MID-CONTINENT BANKER

NORTHERN EDITION

JUNE, 1984

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CONVENTION CALENDAR

June 19-23: Michigan Bankers Association Annual Convention, Mackinac Island, Grand Hotel.

June 20-22: Association of Bank Holding Companies Annual Meeting, Newport, R.I., Sheraton Islander.

June 20-22: Independent Bankers Association of America Commercial Loan Workshop, Lexington, Ky., Hyatt Regency Lexington.

June 27-29: Bank Marketing Association Sales Management Workshop, Chicago, Drake Hotel.

July 8-13: ABA National Agricultural Bank Management School, Ames, Ia., Iowa State University.

July 15-27: ABA School for International Banking, Boulder, Colo., University of Colorado.

July 17-19: Bank Marketing Association Train the Trainer, Chicago, BMA Office.

July 22-25: ABA State Association Staff Conference, Chicago, Chicago Marriott.

July 22-Aug. 3: Consumer Bankers Association Graduate School of Retail Bank Management, Charlottesville, Va., University of Virginia.

Aug. 12-17: ABA Banking Personnel Graduate School, Boulder, Colo., University of Colorado.

Aug. 12-17: ABA National School of Real Estate Finance, Columbus, O., Ohio State University.

Aug. 12-17: Central States Conference Postgraduate Course — Graduate School of Banking, Madison, Wis., University of Wisconsin.

Aug. 12-24: ABA National/Graduate Trust School, Evanston, Ill., Northwestern University.

Aug. 12-24: Central States Conference Graduate School of Banking, Madison, Wis., University of Wisconsin.

Aug. 15-17: Central States Conference Banking Seminar College Faculty Graduate School of Banking, Madison, Wis., University of Wisconsin.

Aug. 19-22: Independent Bankers Association of America Seminar/Workshop on the One-Bank HC, Colorado Springs, Colo., the Broadmoor.

MID-CONTINENT BANKER

(Incorporating MID-WESTERN BANKER)

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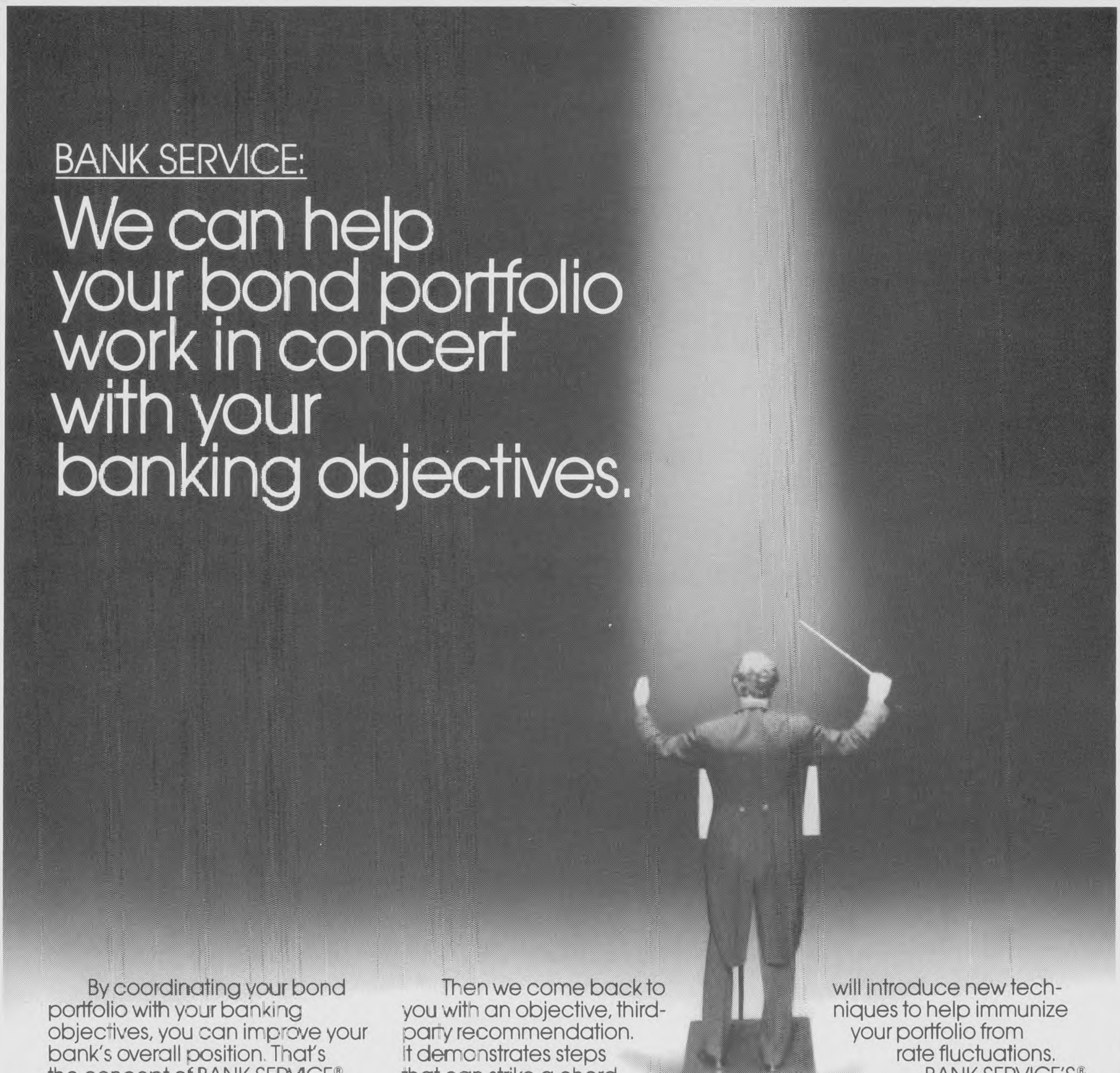

