adequacy, he views as important the character and ability of an institution's management, earnings and dividend policies, its loan-loss experience, character of the assets and availability of secondary sources of liquidity.



Visiting during United Bank of Denver's correspondent bank management conference are (l. to r.): James B. Gronstal, Metropolitan State, Commerce City, Colo.; Stephen P. Baltz, a.v.p., host bank; Orrel Daniel, Littleton (Colo.) Nat'l; and Richard A. Kirk, pres., host bank.

In the session on "EFTS Update," Richard Watt, vice president, United Banks Service Co., said that the National EFT Commission's recommendations are both pro-consumer and pro-competitive. He said the commission makes no distinction between kinds of financial institutions and wants all to be able to compete who want to do so. Charles Sonnen, president, Mountain States Bankcard Association, added that retail EFT is the way in which smaller banks will be able to compete with large financial institutions, as both will be able to offer consumers the same purchasing power. • •

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Lance to Be in Spotlight During Directors Assembly At Palm Beach May 12-15

PALM BEACH, FLA.—The Breakers will host the 28th Assembly for Bank Directors May 12-15. The event's featured guest speaker will be Bert Lance, director, Office of Management and Budget, Washington, D. C.

LANCE

Sponsored by the Foundation of the Southwestern Graduate School of Banking, Southern Methodist University, Dallas, the Assembly also will spotlight a number of dignitaries from the banking and business world, including: Kenneth A. Randall, president and CEO, Conference Board, New York City; Fed Governor Philip E. Coldwell; George LeMaistre, FDIC director; Eugene L. Swearingen, chairman and CEO, Bank of Oklahoma, Tulsa; and Will Mann Richardson, vice chairman, Citizens First National, Tyler, Tex.

In addition, a spouses' program has been planned.

For more information about the 28th Assembly for Bank Directors, write the Foundation, SMU Box 214, Dallas, TX 75275.

Letter To The Editor

Dear Editor:

Just a minute! Let's look at some other comments on the subject of "headhunter" personnel recruiters, whose methods were described in an article in the March issue.

First, the concept of headhunting represents stealing from another employer. Anyone who will steal *for* you will likely steal *from* you. The process of discussing desirable experience, etc., with various members of top management provides the headhunter with an excellent file of qualifications for future use.

Second, the 25%-35% cost charged by headhunters is usually over and above out-of-pocket expenses. I charge a 10% maximum fee, regardless of salary or out-of-pocket expense. Most agencies charge from 10%-25%, depending on salary.

Third, in the area of qualifications of the searcher—does the headhunter have experience as a banker? I believe that it takes a former banker to know a banker. Thus, an employment agency staffed by former bankers can offer far superior service.

Fourth, how stable will an employee selected by a headhunter be? Anyone attracted to a position because of salary or title frequently finds his wife to be unhappy in the new environment. Will the headhunter consider the candidate's stability from the family standpoint?

An employment agency is not successful in its work unless it makes a match that is suitable to all concerned. I believe that to achieve mutual satisfaction, the employment agency working to fill a bank position must be staffed by former bankers.

Tom Hagan & Associates, North Kansas City, Mo.

RMA Schedules Workshop Series On Real Estate Loan Assessment

Robert Morris Associates' domestic lending division has scheduled a workshop series on "Value and Credit Assessment in Real Estate Lending." Places and times for the sessions will be Hyatt Regency Cambridge, Boston, May 12-13; St. Francis Hotel, San Francisco, September 22-23; and The Royal Orleans, New Orleans, November 17-18.

Registration is open to personnel from all banks, but those from RMA-member banks will receive preference.

The series of two-day workshops has been designed to help senior bankers sharpen their awareness of factors that make a sound real estate loan from the standpoints of property values and credit. The seminar is intended to provide senior commercial lending officers or loan administration officers with an opportunity to review those aspects of real estate that are essential to determining the soundness of such credits; the event is not designed to train bankers in making real estate loans.

Registration materials for the workshops have been mailed to all RMA members. The fee is $165 for member banks and $210 for nonmembers. For more information, write Cecelia Small, Registrar, RMA Headquarters, 1432 Philadelphia National Bank Building, Philadelphia, PA 19107.

'Prudent Man' Rule Must Be Followed In Trust Management, Expert Warns

BANK DIRECTORS and officers who manage trust funds and customer portfolios must do it as if it were their own investment, since they may be liable for any losses, according to Martin E. Lybecker, associate professor of law, State University of New York, Buffalo.

Writing in *Counsel*, the quarterly publication of MGIC Indemnity Corp., Mr. Lybecker says that banks not only must conform to restrictions set up by the settlor, but must meet the legal fiduciary standards of a "prudent man in the conduct of his own affairs." If investment decisions fail to meet that test, Mr. Lybecker writes, the institution and its responsible directors and officers may be surcharged for resultant losses.

The State University expert says that the major reason for federal and state examination and review of investment activities of financial institutions is to assure depositors of continuing solvency. In addition, Mr. Lybecker states, directors of banks are required by state and federal law to conduct their own internal investigations annually. But, he notes, the number of cases where financial institutions have failed to follow the law is negligible.

"Officers and directors," Mr. Lybecker warns, "need to take a more sophisticated approach to trust management based on modern portfolio theory and the total return concept. The focus should be on the total return of the portfolio over a period of time, rather than on the specific gains or losses on individual securities held in a portfolio. By diversifying the number and variety of instruments in a portfolio when it comes to choosing individual securities, overall risk may be reduced."

The benefit of using such procedures, he adds, is that modern money managers can accept greater risks and produce a larger total yield from an investment portfolio than could any other portfolio at any level of risk.

"Directors of financial institutions offering investment management services must be alert to evolving perceptions of the fiduciary duties of all persons holding themselves out as investment managers," he says. "To properly anticipate new trends and requirements in offering these services, directors must carefully monitor developments in their own fields *and* in analogous areas —such as the securities industry, broker-dealer and mutual funds."

In conclusion, Mr. Lybecker warns that "the fiduciary liability and relationship is a role that federal regulators and the courts take very seriously in considering the appropriateness and legality of action taken—either consciously or unconsciously—by financial institutions." • •

Originals:

Rockwell Pencil Drawings Are 'Draw' for Bank

A collection of 34 original pencil drawings by Norman Rockwell—on loan from Massachusetts Mutual Life—proved to be an excellent "drawing card" for Frost National, San Antonio. The collection, comprised of works commissioned to illustrate a series of national consumer advertisements from 1950-1964, was open to the public during regular banking hours.

Besides giving a glimpse of fashions of past decades, the collection conveyed the familiar Rockwell themes of family life, children, pets and everyday incidents.

A Simplified Reserve Requirement Could Increase Banks' Earnings

GREATER EARNINGS POTENTIAL through simplified reserves? Many financial institutions, if they were unencumbered by higher Federal Reserve or state reserve requirements, would manage cash assets so that idle cash is minimized and their mix of earning assets maximized. That's what led me—in writing my Stonier Graduate School of Banking thesis, "A Simplified Structure of Financial Cash Reserves"—to seek a simplified reserve requirement.

Because my thesis research was started while serving as a central banker, the thesis also considered the Fed's policymaking needs. My study included sections that analyzed:

- A compromise stucture that meets vested interests.
- Earning assets as reserves.
- How national banks would increase earning assets as painless Fed members.
- How nonmember banks can circumvent the evolution of forced, "idle-balance" reserve requirements.
- The demise of idle balances—revolutionary correspondent reactions.

In addition, I analyzed these national stabilization objectives:

- Reversal of the problem trend in shrinking Fed membership.
- Making reserve requirements a *fixed* policy fulcrum.
- Making open market operations more effective.
- Improving data gathering for policy decisions.
- Increasing bank acquisition of earning assets . . . a noninflationary financier of some public debt.

In my opinion, I have come up with a workable compromise among many vested interests. Individual institutions would gain flexibility to decide their reserve composition within lowered reserve percentages. For monetary policy aimed at stability, the only disincentive to Fed membership (burdensome reserves of non-earning assets) would be ended, and improved success of national policy would be likely.

By LARRY C. HEMPEL
Assistant Vice President
Market Manager-Commercial
First National Bank
St. Louis

Table No. 1 on page 42 displays rule-of-thumb percentages of cash reserves and earning liquidity reserves for operating cash managers. Purposes for cash balances would be transactions and acquisition of correspondent services. Because of the opportunity to maximize the quantity and quality of earning assets, increases in bottom-line earnings would be likely. The rules-of-thumb gleaned are useful targets since these banks' earnings also were analyzed.

From these sample banks, I focused on random banks in Illinois, the only state where nonmember banks face no specific cash-reserve-requirement percentage by state banking authorities. Therefore, Illinois nonmember banks have freedom to *decide for themselves* a "prudent" level and composition of cash and liquidity reserves.

These nonmember banks have proved—to regulators, stockholders, depositors and other financial institutions—that about 8% cash assets held against deposits meets their needs for transactions, correspondent services and depositor withdrawals. They *chose* this moderated level of cash assets and have thrived.

These unencumbered banks have set a *unique precedent,* because time has tested these nonmember banker decisions to hold only modest levels of cash assets.

The 8% is a *yardstick* on which regulatory expectations can be focused. Individual financial managers, facing different market structures, different sizes of institutions, unusual factors in a marketplace or composition of liabilities, might choose to hold cash balances additional to this new prudency percentage.

Why not allow financial managers to keep only a prudent composition of liquidity reserves:

- If the liquidity requirement is a yardstick gained from the time-tested, successful experience of a cross-section of bankers?
- If these banks' earnings exceed similar banks with higher mixes of liquidity reserves?

Why not shift most assets except vault cash into *earning* reserves:

- If monetary-policy effectiveness would be sustained, probably enhanced?
- If most financial institutions would gain the opportunity for increased earnings and returns to their depositors, borrowers and stockholders?
- If the assets thereby switched from Federal Reserve balances to correspondent balances by Fed members would purchase the time and professional expertise of the staff at the larger correspondent bank to improve results at the respondent bank?

Examples of actual banks whose non-earning assets exceed the proposed yardstick are studied in Table No. 2 on page 42. As the last column shows, each of these banks would gain the opportunity for greater *earnings* by shifting *cash* assets into *earning* assets.

Whether this potential for extra earnings from the total portfolio is managed effectively depends on many other factors, including asset mix; risk propensities of a bank's asset managers; lia-

LARRY C. HEMPEL was with St. Louis' Tower Grove Bank from 1975 until last month, when he joined First National in St. Louis. He was appointed to head correspondent activities at Tower Grove Bank early in 1976, after having been assistant to the president and assistant vice president.

From 1973 to 1975, Mr. Hempel was creative marketing program director for Maritz of St. Louis, specializing in financial institutions.

Before joining Maritz, Mr. Hempel was responsible—from 1967 to 1973—for several writing, planning and speaking activities at the St. Louis Fed. He was in its research department from 1968 to 1971.

Mr. Hempel was graduated from the Stonier Graduate School of Banking at Rutgers University, New Brunswick, N. J., and received his bachelor of science degree from the University of Missouri-Columbia and his master's degree in economics from Washington University, St. Louis.

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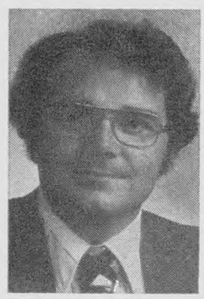

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TABLE I

Cash and Liquidity Balances
115 Randomly Selected Illinois & Missouri Banks

	Total Non-Earning Cash*	Corres. Balances	Cash Items	Currency Coin	FRB	U.S. Treas.	State & Other	Total Treas. & State
Banks $10-$25 Million Deposits								
ILLINOIS								
20 Nonmembers	8.1%	6.1%	.2%	1.6%	—	8.9%	16.5%	25.4%
20 Nonmembers	8.0%	6.2%	.1%	1.6%	—	—	—	—
20 Members	9.9%	2.8%	.9%	1.7%	4.4%	13.5%	15.6%	29.1%
MISSOURI								
20 Nonmembers	9.6%	7.2%	.6%	1.8%	—	11.3%	20.1%	31.4%
20 Members	11.9%	4.9%	.8%	1.7%	4.3%	12.8%	17.1%	29.9%
Banks $100-$500 Million								
ILLINOIS								
5 Nonmembers	10.3%	8.9%	.4%	.8%	—	4.6%	14.2%	18.7%
Banks $25-$100 Million								
5 Nonmembers	6.2%	5.2%	—	1.0%	—	8.4%	26.4%	34.8%
Banks $10 Million and Under								
5 Nonmembers	8.6%	6.6%	.1%	1.9%	—	9.2%	10.6%	19.8%

* Much of this is earning, in light of correspondent or Federal Reserve services obtained.
Data gathered from source materials of Sheshunoff & Co., Austin, Tex., based on Report of Condition data.

bility mix; economic trends; competitive factors and internal, short-run constraints which are outside the scope of this study.

Apparent Windfalls Re-Examined. The word *windfall* is interpreted in widely different ways—from "unexpected good fortune" to "undeserved gain." Also, windfall has been used to describe the benefits that would accrue to financial institutions if current reserve requirements were to be reduced. The potential chain of events at individual financial institutions, following implementation of prudency reserves, would not lead to anything approaching a windfall as defined above. Several considerations should be reviewed:

1. With lower requirements for cash assets, the portion of an institution's assets in the earning category might increase, but additional earnings on the bottom line depend on each banker's management "savvy" in handling these risk assets. In other words, receiving the freedom to keep an additional portion of total assets in earning assets doesn't guarantee acquisition of higher earnings over the long run.

2. The actual experience of comparably sized Illinois member and nonmember bankers supports the above thinking. When earnings performance was taken from a cross-section, "average" extra earnings were only modestly higher. Particular banks maximized their yields, minimized losses and added useful earnings to the bottom line. Skill and effectiveness were rewarded.

3. Such additions to earnings are not a windfall when each financial professional must decide to assume risk in pursuit of these earnings. If Treasury securities are purchased and then liquidated quickly to meet unexpected cash demands, the net gain on these earning assets would be negligible and sometimes negative.

4. Lower cash ratios mean computation of bank service prices would bear a reduced, implicit tax derived from legal cash holdings. So, for any given level of total assets, marginal costs will be lower after adoption of lower cash ratios. To the extent that the financial market is competitive, more or less of this cost reduction will be passed on to the customer.

5. To the degree this proposal allows some management teams to increase earnings, extra profits mean those institutions have greater protection against loan losses and can expand lending to finance *capital* for urgent needs.

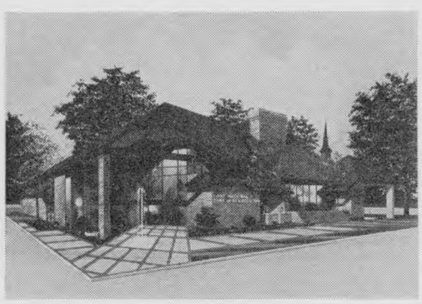
6. With added short-term invest-

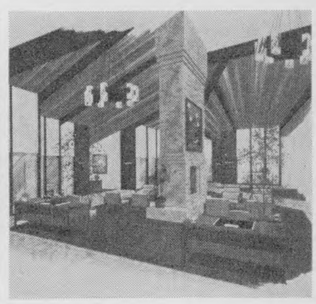
TABLE II

Cash Positions and Potential Extra Earnings
Missouri Banks
December, 1974

	Deposits	Total Cash Assets	Cash Ratio	Cash Assets With 8% Cash Ratio	Excess Cash Assets	Annual Extra Earnings at 5%
First of Camdenton	$24,909,000	$2,752,000	11.0%	$1,992,720	$ 759,280	$ 37,964
Farmers Savings-Marshall	23,917,000	3,993,000	16.7%	1,913,360	2,079,640	103,982
Hannibal Nat'l	22,708,000	3,606,000	15.9%	1,816,640	1,789,360	89,468
First of Bethany	14,770,000	1,307,000	8.8%	1,181,600	125,400	6,270
First of Lebanon	14,768,000	2,538,000	17.2%	1,181,440	1,356,560	67,828
Citizens of Pacific	14,557,000	1,710,000	11.7%	1,164,560	545,440	27,272

Data gathered from source materials of Sheshunoff & Co., Austin, Tex., based on Report of Condition data.





ments, many institutions would have the ability to buy more long-term debt, supporting the capital needs of the economy and particular sectors such as agriculture.

Nonmember banks would circumvent other, more stringent legislation that would yield higher cash-asset percentages and narrow composition rules (evolution of such legislation is probable, based on precedents in other developed nations and on the active current stance of the House Banking Committee). To get around these rules, nonmember banks would:

- Support establishing one acceptable percentage for all institutions across the country, assuring unification at a desirable rule structure.
- Be able, in most states, to hold a larger percentage of earning assets.
- Solidify long-run regulatory boundaries conducive to increased earnings through asset management.

Shrinking Fed Membership. In 1947, there were 1,918 state-chartered banks in the Fed (13.5% of total commercial banks). State members were down to 1,072 as of December 31, 1974, or 7.4% of total commercial banks. With almost every new bank that obtains a state charter passing up Fed membership, the number of state-insured nonmember banks is up by about 2,000 banks since 1947.

More importantly, the share of total bank deposits held in member banks has fallen to near 75%, and *large* banks are pulling out of the Fed. Six banks with more than $100 million in deposits withdrew between 1960-71. Thirteen banks withdrew in only two years between 1972-73. And the departure continues.

Bankers have explained reasons for the exodus from the Fed. A 1970 study summarized these reasons as an attempt to maximize net current operating earnings. A review of about 80% of the closed files of former state member banks revealed a remarkable similarity of reasons for withdrawal. While the various replies reviewed were couched in somewhat different languages, the recurring reason almost invariably was financial. The recurring theme in the withdrawal letters was that the value of the services (desired or needed) from the Fed does not compensate for the loss of income resulting from the maintenance of sterile reserve balances.[1]

When a good product's prices are lowered, the natural, predictable response—according to the law of demand—is an increase in the quantity demanded. Simultaneously, if the benefits and qualities of this product are viewed as having value, the increase in quantity demanded is highly likely.

Fed membership would become a product fitting into the above scenario if the alternative reserve framework presented would be implemented. The main disincentive to membership would be eliminated. Membership would be attractive. The benefits have value, and costs would be greatly reduced.

Any subsequent movement by the Fed to "offer" a signature card for membership to institutions nationwide would be an estimated success, although we have no evidence to predict what the exact behavioral response would be. Belonging to the Fed would be no more painful than the decision to form a correspondent relationship with a larger bank. Each institution would be expected to keep sufficient balances to compensate for the capitalized value of the benefits received, such as item processing and safekeeping. One could take membership and then keep the *prudency-rule balance* at a commercial correspondent bank. The timeless benefit of membership—discount window as lender of last resort—now would be a benefit without the cost of large, idle balances.

The essence of the value from painless membership lies in policymaking benefits. Any improved success in monetary policy results would benefit over 200 million Americans by lowering inflation, boosting employment, sustaining growth and raising living standards. Painless membership would lead to:

- Most financial institutions helping the central bank by reporting monetary statistics weekly or monthly.
- Central bank decisions built on more complete data reports.
- Far less unpredictability in reserve expansion, historically caused by shifts of deposits between member and nonmember institutions.
- Highly predictable multipliers between base-reserve injections and eventual monetary expansion and growth of total spending.
- Dependence by the central bank on open market operations as the basic tool of nationwide economic stabilization.

Equivalence among banks and control over the money and credit supply are the essential objectives sought by the Fed through reserve requirements. The structure I propose is consistent with these objectives and would lead to their attainment. It would:

- Set the required percentage at the Illinois prudency level. This allows the risk taker to stretch out, while the risk averter pulls in, as he will anyway.[2] On average for the nation, the percentage of deposits in earning assets may not be higher. Individual banks will stretch to maximize the opportunity.
- Monitor maintenance of the 8% yardstick as a primary tool of quantitative control over the banking system's *cash base,* as a fulcrum for controlling total deposit creation.
- Install a 20% *liquidity* ratio to overlap the 8% *reserve (cash)* ratio.
- Strengthen monetary policy in total by a *compromise* framework, which is: a. Acceptable to financial institutions. b. Acceptable to the Fed and other regulators. c. Proved by actual experience. d. Conducive to additional benefits.

So with 8% required cash assets, of which about 1½% is vault cash, the latitude each banker would have to keep over 6% at a correspondent bank doesn't harm the effectiveness of monetary policy. A fulcrum still is present in the 1½%, if not the full 8%. And since the "pyramiding" of balances among correspondents would be predictable, the Fed's monetary managers would estimate a new multiplier to predict the relationship between the high-powered reserves and money supply.[3] This multiplier would be as predictable as the other, behavior-affected variables policymakers predict every day. Most importantly, the linkage would be tight between reserves and total demand deposits because reserve requirements would be the same for all institutions.

Open market operations benefit because: 1. The reserve base is derived from accurate data. 2. Achievement of related levels of money supply would lead to predictable results in economic activity. 3. Elimination of differential reserves between member and nonmember banks would end the unpredictability of to what extent deposits can be supported by a given volume of bank reserves. The linkage between bank reserves and deposits would be

---

[1] Robert C. Burton, *Exodus From the Federal Reserve,* Stonier Graduate School of Banking, June, 1970, pp. 58-108.

[2] "Achieving the objectives of monetary policy depends primarily on the system's ability to control the *availability* of member bank reserves, rather than on a particular average level of prescribed reserve ratios. Required reserves can perform their fulcrum function even when set at a relatively low level." George Garvey, "Reform of Reserve Requirements," *Monthly Review,* Federal Reserve Bank of New York, August, 1972, pp. 201-207.

[3] "Assuming the composition of minimum reserves is allowed in correspondent balances, the multiplier would be larger and for a while more unstable . . . but *patterns of predictability* would develop." "Toward More Uniform Reserve Requirements," *Business Conditions,* Federal Reserve Bank of Chicago, March, 1974, pp. 3-12.

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increasingly predictable. 4. Policymakers' decisions would be helped by reduced uncertainty about the effects of open market operations on bank deposits, on cost and availability of loanable funds and also on aggregate demand for goods and services.

With currently declining membership hindering chances of devising a system for frequently tracking data from all banks, the Fed's policymaking team is likely to miss targets for money supply and economic activity. I'm suggesting a structure that generates a unified financial system, with frequent reporting of deposit data for monetary policymaking. This would help the central bank influence the pace of economic activity toward stability.

With Fed membership logically attractive, financial institutions would sign up as members across the financial marketplace. Also, a comprehensive brotherhood of every institution nationwide would yield a long-sought network, a blanket of data-gathering outposts—over 14,000 head-office commercial banks alone. Statistical reports nonmember banks had submitted infrequently to other supervisory authorities would be received frequently.[4] And, most importantly, reportings of data would be systematized into an aggregative overview of national economic trends. Such an overview of "what's happening" would provide many benefits to banks and to society by enhancing central bank stabilization results.

Compromise Needed. "The history of endeavors to achieve a more equitable and more defensible system of reserve requirements and to reassess its (their) role in relation to other instruments of monetary control is a good example of the *difficulty of finding practical solutions to complex problems,* of achieving a sufficiently broad *agreement within the system when the problem at hand has considerably different regional aspects* and of the interplay between academic discussion and internal system efforts."[5]

It's difficult to achieve agreement when the problem at hand impacts several power groups.

Political Rationales Mediated. "The United States is the only major country in which the central bank doesn't have the power to regulate reserves of depository institutions other than commercial banks, even though the bulk of savings and other time deposits is kept with these other institutions.

"In no other country is the effectiveness of the central bank limited by making membership, and thus compliance with its reserve regulations, voluntary for a significant element of commercial banks."[6]

The framework presented here for a low-key, free-market system of 8% cash reserves, 12% additional earning liquidity assets and expectations of sound managerial prudency is, therefore, a desirable option each financial professional would be wise to consider. Besides *circumventing* less desirable mandates by the Fed, this compromise may substitute for the vested-interest proposals initiated by every group concerned with its sphere of power.

