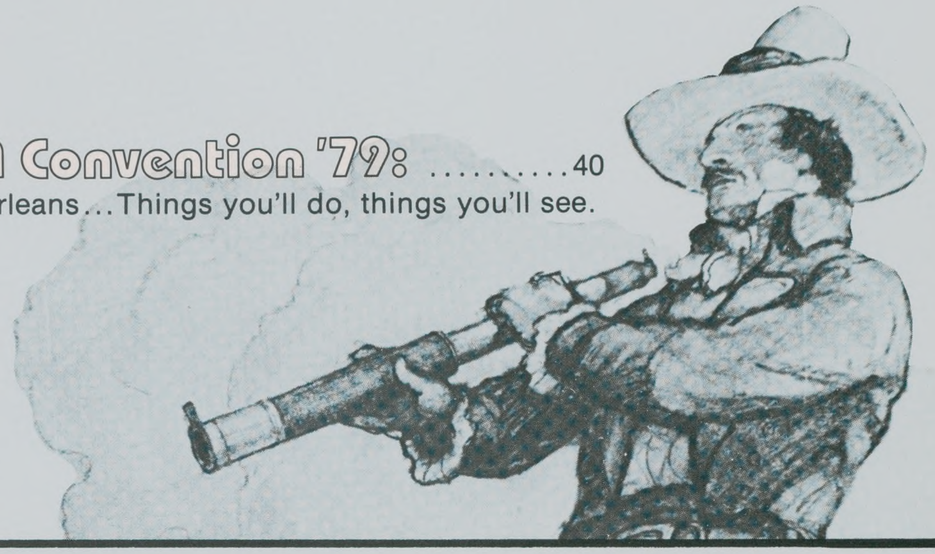
MID-CONTINENT BANKER

(ISSN 0026-296X)

The Financial Magazine of the Mississippi Valley & Southwest

JUNE, 1979

Convention Reports



The Resource That Builds Continuity of Bank Ownership – Liberty Professionals

Part of our commitment to our correspondents, is to help finance bank ownership.

A good example is the case of an older bank executive who wanted to sell his bank to a younger banker. Carefully, we worked out a solution within regulatory constraints which enabled the retiring banker to carry the note himself, backed by Liberty's letter of credit. This solution permitted the younger banker to stay in banking in his own community and take some important early steps up the ladder of ownership. For both bankers, this solved the problem; and we believe that step-by-step problem solving is the mark of a true professional.

Liberty's correspondent bank officers have broad lending and decision-making authority. Along with Liberty's billion (plus) resources, we offer **the resource no other bank can give you — Liberty Professionals.**

Ken Fergeson
Vice President
Correspondent Banking Department

Original pen and ink by Oklahoma City artist, Tien Pham, commissioned by Liberty for the series, "Art in Business."

LIBERTY
THE BANK OF MID-AMERICA

The Liberty National Bank and Trust Company / P. O. Box 25848 / Oklahoma City, Oklahoma 73125 / 405/231-6164 / Member FDIC

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 75, No. 7 **June, 1979**

Convention Calendar

June 12-14: Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton Hotel.

June 13-15: Robert Morris Associates Officers' Planning Workshop, New Orleans, Royal Orleans Hotel.

June 14-16: New Mexico Bankers Association Annual Convention, Albuquerque, Hilton Inn.

June 18-19: Robert Morris Associates Foreign Credit Principles/Standards Workshop, New Orleans, Monteleone Hotel.

June 20-23: American Safe Deposit Association Annual Convention, Colorado Springs, Colo., Antlers Hotel.

June 24-30: ABA Essentials of Banking School, South Bend, Ind., Notre Dame University.

July 15-17: ABA Advanced Secondary Mortgage Market Workshop, Chicago, Drake Hotel.

July 15-19: ABA National Government Affairs Conference, Washington, D. C., Capital Hilton.

July 21: AIB District Leaders Conference, Merrillville, Ind., Merrillville Holiday Inn.

July 22-28: ABA Business of Banking School, Ithaca, N. Y., Cornell University.

July 29-Aug. 10: Bank Administration Institute/School for Bank Administration, Madison, Wis., University of Wisconsin.

July 29-Aug. 12: Consumer Bankers Association Graduate School of Consumer Banking, Charlottesville, Va.

Aug. 5-10: ABA National School of Real Estate Finance, Columbus, O., Ohio State University.

Aug. 11-17: Bank Marketing Association Management School of Bank Marketing, Madison, Wis., University of Wisconsin.

Aug. 12-25: Central States Conference Graduate School of Banking, Madison, Wis., University of Wisconsin.

Aug. 13-24: ABA National Trust School/National Graduate Trust School, Evanston, Ill., Northwestern University.

Aug. 19-25: ABA Business of Banking School, Knoxville, Tenn., University of Tennessee.

Aug. 26-31: Graduate Institute of Bank Marketing, Baton Rouge, La., Louisiana State University.

Aug. 26-Sept. 1: Independent Bankers Association of America Senior Bank Officer Seminar, Boston, Harvard Graduate School of Business.

Sept. 1-4: 37th Assembly for Bank Directors, Vancouver, B. C., Bayshore Inn.

Sept. 9-11: Kentucky Bankers Association Annual Convention, Louisville, Galt House.

Sept. 9-14: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.

Sept. 11-14: ABA Bank Card Convention, Los Angeles, Century Plaza.

Sept. 16-19: ABA National Personnel Conference, Washington, D. C., Capital Hilton.

Sept. 16-28: ABA National Installment Credit School, Norman, Okla., University of Oklahoma.

Sept. 19-20: Association for Modern Banking in Illinois annual convention, Chicago, Continental Plaza Hotel.

Sept. 23-25: ABA Loan Administration/Servicing Seminar, St. Louis, Sheraton-St. Louis Hotel.

Sept. 23-26: Bank Administration Institute Conference on international accounting, auditing and tax issues, Miami, Omni International Hotel.

Sept. 23-26: Bank Marketing Association annual convention, New Orleans, New Orleans Hilton.

Sept. 23-27: Bank Administration Institute EDP audit conference, Chicago, Continental Plaza Hotel.

Sept. 26-28: Conference of State Bank Supervisors District IV meeting, Santa Fe, N. M., Inn at Loretto.

Sept. 30-Oct. 3: Bank Administration Institute community bank presidents' forum, Colorado Springs, Colo., the Broadmoor.

Oct. 6-10: ABA annual convention, New Orleans.

Oct. 21-24: Bank Marketing Association corporate marketing conference, Atlanta, Peachtree Plaza.

Oct. 21-24: Consumer Bankers Association annual convention, Hot Springs, Va., The Homestead.

Oct. 21-Nov. 1: ABA National Commercial Lending School, Norman, Okla.

Oct. 22-23: Robert Morris Associates Loan Quality Control Workshop, Kansas City, Alameda Plaza.

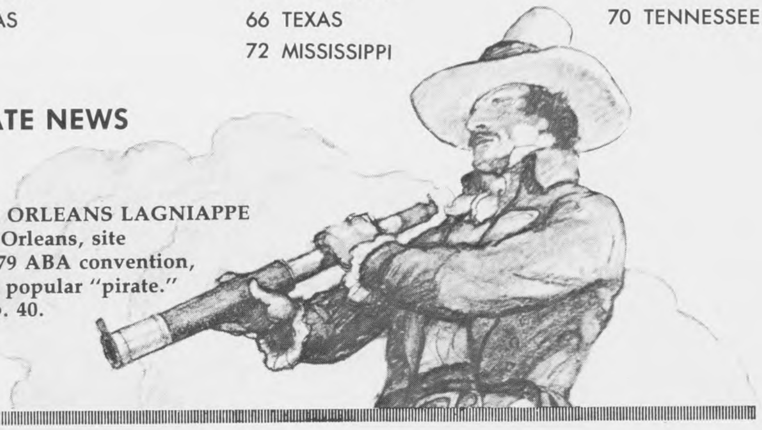
Oct. 24-26: Robert Morris Associates/Bank Administration Institute Seminar on audit perspectives of loan review, Kansas City, Hilton Airport Plaza Inn.

Oct. 24-27: 38th Assembly for Bank Directors, White Sulphur Springs, W.Va., The Greenbrier.

FEATURES

DEPARTMENTS

CONVENTION REPORTS



NEW ORLEANS LAGNIAPPE
New Orleans, site of 1979 ABA convention, has a popular "pirate." **See p. 40.**

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The Banking Scene

Finding Markets for Small-Bank Stocks

By Dr. LEWIS E. DAVIDS
Illinois Bankers Professor of Bank Management
Southern Illinois University, Carbondale

OF NEARLY 15,000 commercial banks in the United States, only several hundred of the largest have a broad market for their securities. Another several hundred regional bank stocks are traded actively in local, over-the-counter markets. But for small, locally owned community banks, the trading market is questionable.

In the days of lower interest rates, a bank could borrow the purchase price from a correspondent bank, put up the bank stock as collateral and pay the interest and amortization of the loan from the dividend income.

A typical small-bank stock market is relatively inactive and limited (small, for purposes of this article, meaning assets under $50 million). If stocks are not listed or traded over the counter, how do they perform in comparison with more publicized, larger bank stocks?

In most small banks, top management usually handles bank-stock transactions, and often it is the CEO who serves as middleman between stockholder sellers and other buyers. Some banks feel this procedure is inappropriate because of the potential for conflicts of interest. Typically, they will approach local security houses "to make a market for the bank's stock."

In either case, the CEO of a small bank usually can make a market for the stock at his desk. If he is approached by a buyer or seller, he can state the conditions surrounding the last several transactions and probably can mentally identify potential buyers or sellers who match the individual's interest.

Some banks maintain a ledger, an informal "declaration of intent to buy or sell," which lists names of persons who want to buy or sell, indicated prices and number of shares. The CEO then simply coordinates the transactions.

Often included in this ledger are executives and other bank "insiders." The situation can be complicated when an insider tries to sell, unless he can prove he has a "legitimate" reason for selling, such as settling an estate or improving a tax position.

The officer maintaining the ledger must try to remain neutral so his convictions do not appear to influence the price of the stock. However, if asked, he may express his knowledge of comparable bank-stock trades in recent transactions. Interestingly, ratios of book-value earnings vary greatly from one section of the country to the next.

Community bank stocks tend to have a two-tier value. Stock purchased for investment most likely has a lower value than stock purchased to gain control of a bank. The SEC, the corporate regulator, views this as undesirable, but U. S. courts have recognized the two-tier structure for bank-stock control as a basic fact of life.

Paradoxically, large-bank securities should have better prices and market values because they are more liquid than are small-bank securities. Many nationally and internationally recognized U. S. banks sell at substantial discounts from their book values, often as much as 30% to 60%. Because of this, some banks, such as New York State's Marine Midland Banks, Inc., are attractive for tender bids from foreign banks. Many of these banks also are "New York money market"

Recently, only 25% of 40 major banks in this country sold for at least book value . . . Most sold at discounts of more than 12%. Why should so many small banks sell at a relative premium compared to these 40 major banks?

banks. Two notable exceptions, however, are J. P. Morgan & Co. and Citicorp.

Recently, only 25% of 40 major banks in this country sold for at least book value, according to M. A. Schapiro & Co., an investment firm, which publishes a quarterly study on bank stocks. Most sold at discounts of more than 12%. Why should so many small banks sell at a relative premium compared to these 40 major banks? One possible reason is major shareholders frequently are elected to boards of these banks. Small-bank stocks typically are owned by individuals or trusts that are major bank cus-

(Continued on page 38)

Comprehensive Legislative Package Proposed

AS THIS COLUMN went to press, it appeared that a new legislative thrust to resolve the Federal Reserve issue and a series of related questions was gaining momentum. Following adoption of a new consensus position on those issues by more than 400 bankers in the course of a late April ABA Banking Leadership Conference, Federal Reserve Chairman G. William Miller expressed the opinion that "there has been tremendous progress in narrowing divergent views." (The banking leaders' consensus is described below.)

Congress should authorize the Fed to *set* a uniform required-reserve ratio on *all transaction-account deposits* at all financial intermediaries that legally offer such accounts. This change should be phased in over a 10-year period.

In a major speech before the Columbia University Graduate School of Business, Chairman Miller said widespread agreement is developing on how to improve the Fed's monetary management tools, achieve competitive equality among all types of financial institutions, improve the nation's payments system and ensure liquidity of financial institutions.

In that connection, the central bank chairman outlined a legislative program that includes:

- Maintaining the concept of voluntary Fed membership and assuring a vigorous dual-banking system.
- Reducing levels of sterile reserves required of Fed members and making them uniform as to type of deposit.
- Providing that all financial intermediaries must maintain reserves with the Fed with respect to their transaction (check-like) accounts on the same basis as member banks.
- Instituting explicit pricing for most Fed services.
- Allowing access to Fed services and the discount window for all depository institutions that are subject to the central bank's reserve requirements.

Mr. Miller's comments appeared to reflect a new emphasis on transaction accounts, not only as the focus of monetary policy, but also as the key element of various other legislative proposals.

For example, even before the ABA's Banking Leadership Conference, Senate Banking Committee Chairman William Proxmire had put forward informally the concept of legislation eliminating all Fed reserve requirements on time and savings deposits except for CDs of $100,000 or more at all financial institutions. The Proxmire proposal also would authorize the Fed to set and hold required reserves on all transaction-account deposits at all financial institutions, perhaps exempting the first $10 million from such reserve requirements.

In addition, recent signals from the House Banking Committee indicate a new interest in focusing on transaction accounts in the context not only of the Fed issue, but also of competitive equity.

In both the House and Senate, initiatives have been launched to grant some form of transaction accounts to all types of financial institutions, probably by extending NOW accounts nationwide. These initiatives came in the wake of a U. S. Appeals Court ruling that as of January 1, 1980, banks' automatic transfers from savings to checking accounts, credit unions' share drafts and S&Ls' remote-service units will be illegal unless Congress decides otherwise.

In light of these developments, the new consensus reached by the ABA's banking leaders provides a framework for bankers to take advantage of a unique opportunity to achieve competitive equity. Conclusions reached on the Fed issue by the banking leadership members are as follows:

- *Reserve-setting authority* — Congress should authorize the Fed to *set* a uniform required-reserve ratio on *all transaction-account deposits* at all financial intermediaries that legally offer such accounts. This change should be phased in over a 10-year period. All reserve requirements on time and savings deposits should be eliminated as soon as possible.
- *Form of reserves (reserve-holding authority)* — Non-Fed-member institutions should be permitted to hold their required reserves on transaction accounts in the form of vault cash and a combination of deposits with commercial banks and pledged assets acceptable to the Fed.

The Fed should be given authority to set the level of required reserves on all transaction accounts at all financial institutions. All financial institutions except national banks retain the option of determining whether to become Fed members.

Similarly, Fed-member institutions should be permitted to maintain substantial portions of their reserves in the form of pledged assets acceptable to the Fed.

- *Access to Fed services* — Since all transaction-account deposits would be subject to Fed reserve-setting authority, all financial intermediaries that legally offer such accounts should have access to Fed services. Those services should be priced explicitly.
- *Access to discount window* — All depository institutions offering transaction accounts should have access to the discount window.

Also, the Fed should be authorized to collect all data necessary to formulation and implementation of monetary policy from all depository institutions.

In summary, the Fed should be given authority to set the level of required reserves on all transaction ac-

(Continued on page 63)

Editor's Note: This column was prepared by the ABA's public relations division.

Get to know your Commerce banker.

Frampton Rowland joined Commerce in 1963 after studying at Indiana University, Oklahoma and K-State, and stints with the U.S. Army Medical Corps and a large finance company. Now he's an experienced Calling Officer for our Correspondent Department. Whatever your needs, Frampton Rowland can help.

Michael Brixey of our Correspondent Department worked as an FDIC Senior Bank Examiner before joining the Commerce system in 1977. Michael relaxes with golf, fishing, hunting and archery. He knows all phases of banking—loans, operations and investments. When it comes to correspondent banking, Michael Brixey can do the most for you.

H.C. Bauman went to William Jewell College. Before joining Commerce in 1975, he was chief executive officer of a Kansas City area bank. Today, he's Manager of our Kansas and Oklahoma Groups. This former Air Force captain enjoys racquetball and tennis, as well as helping you with all your correspondent requirements. Look for him soon.

We're the leading correspondent bank in the Midwest.
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MEMBER FDIC

Regulatory News

Passbook Rates Increased; New 4-Year CD Created By Federal Reserve Board

Interest rates paid by banks and S&Ls will be raised July 1 as a result of actions taken late last month by federal financial institution regulators.

The Fed and Federal Home Loan Bank Board raised ceilings on passbook rates 0.25%, created a new four-year savings certificate paying a rate related to money market interest rates, eased penalties for early withdrawals of time deposits and abolished minimum denominations for all savings certificates except the $10,000 six-month money market accounts.

Commercial banks will be able to pay 5¼%, instead of the present 5%, on passbook accounts. S&Ls and mutuals will be able to pay 5½% instead of the present 5¼%.

The new four-year CD will pay rates tied to the average yield on four-year Treasury securities. These have been averaging just over 9%. Banks will be able to pay 1.25% less; S&Ls, 1% less, with the ceilings changing monthly.

Minimum denominations, generally $1,000, will be eliminated on savings except the $10,000 certificates. The agencies reduced penalties on savers for early withdrawals of funds from certificate accounts. Currently, the penalty is loss of three months' interest and reduction of remaining interest to passbook rates. The new rule will provide loss of six months' interest on accounts with maturities of more than a year and three months' interest on accounts of a year or less.

Also beginning July 1, the Fed will ban banks from offering repurchase agreements of less than $100,000 because it views this as a way to circumvent rate ceilings. Some banks have been selling interest in high-yielding securities, agreeing to buy the interest back at a later date.

Definition of Creditor Under Reg B Is Clarified By Federal Reserve Board

The Fed amended its Regulation B (Equal Credit Opportunity) to clarify the definition of creditor and is seeking comment on how anti-discrimination rules of the regulation should be applied to certain practices of creditors using credit-scoring systems.

The amendment adopted by the Fed makes it clear that the definition of creditor includes not only those who grant credit, but also those who regularly refer customers to creditors. Auto dealerships, home improvement contractors and real estate brokers who regularly steer customers to creditors are examples of those the Reg B amendment places under the definition of creditor. The Fed's action bringing credit arrangers within Reg B's scope was substantially as proposed last October. The board did not take action on other proposals made at that time concerning certain business credit exemptions in Reg B.

At the same time, the Fed requested comment, through June 20, on how Reg B's specific rules should apply to four practices of creditors using credit-scoring systems. The Fed wants comment on how the specific anti-discriminatory rules of Reg B should be used to avoid discriminatory results when creditors using a credit-scoring system follow these practices:

1. Assigning a score to the number of jobs or number of sources of income the applicant has. 2. Not assigning a score to the amount of the applicant's income from part-time employment, pension or alimony. 3. Giving reasons for adverse action on a credit application that are judgmental rather than arising from the creditor's scoring system. 4. Selecting reasons for adverse action from among the 20 reasons in a model statement included in Reg B, even though the creditor uses a credit-scoring system with attributes not reflected in the model statement.

A Regulation Q Appeal

SAN FRANCISCO — Bank of America is appealing to the state's consumers for repeal of Regulation Q. The bank has taken out advertisements in state newspapers calling for changes in laws that "discriminate against the majority of savers" and asks consumers to clip out the letter in the advertisement to send to their representatives.

The full-page notice says that while regulations allow "a very small percentage of savers" to benefit from much higher rates available in the money market, they limit banks insured by the FDIC to paying 5% interest on "the most popular form" of savings account, the regular passbook account.

The bank has detailed several alternatives, which it has communicated to the Federal Reserve Board, and which it believes "would give the majority of savers more immediate, less restricted access to higher interest rates."

First, the bank would phase out artificial ceilings on savings-account interest. Second, minimum deposit on time savings of four years or more should be lowered from the proposed $500 to $100. The bank also favors reducing money market certificates' minimum deposit from $10,000 to $1,000. The advertisement also says it would be a consumer advantage to eliminate the interest-rate differential of ¼% between banks and other savings institutions. With these alternatives, there would be open competition for the saver's dollar, with an unrestricted interest ceiling, according to the bank.

Comments Requested by Fed On New EFT Act's Rules

The Fed has requested comment by July 2 on proposals for completion of its rules necessary to carry out provisions of the Electronic Funds Transfer Act. In addition, the Fed will hold a hearing June 18-19 to receive views and information bearing on any aspect of the act or rules to implement it.

The proposals follow up publication March 21 of final rules under two provisions of the act that became effective early this year. These rules — initial parts of Regulation E — limit consumers' liability for unauthorized use of an EFT card and specify conditions under which EFT cards may be issued. Proposals issued for comment by July 2 for completing Reg E would implement other portions of the act, which will become effective May 10, 1980. The board is developing Reg E to comply with a congressional directive that the Fed write rules to implement the act and publish model disclosure forms.

Among issues raised by the act's requirements are: 1. Exemptions from the act's requirements. 2. Timing of disclosures. 3. Documentation of transfers. 4. Notice whether a pre-authorized credit has been made to a consumer's account. 5. Availability to the consumer of electronically deposited credits. 6. Notice of varying amounts in pre-authorized payments. 7. Stopping pre-authorized payments. 8. Error-resolution procedures. 9. Record retention.

First Commerce Corporation and First National Bank of Commerce

AND SUBSIDIARIES • NEW ORLEANS/THREE MONTHS ENDED MARCH 31, 1979

First Commerce Corporation
Consolidated Statement of Income
(In Thousands)

	Three Months Ended March 31, 1979	1978
INTEREST INCOME		
Interest and fees on loans	**$12,249**	$12,375
Interest on obligations of states and political subdivisions	**697**	632
Interest on other investment securities	**1,692**	795
Interest on trading account securities	**85**	56
Interest on short-term investments and bank deposits	**4,286**	1,503
Total interest income	**19,009**	15,361
INTEREST EXPENSE		
Interest on passbook savings deposits	**1,435**	1,492
Interest on other consumer time deposits	**776**	596
Interest on time deposits of $100,000 and over	**3,866**	2,443
Interest on foreign branch time deposits	**380**	370
Interest on short-term borrowings	**2,811**	1,946
Interest on long-term debt	**487**	444
Total interest expense	**9,755**	7,291
NET INTEREST INCOME	**9,254**	8,070
PROVISION FOR LOAN LOSSES	**1,438**	1,995
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**7,816**	6,075
OTHER INCOME		
Service charges, exchange and other fees	**1,329**	1,488
Other operating revenue	**428**	508
Trading account securities gains and losses	**41**	59
Total other income	**1,798**	2,055
Total operating income	**9,614**	8,130
OPERATING EXPENSE		
Salary expense	**2,625**	2,715
Employee benefits	**636**	540
Total personnel expense	**3,261**	3,255
Net occupancy expense	**696**	750
Equipment expense	**687**	867
Cost of other real estate	**(9)**	66
Other operating expense	**1,877**	2,321
Total operating expense	**6,512**	7,259
INCOME BEFORE INCOME TAX EXPENSE	**3,102**	871
INCOME TAX EXPENSE	**1,065**	253
NET INCOME	**$ 2,037**	$ 618
EARNINGS PER SHARE		
Primary	**$0.96**	$0.29
Fully diluted	**$0.80**	$0.28
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**2,113**	2,108

These financial statements are preliminary unaudited figures, and are subject to adjustments which may or may not be material.

First Commerce Corporation
Consolidated Statement of Condition
(In Thousands)

	March 31, 1979	1978
ASSETS		
Cash and due from banks	**$123,766**	$132,001
Due from banks — time		30,000
Investment securities:		
U.S. treasury securities	**18,516**	49,693
Obligations of U.S. agencies and corporations	**51,500**	3,092
Obligations of states and political subdivisions	**50,894**	52,286
Other bonds, notes, debentures and corporate stock	**1,895**	1,641
Total investment securities (market value $120,710,000 and $103,595,000, respectively	**122,805**	106,712
Trading account securities	**15,129**	793
Other short-term investments	**185,385**	120,568
Loans	**396,556**	501,832
Allowance for loan losses	**(6,769)**	(5,144)
Unearned income	**(5,772)**	(7,363)
Total net loans	**384,015**	489,325
Direct lease financing, net of unearned income of $965,000 in 1979	**3,501**	1,261
Bank premises and equipment	**14,230**	15,259
Due from customers on acceptances	**3,061**	5,619
Other real estate	**3,649**	5,541
Real estate subject to contracts of sale	**11,923**	12,356
Accrued interest on securities and loans	**9,224**	7,589
Other assets	**2,999**	4,190
Total assets	**$879,687**	$931,214
LIABILITIES		
Deposits in domestic banking offices:		
Demand deposits	**$314,068**	$332,988
Passbook savings deposits	**116,635**	121,720
Other consumer time deposits	**50,085**	37,715
Time deposits of $100,000 and over	**160,332**	152,239
	641,120	644,662
Foreign branch time deposits over $100,000	**10,825**	16,117
Total deposits	**651,945**	660,779
Short-term borrowings	**127,953**	175,258
Bank acceptances outstanding	**3,061**	5,619
Accrued interest payable	**6,159**	4,943
Accounts payable and other accrued liabilities	**6,368**	5,133
Long-term debt	**24,110**	21,920
Total liabilities	**819,596**	873,652
STOCKHOLDERS' EQUITY		
Common stock, $5 par value Authorized — 10,000,000 shares Issued — 2,185,721 and 2,179,966 shares, respectively	**10,928**	10,900
Capital surplus	**25,483**	25,350
Retained earnings	**25,376**	23,008
	61,787	59,258
Less — 71,518 shares of common stock in treasury, at cost	**(1,696)**	(1,696)
Total stockholders' equity	**60,091**	57,562
Total liabilities and stockholders' equity	**$879,687**	$931,214

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Chief Lending Officer

JOHN H. PALMER
Senior Vice President
Chief Business Development Officer

JOSEPH C. WHITE*
Senior Vice President
Chief Economist

* Officer of First National Bank of Commerce only.

Via System to Add 22 ATMs Due to Heavy Customer Use; Five New Banks Join Network

Because the Via network, which is headquartered in Wichita, logged nearly one million transactions during 1978, the system will be expanded by the addition of 22 automated teller machines (ATMs) during 1979. This will more than double the 18 Via ATMs now in Kansas.

Five Hutchinson, Kan., area banks will join the system. Three of them — plus banks in Wichita, Dodge City and McPherson — are adding new ATMs.

Some 13 ATMs will be installed in Hutchinson — nine at Hutchinson National, three at First National and one at Northgate National. Hutchinson National will be the first to incorporate drive-up units. Three Hutchinson locations will be off-premises, free-standing modular buildings.

Monthly ATM volume has increased to 120,000 transactions. Volume leaders are Fourth National's Towne East and McConnell Air Forse Base locations, averaging more than 3,000 transactions per week. Other busy ATMs are in shopping centers, at Wichita State University and in the Boeing Co. employee cafeteria. Fourth National plans to add two more shopping center locations.

Above is Via ATM being used in shopping center.

Via system ATMs are on-line, linked with other ATMs on computer. This means any Via customer can use any 24-hour ATM in the state and have direct access to his checking and savings account for either a cash withdrawal, deposits or transfers of money between the two accounts.

EFT Network Company Formed by S&L Group, First Nat'l, Chicago

CHICAGO — A new corporation called Network EFT, Inc., has been formed by First National, Chicago, and EFTS Service Corporation-II, a group of 16 Chicago-area savings and loan associations. The new company will operate the YES electronic funds transfer system, which was introduced by the bank in 1976.

The system permits customers of participating S&Ls to obtain check-cashing authorization and make deposits and withdrawals from their accounts through electronic terminals at certain stores.

Formation of the new company permits expansion of the network to more retail and financial institutions. The YES system previously had been operated by the bank's network services division.

Customers can make balance inquiries and receive updated balances on their accounts at the originating terminal. Interest is earned from the time of deposit until the time of withdrawal at the retail store.

While customers of S&Ls may participate in the YES system, bank customers may not under current Illinois law.

Officers of the new company include Homer J. Holland, chairman and director, a senior vice president of the bank, and Vern L. Schatz, president and director and bank vice president.

Also on the board are two S&L directors.