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BANK SERVICE
We help orchestrate banking success.

By Dr. LEWIS E. DAVIDS
Professor of Finance
Southern Illinois University, Carbondale

Bringing the UBPR Out of the Closet

WHILE addressing about 200 bankers in Denver, I asked how many had carefully reviewed their most recent Uniform Bank Performance Report (UBPR) and was astounded by how many had not done so.

Although each of the banks represented had received a copy of the report, many bankers apparently hadn't examined theirs carefully. I could understand why banks might not want to circulate the report to the entire staff, but the individuals attending the program were top-level managers and directors.

Prior to the conference, I contacted the Federal Financial Institution Examinations Council (FFIEC) in Washington, D. C., to learn how many queries it receives for reports over and above the copies automatically sent to banks. I anticipated that tens of thousands of copies would be ordered by major correspondent banks and security analysts, but the number purchased was well under 10,000. That seemed incredible, considering the natural interest bankers take in how well their peers are doing.

The $25 price of the report may have discouraged some buyers, particularly at smaller banks, but it's astonishing to think that major correspondent banks would not have paid for reports on their respondents, especially in light of the dramatic doubling of the number of problem banks.

In addition, there has been an amazing increase — to more than $550 billion daily — in funds switched by electronic networks. Certainly, one would think that major money-center banks would be concerned about the amount of funds moving in and out of their institutions. The Fed announced recently that it was concerned about the number of errors in electronic-funds-transfer operations. There have been numerous overdrafts and other errors.

Fortunately, the incredible funds-switching networks banks have built — despite the overdrafts and errors — have functioned quite well. The Fed has indicated a concern, however, and has recommended that banks take steps to control their risk in funds being switched. One step might be to place a cap on the funds that could be switched, based on one of the UBPR ratios.

Rather than disseminate the UBPR, some bank presidents have simply tucked it away in a desk file somewhere. One might hypothesize that this practice is most prevalent among bankers who are under-performing in the peer-group report.

In this context, it's important to commend the FFIEC for upgrading the UBPR report. Each quarterly report has represented an improvement. For example, the June, 1983, report — which became available in October — provided information for the first time on past-due, nonaccrual and renegotiated loans and lease-financing receivables. That report also featured revised balance-sheet formats, including a new bank-capital presentation and a revised deposit presentation that gives information on super NOWs and money-market deposit accounts. For the first time, the report also contained selected data on bank commitments and contingencies and information on repricing opportunities for selected balance-sheet categories for banks in the $300-million-and-above range. Data on repricing opportunities of smaller banks were not included, but were to have been in subsequent reports.