New reserve plans considered in the past increased the reserve burden for some portion of the marketplace. Many current plans impact private financial institutions in varying degrees, but imposing a new cost or burden on some group of people. When a group perceives a negative impact on itself, its predictable response is to oppose the idea. Therefore, power groups can forestall any proposal.

Power structures within the private financial system are real and potent. Just naming a few confirms their

[4] Ira Kaminow, "Falling Fed Membership and Eroding Monetary Control: What Can Be Done?," *Business Review,* Federal Reserve Bank of Philadelphia, June, 1974, pp. 3-15.

[5] Garvey, "Reform," p. 204.

[6] Garvey, "Reform," p. 205.

strength: nonmember banks, independent bankers, S&Ls, credit unions, mutual savings banks and housing and mortgage market participants.

Summary.

I believe the strength of my proposal comes from its value to each of these power structures. It's a step toward *less regulation* and *increased management flexibility*. Every financial institution would benefit.

Equity is achieved among competing financial institutions. Each would meet intuitive levels of cash reserves. The few who would disparage any proposal should be categorized by this plan's proponents and labeled for the small portion of opinion they represent.

A banker's objectives include attaining best earnings, working at improved stability for depositors, borrowers, stockholders, directors and the banker. Each group benefits as results include better earnings and stability. This simplified change in reserve requirements would increase the opportunities for higher returns on assets.

Both the 8% and 20% rules-of-thumb meet Fed objectives; each yardstick is no higher than what prudency would choose, so financial managers would support them; both yardsticks provide management latitude to pursue increased earnings; the only significant disincentive to Fed membership—forced high levels of non-earning assets—would be ended; membership would become attractive; widely expanded membership would evolve as individual money managers logically appraise the value of benefits at the Fed and realize their costs as no longer burdensome; widely expanded membership would yield a data-gathering network of helpful institutions; policymaking decisions would be helped by timely information flows, and policy actions would achieve stabilization results closer to targeted goals, which benefit every citizen and financial institution.

An alternative framework of reserve requirements must meet the needs of society, the Fed and others as financial market regulators, the Fed as monetary policymaker, present member commercial banks, present nonmember commercial banks and other financial institutions. This structure focuses on these simultaneous needs and, through systematic compromise of unneeded structures, yields a new plan. Its framework of percentages and asset composition meets the multiple needs of the many vested interests. And importantly, every financial institution's officers would have an assured opportunity to pursue added earnings within this structure. *Even for current, nonmember Illinois banks, the plan's earnings impact is significant over the long run, to the extent this structure prevents congressional forcing of complexities on all financial institutions.*

The proposal extends the massive contributions of several professionals, writers who have sought similar modifications to cumbersome reserve requirements. Many have urged adoption of uniform requirements toward some *existing* regulation and often involved costs for many institutions. One underlying strength of my proposal is its hard, persistent effort to develop a workable compromise where costs are circumvented. This proposal finds that the *unencumbered precedents* set under unique Illinois conditions have delivered to the U. S. financial system—to use or ignore—a simplified structure of financial cash reserves benefiting Americans and their money managers. • •

EDITOR'S NOTE: Information regarding a simplified reserve rule may be obtained by writing: Larry C. Hempel, Assistant Vice President and Market Manager-Commercial, First National Bank, Broadway, Locust, Olive and Sixth Streets, St. Louis, MO 63166.

On the Cover—Upper left: Mirrored tunnel leads from parking garage to skylighted remote lobby at First Nat'l, Amarillo. Upper right: Sub-level of bank's new building contains central pool fed by "rainmaker" that extends through atrium of building. Bottom (and above, this page): First National's new home is situated on angle on block-square site in downtown Amarillo. Structure features earth-tone brick and bronze-colored glass, is adorned with stylized logo. Project's cost was $16 million.

Dedication Ceremonies Set for May 22 For First of Amarillo's New Complex

Governor to participate at opening

A STRUCTURE uniquely suited to the mood and features of the Texas high plains will become the home of First National of Amarillo late this month.

Texas Governor Dolph Briscoe will join bank officials and a number of special guests in dedication ceremonies for First National's new banking house on May 22. The dedication will mark the conclusion of a construction effort in progress for more than two years, at a cost of $16 million.

First National's new home is an architectural innovation for northwest Texas. The banking house is not a building, but rather a complex that extends over three entire city blocks of downtown Amarillo and portions of two other blocks.

The complex contains 244,000 gross square feet of banking and office space and the architectural concept is horizontal to harmonize with the broad plains of the Panhandle region.

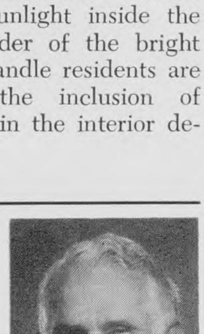
The main building is a massive sweep of earth-tone brick and bronze-colored glass, covering almost an entire city block. Each of the six levels of the main building is equivalent in floor space to four floors of a conventional high-rise office building.

The most celebrated feature in the design of the main building is the atrium, a 90-foot-square open area extending through the center of the structure to a rooftop skylight. On the main level, the atrium is graced by 12 large ficus trees, which remain green indoors throughout the year, and by smaller growing plants. All of the upper levels overlook the garden-like scene created by the sunlit atrium.

Suspended in the middle of the atrium is a gleaming column of stainless steel called "the rainmaker," which pours a continuous shower of water into a pool on the sub-level of the atrium.

The distinctive qualities of First National's home are more than decorative; they are also symbolic of the region served by the bank. Interior and exterior hues are reminiscent of the coloration of the land, the foundation of so much of the Panhandle's wealth. The emphasis on sunlight inside the building is a reminder of the bright skies to which Panhandle residents are accustomed. And the inclusion of greenery and water in the interior decor reflects the importance of those commodities to people who live on the plains.

Gene Edwards is ch. & pres., First Nat'l, Amarillo, which he joined in 1949. He was elected pres. in 1964, CEO in 1969 and ch. in 1975. He served as pres., Texas Bankers Association, in 1974-75.

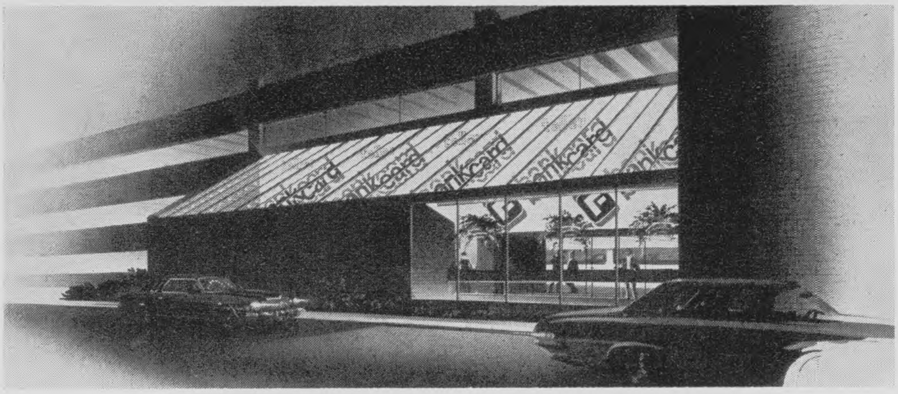


The horizontal concept also permits an unusually orderly and convenient arrangement of bank services. All of the bank departments used most by the public are consolidated on the main and sub-levels. Those two levels are linked by an open stairwell in the atrium, as well as by the four elevators that serve all levels. The sub-level also houses a restaurant and barbershop.

Commercial lending activities, executive offices, board and staff meeting rooms are situated on the second level, and all of the functions involved in bank administration and operations are concentrated on the third level. The trust department occupies a portion of the fourth level, with the remainder of that level leased to tenants. The fifth level contains lease space and a dining room for bank officials and guests.

Attention to convenience radiates from the main building throughout the entire complex. Two full city blocks adjacent to the main building are devoted to parking facilities, providing space for more than 600 vehicles. Almost half of those spaces are under cover in a four-level parking garage. An underground tunnel connects the garage with the sub-level of the main building, providing customer comfort in all weather.

The parking building also houses one



Twenty-four-hour banking service is available at First of Amarillo through an electronic teller and night depository in garage lobby, adjacent to main building.

of three electronic tellers and a night depository, accessible at all hours in a secure, well-lighted lobby. The site of the new structure is directly across the street from First National's two existing motor banks.

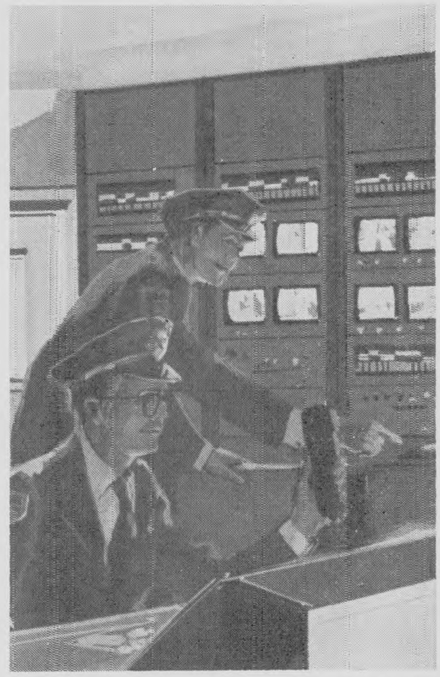
The complex is unified not only by the proximity of the facilities, but also by appearance. There is a compatibility in the exteriors of both the existing and new buildings, and an extensive landscaping effort has blended the separate elements into an entity. More than 140 trees and 5,000 square yards of Kentucky bluegrass were planted around the main building and parking area. There are four varieties of trees—Texas red oak, crab apple, yaupon and purple-leaved plum—and 10 varieties of shrubbery and ground cover.

Amid the aesthetic touches and conveniences of the new banking house, the practical considerations of operating a bank have not been overlooked. A sophisticated security network protects all areas of the bank with such features as a Mosler proprietary alarm system, a radio communication system, 30 TV cameras and a central security monitoring area on the sub-level. All offices are served by a sound system and a 10-station pneumatic tube system provides easy transmittal of documents between levels. A variable-volume heating and air conditioning system ensures energy-conserving indoor comfort.

More than just a new landmark for Amarillo, the First National complex has become, to many Panhandle people, a symbol of economic confidence. At the time the project was announced, the bank's directors said their decision was substantially influenced by the faith they have in the future of Amarillo and the Texas Panhandle. Later, at the groundbreaking ceremony, Gene Edwards, chairman and president of the bank, commented: "We are building more than a banking house; we are building confidence in the Panhandle." From the bank's willingness to invest in a new home, the people of the region have gained a renewed enthusiasm in the Panhandle's prospects.

The example of confidence follows a tradition established at the time of the bank's beginnings. Founded in 1889, before Amarillo was incorporated, First National was one of the forces that shaped the city's first business district. Shortly after receiving its charter, the bank built what was to be, for many years, one of Amarillo's most imposing stone buildings. In the late 1940s, the bank constructed one of the first modern office buildings in Amarillo—which served as the bank's home until the completion of the new complex.

Now said to be the largest bank between Denver and Fort Worth, First National began 1977 with total deposits of $345 million and loans of more than $205 million. Assets are more than $409 million. The list of stockholders recently reached 1,000, most of whom are residents of Amarillo and the surrounding region. • •



Mosler proprietary alarm system located in sub-level of bank enables security officers to monitor entire building.

Ninety-foot-square atrium is focal point of bank's interior, features potted trees, bronze-colored skylight and stainless steel column, called "rainmaker."

NOW Accounts Face Heavy Fire At Independents' Convention

OPPOSITION to the spread of NOW accounts (negotiable orders of withdrawal) was unanimously voted in a resolution at the Independent Bankers Association of America's 47th annual convention in Washington, D. C., in March. This opposition also was voiced in several speeches, including that of outgoing IBAA President Charles O. Maddox Jr., president, Peoples Bank, Winder, Ga. His remarks appear on page 26.

Charles O. Maddox Jr. (l.), outgoing IBAA pres., is pictured with new association officers (l. to r.): Ivan D. Fugate, 1st v.p.; Don Ostrand, treas.; Edward A. Trautz, pres.; and Raymond D. Campbell, 2nd v.p.

"To date," says the IBAA resolution, "data available from the New England NOW experiment and federal studies confirm IBAA's fears that payment-of-interest costs must be passed on to those who can least afford increased service charges and higher loan rates necessary to pay for NOW-type services—namely, young families, low- and moderate-income people and minorities."

That view was echoed by Representative Butler Derrick (D.,S.C.), main speaker at the final general session. "I fought NOW accounts on the floor of the House in 1975," he told the IBAA, "and my position has not changed one bit." He cited a South Carolina Bankers Association study, which forecast an adverse impact from the accounts, especially on the state's small and independent banks.

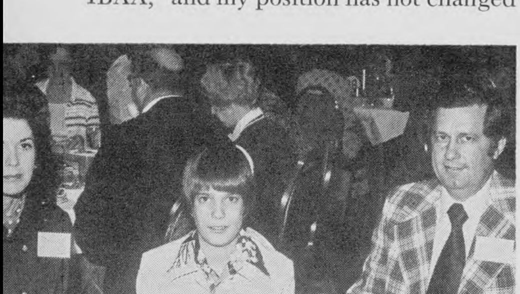
Congressman Derrick urged the bankers to express their opposition to NOWs with their congressmen, but to formulate fallback positions should enabling legislation pass. (Federal Reserve Board Chairman Arthur Burns has announced a stand in favor of nationwide NOW accounts.)

A panel comprised of senior House and Senate Banking Committee staff members drew heavy fire from the Independents for championing NOWs. A House Banking Committee spokesman noted a split was forming within the industry as previously staunch opposition to NOWs thaws among certain banking sectors. He warned the Independents that their association's negativism will isolate the association from an industry mainstream that's warming toward reform. Former IBAA President Fred T. Brooks, president, Merchants State, Dallas, disavowed the negativist label and said, "We were right on Regulation J. We were right on EFT and were instrumental in getting the (EFT) commission's study underway. We were right on customer-bank communication terminals (CBCTs) and have been upheld in the Supreme Court on the issue. And we're right on the McFadden Act and share drafts now."

Payment of interest on demand deposits was discussed by Alex Sheshunoff, president, Sheshunoff & Co., Austin, Tex. Taking a stand against the proposal, he asked his listeners to focus on who will pick up the tab.

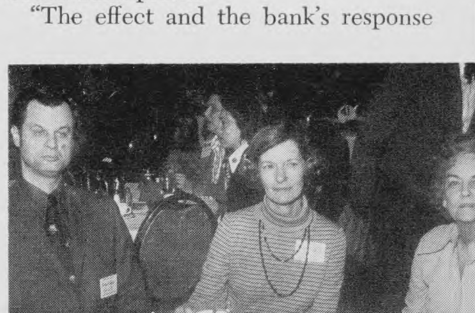
"First," said Mr. Sheshunoff, "there is no such thing as a 'free lunch' or 'free interest on demand deposits.' The tab will be higher interest rates on loans, higher service charges on checking accounts and, in the short run, reduced bank profits.

"The effect and the bank's response



Enjoying breakfast during IBAA convention in Washington, D. C., are Mr. and Mrs. Harold Nye and son, Ronald. Mr. Nye is v.p. & cash., First State, Round Lake, Ill.

Mr. and Mrs. John Northcutt prepare to leave after finishing breakfast during convention. Mr. Northcutt is pres., Alamo (Tex.) Bank.



Pictured at IBAA convention breakfast are Henry Taylor, pres., First Security Bank, Island, Ky., Mrs. Taylor and Mrs. Marshall Barnes. Mrs. Barnes is wife of pres., Beaver Dam (Ky.) Deposit Bank.

will be the same for every bank in America. . .

"The typical bank customer will end up picking up the tab of this windfall annuity to the few bank customers who keep large amounts of deposits—corporations, wealthy individuals, etc.

"*Second,* the cost of banking for the average American under 45 will go up significantly. . . . "We believe the message to your customers is very simple: 'If you owe more than you keep in your checking account, you will be paying an additional interest charge almost directly to the bank's wealthiest customers who keep big deposits in their checking accounts. That's *half* the tab for this 'free lunch.' The other half is increased service charges on each check you write. Hence, if you spend most of each paycheck paying bills, your service charge per check is going to increase, and most of that increase will go directly to the bank's big demand-deposit-account customers. You will, of course, receive a small rebate on your average balance.'

"That's the effect on your average customer."

Mr. Sheshunoff also proposed tax-exempt loans to small businesses similar to municipal-bond income. He said these new loans would have to meet the following criteria: 1. They would have to be new loans, not refinancing of existing debt. 2. Only loans to small business would qualify as defined by Small Business Administration standards. 3. Loans would be made only at the prime rate. 4. Only a specific portion of a bank's assets or deposits could be in these loans.

He foresees these advantages of such loans: 1. The economic impact would be felt quickly as the funds were put to work. 2. The cost of money for these small businesses now would be on a par with their larger competitors. 3. The return to the bank could compensate for the higher risk associated with lending to small business. 4. The administrative cost would be nominal; the loans simply would be segregated for examination and tax purposes. 5. With banks having the ability to regulate the percent of their assets permitted in these loans, an important new instrument of monetary policy would be created that could be applied regionally as well as nationally.

Remote service units (RSUs) now being operated by federal S&Ls came under fire at the IBAA convention. Meyer Eisenberg, a Washington, D. C., attorney retained by the association, said that the IBAA has filed suit against the Federal Home Loan Bank Board declaring its RSU regulation illegal. According to Mr. Eisenberg, RSUs allow federal S&Ls to offer the functional equivalent of commercial-bank checking accounts, which pay interest, without the burden of meeting specific regulatory requirements imposed on commercial banks.

"The IBAA suit," continued Mr. Eisenberg, "raises a legal cloud over the RSU program, which points up the very real possibility that the courts will declare the savings & loans' RSU expansion illegal."

He said the IBAA case probably will be submitted for decision this fall to the District of Columbia Federal District Court.

In his report as IBAA president, Mr. Maddox referred to the National Commission on Electronic Fund Transfers' recent interim report, which, in essence, asks Congress not to construe automatic tellers and terminal devices as branches and to allow their extension beyond state lines. Mr. Maddox pointed out that the IBAA vigorously opposes this approach, and its initial position has been sustained by the U. S. Supreme Court.

The association, he continued, has not opposed EFTS development, but has requested first, that there be guaranteed right of access; second, that EFT remain under state control; third, that rates charged for utilization be nondiscriminatory; and fourth, that there be some type of public-utility approach to help achieve standardization in technological developments. He said the IBAA employed Peat, Marwick, Mitchell & Co. to prepare a study dealing with the impact of EFT systems, and that study was made available to the commission.

Resolutions. Besides the resolution opposing nationwide NOW accounts, the IBAA, among other things:

- Reaffirmed its "strong opposition to concentration of financial resources through further geographical expansion of branching."
- Called for a national agricultural policy that would assure "equity in the marketplace, adequate energy to ensure production, stability in the transportation sector and an environmental policy fair to the farmer and to the consumer."
- Recommended that limitations on farm-ownership loans made by the Farmers Home Administration be raised from $100,000 to $500,000 and on farm-operating loans from $50,000 to $500,000; for guaranteed loans, the limit per borrower should be $500,000 for farm-operating loans and $500,000 for livestock loans, farm-ownership loans and farm-operating loans, to be written in such a manner as to make them eligible for secondary marketing.
- Resolved to seek legislation to revoke the Federal Trade Commission regulation overruling the holder-in-due-course rule in connection with loans made for purchase of goods and services.
- Urged exemption of one-bank HCs with banking assets of less than $50 million and nonbank assets of less than $15 million from all provisions of the Federal Bank Holding Company Act. The association declared that the present act makes it "extremely difficult to transfer a small bank from one independent owner to another where a one-bank HC is involved in the transfer."
- Asked that Fed regulations be amended to prohibit multibank HCs from achieving "secret takeovers" of banks by means of tender offers.
- Called for extension of deposit interest-rate ceilings—Regulation Q—and elimination of a provision in the law permitting thrift institutions to pay ¼% more for savings than commercial banks can pay.

New Officers. Edward A. Trautz, president, East Lansing (Mich.) State, succeeded Mr. Maddox as IBAA president. Other new officers are: first vice president, Ivan D. Fugate, chairman and president, Western National, Denver; second vice president, Raymond D. Campbell, president and CEO, Oberlin (O.) Savings Bank Co.; and treasurer, Don R. Ostrand, vice president and head of the correspondent bank division, First National, Omaha.

The 1978 convention will be held March 5-9 at the Diplomat Hotel, Hollywood, Fla. • •

Employee-Assistance Program

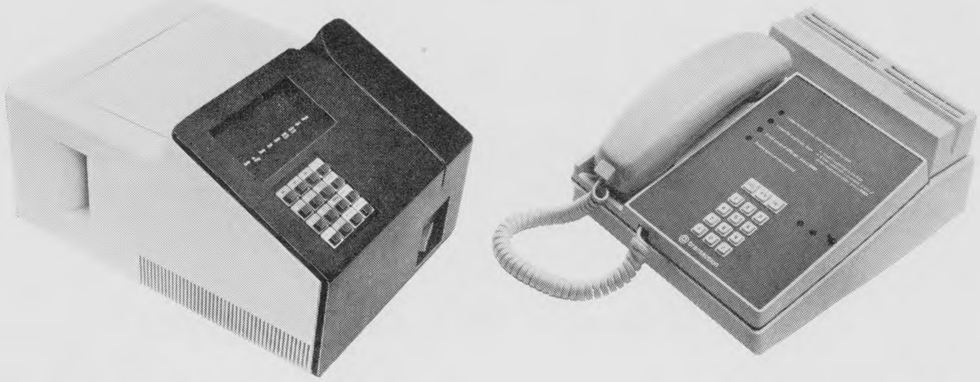
ST. LOUIS—First National has announced an employee-assistance program, which is designed to help employees and their families resolve any personal problems that might affect their job performance. The program is available to personnel at the bank and at St. Louis Union Trust Co.

"The goal of this new program," Clarence C. Barksdale, chairman, First National, and Eugene F. Williams Jr., chairman, St. Louis Union Trust, said in a letter to employees and their families, "is to aid and retain valued employees whenever possible by offering *professional* and *confidential* assistance to any employee or family member experiencing a personal problem which is getting out of hand."

To help develop the program, the bank and trust company have contracted with Personal Performance Consultants (PPC), a St. Louis firm specializing in employee-assistance programs. Program coordinator is Mitzi Chandler, head of the health services department for the bank and trust company.

Cash or charge.

These two machines will make shopping quicker and easier.



Point-of-sale terminals provide immediate authorization and print receipts automatically.

Transaction telephones make authorizations quick and convenient.

A new dimension of time-saving efficiency for bank cards is coming to the Via system. Soon, point-of-sale terminals in Via Buy 'n Bank locations will not only give you direct access to your bank account, but provide immediate authorization for BankAmericard, Visa, and Master Charge as well. Plus print out a completed bank card receipt automatically.

And at Check Guarantee locations, where Via makes checks as good as cash, authorizations for these three charge cards can be handled quickly on our transaction telephones.

These are services of The Fourth's new Kansas BankCard Center, which is made up of hundreds of banks all across Kansas. It brings bank card operations for thousands of merchants and tens of thousands of customers under one roof. And it makes doing business quicker and easier for everybody.

For information, contact: (316) 261-4505.

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Member FDIC

This is new home of Security Nat'l, Kansas City, Kan., which held open house there April 21-23. View is from corner of Seventh and Armstrong, with entrance to new drive-up bank at left, Armstrong Avenue entrance in center and Seventh Street entrance at right.