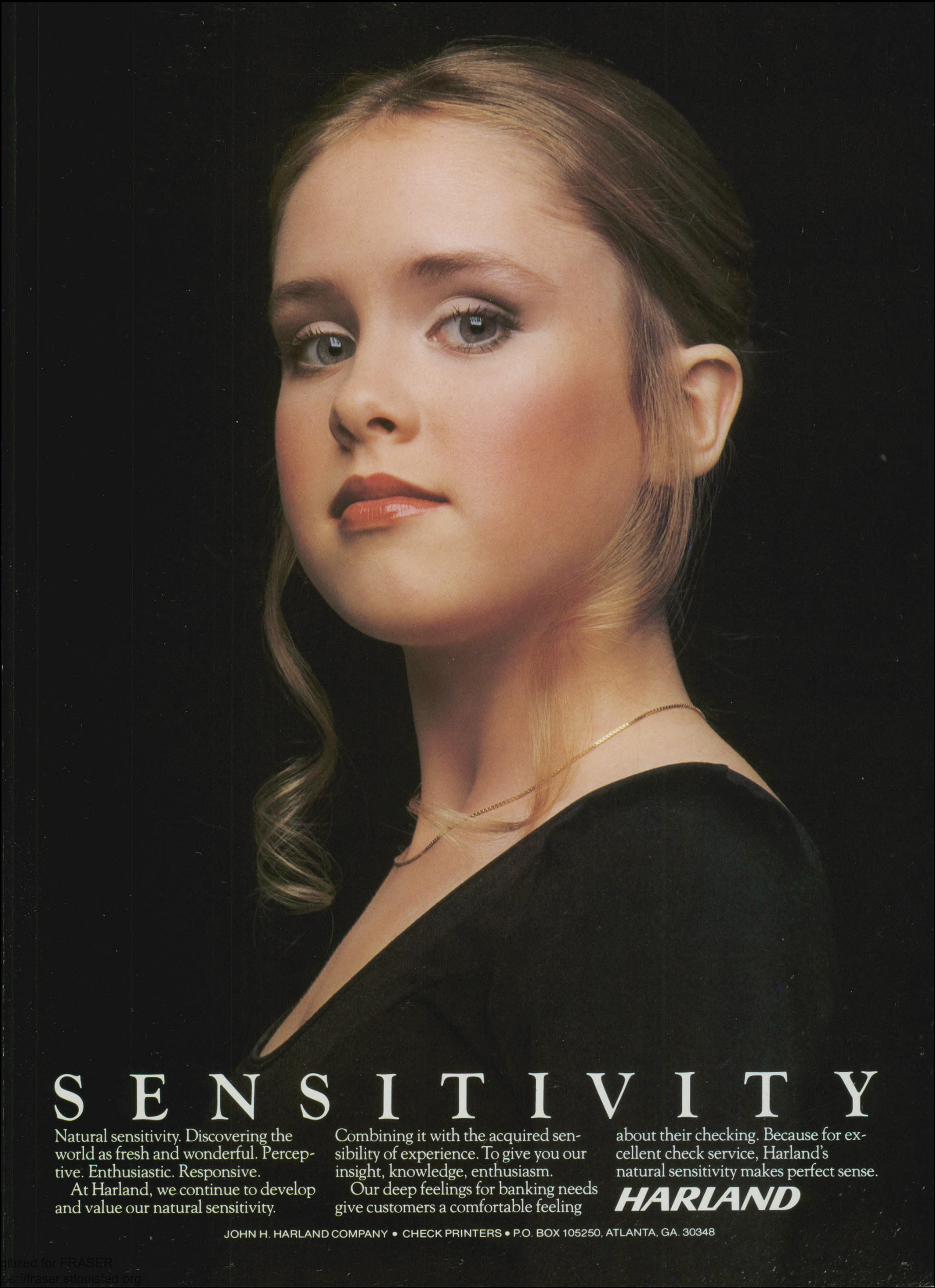
K. C. Clearing House Reelects 1979 Officers

The Greater Kansas City Clearinghouse Association has announced the reelection of its 1979 officers and directors, who will serve during the association's 106th year of service to 111 area banks and the community.

Allen L. Lefko, president and CEO, Noland Road Mercantile, Independence, Mo., has been elected president. Other officers are: C. Ted McCarter, president, Boatmen's Bank, Kansas City, and board member of Boatmen's Raytown and Boatmen's Bank of North Hills, has been reelected vice president; Michael F. Mayer, president, First National, Kansas City, continues as treasurer; and John P. Borden was reelected executive director and secretary.

New Kentuckiana CHA Officers

The Kentuckiana Automated Clearing House Association has elected new officers. They are: president — Frank Knego, senior vice president and manager/operations division, Citizens Fidelity; secretary/treasurer — Malcolm Chancey, executive vice president, cashier and board member, Liberty National; and vice presidents — L. B. Hocker, assistant cashier, Stock Yards Bank; Clyde Jackson, senior vice president, Bank of Louisville; James Martin, executive vice president, First National; Albert Schnell, senior vice president, Louisville Trust; (all of Louisville); and Joseph Campbell, Citizens Bank, Jeffersonville, Ind.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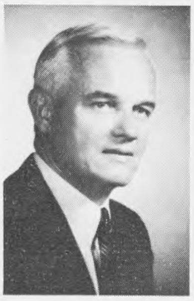
NEWS OF THE

BANKING WORLD



DALY

SOLSO

GUNDERSON

WHITAKER

COOLEY

REICHARDT

• **Lee Gunderson,** president, Bank of Osceola, Wis., has been selected as the official nominee for ABA president-elect for 1979-80, and Virgil E. Solso, president, Oregon Bank, Portland, is the official nominee for ABA treasurer. Mr. Gunderson entered banking in 1952 following graduation from college. In 1961, he joined Farmers & Merchants Bank, Greenwood, Wis., and went to his present bank in 1966 as executive vice president/CEO, becoming president in 1976. Mr. Solso has been in banking since 1937, starting as a messenger for Washington Trust Bank, Spokane. His service with Oregon Bank began in 1952, when he helped found Citizens Bank, Oswego, Ore., which became Citizens Bank of Oregon and which was merged with Oregon Bank in 1969. He became its president when Orbanco, Inc., was formed as the HC for Oregon Bank and other subsidiaries.

• **Daniel N. Quigley,** executive vice president, National Boulevard Bank, Chicago, has been named president, chief operating officer and a director, Long Island Trust, Garden City, N. Y. Arthur Hug Jr., chairman, Long Island Trust and its parent HC, LITCO Corp., continues as CEO. Mr. Quigley succeeds him as president, a post Mr. Hug held since 1968. Mr. Quigley joined National Boulevard in 1974 as vice president/personal bank department. He was promoted to executive vice president in 1976. He also serves as chairman, Illinois Electronic Funds Transfer Systems Study commission, and as a director, Electronic Funds Illinois, Inc., which he organized and served as its first chairman.

• **Wells Fargo & Co.,** San Francisco, has announced elections of Richard P. Cooley to chairman and Carl E. Reichardt to president, effective August 1, 1979, when the previously announced retirement of James K. Dobey, present chairman, will take effect. Mr. Cooley will continue as HC CEO and as chairman and CEO of its principal subsidiary, Wells Fargo Bank. Mr. Reichardt will remain president of the bank, a position he assumed last year. He also was elected a director of the company.

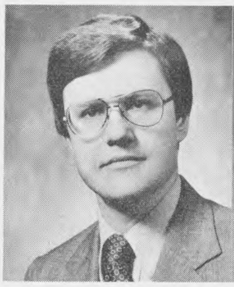
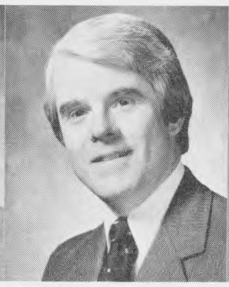
• **Detroitbank Corp.** has elected two new directors — Gilbert R. Whitaker Jr., dean, University of Michigan Graduate School of Business Administration, and John F. Daly, chairman and CEO, Hoover Universal, Inc.

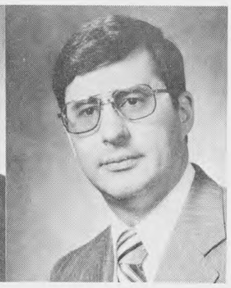
• **Harris Bank,** Chicago, has opened an investment advisory representative office in West Palm Beach, Fla. The office, headed by James L. Parsons, vice president, will solicit and service investment advisory business for individuals and institutions as part of the bank's trust department. Jay L. Owen, assistant vice president, also will staff the office.

• **Northern Trust Corp.,** Chicago, parent HC, Northern Trust Co., has applied to the Florida department of banking and finance for permission to establish a state-chartered trust company in Palm Beach. Security Trust Co. will be a subsidiary of Northern Trust Corp. and is expected to be in operation by the end of the year. It will be devoted entirely to trust services for individuals, corporations and charitable institutions.

• **Howard K. Loomis,** president, Peoples Bank, Pratt, Kan., has been elected a director, Kansas City Fed. He will serve through the remainder of the year, completing the unexpired term of Philip Hamm, president, First National, El Dorado, Kan., who retired for health reasons.

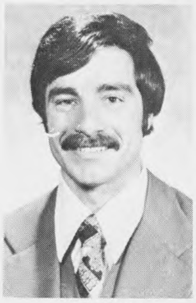
Corporate News Roundup

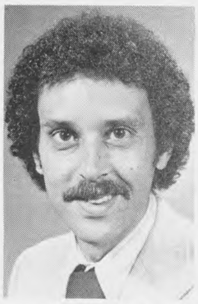


STANKUNAS HANAWAY SEITZINGER D'ANGELO

• **Aetna Business Credit, Inc.** Terry A. Rockford has been assigned to the East Hartford, Conn., company's newly established Midwest marketing center in Chicago as a business development officer. He will be responsible for exploring and developing financial programs to serve the borrowing needs of prospective clients throughout the Midwest.



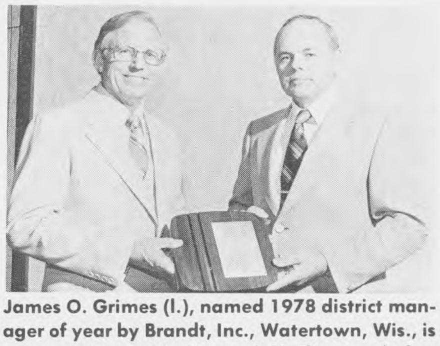
NEDOMA



ROCKFORD

• **Brandt.** Harry Nedoma has been named an authorized district manager for Brandt, Inc., Watertown, Wis. His responsibilities will be sales and service in southern Louisiana and southern Mississippi. Mr. Nedoma formerly was a Brandt equipment sales representative based in Peoria, Ill.

In other action, James O. Grimes and J. David Grimes, his son, both of Omaha, have been honored by Brandt for superior sales performances in 1978. The elder Mr. Grimes was named district manager of the year and the younger was one of three top sales representatives. The men's offices serve banks, S&Ls, vending firms, supermarkets, department stores and other large-volume money handlers in parts of Missouri and Iowa, as well as in Nebraska and South Dakota.



James O. Grimes (l.), named 1978 district manager of year by Brandt, Inc., Watertown, Wis., is presented award by Kenneth H. Flitz, v.p./sales. Mr. Grimes' Omaha office serves parts of Missouri and Iowa, Nebraska and South Dakota.

• **Diebold.** F. Kurt Hanaway and Raymond J. Stankunas have joined the Canton, O., company and Frank D'Angelo and Harry O. Seitzinger have received new appointments. Mr. Hanaway will be a remote banking/teller operations product manager; Mr. Stankunas will be a director-product/marketing manager; Mr. D'Angelo has been appointed general manager/automatic banking systems services; and Mr. Seitzinger has been appointed vice president/controller and assistant treasurer.

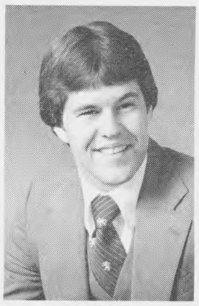
• **Cummins-Allison Corp.** William J. Hautigan has been promoted to assistant vice president/director, marketing communications for the Chicago-based firm. He joined the company in 1974 as advertising and promotion manager and has since established an in-house advertising agency and assumed responsibility for all marketing communication activities for the data systems, office products and coupon payment systems divisions.

• **Daktronics, Inc.** Al Kurtenbach, president of the Brookings, S. D., firm, has been named the state's small businessman of the year. The 10-year-old company, which has expanded from producing medical electronics to design and production of electronic voting systems, scoreboards and time-and-temperature signs, went from a manufacturing plant with two employees to one with 110 employees and a sales total of $1.9 million last year.

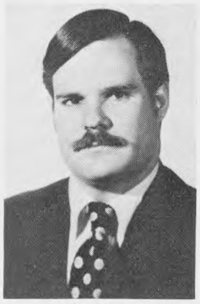
• **Matterhorn Bank Programs, Inc.** Earnest L. Talton has been appointed claims manager of this Baltimore-based insurance firm. Previously, he was president, Financial Insurance Underwriters, Atlanta.

• **Doane Agricultural Service, Inc.** D. Howard Doane, 95-year-old founder of the St. Louis-based company, was guest of honor at a special program to celebrate the firm's 60th anniversary in the agricultural industry. From a small farm management and consultation service to individuals and firms owning agricultural land, the company has grown to 36 offices across the country. One of its services is the *Doane Agricultural Report*, a weekly newsletter that goes to more than 65,000 farmers. In other action, Terry L. Pahde has joined Doane as personnel manager responsible for recruitment and training programs for the company's offices nationwide.

J. W. Hackamack (l.), pres., Doane Agricultural Services, Inc., St. Louis, presents D. Howard Doane commemorative booklet outlining company's agricultural achievements at 60th-anniversary program.



PAHDE



MATTHEWS

• **Bunce Corp.** F. Maury Matthews has joined this St. Louis-based firm as a contract manager operating out of St. Louis. He formerly was assistant vice president/national banking group, Mercantile Trust, St. Louis.

John Fowler. Participation specialist.

See John Fowler for help on excess loans or loans that you need to sell for liquidity purposes. He has the backup of the entire Correspondent Banking Division, as well as a top-notch Credit Department and staff of specialists.

Other specialists in the Correspondent Division are George Dudley, Gene Foncannon, Bill Dexter, John O'Connor, Bill Weis, Dean Howard, Don LacKamp, Bob Shultz and Paul Ward.

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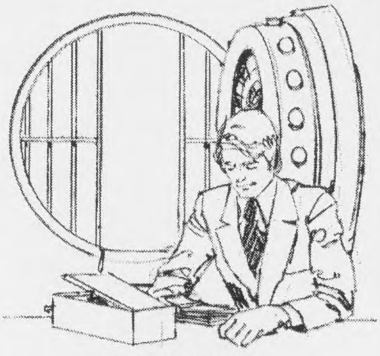
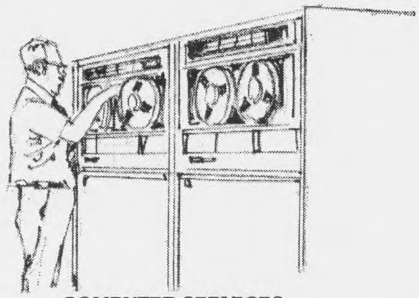


SAFE KEEPING



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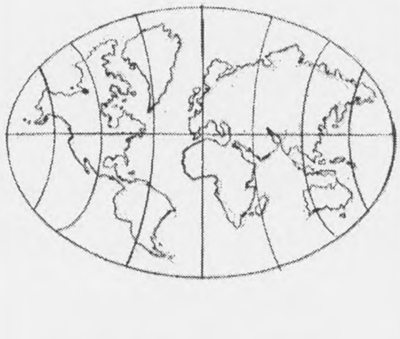

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Ready; Aim; FIRA!

This Comprehensive Legislative Package Means Still More Regulations for Banks

OVER-REGULATION is the greatest growth industry in the U. S. today. So said Missouri Finance Commissioner Edgar H. Crist during a panel discussion of the Financial Institutions Regulatory and Interest Rate Control Act (FIRA) at the Missouri Bankers Association's annual convention last month. His opinion was borne out by the many regulations and requirements contained in this law.

Much of the impetus for passing FIRA resulted from potential abuses in so-called "insider transactions." Basically, such transactions refer to banking transactions between a bank and its executive officers, 10% shareholders, directors, companies controlled by these individuals and political campaign committees controlled by or benefiting these individuals. FIRA places important limitations and certain prohibitions on these types of transactions.

The 21 titles in FIRA comprise a comprehensive legislative package for all financial institutions. While some sections have little or no impact on commercial banks, others are major additions to banking law. The MBA panel addressed itself to the latter. Panel members were: Mr. Crist; E. Glion Curtis, regional counsel, FDIC, Kansas City; Thomas Hoenig, assistant vice president, Kansas City Fed; and Michael J. O'Keefe, regional counsel, 10th National Bank Region, Kansas City. Moderator was E. L. Burch, senior vice president, United Missouri, Kansas City.

Change in Bank Control. Title VI of FIRA establishes federal agency procedures for reviewing the application of any person desiring to gain control of a bank. An applicant must file a notice of intent to acquire control with the bank's primary federal supervisory agency, and this notice must contain:

1. Pertinent background data on applicants (including any criminal indictments). 2. Financial statements for the past five years prepared in accordance with generally accepted accounting principles. 3. Terms and conditions of the proposed acquisition to include the manner in which the acquisition is to be made. 4. Identity, source and amount of funds or considerations to be used in the acquisition.

Essentially, what the act says is, "If you have a correspondent relationship with a bank, there can be no preferential lending. If you have a preferential loan with a bank, you cannot maintain a correspondent relationship with that bank."

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5. Any plans that involve a change in the structure or management. 6. Identification and background data on any third parties involved in the acquisition. 7. Copies of all invitations, tenders or advertisements to stockholders for purchase of their stock. 8. Any other relevant information.

The agency then has 60 days to act on the notice of intent. If it does not disapprove of the acquisition within these 60 days, the acquisition is effectively approved. If the agency needs more information or determines some information to be inaccurate, it may extend this period an extra 30 days. The agency also can choose to allow the acquisition before the initial 60-day period is over by issuing a written notice of the agency's intent not to disapprove.

An acquiring party whose application has been disapproved has 10 days to request an agency hearing on the decision. If the application again is denied at this hearing, the acquiring party may seek review by the U. S. Court of Appeals, but this must be done within 10 days of the final denial.

What is control of a bank? Control is defined as power directly or indirectly to vote 25% or more of any class of voting securities or to direct management policies of a bank or bank HC. There are further definitions and exceptions, and each case should be clarified before changes in control are undertaken.

Insider Transactions. Title I covers lending limits for insider transactions. Under Regulation O, which was promulgated by FIRA, there are four distinct classes of insiders in a bank: 1. Directors, 2. Executive officers. 3. Principal stockholders. 4. Related interests of the first three.

Reg O has four requirements: 1. No preferential loans to insiders or loans with more than the normal degree of risk or with other unfavorable features. This requirement covers all four classes of insiders, and all extensions of credit regardless of amount. 2. Prior approval by the board of all loans in excess of $25,000 to all four classes. 3. 10% lending limit with exceptions to executive officers, principal stockholders and related interests of these two classes. 4. Overdrafts prohibited for executive officers and directors.

Correspondent accounts. Title VIII of FIRA is designed to eliminate preferential-loan relationships based on correspondent accounts.

Banks that maintain a correspondent account in the name of another bank may not extend credit to the other bank's executive officers, directors, 10% shareholders or their controlled companies unless the credit is at substantially the same terms and rates as those for comparable transactions with other persons, and the loan does not involve more than normal risk or present other unfavorable features. Similarly, banks that maintain a correspondent account in another bank may not extend credit to the other bank's officers, directors, 10% shareholders and their controlled companies unless the loan is at prevailing rates and does not involve more than normal risk.

Essentially, what the act says is, "If you have a correspondent relationship with a bank, there can be no preferential lending. If you have a preferential loan with a bank, you cannot maintain a correspondent relationship with that bank."

FIRA requires detailed nonpublic disclosures of all credit relationships between insiders (not directors) from correspondent and respondent banks. If officers, 10% shareholders or their controlled companies have outstanding loans with a correspondent bank, they must disclose the nature, amount, terms and conditions of those loans on an annual basis to their banks' boards. In turn, the banks then must forward these disclosures to their respective regulatory agencies. In addition, banks also must disclose to their regulators the aggregate amount of loans to executive officers, 10% shareholders and their controlled companies from banks with which they maintain correspondent relationships. On request, the agencies must release this single aggregate figure for insider loans by correspondent banks.

Interlocking Directorates. Title II of FIRA is entitled "Depository Institution Management Interlocks Act." It includes new restrictions on interlocking management in banks.

Under this act, there are two important definitions: 1. Management official — this covers employees and officers with management functions, directors, advisory directors or nominees who serve in this capacity on behalf of other individuals. 2. Depository institution — commercial banks, S&Ls, savings banks, co-op banks, trust companies, building and loan associations, homestead associations, industrial banks and credit unions.

Depository HCs are defined as bank HCs and S&L HCs.

Management-interlock terms of prohibition are: A management official may not serve in the same capacity of another depository institution in the same SMSA or same city, town or village or adjacent city, town or village. Prohibition in the SMSA does not apply to institutions with assets of less than $20 million. Regardless of geographic location, a management official in an institution with $1 billion in assets cannot serve in that same capacity with an institution having more than $500 million in assets.

There are exemptions to these prohibitions: 1) Management interlocks are allowed at institutions located in low-income or depressed neighborhoods. 2. Management interlocks are allowed in banks owned or operated by minority groups. 3. Such interlocks are allowed in institutions owned or managed by women.

In these three areas, one management official would have to have prior approval from the respective regulatory agency, and the management interlock could continue for five years. In new institutions, management interlocks could continue for up to two years. The law also provides that a management interlock be permitted at an institution that is deteriorating, with no time limit set.

A significant aspect of the new interlock provisions is the 10-year *grandfather clause.* This means that while a depository institution must not enter into any new interlocking relationships, it has up to 10 years to eliminate existing management interlocks prohibited by Title II, but in existence before November 10, 1978. However, this 10-year grandfather clause does not pertain to interlocks that were in violation of already existing laws prior to passage of this statute.

Civil Money Penalties. The MBA panel emphasized the importance of knowing the civil penalties for violations of FIRA and of asking a regulator's opinion of an action before it is taken. Penalties of $1,000 a day for each day a violation is in existence are levied for various violations, and there even can be an assessment of $10,000 per day for major areas of violations.

These penalties are assessed by the regulators based on size and resources of those violating the law, the good-faith effort to correct the violation and the gravity of the violation. In other words, the agencies will adjust penalties to meet individual circumstances.

A bank or individual being penalized can request a hearing by the agency, but must do so within 10 days after receiving notice of the penalty. If no hearing is requested, the assessment is final.

Bank Examination Council. During his part of the MBA panel, Missouri Finance Commissioner Crist voiced reservations about Title X of FIRA. This establishes a financial institutions examination council, which would prescribe uniform principles and standards for the federal examinations of financial institutions of the office of the Comptroller of the Currency, FDIC, Federal Reserve Board of Governors, Federal Home Loan Bank Board and the National Credit Union Administration. This council will make recommendations to promote uniformity in supervision of these financial institutions.

Mr. Crist has reservations because this super agency was formed through this means rather than through direct legislation. He added that Title X provides for staffing the council over and above present staffs of the individual agencies. He added that any time a federal agency is allowed to build its staff, it will find something for that enlarged staff to do. He said he hopes these goals to establish uniformity will not take away the flexibility and individual initiative banks presently enjoy. ● ●

Bank Offers Investment CDs

NASHVILLE — Third National last month announced the offering of a new investment CD, designed to meet the needs of companies' employee-retirement funds.

The investment CDs, available in amounts of $100,000 or more with maturities from 30 days to 10 years, offer the advantages of a high rate of return, and the principal amount is guaranteed against reduction, said John O. Ellis, bank executive vice president who heads the trust division.

Mr. Ellis said each individual participant's account is insured up to $40,000 by the FDIC or the Federal Savings and Loan Insurance Corp. (FSLIC) and is backed by the assets of the issuing financial institution.

"Our new investment CD more than matches the advantages of the guaranteed insurance contract in serving the needs of employee benefit funds," Mr. Ellis said. "It is secure, simple, flexible and has a high rate of return. Since allocation and actuarial valuations are made on a book basis rather than at current market, market fluctuation and reduction are eliminated. We believe it offers an excellent alternative investment opportunity."

The new investment CDs are being offered through the bank's trust division.

Through Leadership Conference:

Bankers Unite Behind a Policy, Not Behind Unconnected Issues

By C. C. HOPE JR.
President-Elect
American Bankers
Association

THE ABA leadership conference held in West Virginia in April turned out to be thought provoking and informative. Bankers from all parts of the country, representing banks large and small, came together with varying concerns and left with a feeling of unity. We know from long experience that there is strength in unity.

It is important to note that at the Leadership Conference, more than 400 representatives of the commercial-banking industry adopted a comprehensive approach to banking issues. Bankers, therefore, now are united behind not a number of unconnected issues, but behind a *policy* that encompasses all the burning issues we now are confronting. I cannot stress enough the importance of such an approach. For the first time, bankers have the opportunity to ask that the issues — Regulation Q, Fed membership, interest-bearing transaction accounts, automatic transfer of funds — be looked at by legislators and regulators comprehensively.

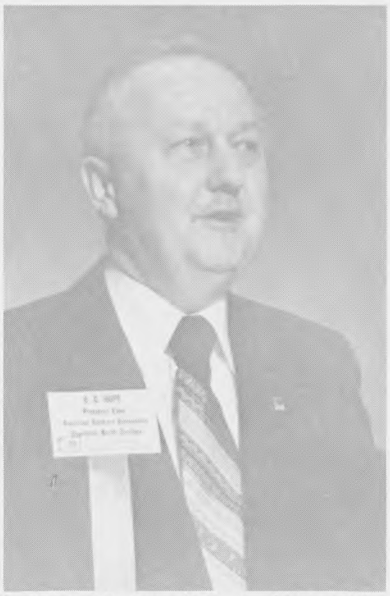
These issues are complex and intertwined, and it makes ultimate sense to treat them not as separate pieces of a puzzle, but as the puzzle as a whole. This approach is practical. It will have a streamlining effect. To some degree, it will eliminate the need for the daily putting out of brush fires and allow, instead, for more planning, forward thinking, and reflection.

It is worthwhile, I believe, to take a moment to explain exactly what transpires at a Leadership Conference — how this consensus we value so much is reached and how it benefits us all.

This article is based on talks given by Mr. Hope at the Mississippi and Tennessee Bankers associations' conventions last month.

As President Hoover so aptly phrased it, "Honest differences of views and honest debate are not disunity. They are the vital process of policy-making among free men." Of course, if Mr. Hoover were alive today, he prudently would amend his statement to read, "among free men and *women*."

During the past several years, the American Bankers Association has produced an impressive record of successful government relations activities under what generally have been difficult circumstances. The basis of that success has been our ability to deliver a unified message on important banking issues. Quite simply, this unified message is the consensus we reach at our Leadership Conferences.



C. C. Hope Jr., seen here speaking at Tennessee convention, is v. ch., First Union Nat'l, Charlotte, N. C.

What exactly is consensus? It is a democratic meeting of the minds of bankers representing all aspects of the banking industry; it is a process by which the question, "Where does my industry stand?," is answered for bankers all across America; it is a method by which one of the most diverse industries in America — banking — is able to deliver a unified message.

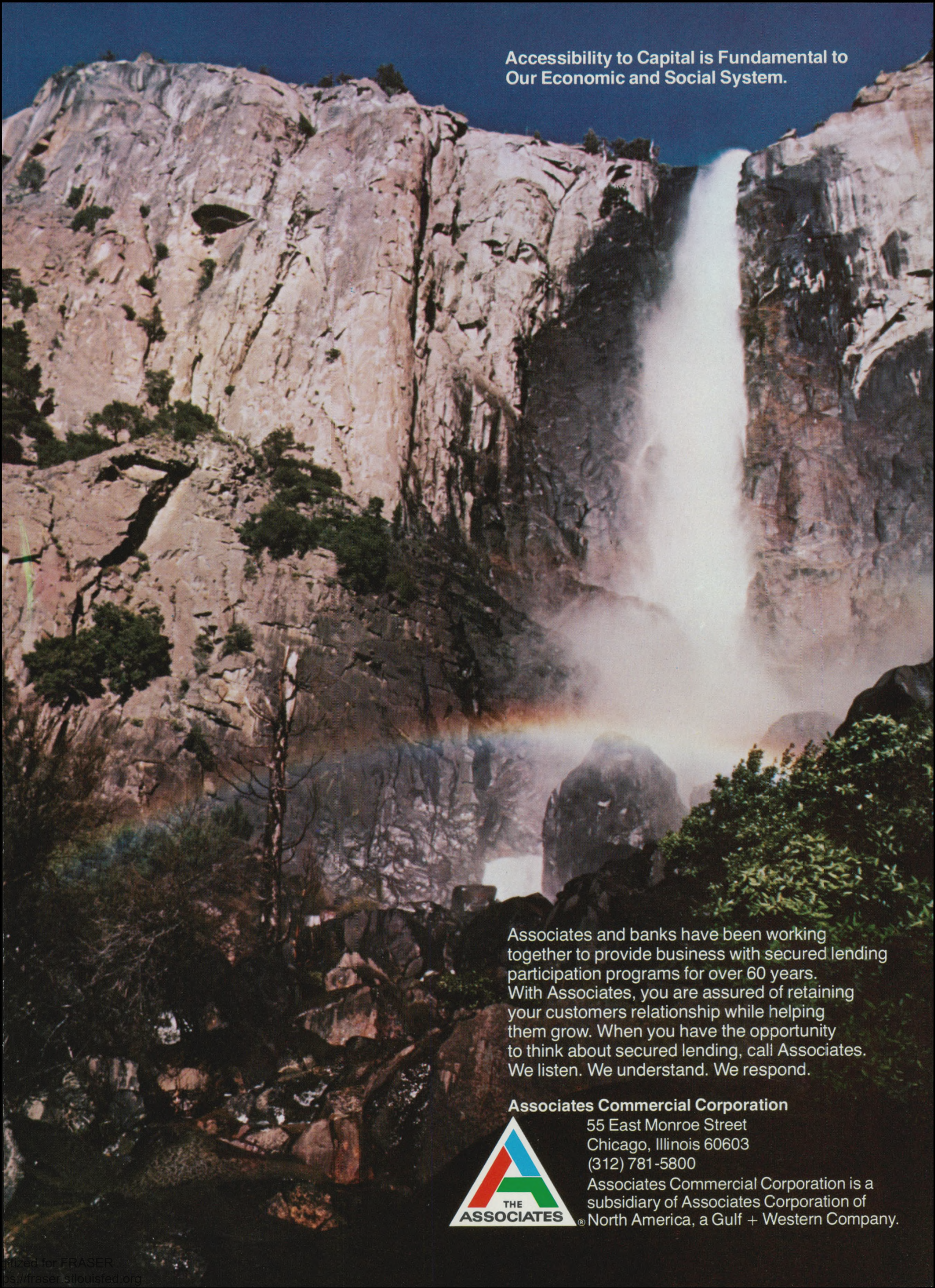
Thus, consensus — the united will of America's bankers — is achieved through a singular process — the Leadership Conference — in which the elected and appointed leadership of the ABA and of 50 state bankers associations are called on to meet and agree on issues critical to our industry. Discussions are animated and sometimes heated.