Some years ago, I conducted a confidential study of bankers' salaries in Missouri. The state bankers association sent a copy of the report to the president of each member bank. Interestingly, many bank presidents didn't make this information available to others in their institutions who presumably had a right to it, including personnel officers and directors. More than one personnel officer asked for information I knew had been sent to his bank's president. I suspect that some bank presidents may be handling the UBPR in the same manner.

Rather than disseminate the UBPR or at least make it available to top management or to the board, presidents simply have tucked it away in a desk file. One might hypothesize that this practice would be most prevalent among bankers who are under-performing in the peer-group report or the state averages.

The FFIEC might consider reintroducing a bank-examination-report technique that formerly was used. The entire board of a bank was required to initial the cover of both the examination and peer-group reports just above a statement that each had prudently reviewed the contents. Such a policy would force the hand of an under-performing officer who had been limiting the UBPR's availability.

Critics would contend that this procedure might be excessively time consuming. An alternative might be to call for an audit-examination subcommittee of the board to review all UBPR documents and report back to the board as a whole.

(Continued on page 52)

Convention Report

Competition Should Be No. 1 Regulatory Force in Economy

By James G. Cairns Jr.
President-Elect
American Bankers Assn.

This article is based on talks given by Mr. Cairns, pres., Peoples Nat'l of Washington, Seattle, at the annual conventions of the Louisiana and Oklahoma Bankers associations. Mr. Cairns is shown making his Oklahoma address.

COMPETITION is and should be the No. 1 regulatory force in our economy. Competition, not government, is and should be the instrument that allows a private consumer the opportunity to express his needs and interests. Competition, not government, is and should be the major force that determines the overall strategy a business chooses to pursue.

Your bank truly can become a "high-performance bank" once you adapt to the changing demands of the marketplace, and that means once you begin to compete. Or really even before that, once you are given the opportunity to compete.

In the abstract, all this talk about competition may leave some skeptical. Certainly, those who never have been in business may have trouble appreciating this concept. After all, how can such an invisible force function so consistently well? Besides, relying on some tangible government agency or a regulation written in some obscure office in our nation's capital seem so much easier when it comes to guaranteeing an orderly and productive marketplace.

However, if we use concrete examples to support general assertions, we see that competition really is the best way to go. Here are two examples:

Example No. 1 can be found in the securities industry. Many of you may recall the debate that occurred about 10 years ago, when the Securities and Exchange Commission considered a proposal to do away with fixed rates on stock transactions. In other words, introduce a bit of competition into the securities marketplace.

In testifying against such a "radical" and untried change, the securities industry carefully cloaked all its arguments in the sacrosanct gown of public interest. The industry said, and this is according to a December, 1974, issue of the *Wall Street Journal:* "The abolition of fixed rates on stock transactions will (not could, maybe or might, but *will*) hurt small investors and weaken the nation's markets."

Now, anyone who has read the business page over the last two years knows this is just so much hogwash. In fact, quite the opposite is the case.

Deregulation has resulted in significantly lower costs for the little guy who buys stock. There now are more small investors in the stock market than ever before, and studies suggest millions more soon may take the plunge.

Has deregulation hurt the markets? No. Has deregulation hurt our economy? No. Has the securities industry been "ruined"? No. Has the sky fallen? No. But in 1974, our friends in the securities industry would have had us believe otherwise. This proves the consumer benefits when competition is allowed to work.

The second example of how and why we need competition comes to us courtesy of the real-estate industry. Many of you may have read recently about an unpublished report by the Federal Trade Commission regarding broker fees in the real-estate industry.

The study, which originally was commissioned during the Carter Administration, concludes that real-estate brokers receive "artificially high" fees for selling houses, thanks to noncompetitive practices in the industry.

The report also said the current structure of the real-estate industry created "barriers to the free flow of information to consumers" and that if brokerage commissions were lowered just one point — from 6% to 5% — consumers would save at least $1.3 billion a year.

So, there you have it — 1.3 billion reasons the real-estate folks should oppose further deregulation of the financial-services industry.

Competition is the name of the financial game these days. It is something consumers would benefit from tremendously, and it's something non-banks obviously have a vested interest in limiting.