At Security Nat'l, Kansas City, Kan.:

Faith in Downtown Area Illustrated With Opening Of New Bank Building

This is Security Nat'l of KCK's new lobby as seen from inside glass customer-service elevator.

Modular seating units are placed in customer-lounge area of main lobby in new Security Nat'l of KCK building. Glass customer-service elevator from which photo above was taken is located at right.

FAITH in its downtown or "Center City" area was graphically affirmed by Security National, Kansas City, Kan., April 21-23, when the bank held open house in its new home on the southwest corner of Seventh Street and Minnesota Avenue. The multimillion-dollar, eight-floor contemporary structure, containing 140,000 square feet of floor area, joins a multilevel public parking garage on the south. There's access to the latter building at various levels of the bank building.

The new building is located at One Security Plaza, west across Seventh Street from the long-established location of Security National on the southeast corner of Seventh and Minnesota.

In announcing the opening of the new quarters, President Gray Breidenthal said, ". . . Most of our employees live in Kansas City, Kan., or Wyandotte County. Their commitment and ours is to the future of this community. . . . This new bank and office building is our thanks for the growth that our customers have brought us.

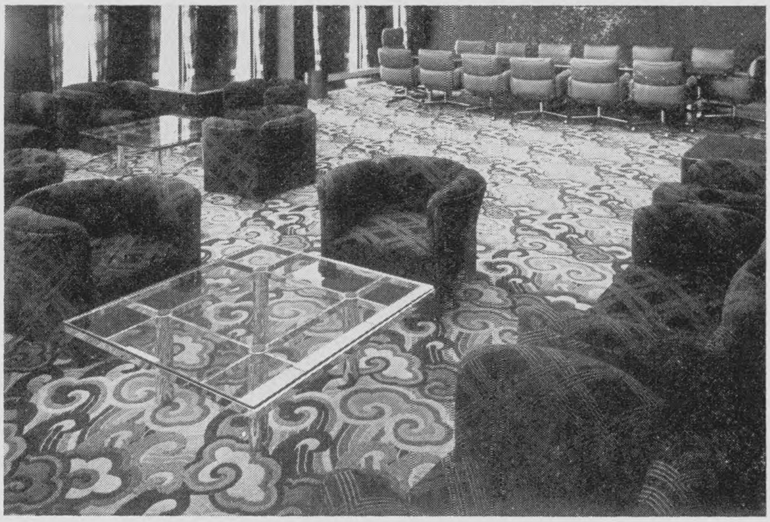
"Also, this is our firm suggestion to others to invest in Center City."

The garden (lower) level includes: a four-station drive-up facility, with entrance and exit on Armstrong Avenue; the safe deposit department, with 12 booths and two conference rooms; bond department; cash and securities vaults; storage and utilities and employees' lounge and lunch rooms, which can be used to accommodate groups of up to 200 for meetings and social events.

Principal public banking quarters are on the street level, extending from Armstrong Avenue to Minnesota Avenue, with entrances from Minnesota, Seventh Street and Armstrong. Here are located the following departments: paying and receiving; discounts; statements; installment loans; correspondent banking; commercial loans; real estate and marketing. In addition, senior officers have their offices here. The Minnesota entrance also serves the office building and is integrated with the main banking lobby.

A mezzanine level accommodates building services and banking areas and also is connected to Level No. 4 of the municipal parking facility for customer and tenant convenience. The second floor is devoted principally to the trust department; conference rooms; boardroom; officers' lounge; library; dining rooms and areas for future expansion.

The third floor contains bookkeeping, proof and transit, cashier, auditor



Boardroom in new Security Nat'l of KCK building is large and has comfortable lounge area as well as traditional table and chairs for directors.

and computer operations. The fourth, fifth and sixth floors, with 45,600 square feet of gross area, are for commercial rental occupancy. These floors are served by two high-speed electric elevators from the building lobby (off Minnesota Avenue). The sixth floor is designed to provide clear ceiling heights of up to 11 feet, 6 inches for special or exclusive types of tenant requirements.

The public banking areas on the garden and main levels and second floor are served with a glass cab on a hydraulic elevator to convey bank customers between these levels. All bank-occupied floors are served by an in-house elevator for exclusive bank use and security.

The structure is supported by intrusion concrete piling extending to bedrock; and the structural frame is fireproofed structural steel with a fireproofed metal and concrete electrified floor system, providing maximum flexibility for electrical and telephone outlets throughout the first through sixth floors.

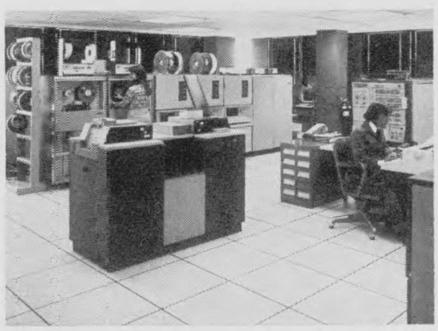
The building and bank lobby have domestic travertine marble floors and walls. The banking area has a custom-made carpet throughout with accents of ceramic tile at the tellers counter and bank lobby elevator. Walls are covered with off-white and gray vinyl. Office walls are made of teakwood flexwood. Tellers counters, doors and desks are of finished teakwood, and a rolling grille separates the bank lobby from the building lobby in off hours.

Floors two through six and the mezzanine have a combination of carpet and vinyl tile flooring and fire-resistant gypsum dry wall partitions finished with paint or vinyl wall covering. All ceilings are acoustical tile with flush-fluorescent lighting fixtures providing 100-foot-candle lighting.

The exterior design emphasizes the vertical motif, terminating with an apertured parapet of precast concrete, bronze anodized aluminum window frames, glazed and clear plate glass on the first floor and bronze tinted glare- and heat-reducing glass on all floors above the first.

Because of the importance of energy conservation and utilization of environmental resources, the new building is served by an electric system that provides year-round climate-control air conditioning and supplemental direct-perimeter radiation for winter use.

The bank moved into its new home March 4-6. • •

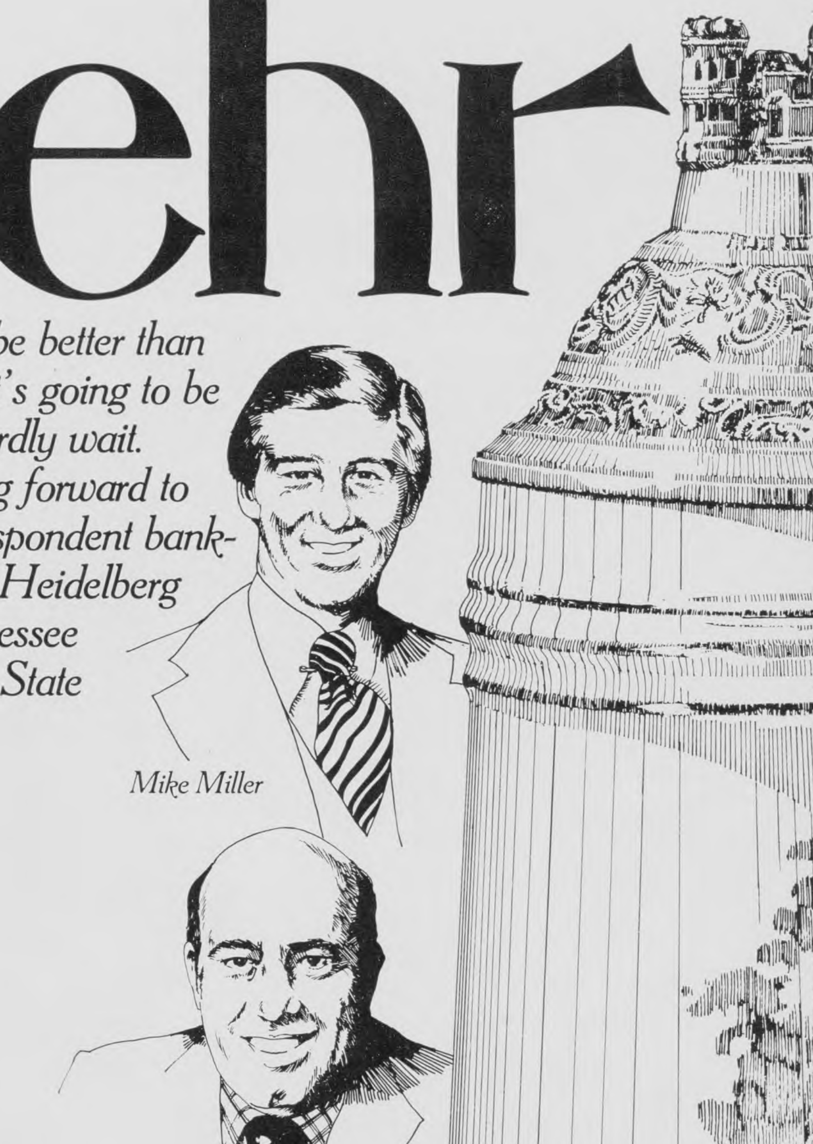


Data processing department of Security Nat'l, KCK, is located on second floor of bank's new quarters.

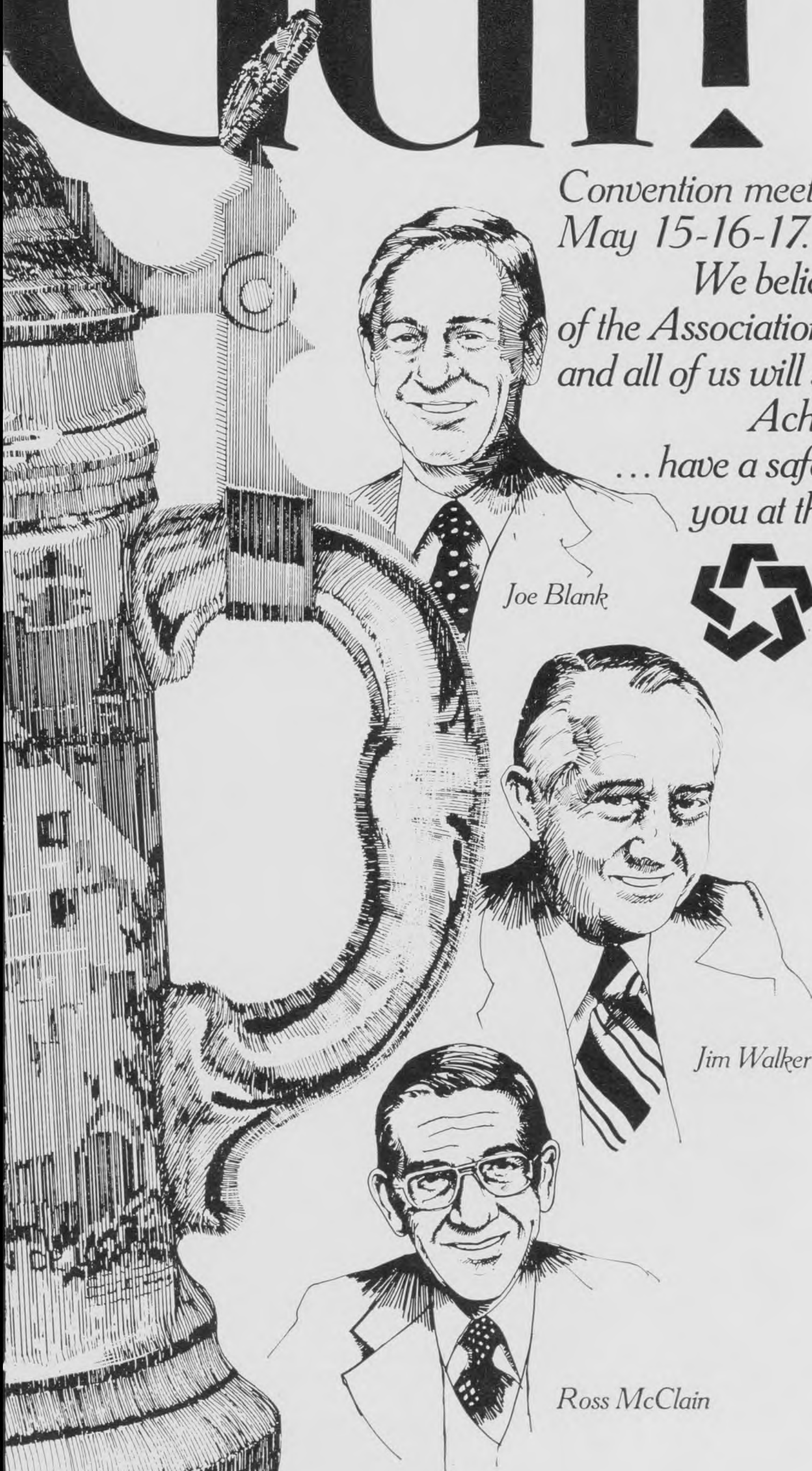
Sehr

It's going to be better than "very good" in fact. It's going to be super. And we can hardly wait.

We're looking forward to seeing all of our correspondent banking friends at the Old Heidelberg Castle when the Tennessee Bankers' Association State



Gut!



Joe Blank

Jim Walker

Ross McClain

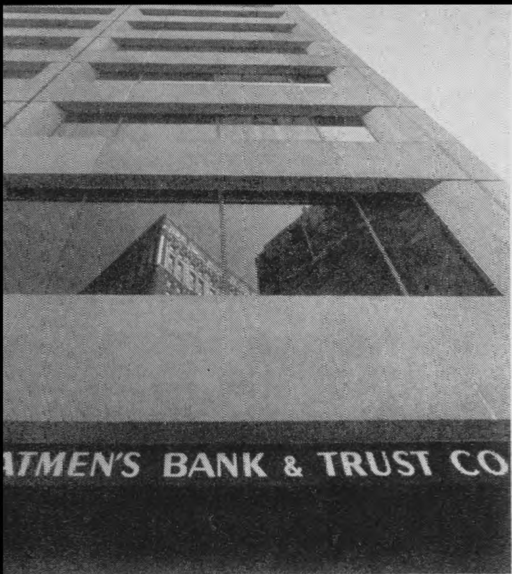
Convention meets in Gatlinburg on May 15-16-17.

We believe it's going to be one of the Association's best meetings ever, and all of us will see all of you there.

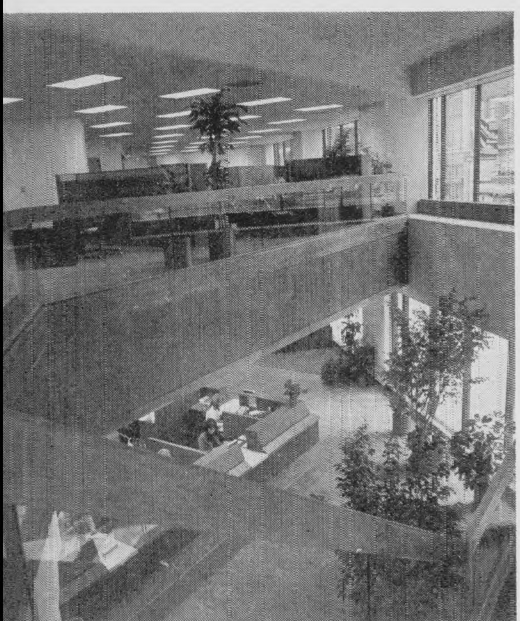
Achtung! One more thing ... have a safe trip. And we'll see you at the Castle!

First American
Nashville, Tennessee

Boatmen's Bank, Kansas City, Opens New Headquarters Bldg., Cites 7-Year Growth Record



New home of Boatmen's Bank of Kansas City rises 26 stories to become the latest addition to city's skyline. Building is located in City Center Square.



Interesting angles and large expanses of glass are features of new Boatmen's of KC building.

"Tellers island" on main level of new Boatmen's of KC quarters can provide fast customer service by being able to serve patrons on four sides.

WHEN Missouri bankers convene in Kansas City this month for their annual convention, they have an invitation from Boatmen's Bank of KC to visit its new headquarters building, located in City Center Square.

The bank formerly was called Baltimore Bank, but—on joining the St. Louis-based bank HC Boatmen's Bancshares, early last year—it took the name Boatmen's of KC to reflect the new affiliation.

The pride the bank's officers have in the new quarters is matched by the pride they have in Boatmen's of KC's excellent growth record. Since 1969, the bank has quintupled its total assets for a 23% compound annual growth rate. A bank spokesman points out that an 8% annual growth is the average in Kansas City.

Boatmen's total deposits have grown from \$32.8 million in 1969 to \$108.3 million at year-end 1976. Loans have shown a similar spurt, going from \$17.8 million to \$76.2 million over the same seven-year span. Percentage of corporate loans to total loans has increased from 41% in 1969 to 75% today. Total assets have quintupled, and profits have tripled.

The bankers at Boatmen's of KC initiated this climb by selecting two major targets for their new-business activities—correspondent banks and new growth companies. They started to build a staff tailored to meet these potential customers' needs and produced a growth spurt in 1971, when C. Ted McCarter, now president, was hired as executive vice president and heir apparent to Walton Steele, then president. Mr. Steele and most of his officers were facing retirement, and so the immediate need was to put together an entirely new staff, which they did. Now average age of the officers is 35.

In the correspondent-bank area, Mr. McCarter explains his bank's upstream-loan participations this way, "When a banker calls us, if we know him and feel he's a good judge, we don't send someone down to pry among the applicant's neighbors for information. We trust the banker. We'll let him know right away whether we'll go in on the deal."

Downstream participations, he continues, are assisted by the bank's aggressive loan policy. "If a country bank's loan goes sour," according to Mr. McCarter, "and a city bank has bought a participation credit in it, legally it's the country bank's problem; morally, it's the city bank's."

Mr. McCarter says his bank has built a network of quality relationships, rather than going after quantity.

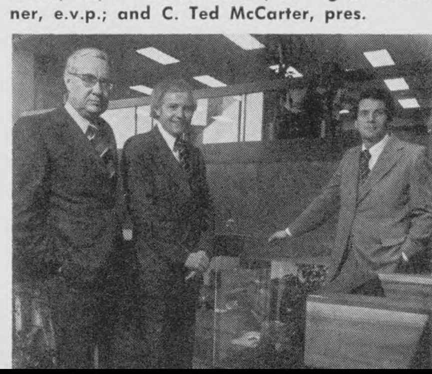
As for check-clearing services for correspondent banks, Mr. McCarter says Boatmen's of KC has an advanced computer system "only a phone call and a cathode-ray tube away" at the HC's lead bank, Boatmen's National of St. Louis. To add to this service, Boatmen's of KC recently joined the Federal Reserve System, as Mr. McCarter points out, at a time when many banks are dropping out of the Fed.

The bank's 8% correspondent-deposit/total-deposit ratio may be explained by the fact that three of its top officers, including Mr. McCarter, started out in correspondent banking. They learned about the problems—and opportunities—from country bankers themselves.

The other area of major growth has been Boatmen's emphasis on loans to entrepreneurs. Mr. McCarter says his bank has achieved much of its growth because it's willing to listen to anyone's proposal and seems to have the ability to recognize a good business idea when it's presented to the bank. He adds that this growth wasn't attained through acquiring other banks and by taking accounts away from other institutions.

Boatmen's of KC believes it has an enviable track record and that it attained it by following the marketing axiom, "Find out what people want and give it to them." • •

Pictured in new building are (l. to r.): Ilus Davis, ch., Boatmen's of KC; D. Eugene O'Conner, e.v.p.; and C. Ted McCarter, pres.



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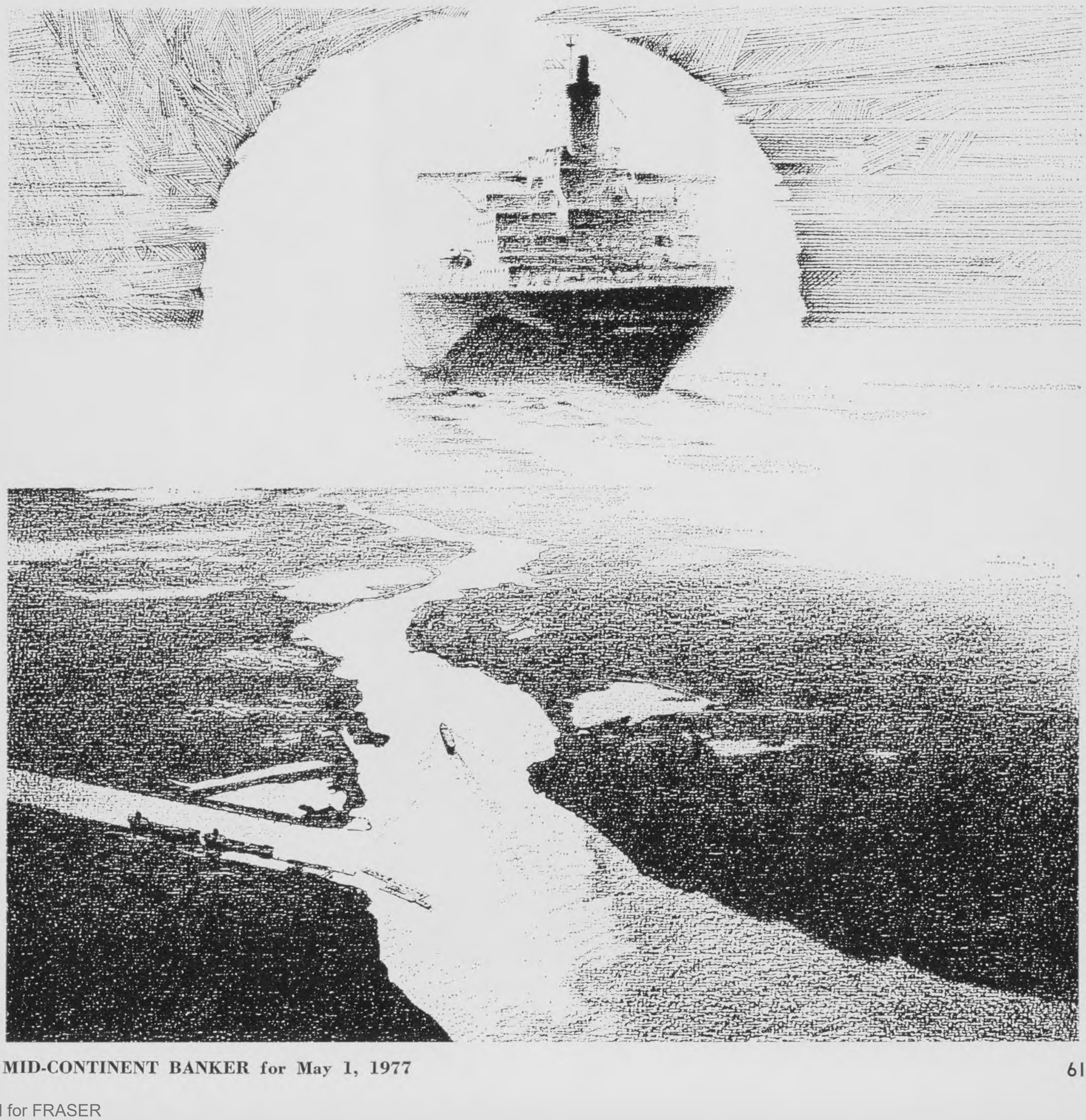

Attendance Jumps at Louisiana Convention; Unity Sought in Support of EFT Bill

New hotel, Superdome play host to 1,900 attendees

By JIM FABIAN
Associate Editor

WHEN ATTENDANCE at a state bankers association convention jumps 30% from one year to the next, somebody must be doing something right! That's what happened at this year's 77th annual Louisiana Bankers Association annual meeting, held in New Orleans last month. More than 1,900 were on hand for the three-day event.

Credit for the attendance figure leap can be given to the LBA and its Baton Rouge-headquartered staff for selecting the spanking new Hyatt Regency Hotel for its convention site, not to mention the adjacent Superdome as the site of the "Super Party," the first official social event of the convention.

Other factors responsible for the attendance record include a special business session geared to directors and a 50% increase in the number of exhibitors showing their wares in the French Market exhibition hall.