Ideas and suggestions are weighed. Points are argued, and gradually a consensus is formed. That consensus stands as an industry advisory until it is changed by another meeting of the Banking Leadership Conference.

Many major issues we grappled with at the conference in April have been with us for some time. The Fed question is one. The issue of Regulation Q is another.

And as of last month, we are confronted with yet another extremely important issue — that being the U. S. Court of Appeals decision declaring illegal after January, 1980, preauthorized savings-to-checking transfers by banks as well as interest-bearing transaction accounts introduced by our competitors.

The Leadership Conference has elected to address these issues with a unified and interconnected approach. I would like to discuss precisely what elements are included in this com-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prehensive approach and what we are confident it will achieve.

First, and perhaps foremost, it will — by ending the differential — achieve our long-sought "level playing field" between interest rates paid savers by all depository institutions. It will further aid the small saver by raising Regulation Q ceilings over a 10-year period to the point where they become real ceilings and not just statutory interest rates. It also will establish a need to espouse further action regarding situations in many states where there are usury laws controlling what financial institutions can charge for use of their funds.

Further, this package approach would prevent a hasty adoption of measures to provide checking-account powers to thrift institutions without first eliminating the unfair competitive advantage of the differential.

On the Fed issue, this approach would ease the burden of membership felt by Fed-member banks by restricting radically categories of accounts on which banks must hold reserves. At the same time, however, this plan would give to the Fed powers to conduct monetary policy it says it needs. Although actual membership in the Fed still would be a voluntary matter, the Fed's reserve base would be re-established so that it would rest solely on transaction-account balances of banks and thrifts — the category of accounts most directly linked to the active economy.

This approach gives bankers a powerful opportunity to support action that would correct a number of long-standing inequities in the financial marketplace and to achieve the "level playing field" sought by banking for so long.

We are fortunate that the timing of the Leadership Conference coincided with the rapidly changing issues that are at the forefront of our industry. We are fortunate that circumstances allowed us to emerge from the conference with a well-thought-out and comprehensive approach.

The first element of this package approach involves extension of transaction-account powers to all depository institutions. Commercial banks, mutual savings banks, S&Ls and credit unions all would receive authority to offer check-like services. In exchange for such authority, the interest-rate differential would be totally eliminated — not just for transaction accounts, but for *all* deposit categories.

Subsequently, there would be a complete restructuring of the Fed's base over a 10-year period. Time and savings account balances no longer would be subject to reserve requirements of the central bank. Transaction-account balances of banks, *and* of all thrifts, however, would form the new deposit base of the Fed. In other words, the Fed would be authorized to set reserves on transaction-account deposits *only* at all types of financial intermediaries. Reserves then would fall equally on *one* category of account within the financial community.

This would furnish the Fed with the new tools it says it needs to conduct monetary policy. It would do this more effectively and universally than any program yet discussed, and it would allow the greatest possible information for the Fed on the flow of funds in *all* transaction accounts. At the same time, it would preserve the all-important voluntary nature of Fed membership by allowing non-Fed members to keep their reserves with correspondent banks or with federal liquidity facilities.

At least part of each financial institution's reserves could be met by a pledge of assets, an arrangement more fair than simple sterile reserves. All institutions with transaction-account balances would be subject to Fed reserves on those transaction deposits and would have the benefit of access to services the Fed provides. Such services would begin to be priced explicitly. The Fed would further collect all other data necessary from this broadened base of depository institutions to adequately conduct the nation's monetary policy.

This suggested approach includes some dramatic and extremely fundamental changes. But these are suggested changes that would hold significant promise for banks and bank customers.

This approach suggests a fair program by which certain practices that discriminate against bank customers can be ended. Thrift institutions can gain powers for new services they say they want to offer, but they can gain them fairly, without the differential. The Fed would remain strong and independent, able to carry out its functions while being afforded a complete set of tools to use in determining national monetary policy.

I should reiterate a few key ideas we might well ponder while trying to digest this new approach and its ramifications.

First, you were well represented at the Leadership Conference by bankers who share your day-to-day concerns.

Also, bankers nationwide and legislators in Washington have been talking for four years about Regulation Q ceilings and for two years about the strong possibility of thrifts getting transaction accounts.

We now are in a good position to take some initiative, to tailor recent events to our advantage and to actively seek out the best bargain for banks and bank savers.

I would ask you then to study decisions reached at the conference and reflect on how such decisions will influence the future course of banking events.

In a rapid-fire chain of events, 1979 has become a year of great challenge and opportunity for bankers. As the year began, few foresaw the wide scope of fundamental industry issues bankers would face — issues such as Fed membership, change in Reg Q and the recent court decision concerning checking-account powers for thrifts. What started as a year of study has become a year of decision-making.

Suddenly, we have before us a series of basic policy issues that, after simmering for years, are reaching the boiling point. Rarely have bankers had so great an opportunity to participate in formulation of policy that will fundamentally affect banking and its structure, our customers and the overall economy. • •

Banker Heads Chicago's NABS

Roger E. Anderson (l.) Continental Bank of Chicago's ch., receives congratulations from Daryl Grisham (c.), a sausage company pres., and Illinois Gov. James Thompson, on becoming ch., Chicago Metro office, National Alliance of Business. Mr. Anderson, who succeeds Mr. Grisham, will coordinate NAB's 1979 JOBS (Job Opportunities in Business Sector) program and help secure job pledges from Chicago-area businesses to provide employment opportunities for disadvantaged workers, veterans, ex-offenders and needy youth. Chicago businesses have pledged more than 280,000 jobs since the program began 12 years ago.

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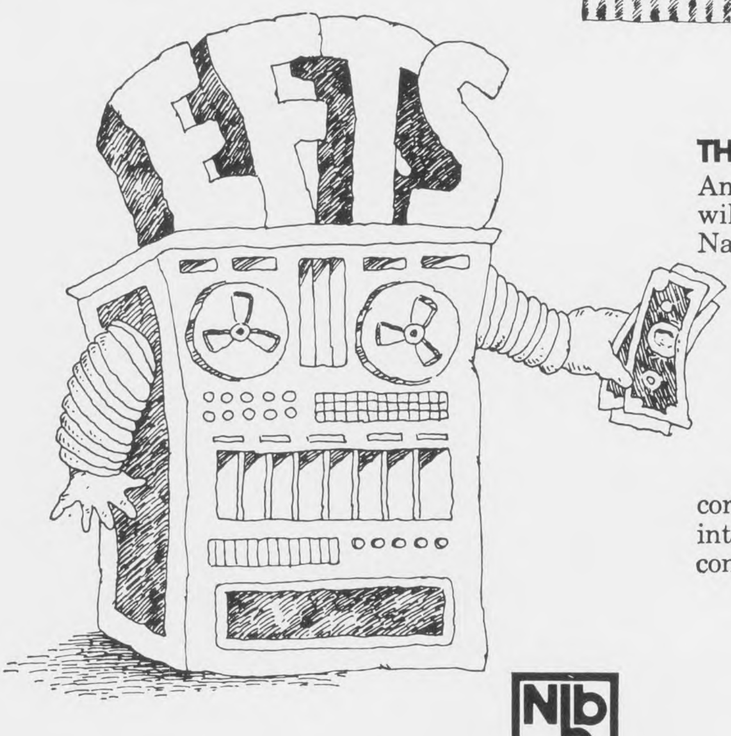

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Enormous Issues Face All Banks In This Year of Challenge

By A. A. MILLIGAN
Chairman
Governing Council
American Bankers
Association

FEW OBSERVERS saw — as this year began — the enormous scope of issues on which bankers would be called on to take a stand. All the issues are extremely basic, and all relate directly to any discussion of "parity for bank customers."

Whether Fed membership should be voluntary or mandatory for banks. Whether ceiling rates payable under Regulation Q and the quarter-point of extra interest S&Ls have been allowed to pay depositors under this regulation should, or should not, be radically changed. And what shape new laws should take that could change the entire complexion of transaction accounts as offered by banks and other financial institutions.

These issues affect banks regardless of size or market interest. We must meet these shared challenges on every level, and we can begin to do so by giving each challenge careful study and then by formulating appropriate action.

One such area is the recent court decision that declared illegal interest-bearing consumer transaction accounts developed by the thrift industry.

It is clear that the growing interest of the thrift industry in offering such transaction accounts had become a source of confusion to the consumer as to what distinguishes a bank from a thrift.

This court decision lays bare a new arena by which the question of parity between banks and other depository institutions can be addressed in a straightforward manner.

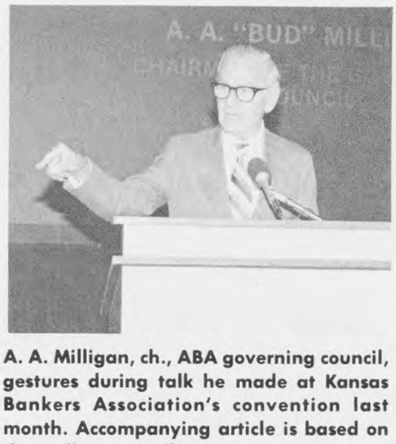
Judges in this case agreed unanimously that laws on the books have not kept up with innovations of financial institutions. It is clear that the changing roles played by all depository institutions must be given careful and complete study before adequate new laws can be drafted. This certainly is an important and unexpected opportunity for bankers to join in this study and to see that the many questions of parity that have come up in the course of the thrift industry's involvement with transaction accounts and in other areas of bank-like services are addressed.

This court decision re-oriented many priorities, including discussion of ways to approach the continuing problem of member banks leaving the Fed.

The House Banking Committee has refused so far to endorse measures aimed at trying to solve the Fed's membership problem through legislation. This is a step in the right direction. But the committee chairman's withdrawal of his bill to mandate Fed membership for all banks over a certain size leaves the central questions unchanged and unanswered. As all bankers want to see our nation's central bank both strong and independent, we must study this problem and attempt to find an alternative approach.

It is no mystery why growing numbers of banks are choosing to leave the Fed.

Many banks feel that the quality and/or quantity of services they receive from the Fed do not offer an adequate return on the non-interest bearing sterilized reserves they are compelled to hold with the central bank.



A. A. Milligan, ch., ABA governing council, gestures during talk he made at Kansas Bankers Association's convention last month. Accompanying article is based on this talk. Mr. Milligan is pres., Bank of A. Levy, Oxnard, Calif.

Recent studies by the New York and St. Louis Federal Reserve banks tried to translate services Fed-member banks receive into a theoretical interest rate. The result was not encouraging. For categories of banks ranging from less than $10 million to more than $2 billion in deposits, this theoretical rate of return on reserves never reached 2%.

In today's environment, when the prime rate has been pushed to 11¾% by the Fed, and high quality municipal bonds are paying 7%, the problem faced by Fed-member banks holding large sterile reserve balances on time and savings deposits is particularly acute.

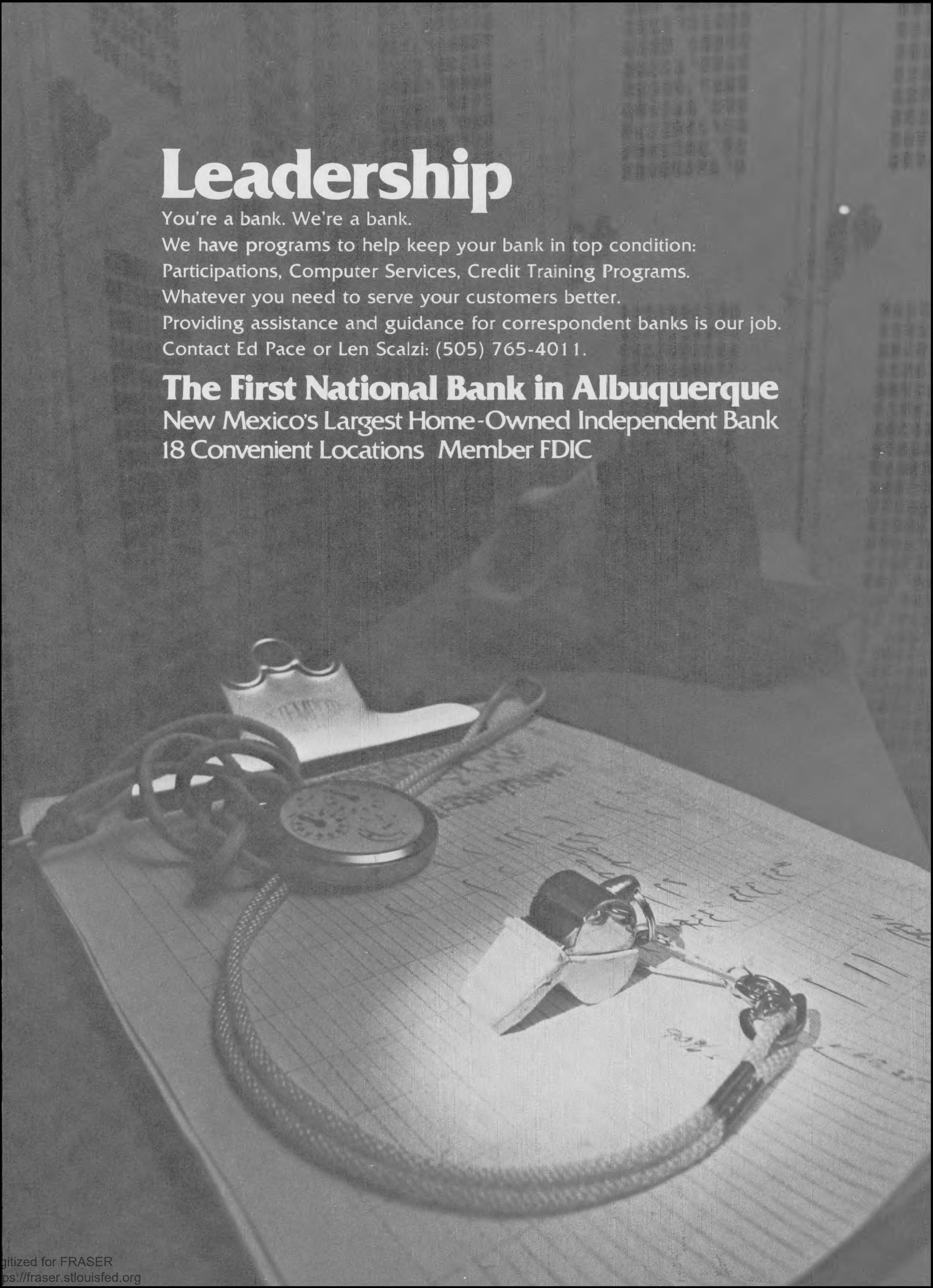
Yet despite recent actions by the House Banking Committee, it cannot be assumed that the approach put forth by Congress of mandating Fed membership for all banks over a certain size is dead.

In another crucial area, some extremely interesting skirmishes have broken out all along the Reg Q front. These affect not only that colossal affront to parity, that quarterpoint differential in S&Ls' favor, but the whole idea of interest-rate ceilings as well.

It seems that Washington officials have discovered an important fact of economic life: You can legislate a ceiling for interest payable on deposits, but you can't legislate laws of supply and demand.

Preliminary findings of the federal inter-agency regulation Q task force have revealed that the differential has not done the job of protecting the housing-finance market it was supposed to do.

Staff reports from the Comptroller of the Currency, from the Treasury and from the FDIC all underline the fact that Reg Q has done the opposite of what it was intended to do. It has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chased money away from depository institutions. It has created discrimination against small savers.

Banking has led a house-to-house battle on the subject of the differential. Many concessions have been won that have led to the differential's being removed from several categories of accounts. But the main objective, ending the differential once and for all, still remains.

Even now, incredible as it may seem, proposed new types of "small savers" instruments, designed to bring what can be earned on low-balance savings deposits more into line with what can be earned on big-ticket CDs, actually retain the differential.

However, a plan has been put together by bankers that could result in a resolution of these matters and achievement of complete parity for bank customers, once and for all.

Instead of Congress approaching these issues as a series of unrelated brushfires, taking a stitch here and a stitch there, we should urge a comprehensive approach rather than the piecemeal, disconnected measures that would leave too much unresolved.

Late in April, the ABA Banking Leadership Conference met and developed a consensus on a way to address these issues. After careful study and deliberation, it was agreed that there would be much to gain from advocating a comprehensive approach that treated Reg Q, Fed membership and checking-account powers for thrifts as one set of interrelated issues rather than three separate matters.

This consensus could realize for banking the elusive objective of a "level playing field" through ending the Reg Q differential altogether for all categories of accounts. For the first time, absolute competitive parity among different types of financial institutions would be achieved.

This approach could realize for Fed-member banks a considerable lightening of the membership burden, retain the voluntary character of the central bank and create additional positive factors for banks to consider in connection with Fed membership, all while giving the Fed the reserve leverage it says it needs to conduct monetary policy.

"Recent studies by the New York and St. Louis Federal Reserve banks tried to translate services Fed-member banks receive into a theoretical interest rate. The result was not encouraging. For categories of banks ranging from less than \$10 million to more than \$2 billion in deposits, this theoretical rate of return on reserves never reached 2%."

This approach could achieve an end to discrimination against the so-called "small saver" by gradually raising Reg Q ceilings to the point where they would function *as* a ceiling, not just as a statutory interest rate.

This approach could head off present legislative attempts to grant checking-account powers to thrifts without first ending the unfair advantage of the differential.

This approach attempts to maximize a powerful opportunity for banking to support action that would correct a number of long-standing inequities in the financial marketplace and to achieve the "level playing field" sought by banking for so long. • •

Management Seminars, Workshops Planned For NABW Convention

The 57th annual NABW convention, with "Banking '79: Putting the Pieces Together" as its theme, will be held September 30 through October 3 at the New Orleans Hilton.

Immediately prior to the convention, the NABW Educational Foundation will sponsor two seminars from its management series, "Management Process" and "Management of Conflict and Change."

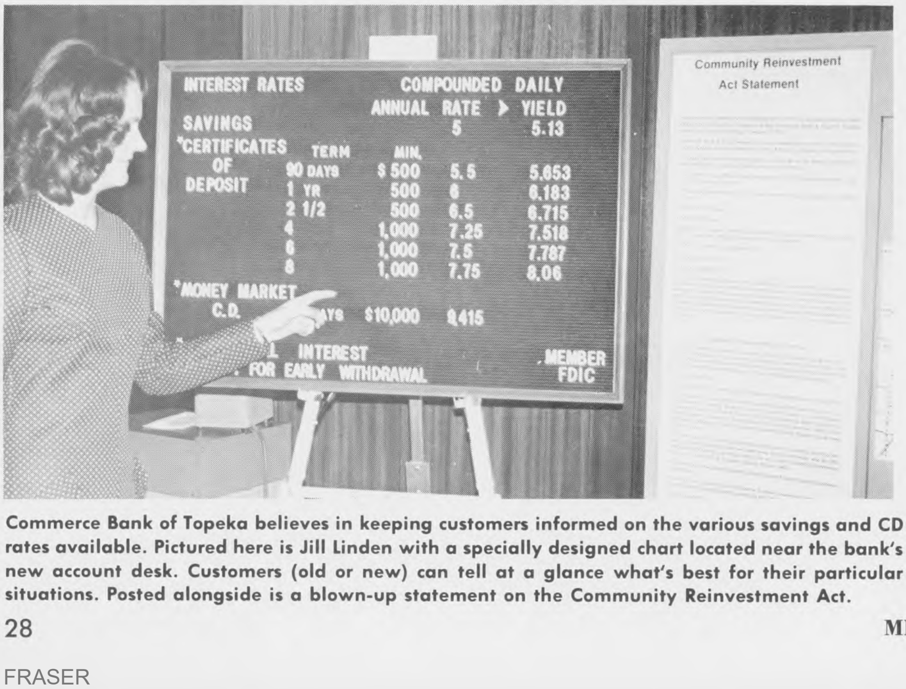
Discussing plans for "Banking '79: Putting the Pieces Together," NABW's 57th annual convention, are (from l.) Sharon Pierce, exec. mgr., NABW, Chicago; Esther H. Smith, v.p., Commerce Union Bank, Lebanon, Tenn., NABW president; and Lillian Koppens, a.v.p., and mgr., Nat'l American Bank, New Orleans, convention chairman.

Rosabeth Moss Kanter will deliver the general session speech on October 2. She is professor of sociology, organization and management at Yale University, and is the author of *Men and Women of the Corporation.* She also is a partner in Goodmeasure, a Cambridge organizational consulting firm.

Other convention workshops will discuss productivity, developing and coaching employees, cross-cultural communications with minorities, regulation and individual banking specialties.

The day after the convention, the Educational Foundation will hold a one-day pilot seminar for those in mid-career.

Rate Information for Bank Customers



Commerce Bank of Topeka believes in keeping customers informed on the various savings and CD rates available. Pictured here is Jill Linden with a specially designed chart located near the bank's new account desk. Customers (old or new) can tell at a glance what's best for their particular situations. Posted alongside is a blown-up statement on the Community Reinvestment Act.

What Changes Must Be Made To Build a Better World For the Banking Industry?

By LEE E. GUNDERSON
President
Bank of Osceola
Osceola, Wis.

PETER MARSHALL once said, "A different world cannot be built by indifferent people."

We need to build that different world — a world in which banking can go about its job of using the talents and abilities of its people, coupled with the financial resources of our institutions, to build better communities and to assist our customers in improving their life-styles. We need to return to a world where a person is not discriminated against and must receive a lower rate on his savings simply because he prefers to do business with a bank. We must return to a world where our officers and employees can concentrate on being good bankers, rather than concentrate on being experts in the interpretation of a vast assortment of regulations and laws. And we must return to this world, keeping in mind that while these services are the basis of our roles as financial intermediaries, that an adequate return of profit on our operation still is the cornerstone of a safe, sound and innovative banking system. How do we go about building this better world? We do not do it by continuing to have the blind faith that someone else will do it for us. We do it by getting involved — individually and collectively. There are a number of ways in which we can all work to build this better world.

We build this world by establishing standards ourselves for our industry that will leave little room for the demagogues to attack us. Through our actions, we must show that we are good corporate citizens — that we are concerned about the social and economic problems that face our communities, whether they are large or small communities. I do not believe there is an industry in the country that has demonstrated the concern for the community that the banking industry has, but it is not enough to rest on these laurels. We must continue to improve our activities in these areas. We need to demonstrate that while the ultimate purpose of our institution is to earn a reasonable profit, that our goal is not simply one of profit for profit's sake alone. We must never lose sight of the fact that the accumulation of profit provides the capital and the liquidity so essential to the safety and the soundness of our banks. At the same time, we must create an awareness in others that profit is also the catalyst that enables banks to innovate and create new services for the benefit of their customers. It is the catalyst that permits banking to become a social force in the community and in the nation for the betterment of the life-style of our citizens. And we always must be cognizant of the fact that we do have a responsibility to utilize our talents and resources to improve the quality of life within our communities. The future not only of banking, but the entire capitalistic system in our country, may well hinge on whether we respond to this responsibility. If we choose not to recognize this need for involvement, Congress will mandate it for us. And we all know the consequences of that type of action. That is your choice.

"I . . . believe that banking is going to have to take an even greater leadership role in developing consumer and education programs throughout the country. Somehow, we must convey to the young people of our land the importance of contributions made . . . by the free-enterprise system."

Another area of vital importance in our attempt to respond to the ever-increasing onslaught of regulation is the need to better communicate the positive role that banking does play in today's society. As I mentioned before, I certainly do not mean to imply that I feel that banking has not been doing a good job in serving its customers and communities. However, no matter how good a job we do, we can never let this be enough. We must strive continually to improve that effort. It is also essential that we communicate the job we are doing to our various publics. I can think of no better way to carry out this communication than for each of us in banking to become ambassadors for banking. There are over 1,200,000 persons in banking today. Can you imagine what would happen if only half these people would commit themselves to working to promote a better world for banking and its customers?

We also need to involve ourselves in the political process. Ideally, the best way is to become a participant in the process. Become involved in a campaign, either through working for a party or working for a candidate. It is a fascinating process and, in spite of certain unfounded misgivings felt by some, there is nothing unsavory or improper about this type of action. Quite the contrary, I feel that if those of us in banking are unwilling to commit ourselves to become involved and support

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The talk on which this article is based was given by Mr. Gunderson at the Oklahoma Bankers Association's convention last month. Mr. Gunderson is the official nominee for ABA president-elect for 1979-80.

the type of candidate who shares our philosophies, then we have little cause to complain about the actions of legislators who are anti-banking. We also must do everything possible to establish and maintain lines of communication with our legislators. These lines of communication do make a difference, whether they are in the form of personal contact, letters, phone calls or telegrams. When Congress is in session, its members will review approximately 27,000 separate issues in one session. You can be sure that neither a congressman nor his staff will have time to thoroughly evaluate each issue. Quite often, even a hundred or so letters can make the difference. However, if they do not hear from us, they will either vote the party line or the recommendations of the chairman of the committee sponsoring the bill.

This also is true on a state level. There is adequate information available on key issues for you to make these contacts. The ABA has a bulletin called *Capital*, which is both concise and informative. Take the time to read this important newsletter, and it will provide you with a good overview of what is happening.

I also would urge you to contribute to BankPac. If every bank officer in our country would contribute only a few dollars each to his respective pac, we would have more than enough money to assist in the funding of virtually every campaign. We do not buy votes with these contributions, but we do help to elect people to Washington and to state legislatures who are likely to be more receptive to our way of thinking. It also is an opportunity to open the door and establish lines of communication with these people, if they are elected. We can ask for no more than that from them. And I think that we can ask no more from you than to expect you to contribute a few dollars each year to an industry that is so much a part of your lives.

"I do not believe there is an industry in the country that has demonstrated the concern for the community that the banking industry has, but it is not enough to rest on these laurels. We must continue to improve our activities in these areas."

I also believe that banking is going to have to take an even greater leadership role in developing consumer and education programs throughout the country. Somehow, we must convey to the young people of our land the importance of contributions made to this nation by the free-enterprise system. It is a long-term investment, but it must be done if we are to start to build a base of informed voters for the future. We need voters who will recognize that inflationary actions by Congress and over-regulation of business are two of the most critical areas our nation faces in its struggle to maintain economic solvency. This type of an educational program can be a frustrating one because we do not recognize immediate benefits from it. However, even with these potential frustrations, we can ill afford not to attempt to respond to this obvious need.

These are the challenges that we, as bankers, face in trying to carry out our responsibilities in today's changing world. The coming year is certainly going to be a year of decision for banking. I can only hope that it will also be a year of decision for you — a year in which each of you in banking will commit yourselves to help bring about changes so essential to the continuation of banking's ability to serve its customers and communities effectively. It is a challenge that must be met, and the time is now. If we do not take up this challenge, we leave the communications open to those who do not have banking's best interests at heart — demagogues, competitors, special-interest groups and politicians who occasionally find it expedient to take a cheap shot at banking and the establishment. If each of us will join in this endeavor, I feel confident that the rewards will be great — not only for banking, but more importantly, for the customers and communities that we serve. ● ●

'Economics in Action' Exhibit Sponsored by Continental Bank

THE MONEY CENTER, described as the nation's most sophisticated computerized exhibit of economics in action, has been opened at the Museum of Science and Industry, Chicago, as a permanent exhibit sponsored by Continental Bank, Chicago.

Developed over the past two years by Continental at a cost of more than $1 million, the exhibit was described by Roger E. Anderson, the bank's chairman, as "an imaginative and entertaining arcade of economics at work at the personal level, where the functions of money and banking become exciting realities through the use of computers, pinball machines, puppets, barter games and shopping sprees."

The exhibit employs a "hands-on" design approach, enabling museum visitors to test and expand their understanding of economics and to explore money — what it is, what it does and what it means — and to experience the economic system in action.

Located off the east side of the museum's main rotunda, the exhibit covers some 6,500 square feet of space.

Visitors entering the exhibit are greeted by an automated teller model, which invites them to open an "account." The visitor then is given a computer-generated account number to use while there. This number will be "remembered" for 1½ hours, while the computer keeps track of the account as the visitor uses the "money" to activate and interact with the educational games.