Unfortunately, competition has been limited only in one direction, and the result can be seen in commercial banks' declining market share. In 1949, commercial banks held 52.3% of all financial-institution assets. Thirty years later, in 1979, banking organizations held 37.4%. Today, that share may have declined to less than 36%.

Does all this make me a pessimist? Not really. I happen to agree with the sentiment expressed by economist Joseph Schumpeter when he wrote, "The report that a given ship is sinking is not defeatist. Only the spirit in which this report is received can be defeatist: The crew can sit down and drink, but it also can rush to the pumps."

How much further the good ship banking lists depends entirely on you.

(Continued on next page)

"Legislation that permits us to compete is pro-consumer, and the sooner our policymakers in Washington appreciate this fact, the better off everyone will be."

Four Crises Plague Bankers, Kansas Conventioneers Told

FOUR CRISES plaguing bankers were discussed at the Kansas Bankers Association's convention last month by Marilyn MacGruder Barnewall, president, MacGruder Financial, Inc., Denver. Ms. Barnewall, in her talk, "Bank Management in Crisis," listed these crises as:

1. Failure to see customers as they are, not as they were. More expertise is needed so bankers can keep up with sophistication levels of their customers.

2. The marketplace has become more competitive and bankers aren't responding to this fact as rapidly and constructively as they should. New policies are required; more sales techniques are needed. More employees who are sales oriented are needed, but management must keep in mind that assertive employees don't have split personalities — they will be assertive to management as well as to customers!

3. Failure to see the market as being consumer-need driven. Here's where nonbanks are getting the upper hand. They know the psychographics of the market. Their types of services lend themselves well to up-scale customers who know what they want and will go to the place that serves them best. Nonbanks are customizing services to individual customers while banks are asking customers to buy generalized services.

4. Community bankers must realize market segmentation is NOT just a big-bank problem. They no longer can expect dissatisfied affluent individuals to run to smaller banks from big banks to seek the services they want, because the small banks aren't sophisticated enough to serve these individuals. Active investors aren't traditional bank customers. Big banks are learning how to serve the affluent customer, thus keeping these customers from going to small banks.

Ms. Barnewall's firm polled "high-roller" individuals regarding services they want from financial institutions.

1. They want a personal relationship with their banker, but the definition of "personal relationship" is different in the eyes of the customer and the banker. The same goes for the "convenience" they want. That doesn't mean brick-and-mortar branches all over town. It means being able to get the banker's ear when they want it.

2. Affluent people want low return on savings for tax reasons.

3. Many affluent people view their banker as their adversary, not as their partner, because they feel their banker isn't smart enough to handle their affairs in the best way. They're fearful their banker will goof up on their account.

4. They see bankers' concern for their institution's bottom line as contrary to the welfare of their own bottom lines; i.e., bankers' interests are not the same as customers' interests.

Ms. Barnewall says it's difficult for an affluent customer to communicate with a banker with whom the customer has substantive misconceptions. Customers have misconceptions about what banks are going to become because of deregulation. All the new services and products are causing customer confusion. They are too difficult to understand quickly.

She suggested bankers should ask themselves if they are sending the correct messages to their customers, how these messages are being defined by customers, who the receiver of these messages is.

Bankers are their own messages, Ms. Barnewall continued. Customers have their own perceptions of banks. When the bank's message contradicts this perception, the bank is in trouble in the communications area. This jeopardizes the position of trust the bank has enjoyed in the past.

Sears doesn't advertise insurance — Allstate does, she pointed out. Sears doesn't have the credibility among customers to send a message about insurance under its byline. It's telling insurance customers it has a firm that specializes in insurance — Allstate — to handle the insurance end of its business. People trust Allstate with insurance matters where they wouldn't trust Sears with such matters. If Sears doesn't have the expertise, it buys it — but doesn't call it "Sears."

Ms. Barnewall said bankers should realize they are their own media, and a new message can garble the message they've been sending out in the past — prior to deregulation. Customers don't think bankers understand how to *manage* money. Bankers must learn what it takes to sell a product in a customer-driven marketplace. • •

Cairns

(Continued from page 9)

It depends on the speed with which you rush to the pumps and the effort you place in manning the pumps. I have tremendous confidence in the overall seaworthiness of our vessel, once it is free of the barrier reef of over-regulation.