This was the first LBA convention to be held in the early part of April. The date was moved up in response to the recently advanced opening date of the Louisiana legislature, which began its session this year on April 18. It's LBA policy to convene prior to the opening of the state legislature so banking can present a unified stance to state solons.

Outgoing LBA Pres. Donald L. Delcambre, pres., State Nat'l, New Iberia, at lectern during first business session of convention when he delivered president's report.

And unity among bankers is especially desirable this year, when the LBA will be sponsoring an EFT bill in the statehouse. During the convention, the LBA legislative committee met to recommend that the LBA board of directors submit the committee's EFT bill draft to member CEOs for comment and/or approval. According to newly installed LBA President Walter B. Stuart III, vice chairman, First National Bank of Commerce, New Orleans, the LBA has until May 12 to file the bill in the legislature. Prior to that time, member CEOs are expected to send their opinions of the bill to LBA headquarters. "The LBA wants to know which sections of the bill the CEOs agree with as well as disagree with," Mr. Stuart said.

Mr. Stuart and the other new LBA officers were installed at the convention's closing banquet at the Hyatt Regency on April 4. Serving with Mr. Stuart are James G. Boyer, president, Gulf National, Lake Charles—president-elect; and John J. Doles Jr., president, First State, Plain Dealing—treasurer.

Elected to the LBA board for three-year terms were Richard DuBois, executive vice president, Gulf Coast Bank, Abbeville; Crawford Bishop, president, Bank of Gonzales; and Norman Gunn, senior vice president, Rapides Bank, Alexandria.

Outgoing LBA President Donald L. Delcambre, president, State National, New Iberia, spoke during the first business session of the trials the association has endured over the past year. Among these were attempts to force the LBA to abandon its traditional neutral position regarding bank structure change in the state; the Baton Rouge EFT bill, a complex issue supported by opposing factions of well-meaning bankers; the threat of suspension of bankers blanket bond coverage in Louisiana by the Surety Association of America; additional federal regulations, especially Regulation B; the closing of International City Bank in New Orleans; the issue of payment of interest on demand deposits and the recommendation by the Fed of NOW accounts on a nationwide basis.

The LBA has faced and met each of these problems, he said, winning some and losing some. The association

New LBA officers were installed at convention. From l.: Pres. Walter B. Stuart III, v. ch., First Nat'l Bank of Commerce, New Orleans; Pres.-Elect James G. Boyer, pres., Gulf Nat'l, Lake Charles; Treas. John J. Doles Jr., pres., First State, Plain Dealing; and EVP Robert I. Didier Jr., Baton Rouge.

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LEFT: Raymond L. Bond, Bossier Bank, Bossier City; Embree K. Easterly, Capital Bank, Baton Rouge; W. B. Donald Jr., Jeff Davis Bank, Jennings. MIDDLE: Richard Sale and Mrs. Emma Fuller, Commercial Nat'l, Shreveport; Mrs. Hines; Herman Hines, Deposit Guaranty Nat'l, Jackson, Miss. RIGHT: W. Van Salley, Bank of Bernice; Mrs. Altick; James Altick, Central Bank, Monroe.



LEFT: W. Warren Fuller, Commercial Nat'l, Shreveport; Mrs. Dowles; Carrell Dowles Jr., Homer Nat'l; Mrs. Brown; Dr. James R. Brown, Ruston State. MIDDLE: Foursome from Nat'l American, New Orleans—Milton Zeller (recently retired); Mrs. Zeller; Jack Kern; Mrs. Kern. RIGHT: L. H. Vidler, Bank of Logansport; Ed Noland, Commercial Nat'l, Shreveport; Kenneth Pickering, state banking commissioner; Mrs. Pickering.

continues to be deeply involved in finding solutions to the complex problems that still face the state's bankers.

Mr. Delcambre said that an EFT bill is a "must" if the state's banks are going to compete effectively with thrifts. He said the LBA has devised such a bill, utilizing the input of bankers expressing diverse viewpoints. As noted earlier in this report, the bill will be introduced in the state legislature prior to May 12.

Mr. Delcambre said the LBA is considering rewriting the Louisiana banking code, but must figure out how to finance such a project first. He said the code is antiquated and is in great need of codification, at the very least. He warned that, if some other group undertakes the revision job, banking could suffer, since the group might not be especially friendly to banking.

In the area of bankers blanket bonds, Mr. Delcambre recommended that the LBA work to make certain no more big bank failures occur in the state. He said it might be necessary to organize a mutual bonding company to handle BBB. The threat of organizing such a firm could serve to deter existing bonding companies from canceling current BBB coverages in the state.

He announced that marketing for LAMACHA, the Louisiana-Alabama-Mississippi Automated Clearing House Association, is being assumed by LBA. He urged banks that have not joined the ACH yet to do so soon before membership requirements change.

Mr. Delcambre is most concerned about the movement to force banks to pay interest on demand deposits. He said that, a year ago, bankers were assured that such interest payments were at least five years in the future. Now they're in the immediate future.

He said the Fed moved so fast in this area because it had to do something to curb the decline in memberships; thus, it proposed a two-prong program of paying member banks interest on their reserves at the Fed and requiring member banks to pay interest on demand deposits. He said the proposals are not in the best interest of banking.

Another factor bringing on payment of interest on demand deposits, he said, is the fact that many banks have been giving their services away free or at a loss. The theory goes that payment of interest on demand deposits will help make up for the loss-leaders banks have been offering their customers. This is faulty reasoning, according to


Bankers like to be surrounded by women! TOP: Registration Ch. Charles Foret is assisted by Linda Eisworth (l.), Nat'l American, New Orleans, and Frani Whittle, Whitney Nat'l, New Orleans. Mr. Foret heads the corres. dept. at Nat'l American. BOTTOM: New LBA Pres. Walter B. Stuart III is congratulated by Marsha Bond (l.) and Doris Rhodes (r.), both of Bank of Zachary. Second from l. is Mrs. Stuart.

Official greeters at bank-sponsored social events at LBA convention included (from l.) Pat Willis, Fidelity Nat'l, Baton Rouge; Lawrence A. Merrigan and Jack A. Livaudais, Bank of New Orleans; and J. Clifford Ourso Sr., American Bank, Baton Rouge.

Mr. Delcambre, because it would tend to penalize banks without penalizing thrifts. He said S&Ls could handle NOW accounts at no charge to customers if they succeeded in getting a 1% reduction in the interest rate ceiling.

Mr. Delcambre cautioned Louisiana bankers not to alter the LBA's neutral stance on bank structure because it would result in a fractured organization. He called attention to the situation in Illinois, where three state banking associations compete with one another. He advised his audience to do nothing that would weaken the LBA, since the association must present a united front when facing the problems of banking in Louisiana.

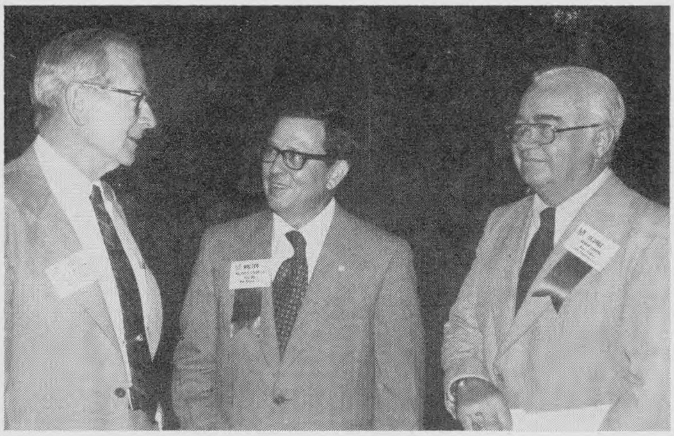
ABA President-Elect A. A. Milligan, chairman, Bank of A. Levy, Oxnard, Calif., was enthusiastically received by the audience. He added to Mr. Delcambre's theme by stating that the next few years will be traumatic for banking. Divisions are occurring in most state banker associations, he said. He predicted that the various banker associations in Illinois are going to be "hanged one at a time" if they don't get together.

He said the ABA is attempting to develop strategy to promote whatever bankers want. He refuted the thought that the ABA tells its members what they want. The only way to achieve consensus on what bankers want, he added, is to be willing to compromise.

Bankers should ask themselves what their customers want and need in the way of services. Then they should ask themselves what their bank can offer to meet the customer's need. After that, they should assess the competition and ask what thrifts can offer customers of banks.

Such questioning helps the ABA prepare itself to act instantly when a crisis occurs, he said.

In the area of demand deposit interest, Mr. Milligan said such payments will come to pass in the long run. In the short run, he added, NOW accounts will be authorized for all financial institutions, including credit unions. NOW account legislation is redundant, he added, but there has been so much talk about it, and it has gathered so much momentum, that it can't be stopped. Yet there is a chance that legislation might not pass right away.



ABA Pres.-Elect A. A. "Bud" Milligan (l.) chats with LBA officers prior to opening of business session. In center is LBA Pres.-Elect Walter B. Stuart III, v. ch., First Nat'l Bank of Commerce, New Orleans, who delivered invocation. At r. is LBA Treas. George S. Lensing, pres., Bank of Dixie, Lake Providence.

The U. S. League of Savings Associations is neutral on the issue, Mr. Milligan said. The S&Ls want others to push for NOWs while they work hard to retain their one-quarter percent interest differential.

Bankers should realize, he said, that NOW accounts are strictly optional for banks. He added that the bankers in New England now wish they had made a greater attempt to influence NOW legislation when it was introduced. They were so busy fighting it, they neglected to foresee its passing. They learned that a policy of boycott results in cutting oneself out of policy formation.

Mr. Milligan said banks are not charging enough for bank services, which, in effect, amounts to paying interest on demand deposits. He warned that costs could engulf an unwary banker. Services such as free checking are extremely burdensome for some banks, he said.

But there is some hope in the NOW situation, he said. Due to the diverse priorities of congressmen, the legislation might be put off indefinitely. Washington is on edge with its new President, he added. Congress isn't sure what will and what will not please President Carter, who seems to be moving toward a pro-business position. The President seems to be thinking that increased business spending is necessary for economic stabilization, which would tend to put a lid on soaring government spending.

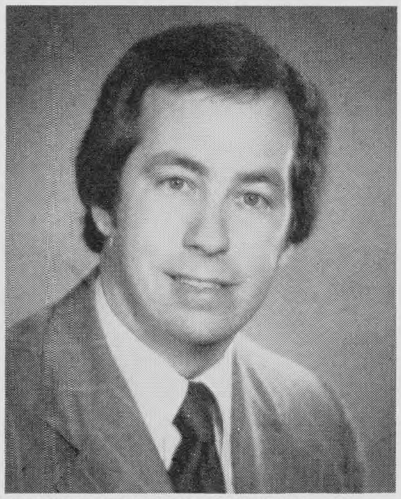
Mr. Milligan called attention to Senate bill 77, which would permit a union to call an election in a bank or other place of business if it held cards signed by 55% of the regular employees. He called for the re-establishment of a balance between labor and management and said bills like this one tend to make management lose out in its battle with labor.

He closed by saying that the ABA believes that bankers should speak out on all issues, not just those affecting banking.

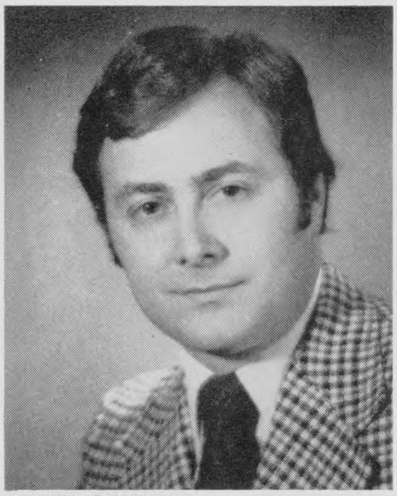
The second business session of the convention was devoted to duties and responsibilities of directors and new examination procedures. Roy Jackson, FDIC regional director, Memphis, was the principal speaker. His remarks are reprinted elsewhere in this issue.

Executive Vice President Bob Didier Jr. announced that next year's convention will be held at the new Hilton Hotel on the New Orleans riverfront. The dates will be April 14-18. • •

These are "MILLARD MEN"



JOSEPH FRANCIS QUINLAN, JR., born in California, schooled in Mississippi and New Orleans, with major emphasis in universities on banking and finance. He has since attended LSU School of Banking and the ABA Bank Card School at University of Chicago. Married and father of two. With his banking experience and dedication, with golf, hunting and fishing as hobbies, he has great requisites in Correspondent Banking for value to you.



ROY F. BAAS, a young but seasoned BNO veteran, joined BNO in 1971 and soon started upward. An assistant vice president, he has been manager of two of BNO's branch offices. A BS in finance from UNO. Photography is a serious hobby and he expects to use his cameras as he travels picturesque Louisiana.

JAMES O. JOHNSON, BNO assistant VP, is a graduate of "Bear Bryant" university, holds a bachelor's degree in business, with emphasis on sales and advertising. He is a graduate of the School of Banking of the South at LSU. So he has a broad foundation for his banking ability and proves it every day, to progressive bankers in the Florida parishes, North Louisiana, South Mississippi and Alabama.

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Louisiana Convention Speech

Directors Play Increasingly Important Role In This Traumatic Period for Banking

By ROY E. JACKSON
FDIC Regional Director
Memphis

WE HAVE more-or-less emerged from what has been described as a traumatic period for our industry. The recent recession has been described by some as the most severe since the Great Depression of the 1930s.

I say "more-or-less emerged" because the nature of the credits extended by banks during this period are such as to preclude quick recovery. Thus, although we are over a year and a half past the low point of the recession, we are still living with a rather long list of problem banks. Not only do we have a number of problem banks, which result in my becoming acquainted with directors involved in these banks, but in 1976 we had the largest number of bank failures—16—since the early 1930s.

In a number of cases involving failed banks, directors are finding themselves involved with the FDIC, and in some cases, with minority shareholders, in defensive positions in lawsuits. And so, it is appropriate that we discuss the subject of directors' responsibilities.

A good director is a highly ethical individual who promotes the bank at every opportunity; meets periodically for an hour or so to review and express an opinion—for the record—on transactions conducted since the previous meeting, forgetting them afterwards; evaluates the need for and provides competent active management for the bank; establishes, and polices adherence to, sound operating policies; carries the burden of seeing after the welfare of all the bank's depositors; subjects his personal fortunes to exposure for ill-considered deeds; and does it all for peanuts.

The director is an essential part of the business which has a unique impact upon the welfare of the public and the economy. As a result, the job of a bank director is not regarded in the same light as that of a director of any other kind of business. It has been said of bank directors, "theirs is responsibility which transcends the mere protection of the stockholders' investment and becomes a public trust whereupon may depend the financial stability and welfare of an entire community."

Much has been written about the bank director and his ponderous responsibilities, and many related opinions have been handed down by courts attempting to address the issue. Perhaps we can consider the opinion of a federal district court in Arkansas, in the case of Rankin vs. Cooper. It addresses essentially the same principles contained in other opinions, but seems to be something of a classic, being especially clearly written.

Quoting from the court's opinion:

"1. Directors are charged with the duty of reasonable supervision over the affairs of the bank. It is their duty to use ordinary care and diligence in ascertaining the condition of its business and to exercise reasonable control and supervision over its affairs.

"2. They are not insurors or guarantors of the fidelity and proper conduct of the executive officers of the bank, and they are not responsible for losses resulting from their wrongful acts or omissions, provided they have exercised ordinary care in the discharge of their own duties as directors.

"3. Ordinary care in this matter as in other departments of the law means that degree of care which ordinarily prudent and diligent men would exercise under similar circumstances."

In order for a director to function effectively, he or she has to show up. Director absenteeism is a problem both for the bank and the director himself. If you are a director, and if actions prejudicial to the bank's welfare are passed in your absence, it would be well for you to be able to convince a court that you made every possible effort to be present.

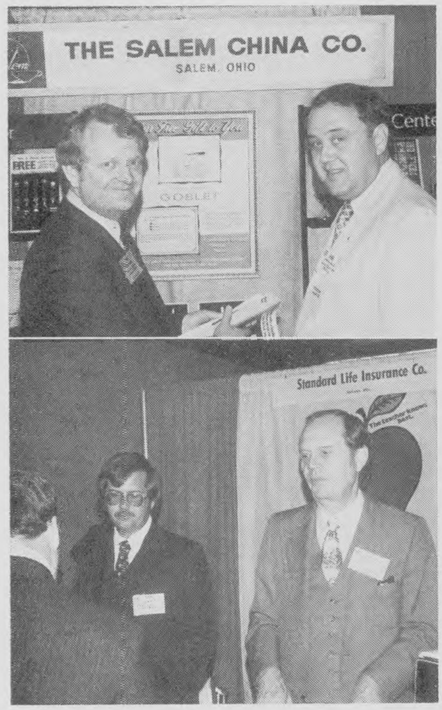
Habitual absence, of course, would affect your credibility. Asking a director to resign due to irregular attendance is a difficult matter, especially if he or she possesses compensating strengths. It is better for a person to serve in an advisory capacity if he is so busy that the bank directorship is ignored. I would daresay that if there is such a thing as "directors' etiquette," it would call for such a director to offer his resignation.

I am reminded of an entry in the board minutes of one bank which went, "It was moved by Director Green and seconded by Director White that directors' fees be paid at the close of the meeting instead of at the first." I am not suggesting that directors becoming lost on their way to the washroom is an area that merits any significant discussion. This is the epitome of exhibition of lack of interest, but it can take other forms, such as refusal to take part in vital discussions or reduction of the meeting to a bull session. A director should make his presence felt. He should be interested and he should be inquisitive.

I recall the instance of one director never voting in favor of anything. There, in most cases, was no argument, but when the vote was taken, this director voted "no." The fallacy of this is obvious. This is not voting of conscience, it is simple contrariness, which obviously would be of little consequence in a director's liability suit. But one important point should be made: If a director feels a proposition is unsound, he should express his views and listen to the arguments. If the issue is not resolved to his satisfaction, he should exercise his right to vote against the proposition, and he should be sure that the negative vote is registered. As is the case with all other essential bank records, the minutes should be accurate, and the board should see that any in-

Among exhibitors at convention were (from l.) Fred Scaggs and Harry Kyle at Mosler booth; Joseph Montero III, Assumption Bank, Napoleonville, and Beril Bohrer at Bank Building Corp. booth; and quintet manning Security Corp. booth: Joe Tierney, Bill Watkins, Mrs. Watkins, Debbie Boese, Larry Grantham.

Exhibitors at LBA convention show off merchandise. From l.: Hugh Rooney at Diebold booth; W. Merle Davis, American Bank, Baton Rouge, and Matt Libonati at Brandt booth; Mrs. Coco, E. G. Coco and Marty Swift at LeFebure booth; and Marilyn Roberts with Mrs. Woodland and Don L. Woodland at Creative Image booth. Mr. Woodland is asst. dir., School of Banking of the South at LSU.



Top photo: Tom Welch visits with John W. Lolley, Ouchita Nat'l, Monroe, at Salem China booth. Bottom photo: Rick Hudgens and John Alford man Standard Life Insurance booth.

consistencies are corrected.

The active involvement of the board in overseeing the bank's operation is becoming more important than ever. The rules by which we play are becoming increasingly difficult. Especially critical is the selection of competent officers upon which the board may rely.

The assistance and directions given by the board must be responsive to the complications arising in banking. The board, in order to extend its influence into the day-to-day operation of a bank, must prescribe clear, workable policies. I fail to see how a board can control an operation, as it is sworn to do, without good lending and investment policies. Otherwise, a director sees one surprise after another when reviewing loans at board meetings. He or she also is likely to see some surprises in reports of examination.

There is an art to writing policy. Basic to an effective policy is the awareness of the needs of the local community. There seldom is a legitimate reason to send a depositors' funds outside the trade area of the bank. Out-of-area loans have been a common denominator in all too many bank failures.

The bank's written lending policy should specifically address this subject.

Let's discuss briefly the lending policy of the bank. This policy should reflect the types of collateral the bank typically receives on its loans, specifying collateral margin requirements, rates of interest to be applied based on characteristics of the loan, the maximum maturity on specified types of collateral, individual lending limits for the various officers, mechanics for advance committee review of large and unusual loans and other similar areas. Also essential in writing loan policy is a knowledge of the bank's profit requirements. Otherwise, setting interest rates would be highly inexact.

A loan policy should be useful. This

implies it should be specific in the area where strict guidance is needed. But it should not laboriously attempt to cover every imaginable situation; this would cause the policy to be cumbersome and less effective, not more effective.

Remember also that neither having a law on the books nor having a written loan policy is effective unless there is follow-up and enforcement.

It is presumed that a director's own personal dealings with his bank will be above board, both in rates charged and in other terms. Granting of preferential rates as a sort of hidden director's fee is not what a reasonable man would consider fair and certainly should be avoided. Directors should be paid an equitable fee for their services and should expect nothing further.

Another point of directors' etiquette is to avoid placing a personal matter before the board when there is any possibility that board approval of the proposal would be in conflict with established policy. If any such possibility exists, either remedy the deficiency before presentation or try it out on another financial institution. It is not wise to place other board members on the spot on a personal matter. A good board will reject an unacceptable proposal, even from a fellow board member. But this is not good for director relations and, therefore, is not good for the bank.

Among many individual interpretations of the duties of bank directors, the words "ordinary care and diligence" seem to be a common thread. This phrase is so easily understood that there is no way to make it any clearer. But in order to exercise ordinary care and diligence, it must be assumed that the director would make himself sufficiently familiar with the operation of a bank that he is aware of potential problem areas.

It has been often said that no one is perfect. This includes the bank director, even though he may take every possible avenue of familiarizing himself with banks in general and with his own bank. Therefore, in the usual course of business, matters may slip by the cautious director.

Quoting further from the Arkansas court opinion:

"6. Directors are not expected to watch the routine of every day's business, but they ought to have a general knowledge of the manner in which the bank's business is conducted, and upon what securities the larger lines of credit are given and generally to know of and give direction to the important and general affairs of the bank.

"7. It is incumbent upon bank directors in the exercise of ordinary prudence, and as a part of their duty of general supervision, to cause an examination of the condition and resources of the bank to be made with reasonable frequency."

Implicit in the court opinion is the expectation that a director will not be satisfied with the information he is receiving and the opinions he is forming based upon that information; rather, he will create sources of information for himself through periodic examinations and audits. Once received, audit and examination reports—including regulatory agency examination reports—should be reviewed thoroughly and acted on. These reports are conducted for the benefit of the board in directing the bank's affairs in a safe and sound manner.

The director should either act upon or justify to himself why he should not act upon recommendations made in audit and examination reports. If there is a lack of understanding of a recommendation or the need for the recommended action, ask questions of the firm or agency preparing the report. It is not always wise to rely solely on an explanation from the executive officer on whom the burden of implementation of the recommendations would fall.

"5. If nothing has come to the (director's) knowledge to awaken suspicion that something is going wrong, ordinary attention to the affairs of the institution is sufficient. If, on the other hand, directors know, or by the exercise of ordinary care, should have known, any facts which would awaken suspicion and put a prudent man on his guard, then a degree of care commensurate with the evil to be avoided is required, and a want of that care makes him responsible. Directors cannot do justice to those who deal with the bank if they shut their eyes to what is going on around them."

Reasonable men given identical information often will arrive at vastly different conclusions for several reasons, the most prominent of which is a difference in philosophies. And we can't say that one is right and one is wrong just because votes differ. If, however, a director suspects the motives of his colleagues or suspects that they are simply hesitant to speak out against a dominant board member, he could be expected to take action even beyond a negative vote. This action could even take the form of a notification to the appropriate regulatory bodies.