Other games in the exhibit include the "multiplier effect," which is illustrated by two pinball machines; the donut market, a puppet show where the powers of supply and demand are illustrated and the barter game, in which goods and services are traded without money.

The exhibit was designed by the Burdick Group, San Francisco, and fabrication and installation were done by General Exhibits and Displays, Chicago.

The free exhibit is open to the public during regular museum hours.

Business, Education Need Each Other To Defend Free-Enterprise System

By WILLIAM S. BANOWSKY
President
University of Oklahoma
Norman

THE CLIMATE is more favorable for cooperation between higher education and business than at any time in the past two decades.

Recent years have seen suspicion and hostility on both sides. Some academicians regard some corporate executives as money-grubbing bigots who pollute the environment and rip off consumers. Some businessmen and women see some academicians as laid-back critics abusing tenure as a lifetime contract to bite the hand that feeds them.

"The American free-enterprise system has done more for minorities, for the poor, for the physically and mentally disabled, for the aged and the orphaned than has any other system. In its dreams, it is at least the equal of socialism's dreams. In its actualities, the American Free-enterprise system has no equal in the history of the human race."

Such enmity, however, is relatively recent. Through most of American history, a dynamic synergism between commerce and education made progress possible. Tensions of the 1960s alienated the two communities. But there is a world of difference between 1969 and 1979.

Despite the improved climate, widespread economic illiteracy persists. It is especially alarming to observe the extent to which the *profit incentive* itself is morally suspect. Many assume there must be some better way to organize human and natural resources than for some to have much while many others have less. Some, claiming that capitalism is inherently corrupt, believe that those who make their living by the profit motive are selfish and unconcerned about the welfare of others. Regrettably, 90% of college students questioned in a recent Gallup Poll replied, "Business is too concerned with profits."

To some extent, the media encourage contempt for the system. On the evening network news, that most lucrative part of the most profitable of industries, profits in other industries are reported with faint whiffs of moral disapproval.

The federal government also seems to view employers as natural enemies of the people. The government assumes that, left to their own devices, employers will keep wages at exploitative levels. Some government agencies apparently feel the only way to deal with businessmen and women is to force them to act in an enlightened manner by regulating and dominating their activities.

"The New Class." Consequently, what Irving Crystol of New York University calls *"the new class"* has emerged to enforce the regulatory ethic. Who is "the new class"? They are young bureaucrats in government agencies and in law, education and the media; decent folks at HEW; well-meaning missionaries of the Civil Rights Commission; poverty lawyers and organizers from the Peace Corps and Office of Economic Opportunity (OEC).

"The new class" is powerful because it is permanent. Three million federal employees stay in their posts while Presidents come and go. Much of the machinery of government is in the hands of anonymous, unelected staff people. Sheltered by civil service, neither their positions nor their actions is subjected to the electoral process. They scrutinize, control and investigate every aspect of our lives while we know little about what they are doing — HEW, HUD, OMB, EPA, DOE, OEO, SEC, FCC, FTC, ICC — forbidding acronyms of anonymity.

Regulation of Universities. What you may not know is that universities now have become targets for massive federal government intervention. Pages in the Federal Register devoted to higher education have grown from 92 in 1965 to more than 1,000 today. Federal regulations cover hiring, promotion and firing of personnel, including faculty; wage and salary administration, as well as pensions; physical-plant construction and management; admissions, financial aid, intercollegiate athletics and, to an alarming degree, even curricula and academic programs.

". . . Higher education now confronts the same abuse of government power with which business has lived for years. . . . I can tell you this: The climate is better than it has been in 20 years for a renewed relationship between business and education. Freedom, after all, is indivisible. Ultimately, academic freedom and economic freedom stand or fall together."

Last year, Harvard spent 60,000 man hours and $8.3 million complying with only five federal regulations. President Bok warned his alumni that Harvard's "most critical issue is its independence from ill-advised government restraint."

At Brigham Young University, President Dallin Oaks faces a Department of Justice suit for sex discrimination because he refused to rent a room in an all-male wing of an off-campus dormitory to a woman who isn't even a student.

Columbia University says it spends $1 million annually just to file reports to Washington agencies. Last year, the University of Maryland spent more than $1 million on only one affirmative-action case including cost of litigation.

Grove City College, a religiously oriented school that, on principle, had never taken a federal grant was, nonetheless, decreed by the govern-

The talk on which this article is based was given at the Oklahoma Bankers Association's convention last month.

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ment to be a "recipient institution" because some of its students accepted government-tuition support. The government has demanded that Grove City fully comply with all provisions of Title IX or face withdrawal of all federal tuition aid to its students.

In a special *Time* magazine report last month, University of Chicago sociologist Edward Shils, a world-renowned expert on the role of intellectuals in advanced and developing societies, laments the government's domination of universities, especially its interference with academic hiring decisions. According to the report, federal government agents even are demanding to see private dossiers on faculty applicants. Interference by government affirmative-action officers causes "misappointments" to tenured faculty, according to Dr. Shils, doing greater harm "that lasts for a long time, longer than the villainous harassment of Senator Joseph McCarthy."

Freedom Is Indivisible. In short, higher education now confronts the same abuse of government power with which business has lived for years. Perhaps it is a case of misery loving company; or, maybe, just politics making strange bedfellows. But I can tell you this: The climate is better than it has been in 20 years for a renewed relationship between business and education. Freedom, after all, is indivisible. Ultimately, academic freedom and economic freedom stand or fall together.

The intellectual community is needed for the fight because what is faced is an intellectual challenge. Regrettably, the free-enterprise system has suffered from a lamentable intellectual failure. It has failed to articulate its own profound ideological base. Too few businessmen and women are equipped to lead seminars in high schools and colleges. Rarely are corporate leaders seen on television talk shows celebrating the philosophical strengths of the system. Rather, they are intimidated by the press, defensive and most comfortable within the secure anonymity of boardrooms and private clubs.

To confront "the new class," we must recognize who they are and where they are coming from. Idealogues, they are kind hearted, soft spoken, sensitive, dedicated. They have a mission. They wish to make us better. *Ultimately, they wish to make us perfect!* The fundamental intellectual mistake of "the new class" is its unfounded confidence in the perfectibility of the human race.

Human Perfectibility. Intellectually, one difference between the left and the right is their contrasting view of human nature. Viewing human nature as ultimately perfectible, some philosophical liberals read history as a slow, steady progression toward the light. Conservatives, meanwhile, see human nature as inescapably flawed. They believe that, although men and women may be magnanimous, generous, and loving, they are also inclined toward selfishness, malice, greed and prejudice. Some liberals hope for saintly human beings under better social forms; conservatives are resigned to human self-interest under all forms. Even when a conservative sees light at the end of the tunnel, he also suspects it may be the headlight of an onrushing train.

Human perfectibility is a grand ambition articulated in the 19th century by Herbert Spencer in his doctrine of social evolution. It carries biological evolution to the conclusion that survival of the fittest also is at work in the social realm. Through nature's refining process, we are getting better and better day by day.

This utopian ideal was at the heart of the so-called American Dream. We actually believed that God had chosen us, and this precious piece of real estate called the United States, to create the perfect society. A theological phrase, "manifest destiny," was used to describe our boundless optimism. Early in this century, we fought "the war to end all wars!" Somewhere along the line, we lost our confidence and started numbering them. Now we have come to doubt deeply the utopian presuppositions; but we find ourselves overwhelmed by the massive machinery of a vast federal government assembled over the past 50 years in pursuit of a naive philosophy.

Egalitarianism. Emerging logically from the presupposition about the perfectibility of the human race is the doctrine of egalitarianism. Since we are moving toward human perfection, we should also be moving toward perfect equality.

The notion that "all men are created equal" and that we should, therefore, commit ourselves to a classless society is inconsistent with the inexorable truths of human nature. It was Oliver Wendell Holmes who said, "I do not hold much for this passion for equality, which is merely idealizing envy."

If we mean that all stand equally before their Creator, and that all should be given equal opportunity and equal access, then all men and women are created equal. But they are not equal in talent, training, industry, motivation, creativity or ambition. If such natural inequality exists all along the way, rewards cannot be equalized at the end of the line without artificially warping the system, grossly offending human nature and seriously endangering freedom.

Not an Unlimited Good. Equality is a noble ideal, but it is not an unlimited good. Freedom, also, is a noble ideal, but there must be limitations on liberty. Even so, there is no such thing as complete equality and there never will be, and we ought to have the moral courage to say so.

We must avoid moral intimidation. We do not resist the doctrine of egalitarianism because of material

(Continued on page 65)

"Letters to the Editor"

To the Editor:

Your attention is directed to the April, 1979, issue of MID-CONTINENT BANKER. In the article, "Package Plans," concerning automated teller machines for small banks, the statement is made on page 40 that it is legal to send debit cards on an unsolicited basis.

Although this statement was made in reference to a particular bank's mailing of cards in November, 1977, it is misleading, i.e., "Because it's a debit card only (no credit features), it's legal to send such cards unsolicited." Federal Reserve Regulation E, which carries out the purposes of Title XX — Electronic Fund Transfers of the Financial Institutions Regulatory and Interest Rate Control Act — places several conditions on distribution of unsolicited cards, with one of the most significant being that the unsolicited card is not valid for use. Later in the same article, William B. King Jr. of Madison Financial (Corp.) makes oblique reference to this fact by stating ". . . the new Banking Act forbids mass issue of personal identification numbers."

For your information, I have attached a copy of Regulation E with the April 2nd accompanying letter of the Federal Reserve Bank of St. Louis. Regulation E also applies to state banks not members of the Federal reserve System.

Roy E. Jackson
Regional Director
Memphis Regional Office
FDIC

Finding Markets

(Continued from page 6)

tomers. Thus, their interest in a bank extends beyond dividends or capital appreciation. Also, in a small community, a bank shareholder undoubtedly receives a higher degree of community acceptance than does an individual who owns a comparable amount of, say, General Motors or AT&T stock.

In the past, insider bankers were logical buyers of their own bank stocks, especially when distressed sellers needed to make quick sales. Bankers knew the inherent worth of the stock and the likely dividend. In the days of lower interest rates, a bank could borrow the purchase price from a correspondent bank, put up the bank stock as collateral and pay the interest and amortization of the loan from the dividend income. Book value also moved up and provided greater loan security.

Today, however, with higher interest rates, greater restrictions on correspondent relations and pressure from regulators to increase bank capital, the ability to equate bank-stock dividends with loan carrying costs has cut off this practice.

A study of trading in small Oregon bank stocks, by a professor at Oregon State University, challenged conventional wisdom in this area: "There seemed to be little positive correlation existing between marketability and price level. In other words, a thinly traded stock generally traded at a higher price/book and price/earnings multiple than a more actively traded stock . . . (This is) contrary to the popular belief that small bank stocks are undervalued." The study suggests there is a need to determine why this phenomenon exists. Does the price of stock in your bank perform in a similar manner? • •

BAI Memorial Fellowships Awarded To Five University Professors

Five business school professors have been selected as the first group of Lichtfeldt Fellows at the School for Bank Administration. The professors receive full fellowships at the BAI school to attend classes of their choice and to participate in discussions with students and faculty members on significant money and banking developments. They will attend the 1979 session, which is conducted each August on the University of Wisconsin main campus at Madison.

The fellowship is named in honor of Clarence H. Lichtfeldt, one of the founders of the School for Bank Administration and its first director in 1953. Mr. Lichtfeldt retired as an executive committee member and a director, Wisconsin Bankshares Corp., and vice president and comptroller of its lead bank, First Wisconsin National, Milwaukee.

The selected professors are: Nancy K. Buschmann, assistant professor, University of Kansas; Omer L. Carey, associate dean and professor, University of Alaska; L. Aubrey Drewry Jr., professor, Birmingham-Southern College; William D. Gerdes, assistant professor, North Dakota State; and Hugh S. McLaughlin, assistant professor, Indiana University.

Full-time faculty members who serve as assistant professors or higher at colleges accredited by the American Assembly of Collegiate Schools of Business are eligible to apply for the Lichtfeldt Fellowship. Additionally, each professor must presently be teaching accounting, money and banking, management, finance or other related topics.

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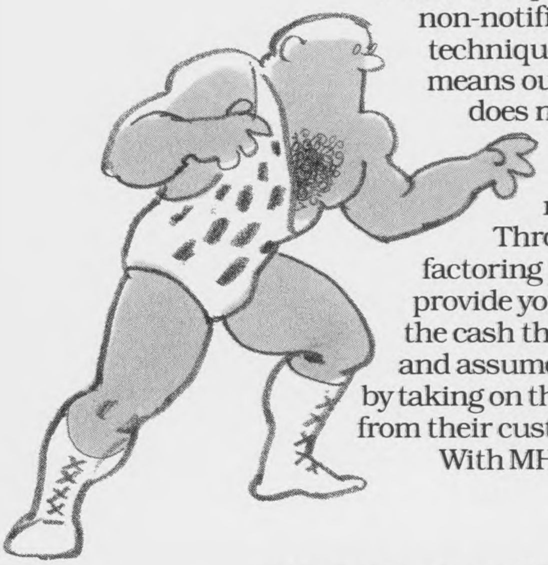

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New Orleans Lagniappe

Everyone knows of the French Quarter, but did you know while you're at the 1979 ABA convention in New Orleans you'll be within minutes of the Battle of New Orleans; the former home of 12th President Zachary Taylor; and Bank of the U. S., which sits on the intersection of what was once the financial hub of the city, with a bank on each corner? This is the first of a four-part series on old New Orleans, based on information from the ***New Orleans Vignette,*** *1979 edition, to show you that what history books may have left out, New Orleanians have kept alive.*

What do a swashbuckling legend and the American Bankers Association convention October 6-10 have in common? New Orleans is their affinitive bond. So flagrant was this early 19th-century pirate-smuggler that New Orleans Governor Claiborne offered $500 for his capture. But Jean Lafitte — never to be outdone — countered the bounty with $15,000 of his own — for the apprehension of the governor. Today, more than a century later, bankers can tread the same walkways Lafitte used to get to his blacksmith shop on 941 Bourbon Street. There, in the heart of the French Quarter convention site, it is said Lafitte ran the shop as a front for his busy "black gold" slave trade.

He was a legendary rogue and an infamous slave trader, but Lafitte in reality was part of the colorful history that makes up New Orleans. As bayou Indian mounds helped him conceal his ill-gotten gains, he watched for more ships to steal from his fort in a harbor near Barataria. (You can get to Barataria and Lafitte's headquarters by taking the Canal Street Ferry or the Mississippi River Bridge to the West Bank.)

From this stronghold, he and his men plundered Spanish and English ships, selling their merchandise, jewelry, gold and slaves, duty free, to merchants, riverboat men and the public. It was not unusual for excursion boats to carry the well-to-do to a Lafitte auction for an entertaining afternoon of illegal shopping.

Finally, in 1814, the U. S. Navy bombarded his hideout, destroyed some of his ships and confiscated 26 of the remaining, most loaded with expensive merchandise. Ironically, the entire Navy owned only 20 ships in 1812.

Contrary to his occupational preferences, Lafitte rejected British money and position to supply ammunition, cannons and 1,500 men to aid Andrew Jackson in defeating British tyranny at the Battle at Chalmette in 1815. (The Battle of New Orleans, fought at what is now Chalmette National Historical Park, is easily accessible from the French Quarter by taking Rampart Street toward Esplanade.) For their help, two of Lafitte's brothers were pardoned, but none received compensation for their patriotic efforts.

This likeness of Jean Lafitte was drawn by N. C. Wyeth in 1920s. (Reproduced with permission from collections of Louisiana State Museum.)

Discouraged, Lafitte returned to privateering, mostly of Spanish ships, and finally moved his headquarters to Galveston, where he had to abandon his career in 1821.

Until his French diary was found in recent years, there was no factual information to support the romantic tales surrounding his life after Galveston. In fact, the diary proves to be an antithesis to the daring pirate's feats: He married, settled in St. Louis and opened a gun powder factory, yet managed to reserve time to revolt against tyrannical governments. Despite exotic legends of shipwrecks and hurricanes, Lafitte died undramatically in 1854 at the age of 72 and was buried in Alton, Ill.

Tom Sherman, Assistant Vice President, The First; Vernon D. Ayres, President and Chairman of the Board, Oklahoma National Bank; Jim Burgar, Vice President and Division Manager, The First

Vernon Ayres sees his bank's customers as more than deposit slips and account numbers. He sees them as people. And he wants them to enjoy doing business with his bank. That means all the members of his team must commit themselves totally to providing the highest caliber of financial services, in a friendly, personal atmosphere.

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BanClub Unveils Audio/Visual Network

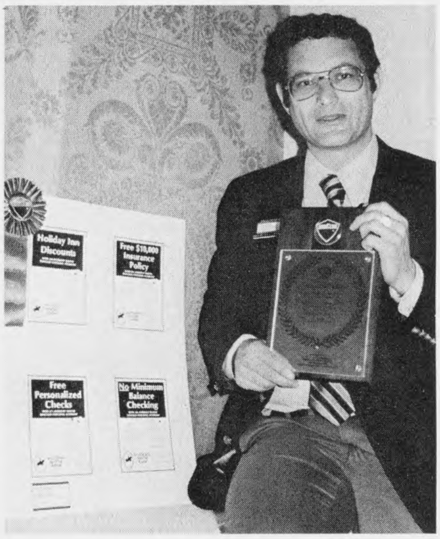
Videotape training program offers a variety of topics, particularly marketing, selling

Answering questions about their BanClub program are (from l.) Ed Pleming, Travis Anderson, Hank McCall and Bill Looper, all top corporate officers of Financial Institution Services, Inc., Nashville.

BANCLUB, one of the nation's several syndicated package checking programs, recently unveiled a new bank training program at its annual convention in San Francisco. The program, introduced to member banks at that meeting, utilizes videotape equipment for the purpose of "playing back" training films on various subjects.

The video system, developed by BanClub's originator — Financial Institution Services of Nashville — not only can be utilized to train bank personnel to become better BanClub salesmen, but also can be used to train bank employees on a variety of other subjects. BanClub officials noted that training is a subject of major concern to banks, particularly in banks of small and medium sizes.

The system includes a videotape playback recorder (that is hooked into any color TV set) and 12 training tapes to be supplied at regular intervals. These tapes will provide a variety of subjects: cross-selling, marketing, security, handling customers at teller stations, etc. BanClub officials point out that the video recorder will handle other training films the bank may wish to purchase elsewhere. Also, they explain, a bank could buy its own camera equipment (for a modest amount) and create "in-house" messages from management.



Bob Anderson, v.p., Anthony Wayne Bank, Fort Wayne, was one of recipients of BanClub Ad contest awarded at its annual convention in San Francisco.

Member banks attending the San Francisco meeting saw the system in operation during a one-hour demonstration, viewing segments of tapes on teller training, marketing, meeting the competition and training for new accounts personnel.

Flexibility of the equipment also was clearly demonstrated when one of the convention speakers, Don G. Vandenheuvel, vice president, Puget Sound National, Tacoma, Wash., presented his "talk" on videotape. Mr. Vandenheuvel used the system to tell other BanClub members how his bank had dramatically increased its BanClub membership with a new flip-chart sales aid provided by the Nashville firm.

From September through December 1978, the bank's BanClub customers increased from 46% to 72% as new accounts personnel made use of the flip chart in "selling" new customers. During that same interval, the bank's minimum-balance accounts shrank from 20% to 10% and pay-by-check accounts were reduced from 34% to 18%.

As a result, said Mr. Vandenheuvel, "Our service-charge income is up and the BanClub flip chart deserves some of the credit for this.

"The new flip chart for selling BanClub services provides a more professional and more efficient approach to opening new checking accounts. More new customers are recognizing the value of the BanClub package and opting for that service, which also is more profitable to us.

"We feel we have met our major objectives of increasing service-charge income while retaining our customers by converting them to the BanClub program," Mr. Vandenheuvel said. "We feel that banks should derive a reasonable profit from their consumer checking accounts. We do not subscribe to the theory of pricing checking accounts on the basis of what it would cost the consumer to use an alternative source of handling his funds for transacting financial business. We feel that this method is not only inflationary, but is simply another attempt to charge the consumer what the traffic will bear, which in the long run could drive customers to credit unions and other thrift institutions."

He expects BanClub openings to continue to run 65% and to more than

70% as his bank continues to use the new-accounts desk material.

Other convention speakers included Alex Sheshunoff, president, Sheshunoff & Co., Inc., Austin, Tex., who discussed pricing bank services.

"Most bank pricing has been built on robbing Peter's high-balance account to pay for Paul's low-balance account," Mr. Sheshunoff said. "In the future, all of your high-balance customers who are literate are going to move those high balances to some form of savings account — an interest-bearing account. What they're going to be doing then is trickling those balances out of the savings accounts back into low-balance accounts. The main impact of all these changes we're seeing on interest on demand accounts is that the low-balance account is going to have to be priced to stand on its own two feet."

Mr. Sheshunoff also advised bankers to go after the home mortgage and savings business. "We see . . . the savings and loan segment of the business as a real competitive opportunity."

W. F. "Bill" Hawkins, senior vice president, Colonial American National, Roanoke, Va., told bankers that "you can price to maximize profits or price to optimize profits. You can maximize, which in the short run means simply to take all you can from your services. If you prefer to optimize, that means getting a price that's fair, but getting a price that allows you to do other things in growth — to reinvest your money; to have aggressive marketing schemes; to go about the job of being a banker without the fear of long-term damage." ● ●

Threat to Business Growth Noted at Banking Seminar

FOUR YEARS of business expansion soon may turn into an economic contraction, predicted John Moore Lee, president, Lee, Robinson & Steine, Inc., an investment advisory firm. Mr. Lee was one of 11 bankers who spoke at the recent First American National, Nashville, correspondent bank seminar. He told more than 100 correspondent bankers from four states that such a contraction may begin late this year or in early 1980.

"In the meantime, increased inflationary pressures, a restraining monetary policy and strong credit demand will cause short-term interest rates to move up sharply," Mr. Lee said.

J. Franklin McCreary (l.), s.v.p. and general counsel, First Amtenn Corp., Nashville, discusses current banking regulations with correspondent bankers from four states at Focus '79, correspondent bank seminar.

Other program speakers, including J. Franklin McCreary, senior vice president and general counsel, First Amtenn Corp., the bank's and the investment firm's parent HC, spoke on current banking regulations.

C. Richard Bobo and James W. Smith, First American senior vice presidents, spoke on asset/liability and capital planning and service delivery, respectively. David P. Speno, vice president/investment division, discussed banking investment portfolios of the 1980s. Norman A. Carl, vice president and trust officer, explained pensions and retirement plans, and James E. French, president, talked about selling bank services to customers. William W. Dykes, assistant vice president/Nashville Branch, Atlanta Fed, described the Tennessee Automated Clearing House Association.

Round-table discussions ended the day, with each speaker assigned to a table. Bankers' wives were taken on a tour of Nashville and then to a luncheon by Paulette Whitworth, vice president and head/First American's personalized services division. ● ●

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New AIB Educational Program Focuses on Banking-Specific Courses

A NEW educational program, designed to be more banking specific than formerly, has been unveiled by the American Institute of Banking (AIB). The program will run concurrently with the previous certificate program and be compatible with it. However, the new program will allow students to earn *diplomas*, rather than *certificates*, after they complete specified study courses.

The new educational program offers:

- *Job relatedness* — a comprehensive array of courses in specific banking subjects, with a clear relationship among course work, job performance and career preparation.
- *Flexibility* — an opportunity for students to select their own areas of interest and "starting points." A choice of free-standing study courses, rather than a prescribed sequence, that all must follow.
- *Accelerated learning* — formats that include seminars, workshops, independent study, credit by examination and other innovative learning processes to meet the increased need for adaptability and mobility of bank employees.

From 1979 to 1982, the AIB will be phasing in this new educational program, which will enable students to earn AIB diplomas in various banking specialties. The certificate program will run concurrently with the diploma program for the indefinite future so that students will be able to complete study courses already in progress.

During this "phase-in" period, chapters will have to consider two sets of requirements in curriculum planning, depending on which of the programs they choose to emphasize and market. Generally, the AIB curriculum is compatible with either program, and many of the required courses are the same. College courses will be applicable to either program as electives, but study courses for the new AIB diplomas are more banking specific than those for the previous certificates.

Diplomas. Students can earn diplomas in *Foundations of Banking*, *Applied Banking* or *Bank Management Skills and Theory* by following prescribed study courses that emphasize an understanding and application of banking principles and procedures.

. The *Foundations of Banking* curriculum serves as a good introduction to banking, whether one emphasizes

OVERVIEW OF THE NEW EDUCATIONAL PROGRAM

Diploma	Credit Requirements	Required Course(s)	Recommended Prerequisites	Characteristics
Foundations of Banking	6 General Banking and/or Banking Support 6 Functional Banking 12 Credits Total	Principles of Bank Operations or its equivalent	Not Applicable	Introduction to basic banking, concentrating on "practical banking" or "banking principles," depending on student's choice of courses
Applied Banking	6 General Banking 12 Functional Banking 3 Banking Support 21 Credits Total	Money & Banking and specific functional courses as indicated on descriptions of the individual courses of study for the diploma, which vary with the major selected	Completion of the diploma in Foundations of Banking or Basic Cert. or Completion of PBO and recommendation of bank management	In-depth study of specific banking professional areas More than one Applied Banking diploma may be earned by taking 12 additional credits in a Functional Banking area, or "major"
Bank Management Skills and Theory	6 Bank Management Principles 6 Management Skills 12 Credits Total	Bank Management and Intro to Management	Completion of one course of study in Applied Banking or Standard Cert. or recommendation of bank management	For students entering management positions Considerable latitude in course choices, which include both high-level banking courses and generic management courses

practical banking skills or a more theoretical approach to banking as a profession.

A variety of study courses in *Applied Banking* offer students an opportunity to do more concentrated work by *majoring* in one or more functional banking areas.

Bank Management Skills and Theory provides students entering management positions a chance to update and increase their knowledge by studying both higher-level banking courses and generic management subjects.

Availability. The first four diplomas that will be available are: *Bank Management Skills and Theory* and *Applied Banking, Major: Retail Banking,* both this August; and *Foundations of Banking* and *Applied Banking, Major: General Banking,* next December.

Other *Applied Banking* majors will become available at various times from 1980-82. Tentatively, they include: *Banking Accounting and Control, Bank Cards, Bank Investments, Bank Marketing, Bank Operations/Data Processing, Commercial Lending, Correspondent Banking, International Banking* and *Trust Banking.*

Curricula. Curricula for these diplomas stress practical, banking-specific courses, but include subjects that emphasize the theory and principles of banking. Required courses are kept to a minimum, with the student selecting the remainder of the work from courses in three general content areas:

Functional Banking includes subjects dealing directly with bank-functional areas, activities or departments. They are banking-specific courses usually attainable only through the AIB, its affiliated colleges or banking schools.

General Banking courses pertain to principles of banking and finance or to closely related "skills" courses, such as accounting and bookkeeping. They are offered by the AIB and other educational institutions with strong programs in banking and finance.

The *Banking Support* content area is comprised of courses that supplement, or form the basis for, a banker's professional abilities. These courses include business-related subjects and offerings in management, communications and human relations. *Banking Support* courses often are attainable through transfer credit, as well as from the AIB's national and locally developed curricula.

Content-Area Comparisons. In the new educational program, content areas have been reduced from five to three. These three encompass all subjects the others did, except for some "liberal arts" courses previously included in the *General Elective* area.

Courses a student may select in the Functional Banking content area are specified for each diploma. Options in General Banking and Banking Support courses remain the same regardless of which diploma a student may be working toward. However, courses should be chosen to complement the student's study course and experience level.

Options in the General Banking and Banking Support content area may be supplemented by local chapter and study-group courses, courses taken through a college affiliation (letter of understanding) and transfer credit when approved by the national office as relevant to the curricula.

The only limit on the amount of credit that can be so applied is that only 50% of the Functional Banking content-area requirements may be filled through transfer credit. There's no restriction on the amount of credit that can be applied to other content-area requirements, nor of any source of credit other than transfer credit.

Transfer credit for Functional Banking courses is limited to give AIB diplomas identity and integrity.

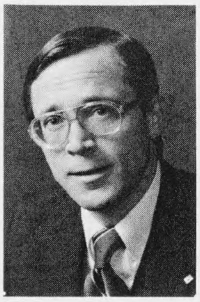
Implementation. As new diplomas are made available, students whose study courses already are in progress will have the option of switching to the new program where feasible or continuing their work toward a certificate. The programs will run concurrently until most of the students are ready to switch to the new program.

Students who already have earned existing AIB certificates may work toward any of the new diplomas, except that those who hold the Basic Certificate may not also earn the Foundations of Banking diploma.

Options for Smaller Chapters. Some smaller chapters and study groups may wonder how they, with their more limited resources, will be able to offer enough courses to enable their students to earn all the diplomas that eventually will be available. According to the AIB, *it is neither practical nor desirable* for smaller AIB units to try to offer an exceedingly comprehensive program at all three study levels. As the AIB points out, small chapters and study groups won't be able to offer courses leading to every diploma, just as they were not able in the past to offer all courses leading to the Standard and Advanced certificates. • •

Bank HC Firm Is Formed To Deal in Securities; Baker Is Pres./CEO

OKLAHOMA CITY — The first bank holding company subsidiary of its kind in the U. S. has been formed here, according to Robert Y. Empie, president, United Oklahoma Bankshares, Inc. The firm, James Baker & Co., is an investment banking firm that will deal in U. S. government securities, federal agencies and tax-exempt securities. It also will provide invest-



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James V. Baker is president and CEO. He is a nationally recognized authority in the investment field and has been an educator, executive, adviser, author and speaker. At one time, he was an officer of Fidelity Bank here, resigning late in 1978 as executive vice president and member of the executive committee.

Other officers of the firm are: vice presidents, Carl H. Holliday, Doug W. McQueen and Craig H. Stanley; executive secretary, Nancy Bomar; and operations officer, Susan Randall.

The company began business May 1, with initial capitalization of $500,000. It's located in the City Center Building in this city's downtown area and belongs to the National Association of Securities Dealers and the Securities Investor Protector Corp.

■ FIRST NATIONAL, Dallas, has elected these executive vice presidents: Edward A. Townsend, also head/financial division, and Oakley W. Cheney Jr., also head/multinational banking division. In 1973-76, Mr. Townsend headed the corporate group that included the correspondent banking department. Mr. Cheney most recently was assigned in London to supervise the London and Paris offices.

"First City believes in you. You get correspondent banking services that really help you and help your customers."

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That's why we offer correspondent banking services to financial institutions throughout the Southwest. Services that help you and help your customers. At First City National, we believe in you.

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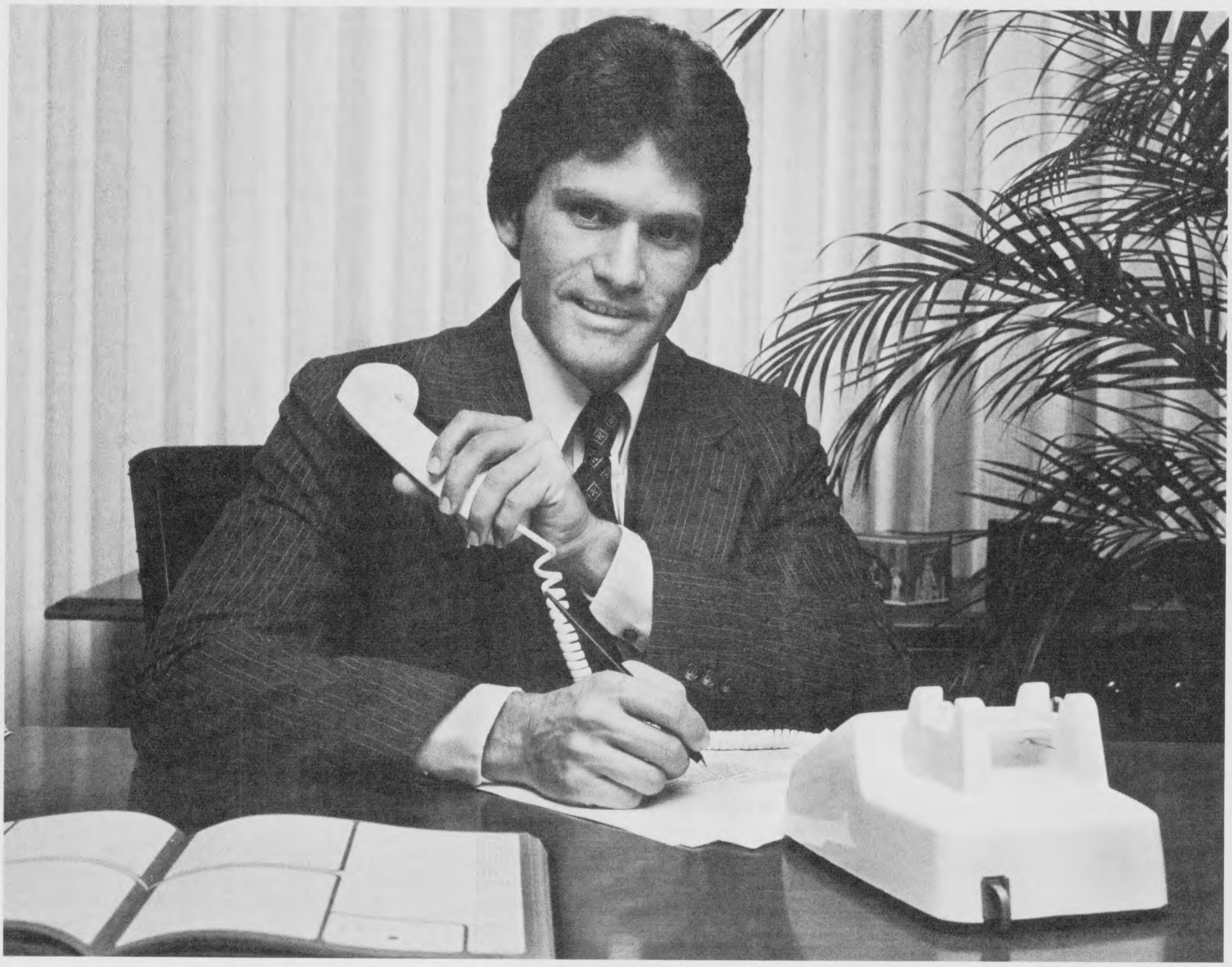
With our international connections, we can extend your financing capabilities to almost any place in the world.

Next time you need correspondent banking services, call First City National. We respond fast and efficiently, because we know we can't afford to keep a good customer waiting.

Give us a call. We'll show you how much we believe in helping you and your customers.



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U. S./Mexican Relations Discussed At Bank Directors' Assembly

IMPROVED Mexican-U. S. relations in the 1980s are dependent on improved international trade; natural gas exports from Mexico to the United States; solving the illegal alien problem and improved political relations between the two countries.

These four factors were identified by Jose Pintado Rivero, director general, Multibanco Comermex, Mexico City, and former Mexican Bankers Association president, at the 35th Assembly for Bank Directors, cosponsored by the Foundation of the Southwestern Graduate School of Banking, Dallas, and the California Bankers Association.

According to Mr. Pintado, $3.5 billion of exports from Mexico to the United States in 1978 represented 60% of total Mexican exports and placed Mexico sixth among foreign suppliers of this country.

Mexico regards the U. S. as her natural market for natural gas and the U. S. will come to recognize Mexico as her "natural and secure supplier," Mr. Pintado said.

The illegal alien problem in the U. S. is a result of Mexican labor's need for ease of travel between the two countries. As economic opportunities in Mexican border regions increase, the problem will diminish, he said.

Mr. Pintado predicted Mexico's future economy will have a high and sustained real growth, controlled and diminishing inflation, stable and increased productivity, a pro-business government attitude, increased credit availability, increased private investment and continuing political stability in the 1980s.

He affirmed the private sector would be able to count on the support of a modern and complete social and economic infrastructure and a balanced tax system to promote profit reinvestment.

He closed his remarks by predicting that between 1977 and 2000, total banking resources expressed as a percentage of Mexico's GNP would increase from 48.2% to 72% and that "We expect the Bank of Mexico to diminish slowly its active dominant role in the economy and allow more of the total banking resources to be controlled by private banks." This will diminish Mexico's legal reserve requirement and, thus, convert it to a primarily monetary tool rather than a development tool in the hands of the government.

The April assembly, held at the Fairmont Hotel in San Francisco, was co-directed by J. Rex Duwe, former ABA president and chairman, Farmers State, Lucas, Kan., and Charles T. Manatt, president-elect, California Bankers Association, and chairman, First Los Angeles Bank. About 300 bankers and their spouses attended.

Subsequent assemblies will discuss international business developments as they pertain to banking. The 36th Assembly, June 7-10 in Toronto, featured a luncheon address by Stanley M. Davison, vice president, Canadian Bankers Association, and executive vice president and chief general manager, Bank of Montreal. He discussed U. S.-Canadian relations in the 1980s.

The Canadian Bankers Association sponsored a garden party for participants and their spouses at the Royal Canadian Yacht Club, Toronto.

The 37th assembly, September 1-4 in Vancouver, B. C., cosponsored by the foundation and the Arkansas, California, Idaho, Nevada, Oregon and Washington State Bankers associations, will include a presentation concerning U. S.-Orient relations. • •

Bank Directors' Seminars Are Scheduled by BAI

The Bank Administration Institute (BAI) will be scheduling a series of one-day seminars in five cities for bank directors. The seminars will represent initial programming for the BAI's recently established Center for Bank Director Education, formed last October when the institute acquired the National Association for Bank Directors, Washington, D. C.

The seminars, two of which are July 18 in Chicago and September 21 in St. Louis, will cover financial reporting processes for bank directors, nature and scope of bank director powers, responsibilities and liabilities, regulatory changes brought about by the Community Reinvestment Act and Financial Institutions Reform Act, board

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American National Bank, Wichita Falls, TX

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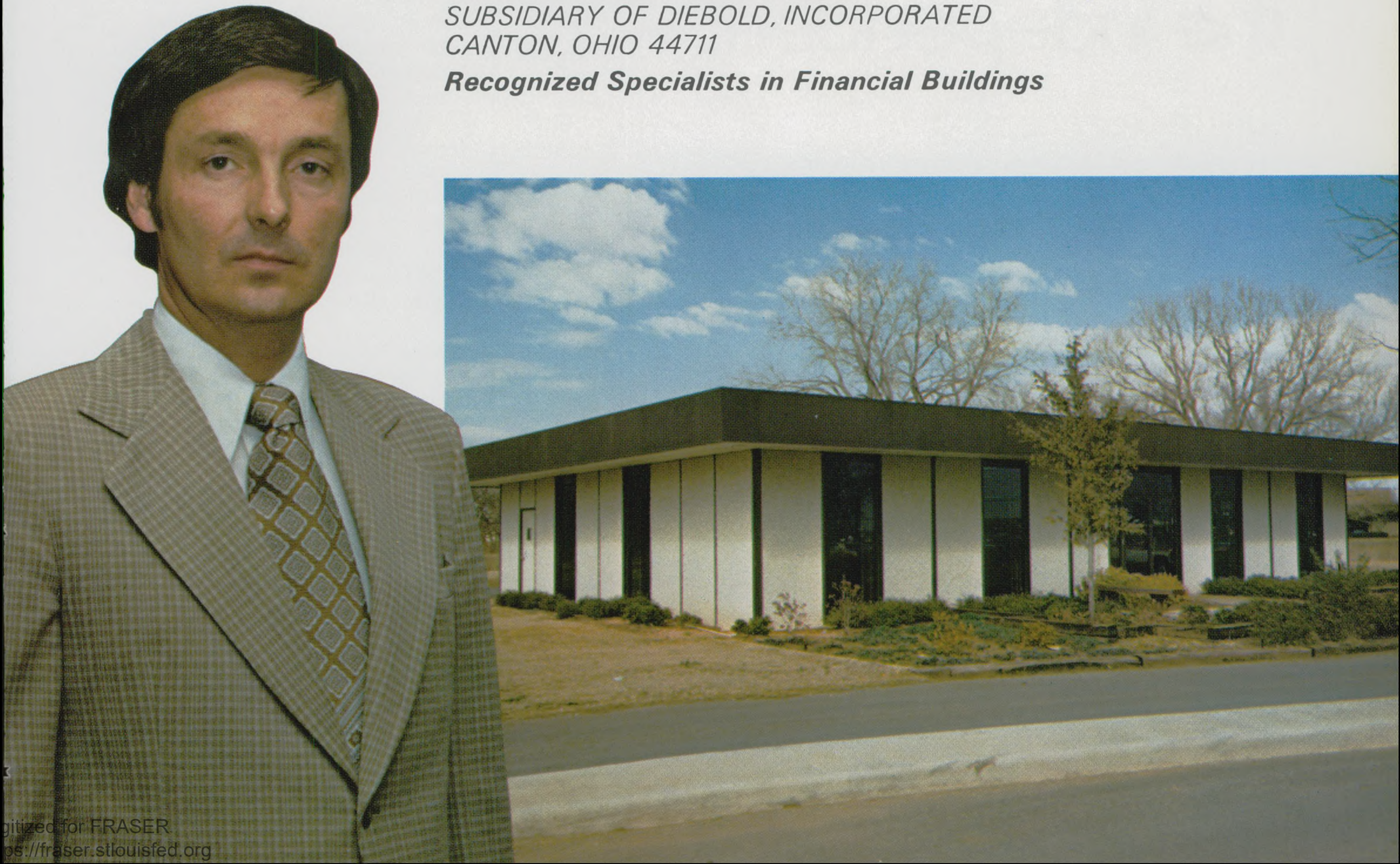


committee and management evaluation and succession.

Speakers at the Chicago seminar will be Ronald G. Burke, BAI president; George A. LeMaistre, former FDIC chairman and professor of law, University of Alabama; Bruce Hoover, partner, Peat, Marwick, Mitchell & Co.; Benjamin Shapiro, FDIC regional counsel; Wayne Smith, president, Central Bank, Lexington, Ky.; Frank E. Baab, Chicago attorney; Gordon Wittenberg, director, First National, Little Rock, and partner, Wittenberg, Delony & Davidson, Inc., Architects.

Bonham Named Pres./Ch., State Bank Supervisors; Mildenberg, Pres.-Elect

Dwight D. Bonham, state examiner of Wyoming, has been elected president and chairman of the Conference of State Bank Supervisors (CSBS).

Other leaders elected were Erich L. Mildenberg, commissioner of banking of Wisconsin, president-elect; Angelo R. Bianchi, commissioner of banking of New Jersey, vice president; and Harry Bloom, state bank commissioner of Colorado, secretary-treasurer. Edward D. "Jack" Dunn, Commissioner of banking and finance of Georgia, is immediate past president.

Max G. Brooks, chairman, Central Bank, Denver, has been named CSBS advisory council chairman, the leadership group for associate member banks. Charles L. Childers, president, Tyler (Tex.) Bank, has been appointed vice chairman/policy coordination. Earl Triplett, president, Memphis Bank, has been reappointed to a third term as vice chairman/membership promotion. Van Smith, president, Bank of Tuckerman, Ark., has completed two one-year terms as council chairman and will serve as immediate past chairman. William W. Quigg, executive vice president, Central Trust, Jefferson City, Mo., will serve the second year of a two-year term as the council's District II chairman.

The CSBS has announced appointment of Joseph E. Jones as its vice president. He joined the CSBS in 1969 as public affairs director and executive secretary of the advisory council. Before that, he had been director of information for the ABA's Washington, D. C., office before the association moved its headquarters to the nation's capital. Mr. Jones was a legislative aide to the late U. S. Senator Paul H. Douglas of Illinois before going to the ABA.

CSBS is the professional organization of state bank regulators, whose territory includes the 50 states, Guam, Puerto Rico and Virgin Islands and numbers about 6,000 state-chartered commercial and mutual savings banks as supportive associate members. The association's function is to assure optimum performance of bank supervisory/examination functions at state levels and to preserve an independent state banking system.

Floating-Rate Notes Offered By Manufacturers Hanover

NEW YORK CITY — Manufacturers Hanover Corp. (MHC) has filed with the SEC a public offering of $150 million floating rate notes due in 2009. Net proceeds will be applied to general corporate purposes including equity investments in or loans to its subsidiaries, including its principal subsidiary, Manufacturers Hanover Trust Co.

During the first 10 years, the notes will be convertible at the holder's option into 3/8% sinking fund debentures due in 2009. From May 1 to April 30, 1989, interest on the notes will be not less than .50% above the then current "interest yield equivalent" of the market discount rate for six-month U. S. Treasury bills. If the notes are not converted during the first 10 years, the interest rate will be .65% above the same "interest yield equivalent" for the remainder of their maturity. Interest rates on the notes are subject to a minimum per-annum interest rate of 6%.

Manufacturers Hanover Overseas Capital Corp., another MHC subsidiary, will offer outside the United States $100 million of 15-year floating-rate notes convertible, at the holder's option during the first seven years, into 8% debentures due in 1994. From issuance through May, 1986, the interest rate on these notes will be three-month LIBOR, plus ⅛%. If the notes are not converted during the first seven years, the interest rate will be three-month LIBOR, plus ¼% for the remainder of their maturity. These notes and debentures will be unconditionally guaranteed by MHC.

File of Potential Women Directors Available From New York Group

BANKS, like most U. S. corporations, are under growing pressure to elect women and minorities to their boards.

To make that search for a qualified woman director easier, the Financial Women's Association (FWA) of New York has compiled a resource file of potential candidates who all have one thing in common: They are women who have attained positions of significant responsibility in banking, finance, investments and related fields. High on the list are Lynn D. Salvage, president and chief executive, First Women's Bank, and Anita M. Volz, vice president, European American Bank, both of New York City.

Of 15,000 directorships at major U. S. companies, only 400 — that's less than 3% — are held by women, according to the FWA's directors resource committee. In June, 1978, just 258 women served on the boards of 308 of the nation's top 1,300 corporations. Women totaled 6.5% of the 1,358 new outside directors and less than 1% of the 773 new inside directors elected in 1977.

The directors resource committee was formed to redress that imbalance, says committee head Susan Fisher, an executive at Wells, Rich, Greene, Inc., an advertising agency. One function is compiling the directors resource bank, "a resource file of the names of highly qualified women with financial backgrounds willing to serve as directors."

An advisory committee of industry executives and FWA members assesses each potential director's qualifications and includes only those with adequate experience in the current resource file. Educational seminars instruct candidates in the director's role and her responsibility to shareholders and corporate management. Another file lists candidates for nonprofit boards.

The group's initial file of 10 women qualified as directors debuted in March at a breakfast meeting with 25 top corporate leaders. "We have been successful in placing women on boards of nonprofit organizations," Miss Fisher says. "We feel we are making progress in the corporate sector, but this is a much slower process."

The FWA, founded 23 years ago by eight women working on Wall Street, has grown rapidly in recent years as increasing numbers of women have entered the field of finance and have attained the experience and responsibility levels necessary for membership. More than 350 women and several men are members.

The immediate past president is Susan B. Dollinger, assistant vice president-financial analysis, Citibank, New York City. Miss Fisher formerly was vice president-new product development and planning in the trust division at Manufacturers Hanover, New York City.

The directors resource committee will recommend women directors to corporations and prominent nonprofit organizations. Write Susan Fisher, Financial Women's Association of New York, P. O. Box 5303, Grand Central Station, New York, NY 10017. ••

FIRA's Highlights Spotlighted By Panel of Bankers in KC

New law's important points are clarified

By KAREN KUECK
Assistant Editor

THE Financial Institutions Regulatory and Interest Rate Control Act (FIRA) took center stage at the Missouri Bankers Association's 89th annual convention in Kansas City last month.

FIRA panel members included the moderator, E. L. Burch, senior vice president, United Missouri Bank, Kansas City, and convention chairman; Edgar H. Crist, commissioner, Missouri Division of Finance, Jefferson City; E. Glion Curtis, regional counsel, FDIC, Kansas City; Thomas Hoenig, assistant vice president, Kansas City Fed; and Michael J. O'Keefe, regional counsel, 10th National Bank Region, Kansas City.

Highlights of this new law — as outlined by the MBA panel — appear in the feature section of this issue.

Legislative Update. U. S. Representative Ike Skelton (D., Mo.), Lexington, told Missouri's bankers that because banking "is a rapidly evolving industry and changing, we are going to have to adjust our thinking to rapid shifts in standard banking practices, traditional areas of specialization of financial institutions and possibly to competition from sources not even dreamed of now.

"This is going to require a major effort on all our parts to avoid being caught unprepared. The changes coming down the road are not what we've been taught to expect in the world of finance. No one can predict the future," the Congressman said, "however, in order to change and grow with the industry, bankers . . . are going to have to adjust to the most flexible structure possible."

He said that not only bankers will have to make changes.

MBA Pres. Pat Lea, pres./CEO First Nat'l, Sikeston, presided over this year's convention at Crown Center, Kansas City.

"In government, we're going to have to eliminate unyielding regulations and rules that outdate and hinder banking development."

He said that one of his colleagues suggested that all future banking legislation be based on three words — uniformity, universality and equality.

Mr. Skelton discussed HR-7 — the Monetary Control Act of 1979 — which was defeated in committee.

"Although this legislation is now shelved, the importance that some substitute bill may be considered makes the issue of the Federal Reserve membership bill (HR-7) . . . one that is alive."

NEW MBA OFFICERS

New officers elected by MBA are (l. to r.): pres., S. K. Turner, pres., First Nat'l, Kirksville; v.p., Lee Huddleston, pres., Country Club Bank, Kansas City; and treas., Waldo F. Mottaz, pres./ch., State Bank, Hallsville.

FIRA panelists at MBA convention included (from l.) Edgar H. Crist, commissioner, Missouri Division of Finance, Jefferson City; E. Glion Curtis, regional counsel, FDIC, Kansas City; Thomas Hoenig, a.v.p., Kansas City Fed; and Michael J. O'Keefe, regional counsel, 10th Nat'l Bank Region, Kansas City. E. L. Burch, s.v.p., United Missouri, Kansas City (not pictured) was moderator.

Investment panelists at MBA convention included (from l.) moderator Byron Thompson, v.ch., United Missouri Bank, Kansas City; Richard L. Johannesman, s.v.p., Mercantile Trust, St. Louis; William T. Springer, s.v.p., Boatmen's Nat'l, St. Louis; and Charles E. Greenway, v.p., First Nat'l, Kansas City.

Pictured with Missouri Lt. Governor William Phelps (2nd from r.) are MBA Pres.-Elect S. K. Turner, MBA Pres. Pat Lea and convention ch., E. L. Burch, s.v.p., United Missouri Bank, Kansas City. Lt. Gov. Phelps spoke at president's luncheon.

He noted that 53 banks, including nine with assets of more than $100 million, have withdrawn from the Fed, and 47 — including 12 with more than $100 million in assets — are actively considering withdrawal.

What about NOW accounts? "Legislation (HR-3864) eliminating the McFadden Act's branching restriction and extending checking-account powers to rival institutions was introduced in Congress May 1 by Representative Fernand J. St Germain (D.,R.I.), chairman, House Banking, Finance and Urban Affairs Subcommittee on Financial Institutions Supervision, Regulation and Insurance. Hearings on Representative St Germain's bill began May 14, he said.

Congress could act on this bill by January, Mr. Skelton said. "However, any legislation could become a vehicle — and we've seen this before — for a multitude of changes in the banking laws, including interest-rate ceilings, bank membership in the Fed and current rules that prohibit banks and savings associations from branching across state lines.

"This latter point (the McFadden Act) presently is under close evaluation by the banking subcommittee and . . . possibly could have a great effect on the banking industry in the future. With the rise of out-of-state offices to generate loans, the Comptroller of the Currency already has stated that interstate banking is, for all practical purposes, a reality.

"The Comptroller further stated that the issue is no longer whether to allow interstate branching, but how we will balance competing interests to conform law and regulation to the realities of the marketplace."

He said that another of the Comptroller's suggestions is that federally chartered financial institutions be allowed to branch across state lines in natural metropolitan areas.

"This would mean that a bank in Kansas City would be allowed to establish branches in Kansas City, Kan." Also, the Comptroller has said that the next step would be to change the bank holding company act to allow interstate branching of state banks in areas that are disadvantaged or poorly serviced, regardless of state law.

Mr. Skelton says that Mr. St Germain is active in the bank holding company area. Among issues that Mr. St Germain wants to bring up before his banking subcommittee are as follows:

1. Should there be an upper limit to the size of a bank holding company?

2. Should this limit apply to mergers? Acquisitions?

3. Are the antitrust laws strong enough to meet the competitive challenge of large banks?

4. Is there an essential difference between small- and large-bank holding companies? If so, should they be treated differently under the statute?

"Please remember," Mr. Skelton said, "that these recommendations from anyone — whether they come from a congressman, a subcommittee chairman or a committee — still have to run the legislative gauntlet before becoming law." And that reason is why Mr. Skelton thinks bankers should write their congressmen at least once a year.

About pending legislation, he said, "Communicate your thoughts — not just a form letter — but your thoughts as to why something is good or bad and how it will affect you in the workings of your institution and how it will affect you in serving the people of your community. This is what a congressman wants to know. And I can't say that loudly or often enough."

Other issues that will be reviewed in the future are as follows:

1. Limits on Interest Ceiling Rates. "Although legislation authorizing interest-rate ceilings doesn't expire until December, 1980, pressure for earlier changes could come from the Administration. An internal task force that has been studying the issue commonly referred to as Regulation Q is expected to recommend that ceilings be gradually eliminated."

2. Small Business Regulatory Relief. "This bill — known as the Ireland bill — would make government agencies analyze the impact of any proposed rule or regulation it would have on small businesses. If the agencies find that their action would be harmful to small business, they would be required to find some way to ease this impact either by exempting small business completely or by setting different, less-burdensome standards for them." The bill is cosponsored by Representative Skelton, who predicts that this bill will become law. "We have about one more hearing to go in the Small Business Committee, and I think it will be voted out — probably unanimously — because it's received tremendous bipartisan support."

Investment Panel. The investment panel made its annual predictions for May, 1980. Panel members included moderator Byron G. Thompson, vice chairman, United Missouri Bank, Kansas City; Charles E. Greenway, vice president, First National, Kansas City; Richard L. Johannesman, senior vice president, Mercantile Trust, St. Louis; and William T. Springer, senior vice president, Boatmen's National, St. Louis.

Their predictions are tabulated in Chart A.

CHART A

	Fed Funds	Prime Rate	Rediscount Rate	1-Year Treasury Bill	7-Year Note	10-Year Municipal	20-Year Double A Paper
C. E. Greenway	9¾%	10%	8½%	8½%	7¾%	5⅛%	5¼%
R. L. Johannesman	8½	10	7¾	7¾	8¼	5	5½
W. T. Springer	8½	9	8	8	8¼	5.5	5.8
B. G. Thompson	9	10¼	9	8¼	8½	5¼	5¾

State of the Association. The MBA's top officers reviewed accomplishments of the past year. President Pat Lea, president and CEO, First National, Sikeston, complimented association members on the way they pulled together last summer and collectively fought against Missouri Constitutional Amendment No. 2. If passed, the amendment would have allowed the state treasurer to invest funds in S&Ls and out-of-state institutions. However, MBA members organized and, within a three-day period, nearly 200 meetings were planned, coordinated and held throughout the state. In addition, the membership supported the carefully planned media blitz, which helped defeat the amendment by a two-to-one margin.

A comprehensive banking bill entitled "Consumer Finance Reform Bill" was submitted to the legislature. Major elements of the bill were coordinated into House Substitute for Senate Bill 305 — currently being considered in the state capitol. If enacted into law, it would give Missouri financial institutions a floating usury rate, three points over the U. S. long-term (10 years or longer) bond yield, with a minimum 10% usury. Also, the bill features a small-loan-rate increase, from $500 to $1,200; a late-charge provision on delinquent installment loans; a provision for second mortgage loans with rates at 18% on the first $5,000 and 16% on any amount more than $5,000.

Mr. Lea said that the MBA's publication, "These Laws Affect You," was continued in 1978 and that the association has introduced federal legislative reporting. Also, the association's meetings and seminars have changed by attracting prominent speakers and introducing one-day seminars on special subjects, such as the one-bank holding company seminar.

The MBA's computer program was revised during Mr. Lea's term as president. "This computer program already is helping build a strong base of political support — and as major legislative action is needed, our staff will be able to draw on a wider base of MBA membership to accomplish our grassroots lobbying effort," he said.

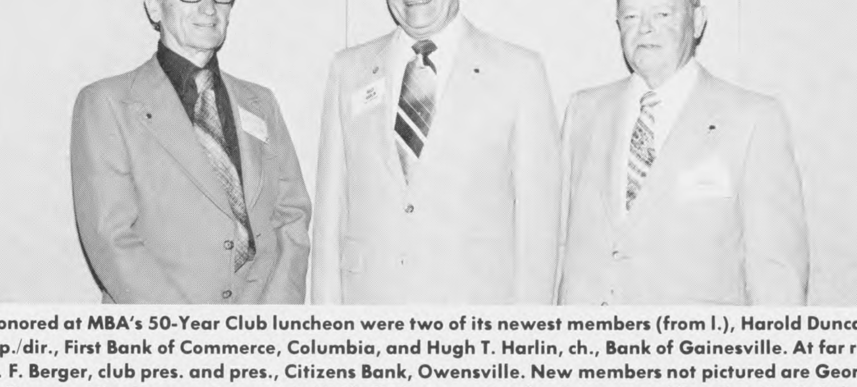
Vice President's Report. MBA Vice President S. K. (Ken) Turner said that plans for the rest of 1979 include full and complete participation in the MBA's political action committee, MOBANCPAC. He said that increased political participation is absolutely necessary if bankers are to be effective in the state general assembly. He announced plans for a proposed associate membership program that would be used to provide entertainment and additional MBA meeting functions and fund talented, well-known conference speakers. This program would be completely voluntary to bank-related businesses. The result would be more functions at MBA meetings at no additional cost to its membership, with full credit given to participating associates.

The compliance program, which began last year, will continue to coordinate a "Library of Information" for member banks. Soon, information resources will be available via a telephone call, Mr. Turner said.