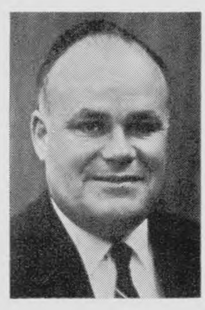
The background of the Arkansas case is a suit against directors for lack of ordinary care in performing official duties. Lawsuits against directors are not uncommon. Minority stockholders occasionally feel wronged by directors and seek legal redress against them. Also, the FDIC as receiver of most closed banks often finds cause to enter suit against individual board members. In many closed bank cases, the problem can be traced to a disinterested, lethargic board.

The corporation's division of liquidation recently issued a statement concerning the role of management in bank failures. A portion of the statement follows: "Generally speaking, directors of closed banks . . . abandoned their vital duties and functioned as 'rubber stamp boards' for the controlling parties of the bank."

There often is the feeling that the bank owner is, in effect, spending his own money, so why get in his way? But this has nothing to do with the responsibility to the bank's depositors and the degree of a director's personal liability. Even if the bank is 100% owned by one entity, the director's function is not changed, nor is his legal liability in the event of failure to discharge his duties satisfactorily.

In instances where a bank is in severe trouble, it is not uncommon to find an interested board. Its members obviously have not always been interested, but became interested when the situation deteriorated to a point of questionable salvation. The degeneration of a bank into unsatisfactory status is often an insidious proposition, fueled by hesitancy of the board to take actions that a prudent man would see as absolutely imperative. Only when it is too late do many boards act.

I have not sought to scare anyone and I hope my words do not result in a mass exodus from bank board rooms. Rather, I hope I have merely encouraged you to recognize your responsibility as bank directors—as well as your liabilities. If nothing else is achieved, perhaps you will at least be challenged to participate in bank policy decisions, to think, to judge. • •



VATH

■ GEORGE G. VATH has been elected president, National American Bank, New Orleans. He was formerly senior executive vice president (since 1972) and a director and permanent member of the executive committee (since 1975). He joined the bank in 1939 and headed the business development, advertising and public relations activities.

Louisiana Industrial Development Tops $1 Billion for Third Year

By GILBERT C. LAGASSE
Secretary
Louisiana Department
Of Commerce
Baton Rouge

FOR the third straight year, industrial investment in Louisiana topped the $1-billion mark with $1,108,390,380 going into new and expanded facilities.

This investment reflected the location of 54 new manufacturing plants and 319 expansions to existing facilities. These new plants and expansions contributed $330,563,769 and $777,826,611, respectively, and generated some 7,433 new, permanent jobs and 18,447 construction jobs.

Investment by category showed petrochemicals and refining with $798,314,787; metals and machinery, $81,660,875; transportation, $43,845,400; food products, $42,173,258; power generation, $41,250,000; pulp and paper, $34,060,225; lumber and wood products, $33,458,336; miscellaneous products, $23,713,950; stone, clay, glass and concrete, $6,068,597, and textiles, $3,844,952.

The outlook for industrial growth in 1977 is for increased investment and job creation. We expect to surpass the $1.5-billion investment mark and possibly reach $2 billion. Several factors will be responsible for this increased economic growth.

The state has burgeoned into an important marketplace for industrial and consumer goods—something it was not 10 years ago. Geographically, Louisiana is located in the heart of the rapidly growing Sunbelt, which means products manufactured in Louisiana can be distributed quickly and economically to an emerging lucrative southern market.

One of the largest known contributors to the state's economic development in 1977 will be the construction of the Louisiana Superport. LOOP has recently received federal approval to begin construction of a $900-million-plus project scheduled for completion in 1980. An estimated 16,250 jobs are expected to be created directly and indirectly by the Superport in 1977 alone.

Additionally, the Superport is expected to spur an estimated $4.5 billion of new investment in refineries, petrochemical plants and related industries by the time the project is completed.

Another significant factor in the state's economic development will be reorganization of the Office of Commerce and Industry under the Department of Commerce. The reorganization will provide stronger and more attractive programs to a wide range of industries.

The main thrust for the Department of Commerce will come from the Office of Commerce and Industry. Added support will be provided by the Offices of Financial Institutions and Insurance Rating and a number of regulatory agencies that also are a part of the Department of Commerce.

The Office of Financial Institutions will provide input through its regulations of state banking associations, savings banks, trust companies and homestead and building and loan associations; administration of the Louisiana Savings & Loan Association Law, the Louisiana Consumer Credit Law and the Securities Commission.

The Department of Commerce will act as a catalyst between the state's economic developers, economic development districts and communities in their relationship with the industrial trade and commercial investors.

Plans are being formulated to set realistic and attainable objectives in the area of jobs and investment. We expect 1977 to be a year of aggressive, productive economic promotion and inducement. • •

New Hyatt Regency Hotel Site of LBA Convention

A SHINY new look awaited Louisiana bankers and their spouses attending the 1977 Louisiana Bankers Association convention in New Orleans last month.

The convention moved to the brand new Hyatt Regency Hotel, located adjacent to the Superdome. From April 1-4, delegates roamed the halls of the largest hotel in the Hyatt chain, the first high rise building in Poydras Plaza.

Highlights of the 1,250-room hotel include a pedestrian concourse 60 feet wide extending through the hotel building and leading to the Superdome. The concourse contains numerous retail shops and boutiques. Typical of most Hyatt hotels is the huge atrium, which extends 260 feet upward from the third floor level and contains nearly five million cubic feet of space. The atrium is described as a giant garden complete with plants, trees, cascading ivy and wall-hugging glass elevators that disappear through the ceiling on their way to the hotel's revolving rooftop restaurant complex.

The base of the 24-story atrium contains a cocktail lounge, an informal dining area, an entertainment lounge and a restaurant. It also gives entrance to the grand ballroom and exhibit hall.

The hotel's ballroom seats 2,500 persons for banquets and can be divided into eight smaller rooms for meetings. Fifteen additional meeting and banquet rooms are located one floor above the ballroom level.

The hotel includes 100 suites, of which 44 are equipped for conferences and 46 with wet bars.

The exhibit hall contains more than 26,000 square feet of space. An adjacent structure holds 350 cars and has a swimming pool on its roof, plus a number of lanai-type rooms.

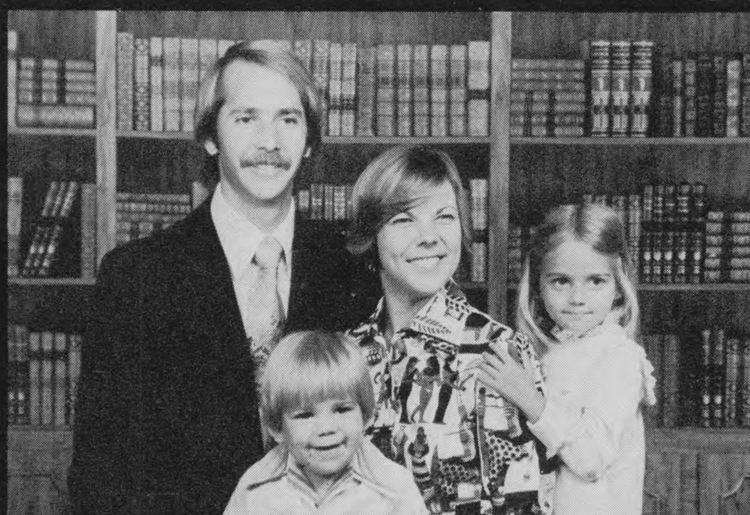
Another unusual feature of the hotel's atrium are space frame windows that form the north and south walls of the building. Each of the space frames is 50 feet wide and 200 feet tall. Each pane of glass is seven feet square, and is mounted diagonally. The windows offer panoramic views of the city to guests riding the glass elevators.

Services at the hotel include computerized registration and check-out, reservations for local events, transportation, medical and secretarial service, salons for personal shopping, beverages, barbers and hairdressers, food and drink, recreation, entertainment, photography, catering, shoe repairs, pet boarding, newsstand, drugstore and valet service.

A corps of women offer concierge (caretaker) service to guests. The young women are known as "problem solvers" and take pride in personally greeting every arrival at the hotel. • •

TOP: View of Hyatt Regency, New Orleans, from Superdome. Center panel is glass frame window 200 feet high, which forms side of 24-story atrium. Atop building is revolving restaurant. LEFT: Glass elevators climb sides of atrium inside hotel. Atrium contains lounges, restaurants.

Our portrait program produces new customers



"Any banker in the country loves to see prospects walk in the door — well that's what the Olan Mills portrait program did for us. We are very pleased."

Tom Maxwell
President
Bank of Cannon County
Woodburry, Tenn.

Some marketing experts claim it can't be done — that is, for the prospect to come to you rather than you going after him.

Well we can show you how to get them to come in the door by the droves. Our bank marketing program of giving away Free portraits (in beautiful color) to customers and prospects has proved to be one of the most successful programs yet.

Here's how it works. Olan Mills representatives will work out a schedule for your bank to give away beautiful color portraits to customers and prospects. They will help you plan, organize and advertise the program. They will take the pictures and send a follow-up team to show proofs.

And the beauty of it all — it doesn't cost the customer a dime. Your only obligation is a nominal charge for advertising materials.

Call us today. We'll send a representative to see you.

Additional information on The Olan Mills Family Portrait Plan is available from Olan Mills Bank Marketing Division, c/o Joe Trivett, 1101 Carter Street, Chattanooga, Tennessee 37402. Telephone (615) 622-5141.

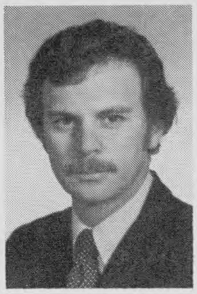
olan mills BMD

Bank Marketing Division

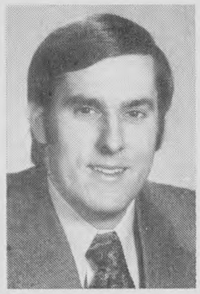
JOHNSON

McLEOD

COLEMAN

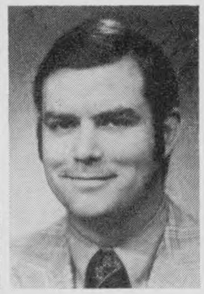


SUTTLE



KIEFFER

RESSEGUIE



JASPER

MATHIAS

Convention 'First-Timers'

These new faces will be representing city-correspondent banks at state conventions this year.

Alabama Convention

• **H. E. Johnson Jr.** is senior vice president and head of the correspondent department at Third National, Nashville. He joined the bank in 1950 and was named senior vice president earlier this year.

• **Purser L. McLeod Jr.** is an assistant cashier at First National, Birmingham. He joined the bank in 1972 and is an assistant branch manager.

• **William E. Coleman** is an assistant vice president in the Main Office of First National, Birmingham. He joined the bank in 1968 after receiving an MA from the University of Alabama.

• **W. Gary Suttle** is senior vice president, Alabama Bancorp., Birmingham. He joined the HC in 1976, following service with Vulcan Materials Co., Birmingham, as director of planning and development.

AMBI Convention

• **Roger W. Kieffer** is an assistant vice president at Harris Trust, Chicago. He joined the bank in 1970 and is in the banking department's division F.

• **Richard W. Resseguie** is a senior vice president in the banking department at Northern Trust, Chicago. He joined the bank in 1956 and is in charge of the national group.

• **Daniel W. Jasper** is an assistant vice president at Mercantile Trust, St. Louis. He has been with the bank since 1969 and heads division A of the central group.

• **Robert J. Mathias** is a banking officer in division A of the Central group at Mercantile Trust, St. Louis. He joined the bank in 1974 as an analyst in the operations improvement program.

Missouri Convention

• **Steven McD. Campbell** is a commercial banking officer in the regional banking department at First National, St. Louis. He joined the bank last year following service with the State Department in Washington.

• **Steven J. Roy** is a commercial banking officer in the regional banking department at First National, St. Louis. He joined the bank in 1972 in the EDP department.

• **Phillip D. Straight** is an assistant vice president in division II of the business development department at United Missouri Bank, Kansas City. He joined the bank in 1973.

• **Thomas J. Brown** is a vice president at Commerce Bank, Kansas City. He is manager, Missouri correspondent division, and is a former vice president, Commerce Bancshares. He joined the bank last September.

Texas Convention

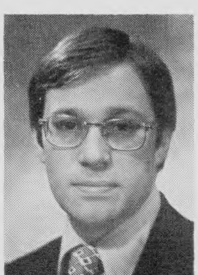
• **Emily A. Schroeder** is an official assistant at Citibank, New York City, and travels in New Mexico, Dallas and East/West Texas with backup responsibility in Oklahoma.

• **John V. N. McClure** is a commercial banking officer in the banking department at Northern Trust, Chicago. He joined the bank in 1973 and serves in the southwestern division.

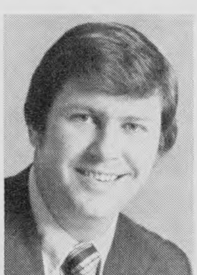
• **Michael T. Fleming** is vice president in charge of national and metropolitan corporate accounts in the business development department of United Missouri Bank, Kansas City. He joined the bank in 1970.

• **Robert J. Waller** is with the correspondent department of First Na-

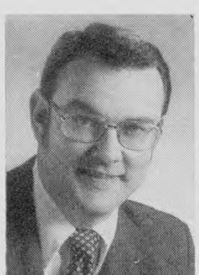
CAMPBELL



ROY

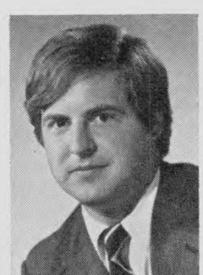


STRAIGHT



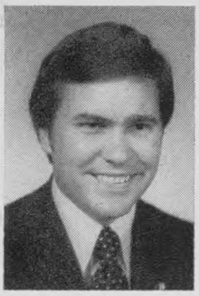
BROWN

SCHROEDER

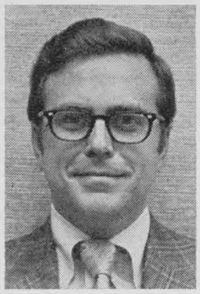


McCLURE

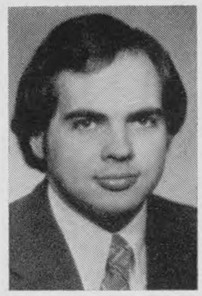
FLEMING

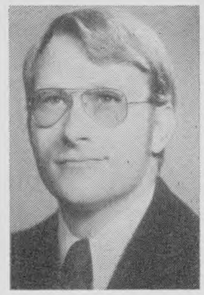

WALLER

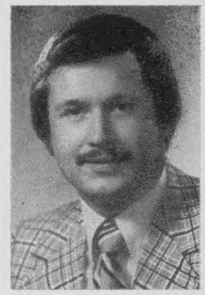

ANDERSON


DIERKS


FRANKLIN


CRUTCHMER


OSWALT


HOPKINS

tional, Oklahoma City. He joined the bank in 1976 following service with Republic National, Dallas.

• **Thiers Y. Anderson** is an assistant vice president at First National, St. Louis, which he joined last September, following service with a trust company in Maine.

• **David A. Dierks** is a vice president at First National, St. Louis. He joined the bank in 1969 as a trainee and transferred to the regional banking division in 1971.

• **Kenneth S. Franklin Jr.** is a commercial banking officer at First National, St. Louis. He has been with the bank since 1971 and has held his present title since 1973.

Oklahoma Convention

• **Clyde V. Crutchmer** is a representative in the correspondent banking department at Fourth National, Tulsa. He is a former starting quarterback for the University of Colorado football team.

• **Thiers Y. Anderson** joined First National, St. Louis, last September. He is an assistant vice president.

• **David A. Dierks** joined First National, St. Louis, in 1969 as a trainee and transferred to the regional banking division in 1971, where he is a vice president.

• **John V. N. McClure** joined Northern Trust, Chicago, in 1973. He serves as a commercial banking officer in the southwestern division of the banking department.

• **Denzil E. Oswalt** is an assistant vice president in the regional banking department at First National, Tulsa. He joined the bank in 1971 and is a former director of marketing for the bank and First Tulsa Bancorp.

• **Jerry W. Hopkins** is an assistant vice president at First National, Tulsa. He is a former director of a field office with Houston Bank for Cooperatives and is new with First of Tulsa.

• **Marc B. Wolin** joined First National, Tulsa, recently after serving as a senior assistant bank examiner for the FDIC. He has attended the OBA Commercial Intermediate School of Banking.

• **Donald E. Lewis** is an account officer at Citibank. New York City. He has been with the bank for three years, with previous experience in the risk asset review area of the comptroller's division.

• **Charles Q. (Charlie) Chandler IV** is a management trainee appointed to special projects at First National, Wichita. He became a full-timer at the bank last August and his family has been associated with the bank for four generations.

Kansas Convention

• **Denzil E. Oswalt** joined First National, Tulsa, in 1971. He is now an assistant vice president in the regional banking department.

• **Jerry W. Hopkins** recently joined First National, Tulsa, where he serves as an assistant vice president. He was formerly with Houston Bank for Cooperatives.

• **Marc B. Wolin** recently joined First National, Tulsa, after three years of service with the FDIC, where he was a senior assistant bank examiner.

• **D. Michael Brixey** is an assistant vice president in the correspondent division at Commerce Bank, Kansas City, which he joined recently. He travels in southern Kansas.

• **H. C. Bauman** has been a vice president in the correspondent division of Commerce Bank, Kansas City, since last November. He is manager of the Kansas correspondent division and has been with the bank since 1975.

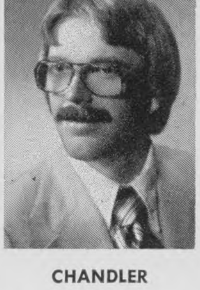
• **Stephan P. Blackburn** is an assistant vice president in division II of the business development department at United Missouri Bank, Kansas City. He joined the bank in 1973.

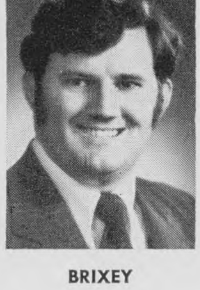
• **Gregory R. Wartman** is an assistant cashier in the correspondent division at First National, Kansas City. He joined the bank in 1975 after earning an MBA from the University of Kansas.

• **Charles Q. (Charlie) Chandler IV** is a management trainee appointed to special projects at First National, Wichita. He became a full-timer at the bank last August and his family has been associated with the bank for four generations.

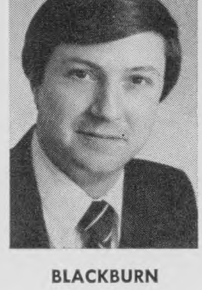

LEWIS

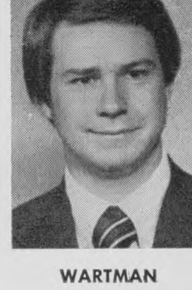

WOLIN


CHANDLER


BRIXEY


BAUMAN


BLACKBURN


WARTMAN

Space Center to Host Ala. Bankers As Association Returns to Huntsville

WOODROW

SNELL

MITCHELL

MORGAN

OUTER SPACE will hold center stage for at least a portion of the 84th annual convention of the Alabama Bankers Association, which convenes in Huntsville May 4-6.

The social function on the first night of the convention—a cocktail party—will be held at the Alabama Space and Rocket Center Museum, repository for equipment used in many of the probes into space made by the U. S.

The cocktail party will be hosted by the following banks and HCs: American National, Mobile; Bank of the Southeast, Birmingham; Birmingham Trust National; Central Bancshares of the South; First Alabama Bancshares; First Bancgroup—Alabama; First National, Birmingham; First National, Dothan; Southern National, Birmingham, Southland Bancorp.; and Union Bank, Montgomery.

The cocktail hour will be followed by an international dinner and entertainment in the exhibition hall at the Von Braun Civic Center, headquarters for the convention.

The first general business session will begin at the Civic Center at 9:30 a.m., Thursday, May 5. Presiding will be Robert H. Woodrow Jr., vice chairman, Alabama Bancorp., Birmingham. On the program are talks by Walt Weisman, communications expert; President Woodrow's address; and a talk about associations in changing times by Hugh McCahey of the U. S. Chamber of Commerce, Washington, D. C. As part of the session, Ernest F. Ladd Jr., ABA state vice president, and chairman, Southland Bancorp., Mobile, will conduct a meeting of members of the ABA to elect a member of the ABA Governing Council to succeed Mr. Ladd, who has held the office for the past two years.

A concurrent program for women will include a tour of a historic residential district and a luncheon.

The social event for Thursday evening includes cocktails and a sit-down dinner at the Civic Center, followed by the "Boots" Randolph Show and dancing.

The second general business session will convene at 9:30 a.m. on Friday, May 6. Scheduled is a talk by Congressman Richard Kelly from Florida, a member of the House Committee on Banking and Currency. He plans to have some straight talk for bankers in their participation in political activities. Also on the program is a panel on credit unions, moderated by John D. Chisholm of Rochester, Minn. Panelists will include Arthur Tonsmeire Jr., past president, U. S. Savings & Loan League, and president, First Southern Savings, Mobile; and Marvin L. Fisher Jr., vice president, Tioga State, Spencer, N. Y., the bank which was joined by the ABA in a suit against share drafts.

The concluding activity of the convention will be the traditional luncheon and election of officers, to be held at the Hilton Hotel at 12:30.

Current Ala.BA officers serving with Mr. Woodrow are Charles S. Snell, president, Citizens National, Shawmut—first vice president; and William H. Mitchell, president, First National, Florence—second vice president.

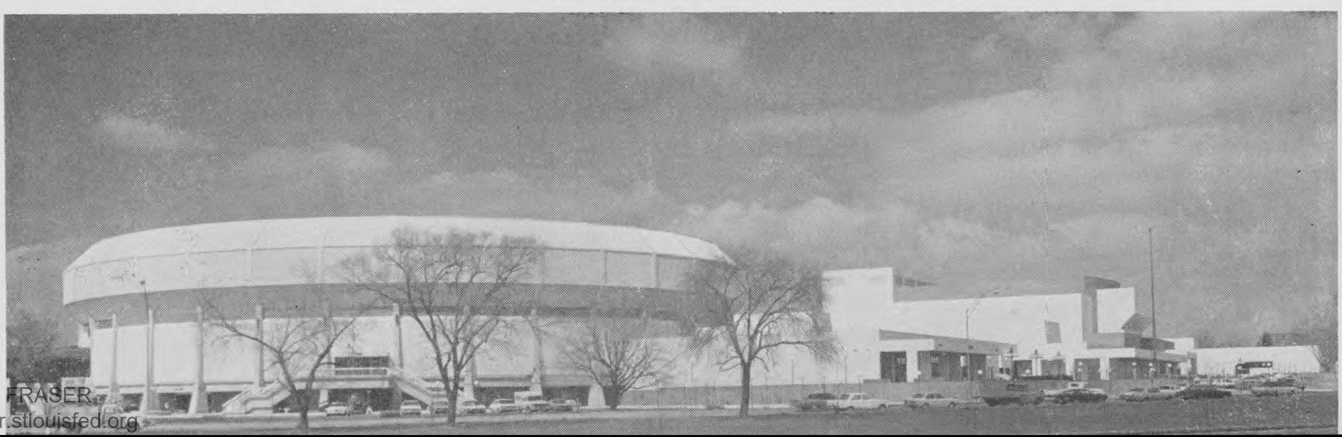
At the time Mr. Woodrow was installed as Ala.BA president, he was chairman and CEO, First National, Birmingham. He has since become vice chairman of First National's parent HC, Alabama Bancorp. He remains as a bank director and trust committee chairman, but devotes full time to his HC duties. He joined First of Birmingham in 1947 in the trust department and was named assistant trust officer and corporate trust head three years later. He was elected chairman of the bank and CEO in 1972.

Mr. Snell is a graduate of Auburn University and served in the Alabama public school system for 11 years prior to joining his bank. He has served two terms as a member of the Alabama House of Representatives.

Mr. Mitchell has been president and CEO of First of Florence since 1958 and a director since 1954. Prior to joining the bank, he was a partner in a law firm. He attended Davidson College and the University of Alabama and is a director of the Alabama State Chamber of Commerce.

Convention chairman is W. Eugene Morgan, chairman and CEO, First Alabama Bank, Huntsville. Committee chairmen include Mrs. Joe M. Hinds Jr., First Alabama Bank—women's entertainment; Richard E. Oliver, president, American National—arrangement and entertainment; Mario R. Bottesini, president, Bank of Huntsville—hotels; C. C. Richardson, president, Peoples National—sports; W. R. (Bill) Collins, president, Central Bank of Alabama—registration; and Robert J. Blackwell, president, Henderson National—transportation. • •

Ala.BA convention site is Von Braun Civic Center, $15-million sports-entertainment-exhibit complex in Huntsville.



AMBI Convention

(Association for Modern Banking in Illinois)

President

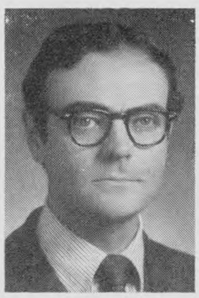
SINCLAIR

AMBI Pres. Gerald Sinclair is e.v.p., Salem Nat'l, and is a past pres., Tri-County Bankers Federation.

Vice President

HUMPHREY

2nd Vice Pres.



SMITH

Robert C. Humphrey, AMBI v.p., is pres., State National, Evanston, and serves in a number of capacities with a variety of other organizations. 2nd V.P. Loren M. Smith is pres. & CEO, United Bank of Ill., Rockford, which he joined in 1969. He was formerly with State Bank, Kirkland.

Treasurer

BUNN

Chairman

KASSING

AMBI Treas. Willard Bunn Jr. is ch. & CEO, Springfield Marine Bank, which he joined in 1935. He is ch., Council for Branch Banking in Ill. Lester A. Kassing is AMBI ch., and pres. & CEO, Jefferson Trust, Peoria. He entered banking in 1958 with Indiana Bank, Ft. Wayne.

Chicago, May 4-6

Headquarters—Continental Plaza Hotel

PROGRAM

FIRST SESSION, May 5

Welcome—GERALD SINCLAIR, AMBI president, and executive vice president, Salem National.

Address—"The Current Challenge in Bank Profitability"—JOHN GLEASON, senior vice president, Northern Trust, Chicago.

Address—"The Comptroller of the Currency's Consumer Compliance Examination—What You Need to Know"—JOHN CHIPOURAS, deputy director, consumer affairs division, Comptroller of the Currency, Washington, D. C.

LUNCHEON SESSION

Address—"Where Do We Stand in Washington?"—GERALD M. LOWRIE, executive director, government relations, American Bankers Association, Washington, D. C.

SECOND SESSION, May 5

Address—"Striving for Management Excellence—Performance Appraisal for Your Management Team"—DAVID E. MAGUIRE, vice president, Continental Illinois National, Chicago.

Address—"Trends in Officer Compensation"—JOHN E. BALKCOM, consultant for executive compensation, Hewitt Associates, Deerfield, Ill.

THIRD SESSION, May 6

Address—"Electronic Banking—Where Do We Go From Here?"—JAMES E. SMITH, executive vice president, First Chicago Corp.

Panel—"How to Be Effective with Your Legislator"—PRESCOTT BLOOM and PHILLIP ROCK, state senators; and MICHAEL BRADY and RICHARD LUFT, state representatives.

Annual Business Meeting and Legislative Update.

BONUS EVENT, May 6

Address—"What You Need to Do to Become a High-Performance Bank"—ALEX SHESHUNOFF, president, Sheshunoff & Co., Austin, Tex.

AMBI Convention Theme: Improving Bank Services; Meeting Set for Chicago

CHICAGO—The fourth annual convention of the Association for Modern Banking in Illinois will have as its theme "Improving the Quality of Bank Services in Illinois." The convention will be held at the Continental Plaza Hotel in Chicago May 4-6.

The convention will open with a reception on Wednesday, May 4, sponsored by the Chicago members of AMBI. It will be held in the governor's suite of the Continental Plaza from 6:30 to 8:30.

On Thursday, May 5, the first formal session of the convention will feature a presentation by John Gleason, senior vice president, Northern Trust, Chicago, entitled "The Current Challenge in Bank Profitability."

Capping out the morning portion of the program will be John Chipouras, deputy director for the consumer affairs division of the office of the Comptroller of the Currency. Mr. Chipouras will speak about the Comptroller's consumer compliance examination.

"Where Do We Stand in Washington?" is the title of the luncheon address to be delivered by Gerald M. Lowrie, executive director, ABA government relations. Scheduled for the afternoon session is David E. Maguire, vice president for corporate personnel service, Continental Illinois National, Chicago, speaking on "Striving for Management Excellence—Performance Appraisal for Your Management Team."

Concluding the formal afternoon program will be John E. Balkcom, consultant for executive compensation, Hewitt Associates. His topic will be "Trends in Officer Compensation."

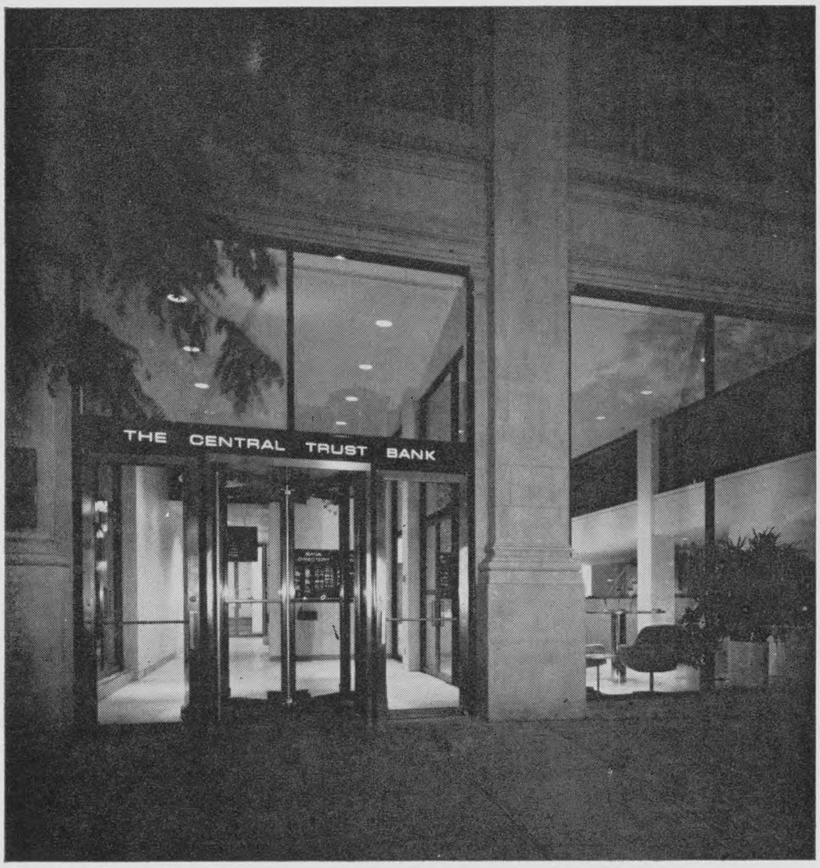
The session set for Friday, May 6, will begin with "Electronic Banking, Where Do We Go From Here?" by James E. Smith, executive vice president, First Chicago Corp. and former Comptroller of the Currency. Next up will be a panel on "How to Be Effective With Your Legislator" with members of the Illinois general assembly offering their opinions.

Rounding out the Friday morning agenda will be the AMBI annual business meeting and legislative update. The afternoon will feature a bonus event entitled "What You Need to Do to Become a High-Performance Bank" by Alex Sheshunoff, president, Sheshunoff & Co., Austin, Tex. Mr. Sheshunoff will give each conference participant a statistical summary of each participating bank's performance, based on FDIC call figures. Individual analysis will be available at the conclusion of the session.

The annual banquet will be held Thursday evening and will feature a gourmet dinner followed by entertainment by the Life singing group.

■ RICHARD J. ACKERMANN, vice president, Continental Bank, Chicago, has been elected president, Association of Primary Dealers in Government Securities. The association is made up of the 34 firms recognized by the New York Fed as primary dealers in U. S. Treasury and government agency securities. Mr. Ackermann joined Continental in 1959.

Central to your needs.



Central Trust Bank

Central Motor Bank

Central Trust is constantly in tune with the growth of Central Missouri and stands ready to serve all your correspondent needs with the best in modern banking.

We look forward to seeing you at the MBA convention in Kansas City, May 8-10.

Fred Rost, Senior Vice President

John Morris, Senior Vice President • Jim Herfurth, Senior Vice President

You have a friend at

THE CENTRAL TRUST BANK

JEFFERSON CITY, MISSOURI 65101

Member Federal Deposit Insurance Corporation

Missouri Convention

President

RICHMOND

Charles K. Richmond, MBA pres., is v. ch., American Nat'l, St. Joseph. He joined the bank in 1946 and was elected an officer in 1949. Prior to being named v. ch. last year, he was e.v.p.

Vice President

ANDERSON

Mills H. Anderson is MBA v.p. He is pres. & CEO, Bank of Carthage, which he joined in 1946. He has been pres. since 1959. He has chaired the governmental affairs and consumer finance committees for MBA.

Treasurer

LEA

Treas. of the MBA is Pat Lea, ch. & pres., First Nat'l, Sikeston. He has been in banking since 1953 and has served MBA in the Junior Bankers Section and on various committees. He is a former pres. of Southeast Missouri Bankers Institute.

Kansas City, May 8-10

Headquarters—Crown Center Hotel

PROGRAM

FIRST SESSION, 2 p.m., May 9

Call to Order—DON V. THOMASON, convention chairman, and executive vice president, United Missouri Bank, Kansas City.

Welcome—CHARLES B. WHEELER, mayor, Kansas City.

Remarks—CHARLES K. RICHMOND, MBA president, and vice-chairman, American National Bank, St. Joseph.

Reports.

Introduction of Regional Vice Presidents, Secretaries and Chairmen of Standing and Special Committees.

Report of Committee on Nominations and Election of Officers.

Workshops and Round Table Discussions.

Adjournment.

SECOND SESSION, 9:30 a.m., May 10

Call to Order—CHARLES K. RICHMOND.

Meeting of Missouri Members of the American Bankers Association—A. R. NAUNHEIM, ABA state vice president, and president, Charter Bank of Overland.

Election of Member of Governing Council and Member and Alternate Member of Nominating Committee to Serve at 1977 ABA Convention.

Address—RON NESSEN, press secretary to President Gerald R. Ford and former NBC News Washington correspondent.

Announcement and Adjournment.

THIRD SESSION, 2 p.m., May 10

Address—JACK W. CARLSON, vice president, chief economist, U. S. Chamber of Commerce, Washington, D. C.

Unfinished Business.

New Business.

Installation of Officers.

Adjournment.

Alexander, Nessen Head Speaker List At MBA Convention

KANSAS CITY—ABA Executive Vice President Willis Alexander and President Gerald R. Ford's press secretary, Ron Nessen, are slated to head the speaker's list at the Missouri Bankers Association convention to be held May 8-10 at the Crown Center Hotel here.

ALEXANDER

Mr. Alexander is a former MBA president (1960) and is chairman, Trenton Trust. He was ABA president in 1968.

The following schedule of events is planned for the three-day meeting:

Sunday, May 8—Registration in the Century Lounge, Crown Center Hotel, from 2 to 6 p.m. and commercial exhibits in the Roanoke Foyer, Shawnee Mission and Liberty rooms during the same hours.

Monday, May 9—Golf tournament at Brookridge Country Club, beginning at 7:30 a.m. There will also be a tennis tournament at the Woodside Racquet Club.

Registration and exhibits will open at 9 a.m. and the sergeants at arms meeting will be held at 11 a.m. in the Independence Room. The 50-Year Club will meet at 11:30 a.m. for a reception and luncheon in the Roanoke Room.

An activity for the women will include a Designers Showhouse tour and luncheon.

The first general business session will begin at 2 p.m. in Centennial A and will include a welcome, officer reports, election of officers and a workshop/round table discussion.

Round table discussion topics will include proposed federal legislation and regulation affecting commercial banks and their competitors, Regulation B, account profitability and costing of services for small- and medium-size banks and NOW accounts.

A mixer and dance at 9 p.m. will cap the day's activities.

Tuesday, May 10—The second business session will begin at 9 a.m. and will include the annual meeting of Missouri members of the ABA, conducted by A. R. Naunheim, ABA state vice president, and president, Charter Bank of Overland.

Two addresses will follow, the first by Jack W. Carlson, vice president and chief economist for the U. S. Chamber of Commerce in Washington, D. C., and the second by Mr. Nessen.

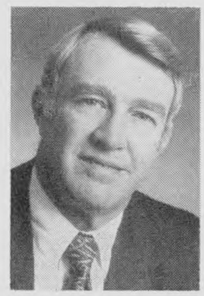
A luncheon will be held at noon that will feature William C. Phelps, lieutenant governor of Missouri.

The final business session will begin at 2 p.m. and will feature Mr. Alexander, whose talk is entitled "Another Point of View."

A cocktail party will begin at 6 p.m., followed by the traditional president's banquet at 7. Entertainment will be on the program.

Thomason, Betz Plan Convention As Chairman, Vice Chairman

This year's Missouri Bankers Convention is chaired by Don V. Thomason, senior vice president, United Missouri Bank, Kansas City. Vice chairman is



THOMASON

BETZ

"Confidence comes with County National."

St. Louis County National Bank in Clayton is the largest bank in the County . . . 4th largest in all of St. Louis.

This is the lead bank in County National Bancorporation . . . a group of four banks now looking to the future with an eye on further expansion.

Today, many banks place their emphasis on promotional type services. But County National believes that thoughtful professional services come first with people who are really concerned about financial matters. Security, reliability, integrity. Those three words guide our people and our policies.

That's the kind of a bank we've always been. The kind of a bank we'll always be.

The Thoughtful Banking Bank —in Clayton.

ST. LOUIS
COUNTY
NATIONAL
BANK

Main Bank: 8000 Forsyth
Mini-Bank: 7520 Forsyth
Clayton, Missouri

Member F.D.I.C.

Charles S. Betz, vice president, First National, St. Louis.

Serving as committee members are Fred N. Coulson Jr., senior vice president, Commerce Bank, Kansas City; George C. Dudley, senior vice president, First National, Kansas City; John H. Obermann, president, Mercantile-Commerce Trust, St. Louis; Thomas L. Palmer, vice president, Traders National, Kansas City; Robert V. Plummer, vice president, Columbia Union National, Kansas City; and Melvin E. Schroeder, vice president, Mercantile Bank, Kansas City.

Crawford To Be First Timer As New MBA Exec. V.P.

Robert W. Crawford, new executive vice president of the Missouri Bankers Association, will attend his first MBA convention this year when the association holds its annual meeting at Crown Center Hotel May 8-10.

CRAWFORD

Mr. Crawford assumed his duties last February 1, succeeding Felix LeGrand, who had served the association for a number of years and who now is associated with the MBA's Voluntary Employees Beneficiary Association as administrator.

Mr. Crawford had been president since 1973 of the Association of General Merchandise Chains, Inc., Washington, D. C., after starting as executive vice president in 1971.

A native of Nevada, Mo., Mr. Crawford represented Vernon County as a member of the Missouri House of Representatives from 1954-60, serving as chairman of the S&L committee and the interim committee on local government.

In 1959 he was named administrative assistant to Governor James T. Blair Jr. and in 1960 was appointed Missouri Secretary of State to fill the unexpired term of the late Walter H. Toberman.

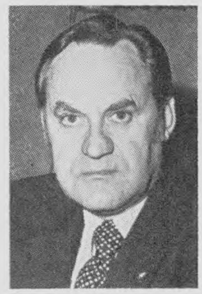
From 1961 to 1971, he served as president of the Missouri Retailers Association. During his tenure he supervised the merger of that association and the Missouri Retailers Council, to extend the association to 2,500 firms.

Mr. Crawford is a graduate of the University of Missouri and a veteran of the Korean War. He was twice cited for meritorious service and was discharged in 1953 as a first lieutenant. He is married and the father of two children.

S. K. 'Ken' Turner Is Nominee For Missouri Bankers' Treasurer

The nominee for MBA treasurer this year is S. K. "Ken" Turner, president, First National, Kirksville.

Mr. Turner entered banking in 1947 at Citizens Bank, Shelbyville, as a bookkeeper and was promoted to assistant cashier in 1950. In 1952, he became cashier, Farmers Bank, Emden. In 1959, Mr. Turner joined Laddonia State as cashier, but left in 1961 to go to Sturgeon State as executive vice president.



TURNER

In 1962, he was elected cashier, Missouri Bank, Kansas City. In 1967, he became executive vice president of First of Kirksville (formerly National Bank of Kirksville) and advanced to president in 1975. He has been a director of the bank since 1968.

Mr. Turner served as president of the Six-County Bankers Association in 1954. Counties in the group are Marion, Monroe, Ralls, Pike, Shelby and Knox.

His community activities include being chairman of the Cerebral Palsy Telethon for the northeastern region of Missouri for 1977 and a director of Laughlin Osteopathic Hospital, Kirksville.

■ EUGENE F. ORF has been named vice president at the St. Louis Fed. He is in charge of the personnel department and joined the bank in 1968.

■ ROBERT L. GUNTERT has been elected assistant vice president and manager, installment loan department, at Country Club Bank, Kansas City.

■ ROBERT E. THOMAS, vice president in charge of bank relations at the Kansas City Fed, has begun work as a loaned executive with the Kansas City office of the National Alliance of Businessmen. He will be on loan for the remainder of this year.

■ GARY L. LEIFERT has joined Boatmen's Bank, Troy, as assistant vice president. He was formerly with the Veterans Administration in Lincoln, Neb.

■ REINHOLD W. BORGMANN has been elected a director of Missouri State, St. Louis. He is vice president, Missouri Savings, Clayton.

Whittle, Fisher to Speak At Young Bankers Seminar At Tan-Tar-A June 15-17

LAKE OF THE OZARKS—Jack W. Whittle and John F. Fisher will be two of the speakers at the Missouri Young Bankers Seminar to be held at Tan-Tar-A here June 15-17.

Mr. Whittle, chairman, Whittle Group, Chicago, will speak June 15 on "Marketing." Mr. Fisher, vice president, City National, Columbus, O., will discuss "Retail Banking and EFT," also June 15. That same day, a case study on lending, in which delegates will take part, will be led by Robert A. Frahm Jr., senior vice president, Mercantile Trust, St. Louis. Gerald R. Sprong, president, American National, St. Joseph, Mo., will talk on "The Bottom Line" on June 16. Also that day, there will be rap sessions, free time and the annual banquet. Speaker for the latter will be Brad Laycock, Brad Laycock & Associates, Inc., Chicago.

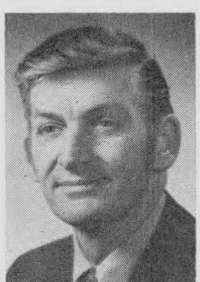
The seminar will end June 17 with talks by Arthur L. Mallory, chairman, Missouri Department of Elementary and Secondary Education, and Eugene G. Bushman, legislative counsel, Missouri Bankers Association, Jefferson City. In addition, there will be Young Bankers' committee reports.

Kenneth R. Tiemeyer, vice president, Colonial Bank, St. Louis County, is chairman of the Young Bankers and of its seminar program. A 1964 graduate—with a commerce degree—of St. Louis University, he has completed 21 hours of graduate work toward a mas-


TIEMEYER


ADAMS


WHITTLE


FISHER

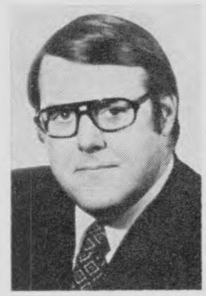
ter's degree in finance at St. Louis University Graduate School. After a four-year stint in the Air Force as an officer, Mr. Tiemeyer joined Colonial Bank in 1968 as a new business representative, was promoted to assistant vice president-installment loans in 1969 and to vice president-commercial loans in 1974. He also has attended several banking schools and will be graduated this year from the Graduate School of Banking, University of Wisconsin.

The Young Bankers' vice chairman is Richard Adams, vice president, Bank of Sikeston, which he joined in August, 1971, as assistant cashier/operations. He advanced to assistant vice president/operations in January, 1974, and was made vice president in charge of operations the following December. Mr. Adams entered banking 10 years ago at First National, Sikeston, where he was data processing manager. He is a 1974 graduate of the School of Banking of the South at Louisiana State University, Baton Rouge.

■ GLENN A. LONG, vice president and general manager, St. Joseph Stock Yards, has been elected a director of First Stock Yards Bank, St. Joseph.

■ JOHN S. POELKER has been promoted from vice president to senior vice president, Mercantile Trust, St. Louis. He remains a vice president of the bank's HC, Mercantile Bancorp., and comptroller of both companies. Mr. Poelker joined the bank as comptroller in 1972. Before that, he was with Peat, Marwick, Mitchell & Co. as manager, management consulting department. In other action, Mercantile Trust advanced Joseph F. Dwyer Jr. and Lawrence F. Loftus from assistant cashiers to assistant vice presidents, bond/investment department.

WOLFE



POELKER

■ FLORISSANT BANK has elected Elmer H. Wolfe to its board. Mr. Wolfe is president of a North St. Louis County feed and supply firm.

■ ROBERT D. O'LEARY has moved up from assistant vice president to vice president, First National, St. Louis. He went there in 1971. The bank also promoted Jack J. Crawford from operations officer to assistant vice president and Robert P. DeRodes and Patricia C. Mitchell from data processing officers to assistant vice presidents.

■ FIRST NATIONAL, Kansas City, has advanced Carter R. Harrison and Steven E. Pohle from assistant trust officers to trust officers. They both joined the bank in 1974.

BAI Chapter Formed

The formation of the Northwest Missouri Chapter of Bank Administration Institute has been announced. The unit will serve banks in Andrew, Atchison, Gentry, Holt, Nodaway and Worth counties.

Chapter officers are: president—Rex Hill, assistant vice president, Citizens Bank, Grant City; vice president—Larry Freeman, vice president, First National, Tarkio; treasurer—Herbert Selby, vice president, Citzens State, Maryville; secretary—Charles Van Liere, assistant vice president, First Community State, Savannah.

Security Training for Personnel Seen as Key to Crime Problems

BRIARCLIFF MANOR, N. Y.—Bankers rate bad checks, holdups and credit-card misdeeds—in that order—as their top crime problems, but feel the key to solving those problems lies in increased staff training on security matters. That is a major finding of a 42-page report by Burns Security Institute called "National Survey on Bank Security."

The Burns survey, which was conducted among 847 commercial and savings banks, showed that 532 banks estimate that outsider crimes totaled $10,847,100, for an average loss of $20,390. Bad checks were listed as a major problem by 55 banks, or 66% of those surveyed; holdups—129 banks or 15%; and credit-card offenses—114 banks or 14%.

Affecting fewer than 6% of the reporting banks were crimes such as major fraud, burglary and extortion, while 30% of the respondent institutions reportedly were unaffected by outsider crimes.

The fourth most far-reaching crime reported by surveyed institutions was internal theft, which involved 51 banks, or 6%. Employee dishonesty cost 44 banks $209,400, a per-bank average of $4,760.

Besides the most frequently mentioned solution of better staff training, also mentioned were stricter laws, better enforcement of security programs, better criminal prosecutions, more awareness of security problems by directors and management, new surveillance cameras and better protective equipment (such as "bullet proof" glass and raised counters).

In the survey's analysis, Burns notes "a clue to where some of the fault may lie" is in the need for more understanding and support from senior management.

For more information, write Burns Security Institute, Briarcliff Manor, N. Y. 10510.