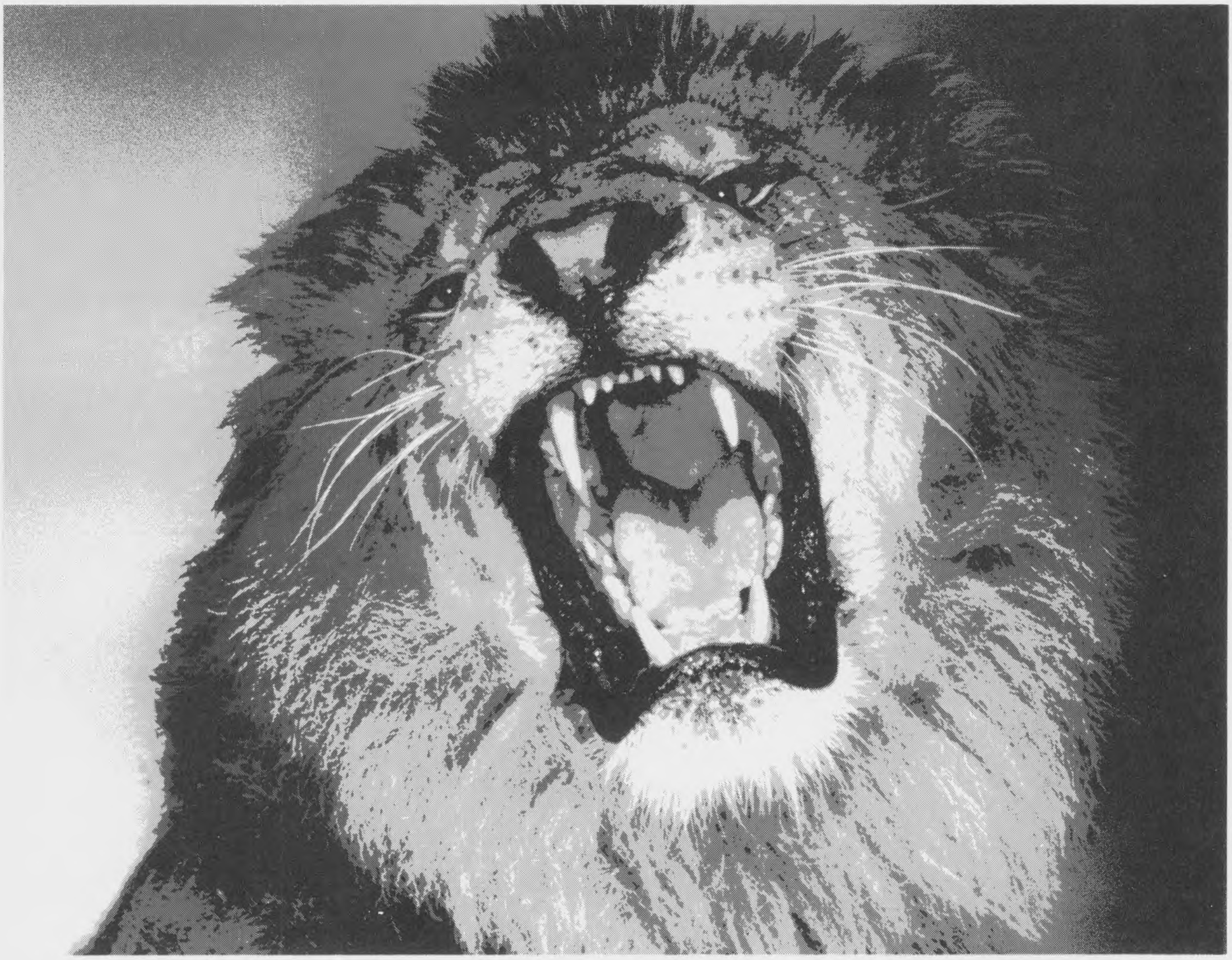
Compliance publications will be continued.

New Officers. As expected, MBA Vice President S. K. Turner, president, First National, Kirksville, succeeded Mr. Lea as president, and Treasurer Lee Huddleston, president, Country Club Bank, Kansas City, moved up to vice president. Elected treasurer was Waldo F. Mottaz, president and chairman, State Bank, Hallsville.

ABA Officers. Mr. Lea was elected to the ABA's governing council for a two-year term. ● ●



Honored at MBA's 50-Year Club luncheon were two of its newest members (from l.), Harold Duncan, v.p./dir., First Bank of Commerce, Columbia, and Hugh T. Harlin, ch., Bank of Gainesville. At far r. is A. F. Berger, club pres. and pres., Citizens Bank, Owensville. New members not pictured are George B. Turner, retired a.v.p., Boatmen's Nat'l, St. Louis, and Helen Turner, v.p./dir., First Nat'l, Salem. Club now has 213 members.



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MANUFACTURERS HANOVER
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Milligan Challenges Kansas Bankers To Tackle Interest-Rate Ceilings

Regulations cost business $104 billion annually

By LAWRENCE W. COLBERT
Assistant to the Publisher

IN A PLEA for parity among banking customers and bankers, bankers and the federal government, A. A. Milligan, chairman of the ABA's governing council, challenged Kansas bankers at the 1979 convention to come to terms with two of the industry's toughest antagonists — interest-rate ceilings and Fed membership. Calling Washington the "Disneyland on the Potomac," Mr. Milligan estimated it cost business about $104 billion a year to comply with government regulations. Mr. Milligan is president, Bank of A. Levy, Oxnard, Calif.

He cited the recent court decision, which declared illegal interest-bearing consumer transaction accounts developed by the thrift industry, as one reason the ABA Leadership Conference has formulated a plan for parity. Consumers no longer can distinguish between banks and thrifts, he said, creating an unfair competitive status between the two institutions.

Recently, the conference met and developed a consensus on ways to address the issue, Mr. Milligan said. The conference decision was that treating Regulation Q, Fed membership and checking-account powers for thrifts as one set of interrelated issues, rather than as three separate matters, would be the best way to guarantee absolute competitive parity.

"A level playing field" by eliminating Reg Q for all categories of accounts would lighten the burden of Fed membership for many banks — while giving the Fed the reserve leverage it says it needs to conduct monetary policy, said Mr. Milligan. "This approach could achieve an end to discrimination against the so-called 'small saver' by gradually raising Reg Q ceilings to the point where they would function as a ceiling, not just as a statutory interest rate."

Mr. Milligan elaborated on the conference's parity approach. "The interest-rate differential would be totally eliminated. Not just for transaction accounts, but for all categories of deposits." Commercial banks, mutual savings banks, S&Ls and credit unions then would receive authority to offer check-like services.

"From this would come a complete restructuring of the Fed's reserve base over a 10-year period. Time and savings-account balances would no longer be subject to reserve requirements of the central bank. However, the transaction-account balances of banks — and of all thrifts — would form the new deposit base of the Fed." The burden of membership would be shared equally by all elements of the financial community, he said.

KBA Pres. W. C. "Dub" Hartley (l.), pres., Miami County Nat'l, Paola, and A. A. "Bud" Milligan, ABA governing council ch., hold news conference during KBA convention. Mr. Milligan is pres., Bank of A. Levy, Oxnard, Calif.

Kansas Governor John Carlin, guest speaker at the 92nd annual conference, addressed two serious problems facing, specifically, Kansas' financial future: water and energy. The governor said the state should accelerate use of a water-irrigation program, and farmers should conserve every gallon of fuel

NEW KBA OFFICERS

KBA President Linton C. Lull (c.), pres., Smith County State, Smith Center, is flanked by incoming pres.-elect, Emery E. Fager (l.), ch., Commerce Bank, Topeka; and outgoing pres., W. C. "Dub" Hartley, pres., Miami County Nat'l, Paola. Not pictured is new treas., Russell Winter, pres., State Bank, Satanta.

they have to ensure their crops are harvested.

Governor Carlin said he feared energy would be a "serious problem" for agriculture, which he said is the key to the economy. "I look to summer with a great deal of apprehension."

The governor, who has spent eight years in the legislature, said lobby and interest groups were important to the government process, one half of a two-way-street communication. He encouraged their use at the state level to fight the energy and water problem.

The conference's major thrust, discussion of excessive industry regulation, came to play in a speech by W. C. "Dub" Hartley, KBA president.

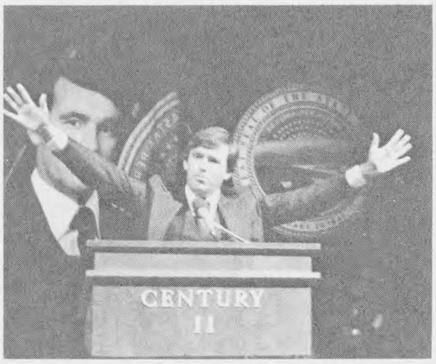
In the banking and thrift ballgame, he said, the scoreboard indicates bankers have lost their comfortable lead. "The figures show we've lost about 25% of the depository market since 1950. If present trends continue, only 58% of all deposits by 1983 will be in our banks." He attributed these losses to lack of customer loyalty today, the game's rulemakers (Congress) and umpires (regulators) and their obvious support of the other players.

Regulators, backed by legislation, are taking the initiative to socially structure banking activities, Mr. Hartley said. Combinations of unlimited branching, services and activities with rate differentials are formidable and inequitable competitive weapons. He suggested Kansas bankers work with the KBA, its economic impact committee and the governing council to formulate a more competitive game plan.

New business and election of KBA regional and divisional officers were part of the Friday business meeting. Because notice of the vote was not mailed within the 30-day limit, no action or recommendation to adopt a new constitution could be discussed. Action was tabled until the 1980 convention, when members will be given an opportunity to vote. The 30-day limit is part of the constitution's bylaws.

New KBA Officers. Linton C. Lull, president, Smith County State, Smith Center, was installed as KBA president for the coming year. The new president-elect is Emery E. Fager, chairman, Commerce Bank, Topeka. Russell Winter, president, State Bank, Satanta, is the new treasurer.

The KBA installed six regional representatives. In order of region (one through six) they are: Eugene Barrett Jr., chairman, Kaw Valley State, Kansas City; Gerald W. Barnard, president, First National, Oswego; Gary Padgett, president, Citizens National, Greenleaf; Mahlon C. Morley, president, Valley State, Belle Plaine; R. H. Zimmerman, chairman and president, First Bank, Salina; and Dale E. Oliver, president, Security State, Great Bend.



Kansas Governor John Carlin puts zeal into his message to KBA members at their convention.

New KBA trust division officers are: president, Robert W. Loyd, senior vice president and trust officer, Commercial National, Kansas City; president-elect, William M. Mills, trust officer, Hutchinson National; and secretary-treasurer, Velda Roberts, trust officer, First National, Salina.

In additional business, Elwood Marshall, president, Home Bank, Eureka, retiring chairman of the KBA, was elected to the ABA governing council. The governing council voted 20 to nine to support consumer loans in facilities. ● ●

50-Year Club Inductees

The KBA 50-year Club inducted 18 new members during the 1979 convention. They are: Glenn Beal, State Bank, Fredonia; Ben Brooks, Freeport State; Emil A. Brunner, First National, Herington; Leo Drouhard, Farmers & Merchants State, Argonia; E. W. Flaming, First National, Hillsboro; H. W. Hall, First National, Dighton; Wesley O. Hess, National Bank, Pittsburg; C. B. Hilliard, First National, Wamego; F. W. Lampert, First National, Beloit;

Walter W. Meyer, Mission State; R. O. Notestine, State Bank, Pretty Prairie; Lloyd B. Price, Lyon County State, Emporia; Herman J. Rome, Farmers State, Beaver; Carl Thomas, First State, Portis; Helen Tichy, Farmers & Merchants State, Cawker City; Van Watson, First National, Leroy; Dan Webb, Farmers State, Highland; and Walter Youngquist, State Bank, Blue Rapids.

Legislative Package

(Continued from page 8)

counts at all financial institutions. All financial institutions except national banks retain the option of determining whether to become Fed members. Nonmembers would continue to be independent of any direct relationship with the Fed. They would not keep their reserves with the Fed, would not have to buy stock in the central bank and would not be subject to the Fed's regulations, supervision and examination.

The consensus the bankers arrived at on the Federal Reserve issue ties in explicitly with and is considered part of a total legislative thrust in combination with the following additional points that were agreed on during the Banking Leadership Conference:

Transaction Accounts. Congress should grant identical consumer-transaction-account (checking or check-like) powers to all types of financial institutions — commercial banks, mutual savings banks, S&Ls and credit unions. It is assumed that the new type of consumer-transaction account would bear interest and be similar to the consumer NOW account.

Interest-Rate Differential. In turn, Congress must abolish the interest-rate gap for all S&Ls, mutual savings banks and credit unions that elect to offer the new type of consumer-transaction account. The interest-rate gap discriminates against all bank savers and puts commercial banks at a competitive disadvantage.

Small Savers. Congress should act to raise all deposit interest-rate ceilings at all financial institutions methodically in a series of small steps over a period of five to 10 years. The intent is three-fold: to help small savers; to make the ceilings true ceilings below which actual market rates fluctuate in response to competitive forces and to further ensure that the interest-rate gap will disappear as a market factor.

State Usury Laws. Actions of the federal government alter the cost of acquiring funds. These actions are taken without consideration of the numerous state usury laws that control the price financial institutions can charge for use of funds. Congress and the federal financial institution regulators should reach agreement within a year on federal action to resolve this conflict. Some form of preemption of state usury laws may be the answer. ● ●

Structure Changes Urged To Serve Customers' Needs

Now is time to destroy traditional banking concepts

By LAWRENCE W. COLBERT
Assistant to the Publisher

OKLAHOMA bankers were greeted by their new governor — George Nigh — a day ahead of schedule with good news — that he had signed Senate Bill 254, which removes from the merit system state-hired examiners of banks, savings and loan associations and credit unions and paves the way for their receiving higher salaries. The legislation calls for three new administrative offices within the state banking department — a budget director, supervisor of S&Ls and a supervisor of credit unions, all to be appointed by the Oklahoma bank commissioner.

Reporting on the state's economy, the governor said that Oklahoma is the eighth most favorable state for economic development and is in the top five of fully employed states in the nation. He said the economic climate of the state must be protected and that for the protection of workers business must be strong.

William W. Rodgers Jr., outgoing OBA president, addressed the convention on the "state of the association." He said that the association is stronger and more viable than it has ever been. He stated that the purposes of the OBA are to legislate, educate and communicate. He said the one area of most difficulty during his tenure in office was the structure question. The basic question, in Mr. Rodgers' opinion, is: "What type of bank structure will serve the needs of our customers?" And "Isn't it time to solve this problem?"

He further stated that it is time to break down and destroy all traditional concepts of the banking industry: "We're in the financial services business." He pointed out that the current philosophy of change brought on by legislators and regulators has allowed and encouraged others into the areas that traditionally have belonged to banking. He mentioned specifically steps by Sears, Merrill Lynch and American Express as examples of this retail encroachment.

William W. Rodgers Jr. (r.), outgoing OBA pres., pins badge of office on his successor, W. L. "Bud" Stephenson Jr., ch., Central Nat'l, Enid. Mr. Rodgers, who moved up to OBA ch., is pres., Security Bank, Blackwell.

Lee Gunderson, president, Bank of Osceola, Wis., and a candidate for ABA president-elect, addressed the convention and stated that there is pressure, mainly in the northeastern part of the nation, to ease provisions of the McFadden Act, which says that nationally chartered banks must follow banking laws of the state in which they are located. A thorough report of Mr. Gunderson's remarks appears elsewhere in this issue.

William S. Banowsky, new president of the University of Oklahoma, addressed the convention, and a full

NEW OBA OFFICERS

Shown after their election as OBA officers for 1979-80 are (l. to r.): pres.-elect, Homer Paul, pres., Nichols Hills Bank, Oklahoma City; pres., W. L. "Bud" Stephenson Jr., ch., Central Nat'l, Enid; and treas., William Belford, pres./ch., Bank of Canton.

OBA Governor George Nigh tells convention delegates about banking-related bill he had just signed into law.

text of his remarks appears in another section of this issue.

"I thank God you are bankers." With those closing remarks, Evangelist Oral Roberts of Tulsa summed up his feelings about bankers. In his speech, Mr. Roberts credited banks with having played a major part in the growth of Oklahoma, describing the bankers as "deal makers."

In a meeting of ABA members from Oklahoma, Harry E. Leonard, president, First National, Muskogee, and former state bank commissioner, was elected to the ABA governing council.

Elected OBA president for the 1979-80 term was W. L. "Bud" Stephenson Jr., chairman, Central National, Enid. Moving up to chairman of the OBA was William W. Rodgers Jr., president, Security Bank, Blackwell. Elected to the position of president-elect was Homer Paul, president, Nichols Hills Bank, Oklahoma City. William Belford, president/chairman, Bank of Canton, was elected treasurer.

Approximately 770 bankers and their wives registered for the two-day convention. • •

Evangelist Oral Roberts appeared on program and told his listeners he credited banks with having played major part in Oklahoma's growth.

Free Enterprise System

(Continued from page 37)

selfishness, but because we are seeking the truth. That system of political economy that leaves men and women freest to develop their own talents will, in the long run, do most for civilization.

Capitalism Is Realistic. Capitalism is superior, not because it is the most visionary system, but because it is the most realistic. It squares best with the truth about human nature.

Socialism's attraction, especially for the young, lies in its humanistic vision. It is a call to compassion, brotherhood, justice, equality. But an economic system must be judged not according to its call, but according to its results. Economic systems must be measured practically, not theoretically. One must examine plumbing, sanitation, heat, power, jobs, books, leisure, travel.

One reason we have been so harshly critical of our system is that its success gives us the luxury to do so. Ours are the children of abundance, and they have no memory of mean scarcity. Freed by affluence, they now seek to soar beyond the ugly limitations of capitalism.

Of all the world's systems, the free-enterprise system generates an entire industry of well-rewarded critics. It is not by accident that great artists, unfettered intellects, creative personalities of all kinds flourish in the free society.

In announcing support for the free-enterprise system, one is not contending that paradise has, thereby, been reached; or, that it ever will be. It was Winston Churchill who observed that democracy is the worst form of government, except for every other kind. This, precisely, is the intellectual advantage of free enterprise. It does not claim to be the ideal system, only the best possible one. Although it is imperfect, and in some ways even wasteful and inefficient, its moral superiority resides in the singular fact that it is better than any known alternative.

We now have had an opportunity to observe the alternative of socialism in all of its forms, all over the globe. Its track record scarcely qualifies as a utopian dream come true. In some places, it more nearly resembles a nightmare, especially in its penchant for authoritarianism. Socialism's concern for human welfare is inconsistent with its impulse to regulate, control and restrict human behavior. Setting theory aside and comparing actualities to actualities, we can see that the free-enterprise system wins hands down.

The Power of Ideas. But my whole point is that we dare not set theory aside. The impulse of business is to eschew theoretical reflection while detecting some practical detail that modifies the technology of mouse traps. Practicality is the key. Believing that what the world needs most is more material goods, business has left the good beyond its range of competence — left it to priests, poets, propagandists. These, regrettably, are the very people who frequently have least experience in the world of affairs.

What we must learn is that the realm of ideas has a tremendous power and attraction all its own.

The free-enterprise system stands on a great ideology. It depends on the disciplined triumph of the individual spirit. Its vision includes the free moral autonomy of each person; the responsible individual; social cooperation; intellectual and religious liberty; a rich, ragged, many-faceted pluralism. With its checks and balances, it has the capacity to transform human selfishness into a modicum of creativity, efficiency and decency.

A Spiritual System. Above all, it is not only a political or economic system; it is a spiritual system. We must avoid taking our defense along purely materialistic lines. If, after these two centuries, the best we have to show is a world-weary hedonism, then "life, liberty and the pursuit of happiness" was a slogan that led nowhere. If, indeed, Hugh Hefner has become an example of contemporary America at its successful best, then why not "eat, drink and be merry for tomorrow we die"? It was saddening to read that Mr. Hefner, on his recent trip to Washington, D. C., was "received by the Washington press corps like royalty."

Ours is a better system because it is built on a better idea. Let us nourish its spiritual roots. Most importantly, let us remember what it does for human beings. We do not fight to preserve our system because we want to do less for people, but because we want to do more. The American free-enterprise system has done more for minorities, for the poor, for the physically and mentally disabled, for the aged and the orphaned than has any other system. In its dreams, it is at least the equal of socialism's dreams. In its actualities, the American free-enterprise system has no equal in the history of the human race. • •

Bankers Should Unite on Issues For Credibility With Congress

More punitive legislation coming unless bankers unite, Texans told

by LAWRENCE W. COLBERT
Assistant to the Publisher

THE BANKING INDUSTRY must come up with a more positive and united approach on Federal Reserve membership if it is to have any credibility with Congress, in the opinion of the outgoing president of the Texas Bankers Association.

In his final speech to the TBA as president, Charles E. Cheever Jr. told the convention that so long as the industry continues to disagree "as to who should carry the burden of the central bank," banks stand the risk of facing punitive legislation that in no way addresses competitive inroads made into banking markets by credit unions and savings and loan associations.

"Congress is not going to legislate the level playing field unless the banking industry is willing to support the level playing field within its industry," Mr. Cheever declared, adding: "Let's not hide behind the argument of whether or not reserves are necessary for monetary control in order to excuse one segment of our industry from reserves."

The outgoing president, who also is president of Broadway National, San Antonio, said many Texas bankers, himself included, were left confused by summary statements issued on Fed membership at the end of the ABA's Banking Leadership Conference last month at the Greenbrier, White Sulphur Springs, W. Va.

Acknowledging there was "extreme pressure politically" for the ABA to come up with a policy position, Mr. Cheever maintained that confusion reigned as to the interrelationship between Fed membership and the Washington court decision striking down automatic transfer, share drafts and remote-service units.

Charles Cheever Jr. (facing camera) receives past president's pin from TBA's incoming pres., R. M. Duffey Jr. Mr. Cheever is pres., Broadway Nat'l, San Antonio; Mr. Duffey, pres., Pan American Bank, Brownsville.

The ABA consensus, as reached at Greenbrier, "was in my opinion vague, with a little bit in it for everyone," he declared. "Many in our Texas delegation came away dissatisfied, and we have had discussions on it."

The San Antonio banker said a May 2nd letter from the ABA to Greenbrier conference members does help clarify

NEW TBA OFFICERS

Holding gavel of office of TBA pres. is R. M. Duffey Jr. (c.), who was elected to top post at annual convention last month. With Mr. Duffey are Glyn Gilliam (l.), incoming treas., and Sam D. Young Jr., newly elected v.p. Mr. Duffey is pres., Pan American Bank, Brownsville; Mr. Gilliam, pres., Graham Nat'l; and Mr. Young, pres., El Paso Nat'l.

the ABA position, which he said is "becoming practical and more in tune with the attitude of Texas bankers." In his text, Mr. Cheever did not elaborate on how such meshing of views was being achieved, or exactly how Texas bankers took issue with the ABA stance.

However, the TBA president proposed his own package on Fed membership, a view he said might "irritate some nonmember banks."

Under his proposal, all commercial banks would be required to keep uniform sterile reserves against demand deposits and large certificates at a reduced level with the Fed. The level would be at a point "where loss of revenue will be politically acceptable to the Treasury Department."

Second, membership in the Fed would be voluntary but Congress would transfer the Fed's regulatory power to the FDIC "to allay fears of those who feel that the Fed-membership issue is not an issue of monetary policy improvement, but really an issue of a 'power grab' by the Fed."

Third, Mr. Cheever advocated that all thrift institutions that offer transaction accounts be required to keep reserves at the Fed in exactly the same manner as banks, including large savings certificates and transaction accounts.

Moreover, he said, thrifts that offer transaction accounts would lose the differential and those that elect not to offer such accounts would keep the differential during a phase-out period of Regulation Q.

Under his proposal, the Fed would begin explicit pricing of services, and the discount window would be available to all institutions that keep reserves at the Fed irrespective of membership.

"To those nonmembers who wish to continue to embrace the concept of voluntaryism, I can only say that those of us who are members won't continue to carry you much longer," Mr. Cheever declared.

"The protection of the dual-banking system is a two-edged sword. Remember, there are more state banks than national banks and the national bank percentage is constantly decreasing because of conversions to state charters and withdrawals from the Federal Reserve."

The Governor's Message. "I am now willing to raise the usury rate to one that will float at 2% above the 10-year Treasury Bond rate, not to exceed 12%." With those welcome words to bankers, Texas Governor William B. Clements Jr., who has drawn criticism from the state's bankers on the usury question, opened the convention as the leadoff speaker.

Texas Governor William P. Clements addresses 1979 convention. On either side and in row behind him are 1978-79 officers of TBA.

In other remarks, the governor said that he opposes President Carter's energy plan. "Carter's energy program is a disaster for Texas," the governor stated. "We produce one-third of all United States energy, and it is time we told Washington what to do with energy rather than have them tell us," the governor exclaimed.

Adding an international aspect to the TBA convention was Gustavo Romero Kolbeck, director general, Banco de Mexico (the central bank of Mexico). "We are linked together by geography and a common border. This offers vast opportunities for a mutually beneficial relationship. I am sure that, in the long run, the prospective advantages far outweigh any disadvantages.

"I am sure that for Texas and Mexico, the possibility for complementarities (mutual gain) in the energy sector should be seen as an important pivot, but only as a pivot, for a much wider range of shared interest and common projects," the central banker said.

Clifton Poole, the new regional administrator for national banks, who is based in Dallas — speaking at the national banking division meeting — expressed a growing concern for capital adequacy.

Pictured at TBA convention are (l. to r.): Robert K. Wilmouth, pres., Chicago Board of Trade; Charles Cheever Jr., TBA pres. and pres., Broadway Nat'l, San Antonio; Sam Kimberlin, TBA e.v.p., Austin; and Sam D. Young Jr., incoming TBA v.p. and ch., El Paso Nat'l.

Mr. Poole told bankers they need to establish a capital plan covering three, five and 10 years. Mr. Poole reported his plans to establish a capital committee that will use four ingredients for evaluation: peer-group data, condition of the bank, economy of the bank's marketing area and the bank's capital plan.

The new regional administrator also discussed the problem of mass exodus of examiners into the commercial-banking field. He did not criticize banks for the hirings, but said that if the experience level of the examiner staff is lowered, all national banks in the region get hurt. In the past 15 months, 53 examiners have left the Dallas staff, he said.

New TBA Officers. R. M. Duffey Jr., president/CEO Pan American Bank, Brownsville, was elected TBA president. Sam D. Young Jr., president, El Paso National, was named vice president, and Glyn Gilliam, president, Graham National, was elected treasurer.

New state division officers are Stephen T. Jordan, chairman, First City Bank-Farmers Branch, Dallas. Elected vice chairman was Grady H. Langford Jr., president, West Bank, and elected secretary was B. G. Hartley, president, Southside State, Tyler.

Elected chairman of the national division was Thomas G. Parker, chairman, First-Taylor National. Elected vice chairman was Sam C. Tisdale Jr., president, First National, Harlingen, and elected secretary was Luther R. Keitt, president, Citizens National, Henderson. ••

10% Usury Law in Arkansas Under Three-Way Attack

Arkansas bankers see good possibility of change by 1980

By RALPH B. COX
Publisher

ARKANSAS bankers, who have been protesting the state's 10% usury law for a number of years — and without any visible signs of success — now pin their hopes on a trio of events and proposals that could bring some relief. Assembled in Hot Springs last month in their annual convention, bankers heard reports on these three topics:

1. The state's constitutional convention, which convened May 15 and which will consider measures to amend the 10% usury law.
2. A lawsuit, known as the Quinn-Moore case, which will test the constitutionality of the state's 10% usury law.
3. A measure introduced in the U. S. House of Representatives (H.R.2515), which would offer temporary rate relief to banks in states where usury laws have not kept pace with high costs of money in today's inflationary economy.

The state's constitutional convention opened in Little Rock on the same day that bankers opened their annual convention in Hot Springs, Arkansas' 32-year-old governor, Bill Clinton, who admonished constitutional delegates to "write a constitution that would last," addressed Arkansas bankers the same day (May 15) and spoke convincingly of his support for a change in the state's usury law. Governor Clinton, nonetheless, reminded bankers that any change from the 10% limitation should offer the consumer some protection against extremely high rates, suggesting that "top" rates be determined by "current money market rates."

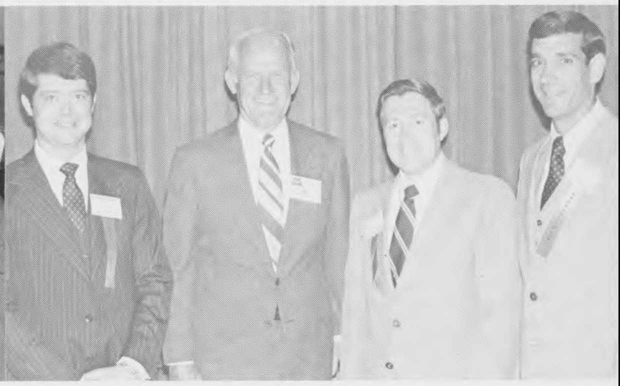
Arkansas' young governor also recommended that some rate limitations should be kept on small loans. He suggested that any plan advanced from the constitutional convention should eliminate the state's legislature from any rate-setting decisions. (Although not stating so specifically, the governor apparently was in favor of top rates being tied to the federal rediscount rate or the average yield on 10-year or five-year government securities. These benchmarks are being used in a number of other states.)