■ MORGAN COUNTY BANK, Versailles, has signed an affiliation agreement with Ameribanc, Inc., St. Joseph.

Daniel W. Woolley Dies

Daniel W. Woolley, 83, former v.p., Kansas City Fed, died March 25. Mr. Woolley joined the Fed in 1933, advancing through the ranks to v.p. in charge of bank examinations in 1941. He left the Fed in 1960, joining Columbia Union National, Kansas City, where he served in the correspondent division until his retirement in 1970.

BURY YOUR DELAYED GRAIN DRAFT COLLECTIONS

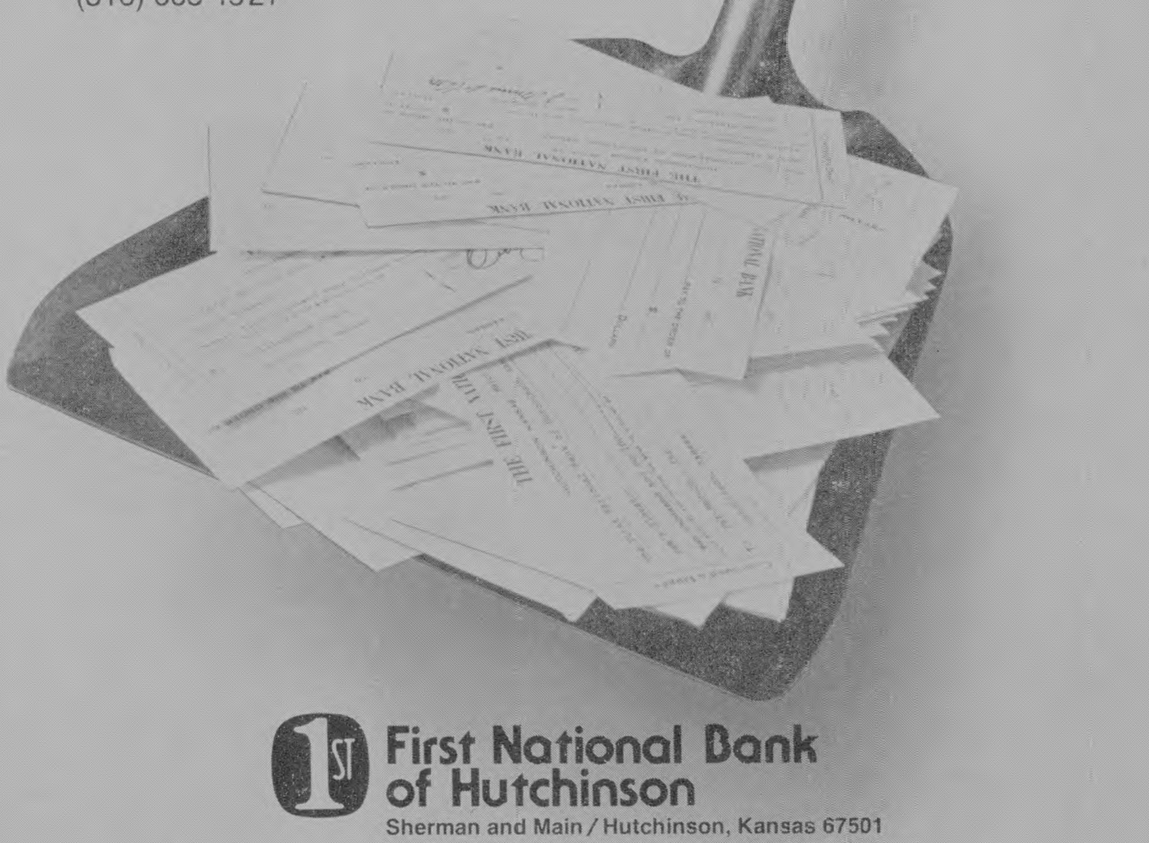
Our unique collection system gives all banks immediate, one-day credit.

If you have a customer who ships grain through Hutchinson, we have a collection system that can save you time and money.

With an account relationship at the First, you can eliminate float and stop losing the ability to invest funds.

A draft mailed right to us will be paid the day of receipt. You won't have to wait three days, four days or a week. Your funds will be available to invest, usually the day after you've mailed your draft. Think, for a minute, how that will increase your bottom line at the end of a year!

To discuss how your bank can benefit from this unique, one-day collection system, call Gary Karrer at our New Correspondent Center. (316) 663-1521



First National Bank of Hutchinson
Sherman and Main / Hutchinson, Kansas 67501

Kansas Convention

Overland Park, May 11-13

Headquarters—Glenwood Manor Convention Center

PROGRAM

FIRST SESSION, 2:15 p.m., May 12 (Theater No. 2)

Welcome—R. L. CUMLEY, convention chairman and senior vice president, Mission State.

Invocation.

Commentary by the President—FLOYD V. PINNICK, KBA president and president, Grant County State, Ulysses.

50-Year Club Inductions—ELWOOD MARSHALL, KBA president-elect and president, Home National, Eureka.

American Bankers Association Elections—L. W. STOLZER, ABA state vice president and chairman and president, Union National, Manhattan.

Address—"Government: The Disease for Which It Pretends to Be the Cure"—GEORGE F. WILL, Washington, D. C., correspondent.

Presentation of the Arthur W. Kincade Award.

SECOND SESSION, 10 a.m., May 13 (Theater No. 2)

Installation of KBA Officers.

Presentation of New Regional Representatives.

Panel—"Where Are We Going and How Fast?" *Moderator:* J. REX DUWE, chairman, ABA Governing Council, and chairman and president, Farmers State, Lucas. *Panelists:* ROBERT V. SHUMWAY, FDIC regional director, St. Louis; JOHN R. BURT, regional administrator of national banks, Kansas City; ROGER GUFFEY, president, Federal Reserve, Kansas City; and EMERY FAGER, Kansas bank commissioner, Topeka.

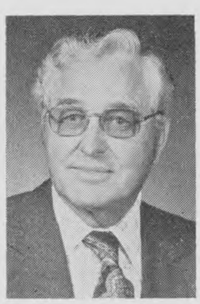
Remarks—ROBERT F. BENNETT, governor of Kansas.

President

PINNICK

Floyd V. Pinnick, KBA pres., has been managing officer, Grant County State, Ulysses, since 1953, holding the title of pres. there. He originally joined the bank in 1931, but took time out for government and army service.

President-Elect



MARSHALL

KBA Pres.-Elect Elwood Marshall is pres., Home Nat'l, Eureka, where he is a third-generation banker. He has worked there since his teens, except for time spent at Bank of America, Los Angeles, and in public accounting. He became the bank's CEO in 1956.

Treasurer

STOSKOPF

Duane M. Stoskopf, KBA treas., has been a banker since 1963 and pres. & ch., Kendall State, Valley Falls, since 1971. Besides working for two other banks, he was v.p./agricultural loans and correspondent banking, Hutchinson Nat'l, 1969-71.

Convention Entertainment To Include Golf, Tennis, Welcome 'Carnival' Party

Johnson County bankers, who will be hosts to 1977 KBA convention, meet to plan activities for annual meeting. Seated, l. to r., are: Dan Erwin and Ernest Wharton, MidAmerican Bank, Roeland Park; Connie Long, Johnson County Nat'l, Prairie Village; R. W. Cumley, Mission State, gen'l ch.; and L. A. Billings, Centennial Bank, Mission. Standing, l. to r., are: Arthur Chartrand, Kansas National, Prairie Village; I. L. "Swede" Malm, National Fidelity Life, Kansas City, Mo.; Dennis Meyer, Patrons State, Olathe; Dudley McElvain, Southgate Bank, Prairie Village; Ronald Pflumm, Shawnee State; John Hofmann, Valley View State, Overland Park; Arthur Krebs, Southgate Bank, Prairie Village; Norman Herrington, Olathe State; and Jack Larkin, Overland Park State.

The 1977 KBA convention theme is "New Dimensions '77—Council, Cabaret, Carnival." The meeting will be held May 11-13 in the Convention Center of Glenwood Manor in Overland Park. In addition to the two general business sessions, conventioneers will be invited to several entertainment features.

On May 11, the men's golf tournament is scheduled at the Leawood South Country Club and the Wolf Creek and River Oaks Golf clubs. Buses will start loading at 6:30 a.m. at Glenwood Manor, and the tournament will begin an hour later. Golfers assigned to Leawood South are asked to drive their own cars.

Also on May 11, a tennis tournament for men and women—doubles only—will be held at the Kansas City Racquet Club from 9:30 a.m.-12:30 p.m. Players will have a buffet luncheon.

The same day, there will be a luncheon, fashion show and shopping spree for women. The fashion show—to be presented by Stix, Baer & Fuller of St. Louis, Kansas City and Springfield—will follow the luncheon. Then, buses will take the women to Johnson County's newest and biggest shopping center, Oak Park Mall.

A welcome "carnival" party will close May 11th activities.

On May 12, there will be the governing council breakfast and meeting.

Special luncheons that day will be held for schools of banking, with John E. Cleek, president, Johnson County Community College, as the speaker; Young Bank Officers of Kansas and the 50-Year Club.

That day, men and women conventioneers will be invited to the Nelson Gallery-Atkins Museum in Kansas City to view the "Sacred Circles" exhibit. This is described as the most important collection of North American Indian art ever exhibited anywhere. In Kansas City for two months, the display consists of 850 objects, which took four years to collect. It reflects a wide diversity of Indian culture—geographically strung from Alaska to Florida, Maine to California. The exhibit represents 2,000 years of North American Indian artistic development.

The evening of May 12, a social hour at 6 o'clock will precede the 7 o'clock dinner. At 8:30, entertainment is planned—"Marilyn Maye in a Cabaret Mood," with music to the Big Band sounds of Warren Durrett. Dancing is planned from 10 to midnight.

The final day, May 13, will begin with the men's breakfast, with John Erickson, president, Fellowship of Christian Athletes, Kansas City, as the speaker. Golf tournament prizes will be awarded.

The convention will close with a champagne luncheon May 13.

Committee chairmen. R. L. Cumley, senior vice president, Mission State, is general convention chairman. Chairmen of the various committees are: *facilities and transportation*, Ernest M. Wharton Jr., vice president, MidAmerican Bank, Roeland Park; *budget*, Ronald Pflumm, executive vice president, Shawnee State; *golf*, L. A. Billings, senior vice president, Centennial Bank, Mission; *registration and housing*, O. Arthur Krebs, senior vice president, Southgate Bank, Prairie Village; *welcome party*, Dennis Meyer, senior vice president, Patrons State, Olathe; *tennis*, I. L. "Swede" Malm, National Fidelity Life Insurance Co., Kansas City, Mo.; *publicity*, Dan Ervin, MidAmerican Bank, Roeland Park;

Thursday night social/banquet, Benjamin D. Craig, president, Metcalf State, Overland Park; *men's breakfast*, Norman Herrington, president, Olathe State; *YBOK luncheon*, Ernest Yake, vice president, Valley View State, Overland Park; *Thursday night entertainment*, John Hofmann, president, Valley View State, Overland Park; *women's activities*, Connie Long, vice president, Johnson County National, Prairie Village; *schools of banking*, Arthur Chartrand, president, Kansas National, Prairie Village; *50-Year Club*, John J. Larkin Jr., vice president, Overland Park State; and *champagne luncheon*, E. Dudley McElvain, senior vice president, Southgate Bank, Prairie Village.

It's Roundup Time For The

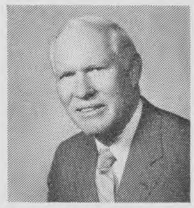
1977 KBA CONVENTION

May 11-13 Overland Park!

We're Expectin' You at the Commercial National Corral!

Renaissance Suite • Glenwood Manor!

Y'all Come . . . Anytime!


BERNARD RUYSSER


MAX DICKERSON

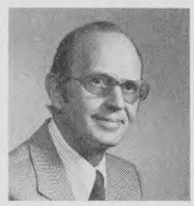

FRED DUNMIRE


DON BARNES


BOB LOYD

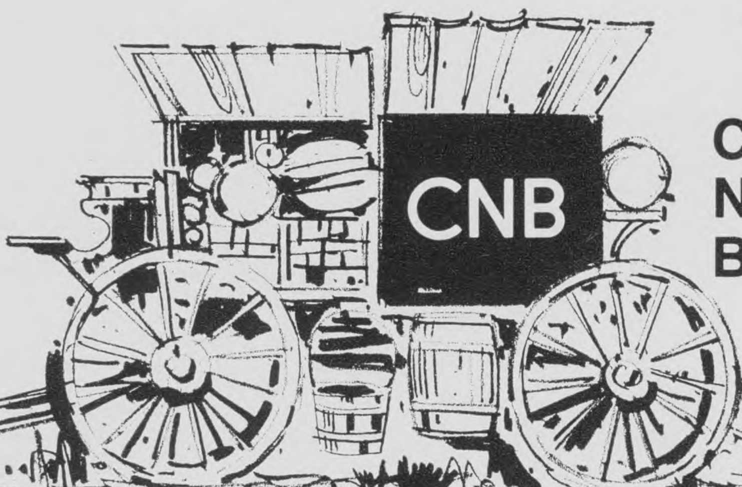

JACK MUELLER


BOB CHENOWETH


JACK MARKEY


JOHN STRUBE


JIM HEFLEY



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Hartley and Carr Are Nominees For Pres.-Elect, Treasurer

W. C. "Dub" Hartley is the nominee for president-elect of the Kansas Bankers Association, and Francis E. Carr is the nominee for KBA treasurer.

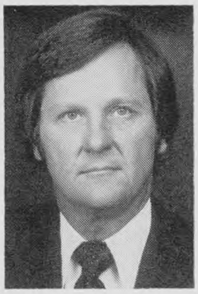
Mr. Hartley entered banking in 1947 at American National, Baxter Springs, where he now is chairman. He also is president and a director of Miami County National, Paola, and executive vice president and a director, MidAmerican Bank, Shawnee Mission, both of which he joined in 1959. From 1952-58, he was with Commercial National, Kansas City (Kan.).

He is a 1956 graduate of the Graduate School of Banking at the University of Wisconsin and 1966 graduate of the Institute for Financial Management at Harvard University. In the KBA, Mr. Hartley was chairman, Personnel Commission, 1956; and currently is chairman, Federal Affairs Council. He has served the ABA as a member of the Government Relations Council and Administrative Committee.

Mr. Carr joined First National, Wichita, in 1948 and, in 1950, went to First National, Wellington, where he now is president and CEO. He is a director of Caldwell State and First National, Medford, Okla. Mr. Carr is on the board of the Kansas Bankers Surety Co. He is a 1961 graduate of the Graduate School of Banking at the University of Wisconsin.

His two children are both in banking. Sarah F. Carr is a credit analyst with First National, Colorado Springs, Colo. David M. Carr is assistant cashier, Wilmette (Ill.) Bank.

HARTLEY



CARR

■ JAMES OXLEY, formerly senior loan officer, U. S. Small Business Administration, has joined United American Bank, Hutchinson, as vice president, commercial loans. Prior to joining the SBA, Mr. Oxley served for 12 years with financial institutions in Wichita.

Convention Speakers

WILL

ERICKSON

George F. Will, Washington, D. C., correspondent, will speak at the KBA's first general convention session May 12 on "Government: The Disease for Which It Pretends to Be the Cure." John Erickson, president, Fellowship of Christian Athletes, Kansas City, will speak at the men's breakfast May 13.

■ NORTH PLAZA STATE, Topeka, has completed remodeling its Main Office. The project consisted of reorganizing space in the main lobby, drive-up tellers area, loan and bookkeeping departments. A sit-down tellers station was added for new accounts and special customer service. Also added were several private loan offices. Space planning and construction management were provided by the Bunce Corp., St. Louis.

■ VAN B. NORRIS has been elected president, Bank of Horton, succeeding his mother, Mrs. Marguerite Norris, who has been named chairman. Forrest R. Keener was promoted from vice president and cashier to executive vice president, Virginia Meerpohl was raised from assistant cashier to cashier, Marcia Williams was named assistant cashier and Al Welton was named loan officer. Doreen Holsman was named secretary to the board. Mr. Norris is the third member of his family to head the bank, which recently celebrated its 90th anniversary.

Speaker Is Pulitzer Winner

George F. Will, a speaker on the Kansas Bankers Association convention program, has been awarded a Pulitzer Prize in journalism for distinguished commentary on a variety of topics. He has been writing the national column for the Washington *Post* Writers Group since early 1974. The column appears in 215 newspapers other than the Washington *Post*. He also serves as the national editor of *National Review* magazine, writes a fortnightly column for *Newsweek* and is a commentator on the *Post-Newsweek* radio and TV stations.

L to R: Bill Webber, Chairman of the Board; Bob Fitzpatrick, Vice-President; Ken Domer, Second Vice-President; Bob McDowell, Assistant Vice-President

We'll make a trade with you: Some food for thought

During the upcoming KBA Convention, we'll provide the food if you'll provide the thoughts—thoughts on how we can better serve your personal correspondent banking needs. Our goal has always been to provide you with the very finest in correspondent banking services, and in order to continue to do so we want you to keep us informed of your needs.

So join us for "Brunch with the Bunch*" . . . it's sure to be a beneficial exchange.

*The entire Security Correspondent Team will be your hosts. Joining those pictured above will be: President, Gray Breidenthal; Assistant to the President, Bob Domer; Executive Vice-President, Ramey Beachly; Senior Vice-President, Jay Breidenthal; Vice-President, John Peterson; and Vice-President, John Macleod.

"Brunch with the Bunch"
Refreshments, Buffet
Thursday, May 12
10:30 AM to 1:00 PM
Mediterranean Suite #545
Glenwood Manor Motel

Member FDIC

SECURITY NATIONAL BANK
OF KANSAS CITY
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Kansas City, Kansas 66117
Dial Direct—913-281-3165

Something to Smile About:

Dental Week Activities Underwritten by Bank

If the young people of Topeka don't start having good dental checkups, it won't be the fault of that city's First National. The bank was the sole underwriter of activities held in Topeka during National Children's Dental Health Week earlier this year. In addition, the bank distributed free toothbrush kits at its three locations.

Demand for the kits was so great that the 6,000 originally ordered by the bank ran out, and First National had to order 600 additional kits. Each kit contained a toothbrush, four "disclosing" wafers (red tablets, which, when chewed, reveal location of plaque on teeth) and a dental-hygiene booklet. According to First National's vice president and director of marketing, Roger H. Franzke, the kits were purchased from a dental supply house at a cost of 20¢-25¢ per kit.

The idea originated when area dentists approached the bank to see if it, along with other banks in Topeka, would take part in a free toothbrush program. Mr. Franzke told the dentists

This newspaper ad told Topeka residents about free dental hygiene kits available to all children in area from First Nat'l. Demand was so great that bank exhausted its original order of 6,000 kits and had to order 600 more.

that if they would allow his bank to distribute the kits at its three locations exclusively, First National would take on the whole program and its related costs. Naturally, says Mr. Franzke, the dentists were enthusiastic.

Besides being distributed at the bank's locations, bank officers made special presentations of them to many social agencies, including Head Start, day care centers and the like.

Before the promotion started, bank officers made personal calls on every dentist in Topeka to acquaint them with the program and to explain the bank's involvement in Children's Dental Health Week.

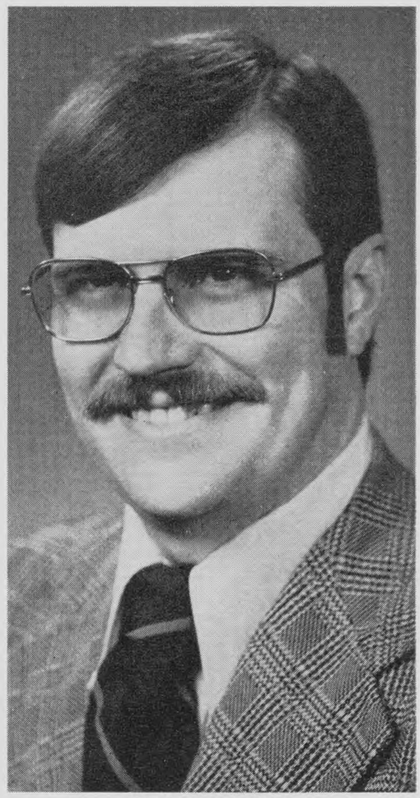
Mr. Franzke says First National used its regular advertising budget and schedules during the week to promote the activities. In addition, the bank handled all press and public relations activities.

First National used newspaper, TV and radio to advertise its participation in National Children's Dental Health Week. Mr. Franzke was interviewed about the bank's program on TV, and William A. Adkins Jr., the bank's senior vice president, was interviewed on a radio program broadcast from a cafeteria.

■ MARK PLAZA STATE, Overland Park, has been purchased by a group comprised of James H. Hentzen, Kansas City attorney; Terrence J. Holleron, Kansas City insurance executive; Gaylon M. Lawrence of Poplar Bluff, Mo., and Bernard A. Hentzen, Wichita contractor. No management changes are expected, according to Sam Blasco, president.

"I never forget a face"

Jim Stanley



Paul Richmond

...you've heard people say that — maybe you've said it yourself. We hope you'll also remember our names: **Jim Stanley** and **Paul Richmond**.

We'll all be at the KBA in Overland Park May 11-13. We'd like to visit with you about our P.M.S. (Portfolio Management System). It's our computerized system to keep your bond portfolio up-to-date.

Thanks.

FIRST NATIONAL BANK

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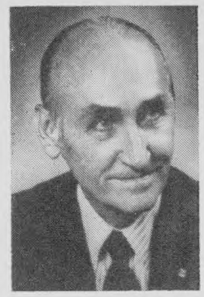
DICKERSON



DUWE

■ COMMERCIAL NATIONAL, Kansas City, has elected J. Rex Duwe, M. Max Dickerson and Laurence R. Jones Jr. to its board. Mr. Duwe, chairman of the ABA's governing council, is president and chairman, Farmers State, Lucas; Traders State, Glen Elder; and chairman, Sylvan State. Mr. Dickerson is senior vice president and a former advisory director at Commercial National as well as a director of Hoxie State and Edwardsville State. Mr. Jones is chairman and president, Southern Royalty Corp., investment management firm.

Hutchinson Data Center Banks Join Via Network in Wichita

WICHITA—Fourth National's Via Electronic Banking Network—introduced in this area in the fall of 1976—has been joined by member banks of Data Center, Inc. The latter is a cooperative data processing center located in Hutchinson, Kan. It's owned by its 46 member banks, but handles data processing for 54 banks in central and western Kansas.

Fourth National also processes data for about 70 banks, and the resultant electronic-terminal network would be one of the most extensive in the U. S., according to a Fourth National spokesman.

With the addition of the Data Center banks, Via membership now includes 59 participating banks. Via cards have been issued to approximately 85,000 card holders to permit these bank customers to conduct routine banking transactions 24 hours a day through eight automated teller machines on the premises of various participating banks, 19 point-of-sale terminals in nine supermarkets and 25 check-guarantee terminals in convenience stores and gasoline stations. It's anticipated that by the end of this year, the Via network will include 175,000 card holders, 27 ATMs and 135 POS and check-guarantee terminals.

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Left to right: Marvin Bray, Charles Rice, Dan Keating

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Oklahoma Convention

Chairman

KELLY

OBA ch. Tracy Kelly is pres. & ch., American Nat'l, Bristow, and ch., Citizens State, Okemah. He is dir. & treas., Mid-America Automated Clearing House Assn., Kansas City, and serves on the U. S. Small Business Administration's advisory council.

President-Elect

ALLISON

Serving as OBA pres.-elect is Walter V. Allison, ch. & CEO, First Nat'l, Bartlesville. He joined the bank in 1955 and served as pres. from 1969 to 1976. He is also ch. & CEO, First Bancshares, Inc.