GOVERNOR Bill Clinton addresses Arkansas bankers during their opening convention session last month. Governor Clinton voiced support of efforts to change state's 10% usury law.

Whatever guidelines are adopted — and the governor appeared to agree that a change in the usury law was overdue — the governor urged bankers to "take care" of their communities. When a change is made, he said, bankers will have committed themselves to help their local economies with loans for business, agriculture and individuals.

NEW ArkBA OFFICERS

Retiring President Doyl Brown (l.), pres., 1st Nat'l, Wynne, congratulates Incoming Pres. Joe S. Hiatt, ch. & pres., American State, Charleston. Others from l.: 1st V. P. Louis Ramsay, ch., Simmons 1st Nat'l, Pine Bluff; 2nd V. P. B. J. Ford, ch. & pres., Merchants and Planters, Camden; and Treas. M. S. Woodruff, pres., Citizens Bank, Carlisle.



LEFT: James C. Hobgood (l.), who served as pres.-elect of ArkBA in 1978-79. Mr. Hobgood, ch., Merchants & Planters, Arkadelphia, could not advance to presidency this year because of his wife's illness. With him are Doyl Brown, 1978-79 pres.; and Dr. James Taliaferro, dir., Pine Bluff Nat'l. CENTER: William H. Kennedy Jr. (l.), ch., and Gerald M. Lowrie, exec. dir. of government relations council, American Bankers Association. Mr. Kennedy is ch., Nat'l Bank of Commerce, Pine Bluff. RIGHT: Panel of "experts" on Financial Institutions Regulatory Act (FIRA): M. Scott Lawyer, FDIC; Moderator William H. Bowen, pres., Commercial Nat'l, Little Rock; Charles R. Halbrook, Federal Reserve; and Bruce A. Heitz, Comptroller's office.

In another portion of his talk to Arkansas bankers, Governor Clinton revealed his concern about the economic progress of the state. Most new jobs, he acknowledged, are created by small businesses and expansion of local businesses. Migration of firms from other states provide relatively few new jobs for the state. The governor cited a study to show, for example, that 66% of the state's new jobs each year are created by firms that employ 20 or fewer than 20 persons.

Arkansas bankers are aware, of course, that any proposal for a change in the usury law coming out of the constitutional convention cannot be voted on until the 1980 general election. Jim Guy Tucker, counsel and lobbyist for the Fair Arkansas Interest Rate Committee, reported to bankers the following day that the usury law "probably" would be a separate item on the ballot in 1980. It would be separate, he said, because it is controversial and should not jeopardize passage of the new constitution.

Arkansas bankers also believe that a pending court case offers a possibility of overturning the state's present 10% usury law. This pending litigation — known throughout the state as the Quinn-Moore case — was reviewed in detail at the convention by Louis Ramsay, a member of the board of the ArkBA.

Mr. Ramsay, chairman, Simmons First National, Pine Bluff, noted that the case originated when two realtors — Quinn-Moore — agreed to borrow a substantial amount of money from First National of Little Rock at a rate of 12%. Before the loan was consummated, both parties submitted the loan agreement to the state's attorney general and the state's banking commissioner with the query: "Does this violate the state's constitutional 10% usury law?"

The answer was, "Yes," and a suit quickly was filed on behalf of Quinn-Moore and First National against the state banking commissioner, contending that the state's 10% usury law no longer was constitutional since it violated an individual's rights to seek and hold property and to do business. The suit promptly was joined by a number of intervenors on both sides — banks, S&Ls, credit unions, etc., on behalf of the plaintiffs and various consumer groups on behalf of the defendant.

ARKANSAS TRAVELER

John Pisarkiewicz, who has traveled Arkansas for more than 25 years for Mercantile Bank, St. Louis, received official Arkansas Traveler's certificate at convention. Presented by Beverly Lambert, newly appointed state banking commissioner, occasion was Mr. Pisarkiewicz's last official convention for his bank. He retires at end of November. With him is his wife, Sophia.

Plaintiffs hope to show in their case, which will not come to trial until September, that potential borrowers in Arkansas are barred from receiving adequate credit because the present law causes money to flee to other sections of the country, thereby creating a shortage of funds in Arkansas. Little Rock's four major banks, for example, will show that during the past year, they have lost some $100 million of "negotiable" CDs to other banks. Banks located near Arkansas' borders also will show they have lost deposits to banks across those state lines, thus reducing the amount of funds available to Arkansas borrowers. Little Rock bankers also point out that some major banks in neighboring states have advertised openly for deposits in Little Rock newspapers.

Plaintiffs expect to argue that money now has "the speed of light" and that a constitutional provision written in 1874 no longer should apply in today's inflationary economy.

A third proposal that could offer interim relief — before the constitutional convention could act or before the Quinn-Moore case could be tried — is a bill introduced in Congress (H.R.2512) that would offer Arkansas banks "parity" with other banks around the nation. If adopted, this temporary measure would expire January 1, 1981.

This bill — which, in effect, would say to Arkansas: "Get your house in order" — would allow banks (anywhere in the nation) to charge rates higher than state laws presently permit. Basically, it would permit higher rates only on business and agricultural loans in excess of $25,000. It would permit a rate up to four or five points above the federal rediscount rate. State legislatures could, if in session, override this bill, but in Arkansas the

(Continued on page 74)

Restraint Urged in Tennessee In Utilizing New Usury Law

Governor warns: Use moderation in raising rates

By RALPH B. COX
Publisher

TALK at Tennessee's annual convention last month centered around that state's legislation giving financial institutions a new commercial-loan rate. The new permissible rates became effective May 1, 1979, just 20 days before the TBA convened at Nashville's Opryland Hotel.

"Oh, what a relief it is," was the general feeling expressed by bankers who had worked for three years to have the state's 10% usury ceiling removed from the state constitution.

On a broad scale, the new legislation gives banks (and other lenders) a commercial-loan rate that "floats" five points above the Federal Reserve discount rate — a current rate, then, of 14.5%.

Also in the "package" is a new mortgage rate that is no more than two points above the Federal National Mortgage Association auction rate. The bill also sets a rate schedule for other types of loans with a maximum ceiling of 18%. The bill retained the 10% limitation on single-payment loans of $1,000 or less.

Tennessee's governor, Lamar Alexander, spoke to the convention on its final day and gently warned bankers against rushing to fully utilize the maximum interest rate approved by the legislature. The governor also urged bankers to continue to make credit available to small borrowers under the $1,000-10% rate limitation.

TBA Ch. Andrew Benedict, ch., First American Nat'l, Nashville, presents gavel to new TBA Pres. George R. Taylor, ch/pres., Merchant Bank, Cleveland.

Many families in the state, said the governor, are afraid that interest rates will now soar. Yet, said the governor, he had confidence that bankers would show restraint.

A day earlier, TBA President Andrew Benedict had asked for the same "restraint" from Tennessee bankers. Mr. Benedict, chairman of Nashville's First American, recognized the responsibility that the state's legislature had placed on bankers throughout the state. He urged bankers "to be worthy of the trust that has been placed in us."

Mr. Benedict further enjoined bankers to "act with restraint in establishing fair and responsible rates of interest (as well as loan charges) . . . and that we be able to report to the next session and at all future sessions of the legislature that we have been good stewards of the trust and responsibility placed in us."

A special note of thanks went to Chattanooga banker John Wright (president, American National) for his chairmanship of the committee that helped achieve a fair solution to the interest-rate problem. "Unless you were a member of that committee," said Mr. Benedict, "you can never fully appreciate the amount of time, thought and dedication that were necessary in developing the plan for the solution of the problem."

Although bankers obviously would begin lending at higher rates, there was evidence from "convention talk" and previous announcements by several major banks that banks would not rush to the top rates. One major bank indicated it would not charge more than 2% above prime on large borrowers and that loans of $1,000 to $25,000 would be moved up only ½% "at this time."

Another major bank announced it would adhere to a 10.5% ceiling on

New TBA officers are (from l.) Andrew Benedict, ch.; George R. Taylor, pres.; James R. Fitzhugh, pres.-elect; Dan B. Andrews, 1st v.p.; William O. Swain, 2nd v.p.

LEFT — New TBA division ch. pose with their wives: (from l.) John Andersen, nat'l div.; J. D. Clinton, independent div.; Ed Bell, state div. MIDDLE — George R. Taylor, new TBA pres., and Mrs. Taylor. RIGHT — Two of three new TBA directors pose with their wives. From l., Ollie D. Holmes, West Tenn.; Harry B. Glass, East Tenn. Not pictured: William Smith, Middle Tenn.

small borrowers, those with a net worth of $200,000 or less and for one-year loans in amounts less than $50,000. The bank also announced a no-increase policy for consumer installment loans.

This same bank announced it would shelter the small borrower from high interest rates until later this year, hoping the economy will cool down and bring lower rates in the market. "If not," said a spokesman from this bank, "borrowers will have had time to adjust their operations."

While this statement obviously does not represent a consensus of Tennessee banks, it does, nonetheless, reflect the thinking of most bankers throughout the state.

A final afternoon of the convention was devoted to "clarification" statements and questions and answers on the new interest-rate legislation. The state's interest package contains some new terms on loan charges, commitment fees and brokerage charges that are somewhat confusing and, of course, new to bankers. Most agreed that after a "shakedown period," banks will be in compliance with the new legislation.

TBA Executive Vice President Robert Gilliam stated that some "cleanup" legislation will be needed next year on installment lending as well as rates affecting charge cards.

Tennessee bankers also were pleased to hear an announcement from the state's new banking commissioner, Thomas C. Mottern, that state officials are considering creation of a pool that would lessen the amount of assets banks must pledge as security to receive state deposits.

Currently, banks pledge 110% in assets for state deposits. This could be dropped to as low as 25% if a "pool of assets" were created. This would free up millions of dollars of secondary reserves, he said, and would allow many banks to accept larger state deposits, which could be re-loaned in the state.

Mr. Mottern acknowledged a bad side to the proposal. "Some bankers might lose funds because of what some other bank did."

Mr. Mottern noted that if the pool concept is adopted, banks would have to meet certain criteria to qualify and to eliminate some of the risk from the program.

The state's treasurer currently keeps about $650 million on deposit with Tennessee banks.

New Officers: In official elections, Tennessee bankers elected as their new president, George R. Taylor, chairman and president, Merchant Bank, Cleveland. He succeeds Andrew Benedict, who will serve as chairman.

Others elected: president-elect, James R. Fitzhugh, president, Bank of Ripley; first vice president, Dan B. Andrews, president, First National, Dickson; and second vice president, William H. Swain, chairman, First National, Oneida.

Three new directors also were elected: for West Tennessee, Ollie D. Holmes, president, Central State, Lexington; Middle Tennessee, William Smith, Bank of Commerce, Woodbury; and East Tennessee, Harry B. Glass, president, Hamilton Bank, Morristown.

Three new division chairmen also were named: state division, Ed Bell, president, Bank of Loudon County, Lenoir City; national division, John Andersen, president, First National, Kingsport; and independent division, J. D. Clinton, vice president, Brownsville Bank.

Members of the American Bankers Association elected John Wright to a two-year term on the governing council. Mr. Wright is president, American National, Chattanooga.

Other Convention Speakers. Convention delegates also heard three other major addresses, one by ABA President-Elect C. C. Hope Jr., who discussed various proposals on Federal Reserve membership. A complete report on Mr. Hope's talk appears elsewhere in this issue. Mr. Hope is vice chairman, First Union National, Charlotte, N. C.

A representative from the Treasury Department, John Auten, examined the various causes and proposed remedies of inflation. He concluded that "curbing inflation and sustaining economic expansion calls for moderation in private-sector behavior, along with government restraint on its own spending, lending and regulatory programs."

Mr. Auten, substituting for Assistant Treasury Secretary Daniel H. Brill, pointed out that to help curb expansion of inflation, the Administration proposes continued reduction in the share of the nation's output absorbed by government spending.

"Also," he said, "we will continue to revamp our tax structure to encourage the investment needed to modernize and expand our capacity and restore productivity growth. Also, we are reexamining our regulators to ensure that they accomplish our social and economic objectives in the most cost-efficient manner possible."

Mr. Auten acknowledged that, in the long-run struggle against inflation, most important is "the need to improve the U. S. productivity performance."

One of Tennessee's women bankers, Esther H. Smith, vice president, Commerce Union, Lebanon, gave bankers some sobering advice. Don't overlook women in banking, she said, as an important political resource.

Mrs. Smith, president of the National Association of Bank Women, Inc., stated that women have the same concern as men about basic banking and economic problems. Enlist the aid of women bankers, she advised, in any political activity. Women, she said, make up 70% of all banking personnel, and they can help get the job done! • •

ABA Leadership Conference Produces Banking Unity

Develops policy encompassing all banking issues

By ROSEMARY McKELVEY
Editor

HOW the ABA Banking Leadership Conference operates, the ABA's approach to the Federal Reserve question, a gloomy economic forecast and talk by an FBI representative were just a few of the highlights of the Mississippi Bankers Association's annual convention last month in Biloxi.

From the ABA. C. C. Hope Jr., ABA president-elect, described the association's Banking Leadership Conference, held in April. More than 400 banking representatives — including six from Mississippi — adopted a comprehensive approach to banking issues at that conference, said Mr. Hope, vice chairman, First Union National, Charlotte, N. C. Therefore, he emphasized, bankers now are united behind not a number of unconnected issues, but behind a *policy* that encompasses all burning issues confronting banking. These issues are Regulation Q, interest-bearing transaction accounts and automatic transfer of funds.

An article based on Mr. Hope's talk appears in the feature section of this issue of MID-CONTINENT BANKER.

Economic Outlook. The key to the economy in the next six months is auto sales, said Morgan Maxfield, a North Kansas City economist. Unfortunately, he foresees a collapse in such sales, and this will be followed by a chronic recession, which will be worse than that of 1970, but not as bad as the one in 1974.

These two developments — falling auto sales and a chronic recession — are the last two of what Mr. Maxfield calls his 13 "falling dominoes of the pendulum era." In the order Mr. Maxfield says they happen in the economy,

Relaxing before last business session of MBA convention are R. D."Bobby" Gage III (l.), assn. pres., and Paul W. McMullan, v.p., who succeeded Mr. Gage as pres. Mr. Gage is pres./CEO, Port Gibson Bank; Mr. McMullan, ch./CEO, First Mississippi Nat'l, Hattiesburg.

these dominoes are: 1. Double-digit deficits. 2. Tax-law change. 3. Lower interest rates than forecast. 4. False prosperity (gold price collapses). 5. Presidential election. 6. Stock-market peak. 7. Discount rate starts up. 8. Higher interest rates than forecast. 9. Decline in new investment. 10. Rising unemployment. 11. Stock-market low (record gold price). 12. Collapse of auto sales. 13. Chronic recession.

Mr. Maxfield advised his listeners to take no risks when the discount rate goes up and banks are rationing credit. He suggests that stocks and bonds be acquired only when the discount rate is on a downtrend.

Looking ahead, Mr. Maxfield forecast that the prime rate will go to 7¾%

NEW MBA OFFICERS

Heading MBA for coming year are (l. to r.): pres., Paul W. McMullan, ch./CEO, First Mississippi Nat'l, Hattiesburg; v.p., Don F. Calfee, dir., Simpson County Bank, Magee; and treas., Douglas A. Herring, Ch., Security State, Starkville.

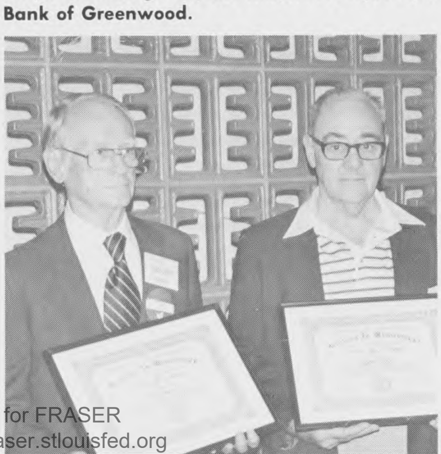
LEFT: J. M. Newman Jr. (l.), s.v.p., Memphis Bank, visits during MBA convention cocktail party with Jack W. Ussery, pres., First Nat'l, Hernando. CENTER: Two officers of Bank of Benoit — Xan Bostick (l.), ch., and Walter Rotchild, pres. — are shown at cocktail party. RIGHT: Mr. and Mrs. J. Wyatt Skaines enjoy cocktail party. Mr. Skaines is a.v.p., Bevill & Bresler Schulman, Memphis.

in 1980, perhaps close to 6¾%. The reason, he said is simple: "We're close to squeezing the consumer out. He's been borrowing about $4½ billion a month in February and March, and we've got him down to about $3½ billion, and I believe — as the summer continues and then the fall — we will continue trimming net new borrowing. The consumer has just about borrowed all he can borrow, and he's going to have to start having some net pay down."

From the FBI. John T. Kelly, special agent in charge of the FBI at Jackson, reported that there were 21 bank robberies in the state during 1978, but that 17 of them had been solved. Since last January, he continued, there were eight robberies, with all of them solved. He advocated stiff prison sentences because, in his opinion, if robbers know they will be caught and sent to prison, they won't commit such crimes.

Mr. Kelly said that there had been much publicity recently over an announced reduction of FBI cooperation in bank-robbery cases. However, he pointed out, that this is not a new development, but, rather, has evolved over the years. In addition, he said, there always will be some federal interest in bank robberies. He said the reduction has come about because of FBI budget cuts and necessity for the bureau to work in other areas, such as organized crime.

Holding plaques awarded to them for being new 50-Year Club members are H. C. Greer Jr. (l.), dir., Bank of Anguilla, and Ralph B. Petty, s.v.p., Bank of Greenwood.



Turning from bank robberies, Mr. Kelly advised Mississippi bankers to become more vocal in the political arena and to make sure that the proper people are elected to office because bankers hold a special esteem in their communities, and their opinions are respected. He also suggested that bankers encourage their customers to vote, for instance, through messages on statement stuffers.

President's Report. R. D. "Bobby" Gage III, MBA president, summed up his year at the association's helm in one word, "political." Mr. Gage, president/CEO, Port Gibson Bank, said that a delegation from the MBA went to Washington, D. C., last September and, although warmly received, left with many promises later broken.

Speaking of state legislation, Mr. Gage said of particular interest to all bankers was the attempt to raise the usury limit on loans of $25,000 and over. He said it is unfortunate that the governor saw fit to veto this legislation, which would have benefited the economy of the whole state, not just banks. He commended Mississippi bankers for their efforts in educating members of the House and Senate on the need for this legislation, resulting in its passage in both houses. "We will have to redouble our efforts next year," he added.

Mr. Gage reported that banks in the state maintain 100% memberships in the MBA and ABA.

The outgoing president also spoke about the association's many educational activities: the student-loan program; "The How and Why of Banking" program sponsored by the Young Bankers Section; the film library, which is used extensively; the Mississippi School of Banking and support of the chair of banking at the University of Mississippi and of the School of Banking of the South at Louisiana State University, Baton Rouge.

New Officers. Elected MBA officers for the coming year were: president, Paul W. McMullan, chairman/CEO, First Mississippi National, Hattiesburg; vice president, Don F. Calfee, director, Simpson County Bank, Magee; and treasurer, Douglas A. Herring, chairman, Security State, Starkville.

ABA Election. William E. Howard Jr., chairman, Commercial National, Laurel, was elected to the ABA governing council for a two-year term beginning next fall. He will succeed Leo W. Seal Jr., president/CEO, Hancock Bank, Gulfport.

Veteran Bankers Honored. The MBA has a 50-Year Club and a 40-Year Club, and new members were recognized during the convention. The 50-year bankers are: H. C. Greer Jr., director, Bank of Anguilla; W. D. Mangum, chairman emeritus, First State, Waynesboro; and Ralph B. Petty, senior vice president, Bank of Greenwood.

Those honored for 40 years are: Mr. Calfee; Mary B. Jackson, vice president, Hernando Bank; Thad B. Lampton Jr., chairman of the advisory board, Columbia Bank; Oscar Harvey, executive vice president, Delta National, Yazoo City; Hilliard Harper, vice president, Bank of Greenwood; and Aline Hazlewood, assistant vice president, First National, Jackson. ● ●

Mary B. Jackson, v.p., Hernando Bank, and Don F. Calfee, dir., Simpson County Bank, Magee, hold plaques given to them as new 40-Year Club members. Mr. Calfee also is immediate past treas. and newly elected v.p. of MBA.

Change in Shareholder Control Minimized by HC's Action

KANSAS CITY — Shareholders of United Missouri Bancshares, Inc., a multi-bank HC here, have adopted a series of proposed amendments to the bylaws and articles of incorporation that minimize the possibility of a change in shareholder control of the company.

One amendment creates a classified board. Following affirmation by shareholders, the board will consist of three classes: one of five directors and two of six directors each. The five directors in class I serve terms until the 1980 annual meeting, class II directors until 1981 and class III directors until 1982. Each director's successor will be elected to a term that expires with the third succeeding annual meeting.

This eliminates the possibility that the majority of the board could be changed at a single annual meeting.

The remainder of the amendments, with one exception, facilitate establishment of the classified board of directors concept. The exception is an amendment increasing the authorized capital stock of the corporation from four million to five million shares of $12.50 per value common stock. The additional shares will be available for issuance in connection with acquisition of new affiliates and other corporate purposes.

10% Usury Law

(Continued from page 69)

legislature will not be in session during the next 18 months.

From this "trio of possibilities," Arkansas bankers are optimistic that at least one proposal will offer relief from the state's 10% usury law. They believe the public today has more understanding of the problem and that this understanding will be extremely helpful during the constitutional convention and the special election that will follow.

New Officers. During their convention, Arkansas bankers elected a new slate of officers to serve during the coming year. Elected president: Joe Hiatt, chairman and president, American State, Charleston; first vice president, Louis Ramsay, chairman, Simmons First National, Pine Bluff; second vice president, B. J. Ford, chairman and president, Merchants & Planters, Camden; and treasurer, M. S. Woodruff, president, Citizens Bank, Carlisle.

Arkansas members of the American Bankers Association also elected a member of the ABA governing council: Edward Hurley, president, Exchange Bank, El Dorado.

Among other issues discussed at the convention was the FIRA act, which deals with interlocking directorates, loans to majority stockholders, reporting requirements and sale of majority interests of a bank. Arkansas bankers severely questioned whether under provisions of the act, they could retain some of their "more substantial" directors. (The reader will find further information on some provisions of FIRA in another section of this issue.)

Another speaker, Gerald Lowrie, executive director of the American Bankers Association's government relations council, reviewed pending congressional legislative issues. Of most concern to Arkansas bankers (and to bankers in other states) are pending proposals to raise interest limitations on the small saver. Mr. Lowrie agreed that rates on the smaller CDs — those under $10,000 — undoubtedly would be "ratcheted upward" as a result of current hearings. The small savers, he said, headed by the Gray Panthers (an organization of elderly persons), are making their position known, and higher rates probably will be permitted on CDs of $1,000 or even $500. The pressure is mounting, said Mr. Lowrie, for complete removal of Regulation Q over a period of five or 10 years. He concluded that bankers can be prepared to pay more for their savings deposits. • •

John F. McGillicuddy to Speak At Southwestern Banking School

John F. McGillicuddy, president and CEO, Manufacturers Hanover Corp. and Manufacturers Hanover Trust, New York City, will be the keynote speaker at the 22nd session of the Southwestern Graduate School of Banking in Dallas. Mr. McGillicuddy, whose speech is open to the public, will talk at 7:30 p.m., Monday, July 30, in McFarlin Auditorium on the university campus.

He will deliver his address after the senior night banquet on the first evening of the two-week session.

Mr. McGillicuddy began his banking career in 1958 and became chairman, president and CEO in April.

NEWS
From the Mid-Continent Area

Alabama

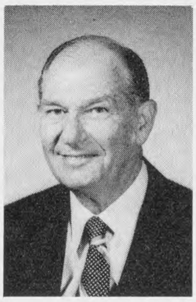
■ JACK G. HAYS has been elected executive vice president, Alabanc Financial Corp., Birmingham, parent HC of First National, Birmingham. He had 16 years' experience with a financing and leasing firm before joining the company in 1974. In other action, the bank held ribbon-cutting ceremonies for its Bessemer Branch's improved drive-in facilities in April. The new facilities, which allow customers' vehicles to face tellers head-on, are said to be the first of their kind in Jefferson County. There also are three new express lanes, one for commercial customers, and an additional night depository. The old drive-in facilities no longer will be used.

■ UNION BANK, Montgomery, has elected Robert E. Kelly, senior vice president and senior trust officer, and Jim T. Inscoe, owner of Jim Inscoe Agency, real estate, as directors. They fill the vacancies created by the death of John H. Neill Jr., former chairman, and the retirement of John W. Overton. Dorothy W. Norris has been promoted to vice president and assistant to the president/assistant secretary to the board from vice president and assistant to the president. The bank also named these assistant vice presidents: Virginia L. Carmichael from administrative assistant; Pauline O. Mills, Charles F. Young and William A. Komara from consumer loan officers; Betty Dunnam from assistant accounting officer; Marilyn B. Bass from branch administrative assistant; and L. Alan Weeks Jr. from assistant cashier. New assistant cashiers are: Nettie Hamilton, Cary Glenn Daniel, Verlon Hurst, Medie D. Bryant, Edieth D. Owen and Claire F. Baldwin. Linda P. Singleton has been promoted to assistant trust officer from administrative assistant/trust department.

■ GAIL K. GENTRY has been named to the executive committee and will serve as state director of Bank Administration Institute from July 1, 1979, through June 30, 1981. Miss Gentry is vice president/manager of the operations department at National Bank of Commerce, Birmingham.

■ DAN L. HENDLEY, president and chief administrative officer, has been named CEO, First National, Birmingham, following the death of Newton H. DeBardeleben. Mr. Hendley is a director, Alabama Bancorp., parent HC; Alabanc Financial Corp., a bank-related affiliate; and vice chairman, Engel Mortgage Co. In other action, Clarence B. Hanson Jr. and Alfred M. Shook III have retired as directors of the HC. Both were founding directors of the HC and served since 1972. Newly elected directors are Wallace R. Bunn, president, South Central Bell Telephone Co.; Prince DeBardeleben Jr., president, Steward Machine Co., Inc.; and William J. Rushton III, president and CEO, Protective Life Insurance Co. All also serve as First National directors and Mr. DeBardeleben is a director, Alabanc Financial Corp. In bank-related action, Mavis E. Munger has been promoted to vice president/main office lobby; Nell M. Bryant has been promoted to assistant vice president/personnel department, and Thomas R. Runnels has been promoted to assistant vice president/corporate services department.

HENDLEY



DAVIS

■ CLARENCE E. DAVIS, president, First Bancgroup-Alabama, Inc., Mobile, has been elected to the boards of the HC and of its Birmingham affiliate, MetroBank. He also serves on the board, Eastern Shore National, Daphne, another affiliate. Other newly elected HC directors are G. Sage Lyons, Lyons, Pipes & Cook; Matthew S. Metcalfe, president, Loyal American Life Insurance Co.; and Tom G. Thrasher, president and manager, Thrasher Oil Co. In other action, Gary E. Christensen has been elected vice president and Edward L. Hilliard has been elected assistant vice president, First National, Mobile. Mr. Christensen will assume responsibilities of assistant division manager/international division. Most recently, before joining the bank, he was area officer/Far East and vice president and manager/correspondent banking-international, Central National, Cleveland. Mr. Hilliard has joined the bank's retail division.

Young Bankers Elect Officers

New officers of the Alabama Young Bankers section of the Alabama Bankers Association have been elected. They are: President — Rence D. Kelly, assistant vice president, Central Bank of Alabama, Huntsville; vice president — Rick Walker, executive vice president, Bank of York; treasurer — Phillip N. Davis, vice president/operations and loans, Farmers & Merchants, Centre; and secretary — Jay Mullins, executive vice president, Leeth National, Cullman.

In other action, the association presented awards to some of its members. Wayne Malone, president, First National, Russellville, was named Alabama's outstanding young banker for 1979. He began his banking career in 1966 as a management trainee at First National, Birmingham, was employed as assistant national bank examiner for the Comptroller of the Currency from 1967 to 1971 and, in 1971, was elected president and CEO, First National, Russellville.

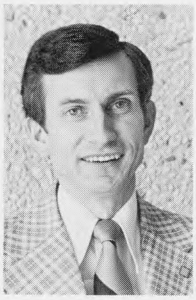
Alabama's most outstanding group award was presented to Sam Hinton, assistant vice president, First National, Florence, who served as chairman of Group I. Alabama's outstanding school coordinator was Jerry Scott, Central Bank, Florence, also of Group I.