Treasurer

ANDERSON

John V. Anderson, pres., First Nat'l, El Reno, is OBA treas. He started banking in 1947 at Liberty Nat'l, Oklahoma City, and moved to his present bank in 1973 as e.v.p. He received the OBA's presidential award for outstanding service in 1975.

Tulsa, May 10-11

Headquarters—Sheraton Skyline Hotel

PROGRAM

FIRST SESSION, 9 a.m., May 11

Call to Order—TRACY KELLY, chairman, Oklahoma Bankers Association, and president and chairman, American National, Bristow, and chairman, Citizens State, Okemah.

Introduction of New 50-Year Club Members.

Address—PHILIP C. JACKSON JR., member, Board of Governors, Federal Reserve System.

Chairman's Message—TRACY KELLY.

Presentation of Service Awards.

Adjournment.

SECOND SESSION, 2 p.m., May 11

Call to Order—TRACY KELLY.

Address—A. A. "BUD" MILLIGAN, president-elect, American Bankers Association, and president, Bank of A. Levy, Oxnard, Calif.

Meeting of ABA Membership—FRANK G. KLIEWER JR., ABA vice president for Oklahoma, and president, Cordell National.

Installation of New President.

Message of New President—WALTER V. ALLISON, chairman, First National, Bartlesville.

Election of New President-Elect and Treasurer.

Adjournment.

Convention Speakers

MILLIGAN

KLIEWER

Abbreviated Program Planned by Oklahomans For Annual Convention

TULSA—An abbreviated program is on tap for this year's Oklahoma Bankers Association convention, to be held May 10-11 at the Sheraton Skyline Hotel, Tulsa.

Both business sessions will be held on Wednesday, May 11, which will permit delegates to get home a day earlier than usual. It is expected that the new format will encourage increased attendance.

Tuesday's business activities will be devoted to the trust division, and the annual banquet, featuring Red Skelton this year, will be held Tuesday evening.

Heading the business session speakers' list this year are Fed Governor Philip C. Jackson and ABA President-Elect A. A. "Bud" Milligan, president, Bank of A. Levy, Oxnard, Calif.

Other highlights of the business sessions will be the chairman's report, given by Tracy Kelly, president and chairman, American National, Bristow, and chairman, Citizens State, Okemah. Mr. Kelly will be standing in for Pat Moore, who was elected OBA president last year, but who resigned his post late last year.

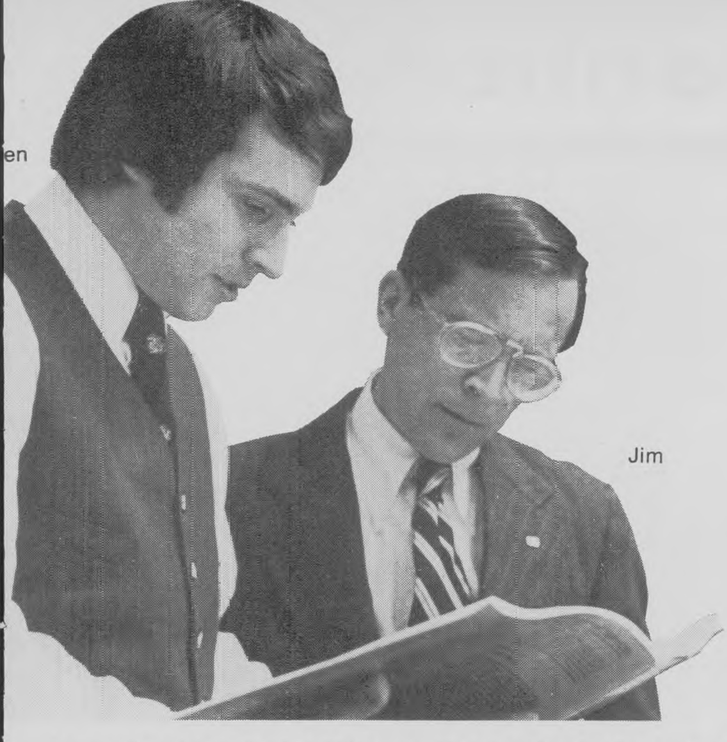
Others appearing on the program include Frank G. Kliewer Jr., president, Cordell National, who will conduct the ABA portion of the meeting, and Walter V. Allison, chairman, First National, Bartlesville, who is expected to assume the vacant president's post during the convention.

■ P. C. LAUINGER has retired as director, Bank of Oklahoma and BancOklahoma Corp., Tulsa. Succeeding him as a bank director is his son, Philip C. Lauinger Jr. The elder Mr. Lauinger was named to the Bank of Oklahoma board in 1942 and is chairman of Petroleum Publishing, Parker Drilling, Derrick Publishing Co. and Texas Mid-Continent Oil & Gas Association. His son is a director of Petroleum Publishing, Derrick Publishing, MAPCO, Inc., International Petroleum Exposition & Congress and American Business Press, Inc.

■ BILL R. PENDLETON, assistant vice president, has been promoted to vice president, Fidelity Bank, Oklahoma City. He serves as portfolio advisory officer, investment division.

■ UNITED BANK, Tulsa, has advanced Dennis Neibling from assistant vice president to vice president and Martha Cravens from assistant cashier to assistant vice president.

en



Jim

Bill

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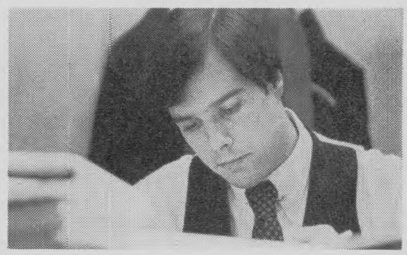
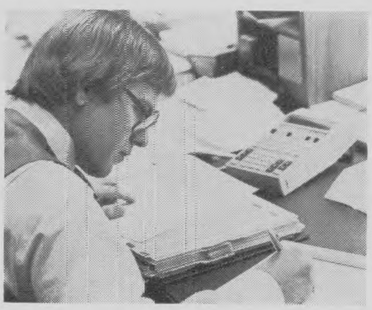
Doug



Craig



Carl

Terry Roy Steve

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Texas Convention

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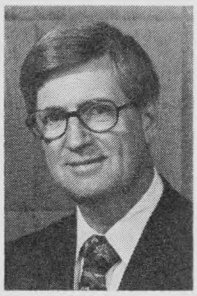

GREENWOOD

S. R. Greenwood is TBA pres., and pres., Temple Nat'l, and Investors Diversified Development Corp., Inc. He is immediate past ch., Governor's State Committee on Aging, and chairs the TBA's new-facilities, budget and state-convention-planning committees.

Vice President

CHILDERS

Charles L. Childers, TBA v.p., is pres., Tyler Bank, which he joined in 1957. He is a former examiner for the Dallas Fed.

Treasurer

DUFFEY

TBA Treas. is R. M. Duffey Jr., ch., Pan American Bank, Brownsville. He is a former v. ch., TBA State Div. and member, legislative com. He is ch., TBA District II.

Dallas, May 8-10

Headquarters—Fairmont Hotel

PROGRAM

SUNDAY, MAY 8

10-11 a.m.—Committee Meetings.

10 a.m.-6 p.m.—Registration and Exhibits.

6-8 p.m.—Opening Night Reception and Buffet, Dallas Music Hall.

MONDAY, MAY 9

9:30 a.m.—Opening Business Session, presided over by S. R. GREENWOOD, president, Texas Bankers Association, and president, Temple National.

10 a.m.—Address—"Banking in 1977," W. LIDDON McPETERS, president, American Bankers Association, and president, Security Bank, Corinth, Miss.

10:30 a.m.—Address—"Prices, Profits and Productivity—Where Are We Headed?" DR. C. JACKSON GRAYSON JR., chairman, American Productivity Center, Dallas.

11 a.m.—National Bank Division Meeting with guest speaker H. JOE SELBY, first deputy Comptroller of the Currency, "Changes in Banking and Bank Supervision."

11 a.m.—State Bank Division Meeting with guest speaker DANIEL A. FLYNN, deputy commissioner of banking for Texas, "New Examination Procedures."

12:30 p.m.—Reception-Luncheon with guest speaker LIZ CARPENTER.

6-8:30 p.m.—Reception and Banquet.

8:30 p.m.—Entertainment by BARBARA EDEN and the MAL FITCH Orchestra.

TUESDAY, MAY 10

9:30 a.m.—Business Session.

10 a.m.—Meeting of Texas Members of ABA—BOOKMAN PETERS, ABA vice president for Texas, and president, City National, Bryan.

10:30 a.m.—Committee Reports.

11 a.m.—Address—L. FRANK PITTS, Pitts Oil Co., "Energy and Politics."


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Varied Program Set For TBA Convention In Dallas May 8-10

DALLAS—A varied program of events awaits those planning to attend the 93rd annual Texas Bankers Association convention, scheduled for May 8-10 at the Fairmont Hotel, Dallas.

Departing from tradition this year, there will be no special program for spouses. Rather, spouses are encouraged to attend the business sessions.

The main event for opening day, May 8, is a reception and buffet at the restored Dallas Music Hall, followed by an hour-long "pop" concert by the Dallas Symphony.

Monday evening's entertainment includes dinner at the Fairmont and a show by Barbara Eden, singer and dancer, and the Mal Fitch Orchestra.

Heading the speaker's list this year will be W. Liddon McPeters, ABA president, and president, Security Bank, Corinth, Miss. His topic will deal with banking in 1977. Also set as a speaker is Dr. C. Jackson Grayson Jr., chairman, American Productivity Center, Dallas, whose topic will be "Prices, Profits and Productivity—Where Are We Headed?"

Speaking at the national division meeting will be H. Joe Selby, first deputy Comptroller of the Currency, whose topic will be "Changes in Banking and Bank Supervision." His counterpart at the state division meeting will be Daniel A. Flynn, deputy commissioner of banking for Texas, who will discuss new examination procedures.

The Monday luncheon speaker will be Liz Carpenter, assistant to Lady Bird Johnson during the Johnson's White House years. She is now associated with the Johnson Library at the University of Texas in Austin.

Also set to speak before the convention is L. Frank Pitts, owner of Pitts Oil Co. His topic will be "Energy and Politics."

Program chairman is Charles L. Childers, TBA vice president, and president, Tyler Bank.

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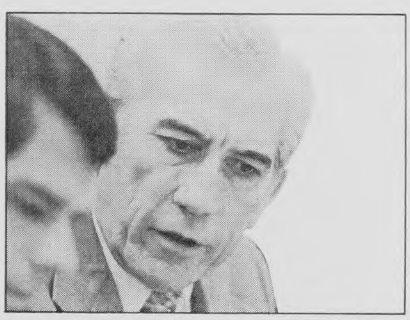

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NEWS
From the Mid-Continent Area

Alabama

■ THOMAS W. DIAMOND has joined Farmers & Merchants Bank, Centre, as vice president, loan department. He spent three years at First National, Cedartown (formerly Liberty National), and, in 1971, joined the state banking department as an examiner. Last November, Mr. Diamond was placed in charge of planning examination procedures for banks with several hundred employees and numerous branches whose assets range from $100 million to $300 million.

DIAMOND

ADAMS

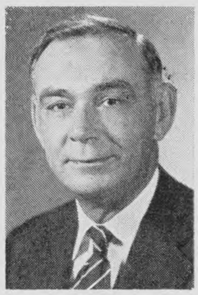
■ N. Q. ADAMS has been elected senior executive vice president and director of First Bancgroup-Alabama, Inc., Mobile. He joined the affiliate, First National, Mobile, in 1951, advancing to senior executive vice president in 1974. One year later, Mr. Adams was named executive vice president of the HC.

■ FIRST NATIONAL of Mobile's Oak Plaza Office has opened in temporary quarters at Moffat and Schillinger roads. The office houses facilities for two tellers stations and a drive-up station.

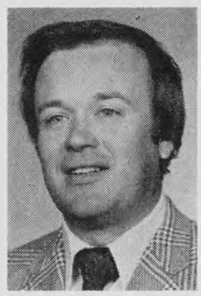
Arkansas

■ BILL I. CRUTCHFIELD has been elected president and CEO, First National, Mena, succeeding Robert L. Stringer, who has resigned to accept a senior management position with an HC in Oklahoma. Mr. Crutchfield is the former senior vice president and cashier of First National, Hot Springs.

■ UNION BANK, Benton, has elected the following local realtors as directors: J. Fred Walton Jr., I. E. McCray Jr. and Lilburn W. Carlisle.



TAYLOR



ARNOLD

■ ROBERT P. TAYLOR, vice chairman, Worthen Bank, Little Rock, has been elected to the board of First Arkansas Bankstock Corp. He joined Worthen initially in 1966, left in 1972 and rejoined the bank in 1975 in his present position.

■ JOHN ARNOLD has been named district manager of the Little Rock Office of SLT Warehouse Co., going there from the firm's Southern Division Office in Memphis. SLT is headquartered in St. Louis.

Illinois

■ CITIZENS NATIONAL, Decatur, has promoted Coleman Hutchins from assistant vice president and trust officer to vice president and trust officer, Allan S. Penwell from commercial banking officer to assistant vice president-commercial banking and Glenn Ramey to installment loan officer. Mr. Hutchins went to the bank in January, 1976, Mr. Penwell in 1974 and Mr. Ramey in 1972.

New Banking Commissioner

SPRINGFIELD—William C. Harris of Pontiac has been appointed commissioner of banks and trust companies by Governor James R. Thompson. His appointment took effect May 1, and his yearly salary is $30,000.

Mr. Harris served six years in the Illinois House and 16 years in the Senate before retiring from the General Assembly last January.

Indiana

Economic, Tax Seminar Held

Richard Doermer (l.), president, Indiana Bank, Ft. Wayne, is shown welcoming Eliot Janeway, economist, to bank's recent economic and tax seminar, attended by more than 650 local businessmen. Purpose of seminar was to provide information to enable businessmen to make more effective business judgments.

■ AMERICAN FLETCHER NATIONAL, Indianapolis, has named the following vice presidents: John W. Eyler, Samuel A. Lasiter, Thomas J. Meltzer and J. William Rice. Mr. Meltzer is also a trust officer and Mr. Rice is also an investment officer. New assistant vice presidents are Robert A. Fisher, Michael H. Johnson, Joseph N. Lockhart, E. Louise Nahas, David L. Petro, Gary W. Williams and C. Michael Wright. Ronald M. Brown was named assistant vice president and trust officer. Walter B. Kirkwood, vice president, is handling community and legislative affairs for the bank.

Kentucky

■ LIBERTY NATIONAL, Louisville, has promoted John M. Shaver III and James M. McDonnell to the newly created positions of regional vice president/branch administration. Mr. Shaver manages the bank's city branches and Mr. McDonnell handles the county branches. Roy F. Bary Jr. has succeeded Mr. Shaver as manager of the Main Office. He is now senior lending officer, branch banks. L. Thomas Edrington Jr., vice president, has succeeded Mr. Bary as manager of the bank's largest branch.

■ THE FED has approved a move by Farmers Bancshares, Inc., Hardinsburg, to become an HC through acquisition of Farmers Bank, Hardinsburg, and to engage as an agency in the sale of credit life, accident-and-health and hazard insurance.

Mississippi

■ DEPOSIT GUARANTY NATIONAL, Jackson, has promoted S. Reagan Coleman Jr. and James S. McIntosh to assistant vice presidents, Ruth Brinson-Craig to personnel officer, Larry Q. Cantrell and Milton B. Weems Jr. to assistant trust officers, Linda D. Grantham to branch officer and C. Douglas McCain to credit card officer.

MIZE

■ BARBARA MIZE has been named president, Rightway Travel Agency, Inc., a subsidiary of Deposit Guaranty National, both of Jackson. Mrs. Mize joined Rightway Travel in 1954.

New Mexico

■ LIBERTY NATIONAL, Lovington, has announced the following promotions: to assistant cashiers—Phyllis Barnes, Panda Turner and Joyce Drewry; to assistant trust officers—Dixie Wise and Carolyn Goff; and to auditor—Ginger McCaw.

■ JOE SHERMAN has joined Hot Springs National, Truth or Consequences, as cashier. He formerly held a similar position at Hale County State, Plainview, Tex. In addition, Sadie Renfro has advanced to vice president at Hot Springs National.

■ BETTY HODGE has been named assistant vice president, First National, Clovis, while the following promotions also have been announced: Alana K. Owens, to assistant cashier, and Betty Moshier and Pierrette Stricklin, to bank officers.

Norville Davis Dies

Norville E. Davis, 69, retired banker and past president of the New Mexico Bankers Association died March 15 in Tucson, where he had been living since 1971.

He served as vice president, First State, Gallup, and held a similar position at Grants First State.

Tennessee

■ SAM W. BARTHOLOMEW JR., senior vice president, First Amtenn Corp., Nashville, has resigned to enter private law practice. He joined the HC in 1973 as director of corporate development in charge of bank acquisitions and mergers. He subsequently served as executive vice president and chief operating officer, Guaranty Mortgage Co. and senior vice president, marketing, First American National Bank.

■ FIRST AMERICAN BANK, Knoxville, has promoted Heiskell Howard and Larry E. Brown to assistant vice presidents. Billie P. Eversole, vice president, has assumed additional responsibilities as coordinator of branch activities. Mr. Howard joined the bank in 1970; Mr. Brown was previously with First American National, Nashville.

■ HAMILTON BANK, Johnson City, has named Dan M. Laws III branch manager, Janie Stout assistant cashier and assistant branch manager and Evelyn Williams assistant vice president. Mr. Laws joined the bank in 1971, Mrs. Stout in 1968 and Miss Williams in 1946.

■ THIRD NATIONAL, Nashville, has promoted Lewis Howard to assistant vice president from credit officer. He joined the bank in 1973.

TV Program 'Tops'

WASHINGTON, D. C.—The ABA reports that an hour-long CBS TV special, "The Miracle Months," attracted a larger audience and more public response than any previous program cosponsored by the association.

Televised March 16, the program on human conception, gestation and birth featured actual film of live embryos as well as mothers during pregnancy and birth.

The program attracted about 30 million viewers, says Lee Gunderson, chairman, ABA Communications Council, and president, Bank of Osceola, Wis. It received a 21.1% rating, representing 33% of the TV sets in use during the broadcast hour, according to Mr. Gunderson. Scores of phone calls and letters were received as a result of the program, with virtually all the reaction being highly favorable, he points out.

Bank Sponsors Display Of Minority Activities

"People Who Help" was the theme of the display sponsored by First American National, Nashville, at the city's Fifth Annual Black Cultural Heritage Exposition held at the Municipal Auditorium.

The four-panel photographic display featured black businesses and entrepreneurs that First American has helped in recent years. Also featured in the display were some of the bank's black employees who are involved in community activities.

During the event, First American's booth was manned by bank employees who talked with visitors and answered questions about bank services. More than 65,000 people visited the exposition.

Bank Sponsors Concert By Local Youth Orchestra

"The Sound of Music Worldwide" was the title of a concert performed by the Barren River Area Youth Orchestra and sponsored by Citizens National, Bowling Green, Ky. The event was held in Western Kentucky University's Van Meter Auditorium.

The program included music ranging from compositions by Mozart to works by Humperdinck. In addition, the Bowling Green Community Chorus was featured in several selections.

"The Sound of Music Worldwide" was the second free concert sponsored by Citizens National; in April, 1976, the bank held a special bicentennial concert, "The Sound of Music in America."

Novel 'Incentive Premium' Is Donation to Charity

Depositors of Commercial National, Peoria, Ill., were able to take part in a novel "premium" program. The bank's customers were given a chance to decide to which charities Commercial National should make donations.

Each time a charitable organization's name was chosen by a qualified bank depositor during a one-month period, a $5 contribution was made to that organization. A $500 bonus contribution went to the American Cancer Society, since its name was chosen most frequently by depositors. Other most-picked organizations were the Heart Association and the St. Jude Midwest Affiliate; nearly 50% of the organizations chosen by customers were Peoria-area churches and related organizations.

PAP

(Continued from page 8)

—or are not—willing or able to have credit accommodation through such things as a bank credit card. A partial solution to such a situation is a package of financial accommodations and an evening of the balance between cash outgo and cash income. If a utility bill is predicted—or likely—to be, for example, $1,200 a year but with very high peaks of $200 or more in each winter month and in the summer months, it makes a lot of sense to level off the payments each month at approximately $100, taking the low-usage months during spring and fall into consideration. True, this can and should be budgeted for, but it is not done by a significant portion of the public.

A similar analogy can be drawn for insurance and auto expenses and for monthly totals of grocery bills resulting from a weekly, or more frequent, shopping pattern.

Many U. S. families still are making periodic payments by check, but those payments could be handled more effectively on a PAP electronic basis. Bankers are moving rather cautiously into the mainstream of EFT via a number of different vehicles, i.e. check guarantee cards, debit cards, use of "touch-tone" systems to switch funds, etc., while still relying in large part on paper entries of an untruncated nature. It is prudent that we do so for the present, since errors involving an unwarranted change in the payment mechanism can be rather costly.

Banking's competitors—the S&Ls and the national chains of department and food stores—have not been unaware of the importance of obtaining the optimum position in any system that does evolve. In some instances, our competitors have distinct advantages over banks in not being subject to the costly regulations bankers must bear as their cross. Banking's competition also has a leg up on banks in that products and services they offer have a built-in mark up, while banks have to pay for their main ingredient (deposits) either with actual interest or with implicit interest. Food chains, dealing with necessities of life, are likely to get a customer traffic-pattern that's conducive to cross selling the grocery's "bank services"; a bank's lobby traffic would not be likely to generate sales of food, goods and related services.

The enigma of marketing interpretation. Some rather dated marketing surveys in this area have shown that, up through the 1960s, our checking system probably was doing a more satisfactory job for American consumers than the foreign GIRO systems were doing for the nationals of their countries. Those studies also revealed a puritanical opposition by substantial numbers of Americans to switching from a well run and proved checking paper-entry system, which the individual "controls," to one involving paper truncation and pre-authorization of payments. Self-appointed "consumerists," rather than applaud the additional benefits of PAP's lower costs and improved utilization of technology, often have fought the implementation of PAP-EFT systems.

Recent studies by nonbank organizations such as utilities and insurance companies show that over nine out of 10 of those surveyed (which may not be universally representative) would recommend some limited type of PAP system to their friends. The PAP system most favored related to pre-authorization of utility payments. Bank credit card pre-authorizations of payment (which, incidentally, I have used and enjoyed for some time without experiencing any adverse incidents) are accepted by only 3% as systems that are to be recommended or utilized.

If such fragmentary studies are representative, then I think it indicates that banks have a monumental task to educate their debit- and credit-card holders and other customers. Perhaps I am biased; or perhaps I'm just more conversant than those surveyed with the advantages of PAP.

"Now is the time for banks to educate customers—in a low-keyed manner—to the implications, advantages and disadvantages of pre-authorized payments."

Another facet about studies related to bank card use bothers me. Many of the previous marketing studies on the early introduction of bank credit cards were widely off their marks concerning market acceptance, rate of fraudulent use and perception of the probability of politically restrictive legislation (which, interestingly, wound up accomplishing the exact opposite of that which its sponsors had indicated they intended it to do).

Now is the time for banks to educate customers—in a low-keyed manner—to the implications, advantages and disadvantages of PAP.

The other side of the coin is the cash management opportunities PAP offers to business firms receiving periodic payments. In this area, PAP is equally in need of support by way of education, study and cooperative surveys to get a better fix on this sector, in which banks and their commercial customers have a tremendous stake.

Santayana noted that those who haven't learned from the past are doomed to repeat its errors. PAP is too important to bankers to be left for others to run with while bankers fight among themselves.

Bankers, PAP is not soft food for babies!

Perhaps we should subject ourselves, as do prudent women, to a periodic "PAP" test to determine whether or not the time is right for banks and their customers to phase in pre-authorizations of payments and the cash management concepts that PAP generates. • •

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