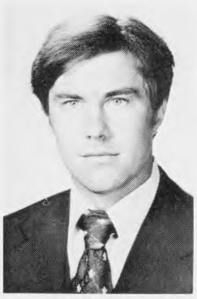
■ BANK OF EAST ALABAMA, Opelika, has promoted M. W. "Buster" Milner to senior vice president from vice president and has named Robert W. Dumas and Stephen W. Whatley assistant vice presidents. Mr. Dumas joined the bank in 1976 and was named loan officer in 1978. He will manage the bank's Auburn Branch. Mr. Whatley was with National Bank, Columbus, Ga., and Security Pacific

National, Los Angeles, before joining the bank. Also, Tom Botsford, an insurance agency president and 15-year board veteran, has been elected chairman, moving up from vice chairman. As chairman, he succeeds Dr. James E. Walker.

Arkansas

■ WORTHEN BANK, Little Rock, has promoted the following officers: Guy Mosley to vice president/automated customer service department and Ray Baldwin to assistant vice president/sale, automation and servicing of data processing services to Worthen's correspondent banks. Other assistant vice presidents are: Bob McNeice, cash management services; Robert Carpenter, Gary Stephens and John Woodworth. Newly elected assistant cashiers are: Versie Burch, Vestal Hatcher, John Scaccia and Dennis Redmon.


BALDWIN


INGRAM

■ ROLLO F. INGRAM has joined First National, Little Rock, as senior vice president and manager/finance division. He previously had been manager/management consulting services, Ernst & Ernst's Little Rock office.

■ LINDLEY V. SMITH JR. has been elected executive vice president and secretary to the board, Bank of Tuckerman. Before joining the bank, Mr. Smith was with Clarendon Industries, Kansas City, a bank service company.

Illinois

■ NATIONAL BOULEVARD, Chicago, has scheduled its new banking facility's grand opening for early fall. The site at One Illinois Center is a relocation of the facility formerly located at Grand Avenue and Seneca Street.

■ CONTINENTAL BANK, Chicago, has promoted the following officers: to second vice presidents — Chester A. Ruben, Jere M. Teed, James A. Borowicz, Michael B. King, Gwen B. Jung and James L. Underwood; banking officers — Barbara A. Aman and I. Scott Stover.


WEST

■ B. KENNETH WEST has been elected executive vice president, Harris Bankcorp., Inc., Chicago, and Gregory N. Schedler has joined Harris Bank, the HC's lead bank, as a trust officer and senior account executive. Mr. West also is an HC director and executive vice president and banking department head, Harris Bank. Mr. Schedler is in the employee trust division and previously was trust officer and manager/business development, Hibernia National, New Orleans.

Died: Dale Young, 48, vice president, Bank of Herrin, in April of an apparent heart attack. He was a lifelong resident of Herrin and had completed a two-year banking course at Southern Illinois University/Carbondale.

Indiana

■ TERRE HAUTE FIRST NATIONAL has promoted Terrell A. White to assistant vice president and Cary W. Sparks to trust officer. Mr. White joined the bank in 1975 as a commercial credit analyst and, in his present position in the commercial leasing department, he will aid area businesses with equipment financing. Mr. Sparks joined the bank in 1972 and the trust department in 1974, at which time he was named assistant trust officer.

■ SPRINGS VALLEY NATIONAL, French Lick, has voted to change its name to Springs Valley Bank, after converting its charter from national to state. Changes should be made final this summer.

Kansas

■ MERCHANTS NATIONAL, Topeka, has announced the following officer changes: William D. Bunten, president and director, has resigned to join Central National Bancshares, Des Moines (an Iowa HC), as senior executive vice president and chief operating officer; Oliver H. Hughes, chairman and CEO, has assumed the title of president; Edward B. Hart has been promoted to executive vice president and chief operating officer from senior vice president/trust department and now has responsibility for operations, marketing, correspondent banking, installment lending and the trust department; Ronald J. Francis and Robert P. Priest have been promoted to senior vice presidents from vice presidents; and Lester C. Carlson, vice president and comptroller, has been elected cashier.

Bearded Tale

Monument remembering "home of Lincoln's Little Correspondent," Delphos, is tribute to Grace Bedell Billings, 11 year old who advised Abraham Lincoln to grow beard. She married George N. Billings, founder, Bank of Delphos, which is celebrating 100th anniversary next year.

DELPHOS — A well-known city landmark is the "Home of Lincoln's Little Correspondent" monument, a tribute to Grace Bedell Billings, the 11-year-old girl who suggested to Abraham Lincoln he grow a beard to become President. She grew up to marry George N. Billings, founder of the Bank of Delphos, which will celebrate its 100th anniversary next year.

Delphos was the Billings' home and the monument is adorned with replicas of correspondence commemorating the incident. Today, a century later, Roger Billings, a grandson, is the bank's president and chairman.

McManness Gets Bank Post

WICHITA — Raymond L. McManness has been elected president of newly chartered Maize State. He previously held positions here with Fourth National as a consumer loan officer and with East Side Bank as a vice president. He has 15 years' experience in the financial field.

The charter for the new financial institution was the first to be granted in the state in three years, according to bank officials. An existing building at Maize Road and 53rd Street North is under renovation and will be enlarged to become the bank's location.

■ RONALD PRIDEY has joined State Bank, Delphos, as an assistant vice president and loan officer. He is an agriculture economics graduate of Kansas State University.

■ HOME BANK, Eureka, has announced these officer promotions: R. D. "Dick" Rucker to president from executive vice president, Shirley I. Burke to vice president from assistant vice president, and Philip B. Davis to assistant vice president and agricultural representative from assistant cashier and agricultural representative.

■ RICHARD W. MILLER has joined Hutchinson National as a mortgage loan officer in charge of setting up a new residential mortgage department. He formerly was vice president, Valley Federal S&L, Hutchinson.

■ DENNIS ROGERS has been named trust officer and member of the trust committee, Fidelity State, Topeka. He had served as trust officer, Southwest State, Topeka, for the past four years.

Automated Service Center Opened In WaKeeney by KCK Bank

KANSAS CITY — Commercial National has opened an automated service center in WaKeeney. Northwest Kansas bankers, civic officials and several officers from the bank attended opening ceremonies for the WaKeeney Data Center, as it will be called.

The WaKeeney Data Center uses an IBM System 32 computer with remote visual display terminal, keyboard unit and a Model 1255 reader/sorter. Through the center, a customer information file system is available, which links customer relations with the bank and answers inquiries on the visual display terminal screen.

Mike O'Leary (l.), correspondent officer, Commercial Nat'l, Kansas City, demonstrates visual display terminal at opening of bank's WaKeeney Data Center.

Max Dickerson (l.), s.v.p., Commercial Nat'l, Kansas City, explains advantages of bank's processing system at WaKeeney Data Center opening.

The center is managed by Darlene Lefort. Its activities will continue to expand as additional banks are added to the on-line network. At present, the bank's data division services about 90 banks in Kansas.

Kentucky

■ MONTICELLO BANKING CO. has made these changes in officer status: Dr. Mack Roberts, president; Charles E. Cowan Jr., executive vice president and chairman; Odis Eads, senior vice president from cashier; William R. Hayden and Jimmy Coffey to vice presidents from assistant cashiers; Betty Corder, assistant vice president and branch manager; Jeannette Parmelee, assistant vice president; Lois Taylor, cashier; and Juanita Wade, Loma Watson and Kathy Eads, assistant cashiers.

■ CITIZENS BANK, Paducah, has begun a renovation of its 10-story building on Broadway, which will include the building of a three-story facility adjacent to it. The expansion has been estimated to cost about $3 million. The decision to expand was based partly on the proposed development of a downtown convention center and motel. The bank's project was instrumental in getting a $2.9-million federal matching grant for convention construction, according to the city director of planning and community development.

■ FIRST NATIONAL, Georgetown, has promoted these officers: Raymond L. Morrison to chairman, president and CEO from chairman and trust officer; Richard Rogers, Danny McFarland, Lelia Mae Logan, Glenna Cutshaw and Juanita Lancaster to assistant vice presidents; Neva Russell to cashier; George Parker to assistant cashier; and Jane Marshall to auditor.

■ CITIZENS NATIONAL, Bowling Green, has promoted Vice President Robert R. Kirby from trust officer to senior trust officer and Assistant Vice President Patricia R. Smith from assistant trust officer to trust officer.

■ L. RONALD DUNN has been elected senior vice president/retail banking division, Central Bank, Lexington. He will serve on the bank's senior management, senior loan and asset/liability committees. He joins the bank after 11 years with American Fletcher National, Indianapolis, where he served most recently as vice president.

■ FIRST NATIONAL, Louisville, has promoted Charles H. Reeves to senior vice president from vice president and Charles M. Williams to vice president. Stephen J. Hark has been promoted to vice president and auditor from auditor, First Kentucky Trust Co., a bank affiliate.

McKINNEY

FISHER

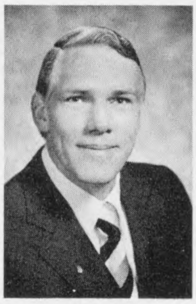
■ CHARLES J. FISHER and Avil L. McKinney have been elected to the board, United Kentucky, Inc., and its subsidiary, Louisville Trust. Mr. Fisher is president and chief operating officer, Reliance Universal, Inc., and Mr. McKinney is executive vice president, Blue Cross & Blue Shield and Delta Dental. The HC's board also elected Alex S. Chamberlain and Paxton M. Wilt directors emeritus.

■ LIBERTY NATIONAL, Louisville, has filed an application with the Federal Reserve Board to gain bank holding-company status. Shareholders are expected to approve this action later in the year, after Fed approval.

■ PIKEVILLE NATIONAL has announced these officer changes: R. B. Johnson, president, has retired, and his position has been filled by Burlin Coleman, former executive vice president; Brandt Mullins, vice president and cashier, has been named executive vice president and cashier; and John N. Pinson was promoted to assistant vice president/mortgage lending from assistant cashier. Lon B. Rogers, an attorney, has been elected a director, replacing Mr. Johnson, who also resigned his directorship. His father, Fon Rogers, helped organize the bank in 1903.

■ JOYCE A. SOULT has been appointed manager/Radcliff Branch, Fort Knox National, Radcliff. She joined the bank in 1964 and was a loan administrative officer prior to her new position.

Louisiana



CLARK

GERALD

■ FRANK S. CRAIG JR. has been reelected chairman and CEO, Fidelity National, Baton Rouge, and the bank's HC, Fidelity National Financial Corp. Donald F. Gerald has been elected president, and E. M. "Ned" Clark has been named executive vice president and chairman, bank and HC executive committees.

■ EDWIN J. CAPLAN, president, Caplan's Mens Shops, Inc., has been elected to the board, Guaranty Bank, Alexandria. He recently completed three separate terms as chairman, New Orleans branch, Atlanta Fed. Joe W. Pitts Sr., past president, Brown Roberts Hardware and Supply, and bank director for 25 years, has retired from the board.

Mississippi

■ RAY R. McCULLEN, vice chairman/administration, Deposit Guaranty National, Jackson, and president, Natchez Branch, will become chairman, executive committee, July 1. He succeeds Charles R. Arrington, who will retire July 1, closing a banking career of more than 42 years. William L. Watson III, senior vice president/investment division, has been named to succeed Mr. McCullen as president, Natchez Branch.

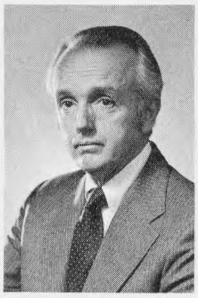
■ WILLIAM D. GOODMAN has been promoted to executive vice president, First United Bank of Mississippi, Meridian. He joined the bank in 1944 as a part-time runner and student.

Missouri

■ UNITED MISSOURI BANCSHARES, INC., Kansas City, has received final approval from the SEC to acquire City Bond & Mortgage Co., a mortgage banking firm. The agreement provides for exchange of at least 80% of the outstanding shares of the company, which will move its main office to the new four-story facility at I-435 and State Line, where the HC will be located. In other action, Ann Stegner, president, Harzfeld's, has been elected an advisory director, United Missouri, Kansas City, the HC's lead bank.

■ FIRST NATIONAL, Kansas City, has elected George R. Sims Jr. vice president and personnel director and Gerald J. Cramer assistant vice president/commercial banking. Mr. Sims previously managed personnel activities for a southeastern mortgage banking company. Mr. Cramer, who has been with the bank since 1972, will have responsibilities in the metropolitan and national divisions.

SIMS



OWEN

■ JOHN R. OWEN has been named executive vice president/national, correspondent, retail and metropolitan divisions, and Richard E. McEachen has been named trust department manager, Commerce Bank, Kansas City. Mr. Owen had been executive vice president/trust department, and Mr. McEachen has served as senior vice president/trust department since joining the bank in 1975.

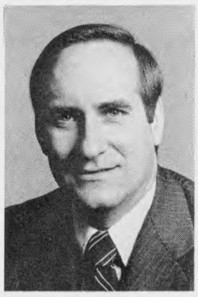
■ JOHN PETERS MacCARTHY, president and CEO, St. Louis Union Trust Co., has been elected chairman and CEO, First Union Trust Co., Kansas City, a subsidiary of St. Louis Union. He succeeds Eugene F. Williams Jr., chairman, St. Louis Union, who continues as a director of the subsidiary. In addition, Robert T. Hunter was elected president and chief operating officer, First Union Trust, Kansas City. He previously was executive vice president.

■ CHARLOTTE TEMPLE, assistant vice president, First National, St.

Louis, has been elected chairman, Metropolitan St. Louis Group, National Association of Bank Women. Other new officers are: vice chairman, Norma Grohler, cashier, First National, Greenville, Ill.; secretary, Angela Mazzola, customer service officer, Commerce-Manchester Bank, St. Louis; and treasurer, Van Lance, assistant secretary, Landmark North County Bank, Jennings, Mo. All will take office this fall.

■ JOSEPH C. ABT, vice president, Southern Commercial, St. Louis, has been elected president, St. Louis Association of Credit Management. Other officers are: first vice president, Richard Mitchell, credit manager, Joseph T. Ryerson & Sons Inc., St. Louis; second vice president, Garland R. Dukes Jr., general credit manager, grocery products division, Pet, Inc., St. Louis; and councilor, Byron Stevens, general credit manager, Anheuser-Busch Inc., St. Louis.

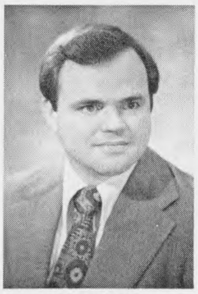
■ J. BARRY MYERS has been elected president, CEO and a director, Columbia Union National, Kansas City. Prior to joining the bank, Mr. Myers served eight years with National Central Bank, Lancaster, Pa., where he most recently was an executive vice president.


MYERS


KIENKER

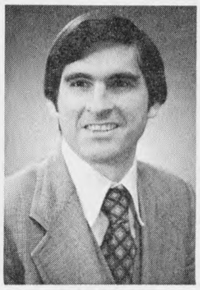
■ JAMES W. KIENKER has been named vice president and controller, Boatmen's Bancshares, Inc., parent HC, Boatmen's National, St. Louis. Prior to joining the HC, Mr. Kienker was an audit manager, Peat, Marwick, Mitchell & Co., St. Louis.

■ FIRST UNION BANCORP., St. Louis has elected John W. Rowe vice president. He also is vice president and manager/bond department at the HC's lead bank, First National, St. Louis. The bank also promoted Steven McDowell Campbell and Frank R. Szofran Jr. to assistant vice presidents/correspondent banking division.


CAMPBELL


ROWE


GUERNSEY


SZOFRAN

■ GEORGE T. GUERNSEY III, has joined Commerce Bank, St. Louis, as president, going from Commerce-Manchester Bank, St. Louis, where he was executive vice president. Commerce-Manchester formerly was Manchester Bank and received its new name last November, when its parent HC, Manchester Financial Corp., St. Louis, and Commerce Bancshares, Kansas City-based HC, were merged. Mr. Guernsey joined Manchester Bank in 1948 after a year with St. Louis County Bank, Clayton.


LANNING


BLIXEN

■ MERCANTILE BANCORP., St. Louis, has elected James J. Lanning a senior vice president. He will continue to serve as chairman, Red Bridge Mercantile, Kansas City. John H. Blixen has been elected senior vice president, Mercantile Trust, St. Louis, lead bank of the HC. He recently was named chief investment officer/trust department, succeeding Albert W. Winter, senior vice president, who will retire July 1. Other newly elected officers are Edmund J. Thimme Jr., vice president; Theodore G. Boller, vice president; and William G. Sgarlata, assistant vice president. Newly elected HC directors are: Earl K. Dille, executive vice president, Union Electric Co., William G. Heckman, chairman and CEO, Arch Mineral Corp.; and Neal J. Farrell, president, Mercantile Trust.

Byron Moser Sr. Dies at 94; Owned 6 Banks During Career

ST. LOUIS — Byron W. Moser Sr., owner and controller of six banks here at various times, died in April at the age of 94. He began his banking career in 1903 in the accounting department at the old St. Louis Union Bank. When it joined with two others in 1919, becoming First National, Mr. Moser was a vice president and retained that title at the new bank.

In 1922, he left First National and with a partner founded Security National. In 1934, he and his partner separated, and Mr. Moser founded Mutual Bank and was its president until 1946. Security National and Mutual Bank eventually were merged with Mercantile Trust.

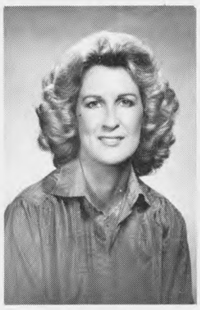
Mr. Moser also was the organizer of a group that bought Jefferson Bank in 1947. The bank was sold three years later, and Mr. Moser acquired controlling interest in Southern Commercial, where he was chairman until he sold his interest in 1954 and retired.

In 1967, he was named honorary chairman of the first new bank in downtown St. Louis in 33 years, Missouri State. Mr. Moser is survived by his banker son and grandson, Byron Jr. (chairman, Southern Commercial) and Byron III (loan officer, Southern Commercial).

New Mexico

■ THOMAS R. JACOBS has been promoted to senior vice president, and Amelia S. Valdez has been promoted to branch manager/Alameda office, First National, Santa Fe. Mr. Jacobs joined the bank as vice president/consumer loan and dealer divisions in 1978. Miss Valdez joined the bank in 1956 and most recently was assistant branch manager/Cerrillos office.

NMBA Executive Vice President



Sharon Janecka of Las Cruces has been appointed executive vice president of the New Mexico Bankers Association. Formerly, she was an administrative aid to U. S. Representative Harold Runnels (D.,N.M.) for seven years. As a congressional aide, she gathered input on pending legislation and was involved in casework with constituents' problems with federal agencies. Mrs. Janecka was the first person appointed to the public-member position on the New Mexico Real Estate Commission in 1978. Also, she is a member of the Lea County Crisis Board.

■ NEW MEXICO BANK of Hobbs' Eunice Office, is adding two drive-through windows and other renovations, including an automatic-time sign. No completion date has been announced for the $232,000 project. In other action, the bank promoted C. Michael Miller to vice president/personnel from auditor, and Robert Good to auditor from assistant auditor.

■ ROBERT E. HAYNES, vice president/credit department, First National of Dona Ana County, Las Cruces, has been elected Southwest Region president, National Association of Credit Managers, the organization for credit reporting agencies. He will serve a one-year term.

'Bank Week in New Mexico'

New Mexico Governor Bruce King (seated) meets with representatives of the New Mexico Bankers Assn. in recognition of "Bank Week in New Mexico" April 16-21. With the governor are NMBA Pres. Leon G. Harmon and Lou Martinez, NMBA admin. asst. Mr. Harmon is pres., New Mexico Bank, Hobbs. At one of the week's highlights — a press luncheon April 19 at the Albuquerque Airport Marina — Robert P. Keim, pres., Advertising Council, New York City, spoke. Francine I. Neff, former U. S. treasurer and now v.p., Rio Grande Valley Bank, Albuquerque, was ch. of the bank week.

Oklahoma

■ LIBERTY NATIONAL, Oklahoma City, has elected new executive vice presidents: Kenneth R. Brown, investment services; James W. Bruce Jr., planning; Robert A. Gregory, commercial banking; and Willis J. Wheat, marketing. All formerly were senior vice presidents. In addition, John Marshall has been promoted to assistant vice president, Liberty National Corp., Oklahoma City, the bank's parent HC.

WHEAT

BRUCE

BROWN

GREGORY

■ DENNIS L. BRAND has been named manager/commercial real estate department, Bank of Oklahoma, Tulsa. He succeeds Leland S. Brunson Jr., who has moved to Florida. Mr. Brand is vice president of the bank.

■ FIRST NATIONAL, Oklahoma City, has made the following officer changes: Ronald Cockings, vice president/installment loans, to vice president/industrial division; Elaine Dake, from assistant vice president/personnel to vice president; John Osborne, from assistant vice president to vice president/First Arcade; Tim Wadley, from assistant vice president to vice president/bond department; and these new assistant vice presidents — Dorothy Furr, from trust officer; Ron Steeves, from trust officer to stockholders accounting; Keith Buchanan, Mike Johnson, Mike Pollard and Jay Williams. Barbara Ward was named trust officer.

French Bankers Review ATMs

OKLAHOMA CITY — Bankers representing Credit Mutuel, the largest bank in France, have been conducting an in-depth study of the Service Card System automatic transfer machines (ATMs) because of their dominance in the Southwest in electronic funds transfer. Service Card System (SCS) is a statewide electronic network, and the ATMs are a joint venture of First National and Fidelity Bank.

The bankers met with Ted W. Shaw, executive vice president, First National, and SCS chairman; Charles E. Nelson, executive vice president, First Data Management Corp.; Robert C. Lowrey, SCS president; R. K. Motheral, SCS general manager; and several IBM representatives to discuss the system.

After an explanation and a demonstration of the system, the bankers were taken on a tour of the Cowboy Hall of Fame.

Correction

In the article on the "50-Year Club New Members" of the Oklahoma Bankers Association convention in the May 1 issue of MID-CONTINENT BANKER, Henry Croak was incorrectly identified as chairman/CEO of American State, Midwest City. The bank's correct name is First National, Midwest City, and the editors regret the error.

Tennessee

■ FIRST AMTENN CORP., Nashville, has promoted Clarence H. Nixon to vice president and general auditor. In the HC's lead bank, First American National, Nashville, the following promotions have been made: James E. French, Gerald D. Griffin, Thomas L. Martin and David W. Bryant to vice presidents; Howell H. Campbell III and David H. Claiborne to assistant vice presidents; Vema Minor to manager/100 Oaks Office and Bill Collier to succeed her as manager/Church Street Office. Other facility changes are: Renard Hirsch to manager/21st and Jefferson Office; Dorotha Polly to manager/Bellevue Office, from loan officer/Main Office; Patti Wilkes to Hillsboro Office, from manager/Bellevue Office. Mrs. Minor is succeeding Ken Cox, who resigned to accept a position with a Florida bank.

■ GEORGE B. MABRY and Stephen S. Mathews have been promoted to assistant vice presidents from commercial officers, Third National, Nashville. In other action, Anne J. Cheatham, administrative assistant, was named winner, 1979 southern regional scholarship award by the National Association of Bank Women. Mrs. Cheatham, who is manager/teller operations, will use the award to complete a management institute of the NABW Educational Foundation's bachelor's degree program in management at Louisiana State University, Baton Rouge.

■ C. NELSON EARLY has been promoted to senior vice president, Nashville CityBank. He is director/marketing and correspondent banking.

Nick McGuire Named President Of Young Tennessee Bankers

Four bankers from across the state have accepted leadership positions as 1979 officers of the Young Bankers Division of the Tennessee Bankers Association, and four bankers have been recognized for their outstanding efforts as 1978-79 TBA educational coordinators.

The new officers are: Nick McGuire, vice president, Park National, Knoxville, president; Bruce Plummer, vice president, Commerce Union of Rutherford County, Murfreesboro, president-elect; Jimmy Harrison, vice president, Martin Bank, vice president; and Jim Henry, president, Oakland Deposit, chairman.

The award winners are: Helene Colvin, director of marketing, Citizens Central, Murfreesboro; Don Long, assistant vice president, First Citizens National, Dyersburg; Jean Bower, assistant cashier, Farmers State, Mountain City; and K. Newton Raff, vice president, First Tennessee, Chattanooga.

Bill Killebrew Dies

Bill Killebrew, who retired as s.v.p., Third Nat'l, Nashville, several years ago, died April 20. He suffered a severe stroke. Mr. Killebrew, who served as a correspondent banker for Third Nat'l, traveled for many years in Tennessee and Kentucky. Since his retirement, he served as a consultant for a Nashville architectural firm.

New Bank of Dickson Office Has Contemporary Design

DICKSON — Bank of Dickson's new Highway 46 Office is designed with a change in style from the bank's traditional building on the square. It is a two-story building with a basement. The main floor contains paying and receiving, vault, main lobby, an officers area and three private offices. On the second floor are bookkeeping and operations and the boardroom.

The contemporary-styled office was designed by James M. Wilson, an architect and engineer, and the interior designer was Beverly Anderson, Interior World, Nashville. The firms are affiliated and offer a complete design package.

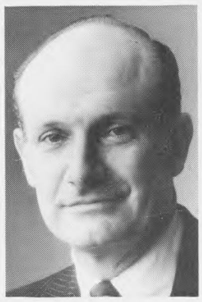
Main lobby of Bank of Dickson's new office was designed by Beverly Anderson, Interior World, Nashville. James M. Wilson, architect and engineer, designed contemporary-styled building, which was change in style from bank's traditional building on square.

One office on the main floor is used as an informal conference and closing room, and it has built-in book shelves and pecan paneling. The main-floor color scheme is Kelly green carpeting, pale green walls, white casement draperies and brightly colored furnishings in navy, green and gold. The main floor also has large green plants to soften the effect of the straight-lined furnishings.

The boardroom on the second floor features a 16-foot conference table designed by Mr. Wilson and made by a firm in Dickson. The walls are pecan-colored paneling, and the other colors are more traditionally neutral. There are dark green suede-like vinyl chairs for the directors.

Texas

■ BANK OF THE SOUTHWEST, Houston, has named the following officer changes: T. Orman Taylor, manager/loan administration division, to executive vice president; B. Lamar Ball Jr. to senior vice president; and Brian K. Delaney to vice president/U. S. corporate.



TAYLOR

■ FIRST CITY BANCORP. of Texas, Houston, has elected W. L. Medford senior vice president and controller; Ralph Blanton Jr., vice president and manager/loan review; and James E. Day, vice president and manager/public relations. Mr. Medford previously was vice president and controller; Mr. Blanton previously was credit examiner and manager/loan review; and Mr. Day previously was manager/public relations.

■ FROST NATIONAL, San Antonio, has promoted these vice presidents: Robert H. Hotaling, loan review; Paul J. Olivier, bankcard operations and account services; and Jean Pittman, bankcard operations.

PITTMAN HOTALING OLIVIER

■ UNION NATIONAL, Austin, has changed its name to National Bank of Texas. The change became effective in May.

■ TEXAS AMERICAN BANCSHARES, INC., Fort Worth, has elected W. A. Schmid Jr. to the board. He is chairman, executive committee, American Quasar Petroleum Co., Fort Worth, and has been a board member, Fort Worth National, the HC's lead bank, since 1975.

■ LINDA REICH has been promoted to assistant cashier, Texarkana

National. She joined the bank in 1974 and was promoted to safekeeping officer in 1977. In her new position, she heads the safekeeping department, which administers securities, savings bonds, CDs and safe deposit boxes.

Fed Answers Regs Questions

Randall C. Sumner, examiner in St. Louis Fed's consumer affairs dept., answers common questions about federal regulations that affect most banks. Information given here reflects Mr. Sumner's opinions, not necessarily those of the St. Louis Fed or the Board of Governors.

Q. When are renewals or extensions of credit considered refinancing and subject to disclosure requirements of Regulation Z?

A. Four criteria are used to determine whether renewals or extensions of credit are considered refinancing. They are: 1. All disclosures required by Regulation Z were not made in connection with the original extension of credit or a prior renewal. 2. The amount of the renewal exceeds the amount of the unpaid balance plus any accrued and unpaid finance charge. 3. The annual percentage rate previously disclosed is increased. 4. The period for which renewal is made exceeds by more than four days the period of the extension of credit for which disclosures were made. A renewal or extension of credit, meeting any of the above criteria, would require new Truth-in-Lending disclosures given to the customer.

Q. When may premiums charged consumers for vendor's single-interest insurance be excluded from the finance charge?

A. Pursuant to interpretation section 226.404 of Regulation Z, premiums for such insurance may be excluded from the finance charge only if the insurer waives all right of subrogation against the customer, and the creditor complies with requirements of section 226.4 (a)(6). Because not all insurers choose to waive the right of subrogation, financial institutions must verify that the right of subrogation is waived before excluding such insurance premiums from the finance charge. Instances where such insurance premiums are improperly excluded from the finance charge may trigger reimbursements to customers in accordance with the Regulation Z inter-agency enforcement guidelines.

Q. What documents must be retained by creditors for purposes of Regulation B record-retention requirements?

A. Section 202.12(b)(1) of Regulation B requires creditors to retain for 25 months after the date an applicant is notified of action taken on an application any application form that it receives and any other written or recorded information used in evaluating the application. "Other" written or recorded information includes items such as credit reports, appraisals and financial statements. In addition, copies of the notification of action taken, statement of specific reasons for adverse action and any written statement submitted by the applicant alleging a violation of the Equal Credit Opportunity Act must be retained for the 25-month period.

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