Thus, our objective — the ability to compete — is simple. The means of achieving it, manning the pumps, may be a bit more difficult, but the objective remains simple.

To get our ship back in the race means you will have to become involved in the political process. It means you are going to have to take the time to contact your federal representatives to let them know how vital it is that you be allowed to compete.

At bottom, this is a consumer issue. We know increased competition will mean lower prices and a wider choice for the consumer.

In politics, there is an unwritten rule that what really matters is the name you succeed in imposing on the facts — not the facts themselves. That is why, for example, the $98.3-billion tax-hike bill of two years ago was euphemistically labeled "The Tax Equity and Fiscal Responsibility Act."

In our case though, there happens to be absolutely no difference between fact and title. Legislation that permits us to compete is pro-consumer, and the sooner our policymakers in Washington appreciate this fact, the better off everyone will be.

While you're at it, get customers, who stand to benefit so much from changes in the law, to also contact their representatives. In Washington, quantity counts.

Also vital to achieving our legislative goals is a strong and well-funded industry-campaign fund. Last year was a record year for BankPac. More than half a million dollars was collected throughout the country. This year, our goal is $750,000.

On the one level, then, we are talking dollars, dollars to promote a pro-competitive outlook. On another level, we are talking sense. After all, it really is only sensible to support legislation that will provide a financial bonanza for literally hundreds of thousands of consumers across the nation.

Our position, when adequately supported by dollars and sense and by state bankers associations, never can fail. We proved this was the case when

withholding at source was repealed, hopefully forever.

This year, though, it is a little different. Instead of working to repudiate a bad law, we are going to have to work to create some good laws. The task will be a little more difficult because, as any engineer will tell you, it is a lot easier to tear down a building than it is to construct a new one. However, that is the task we have taken on.

The ABA leadership conference concluded unanimously that we need to push forward with equal pressure for authorization of new bank services and for a simultaneous redefinition of a bank — a redefinition that will resolve the nonbank question.

Unity, the leadership conference concluded, is of paramount importance. If the industry remains united behind these dual goals, and keeps them tightly linked, it has the opportunity to achieve both.

service providers. The poll was the subject of an article in the December 10, 1983, issue of the *National Underwriter*.

Among the study's significant findings was this: Fifty-four percent of the public would trust financial advice given by a banker. If you think 54% doesn't sound like much, consider the other findings — 28% of the public said they would prefer the advice of an accountant, and only 5% said they would trust an insurance agent.

If you believe, as I do, that credibility holds the key to financial-service success in the coming years, these numbers are welcome news.

Of course, along with security and insurance powers, we also must have the freedom to become more involved than we are now in the real-estate market. We already have the ability and experience in this area. We are competent appraisers. Many of us already are involved in commercial real estate, and our branch networks provide us with a built-in delivery system for real-estate brokerage.

". . . competitive freedoms can be only as good as our economy. High interest rates, runaway inflation and low productivity and investment can do more harm to banking . . . than can most government over-regulation."

I think all bankers know just exactly what new services our industry must be permitted to offer.

For one, we are going to need the ability to offer securities and mutual funds to our customers. Many of our trust departments have been active in these areas for years. Many banks already have established discount-brokerage services. It's clear we have the ability and expertise. Now all we need is for lawmakers to take the time to ratify reality.

We also should be permitted to underwrite and sell insurance. I was struck by a recent insurance-industry report that showed that a significant portion of the public would go to a bank to purchase insurance. While I'm sure this was partly a function of convenience, it also has a lot to do with the public's trust in bankers and banking institutions.

How valuable is this image? I believe it's a pearl beyond price. The insurance industry knows just how valuable it is, too.

The public relations firm, Ruder, Finn & Rotman, recently commissioned a representative public-opinion poll on credibility of various financial-

We have a report by Peter Merrill Associates showing that broader real-estate-equity-investment powers offer banks the possibility of greater profits at no extra risk.

Again, though, if we want the opportunity to compete, we are going to have to earn the opportunity to compete.

Some time ago, the Senate Banking Committee completed 44 days of hearings on competitive-freedoms legislation. These hearings included more than 235 witnesses and filled over 7,000 pages with testimony. Senate Banking Committee Chairman Jake Garn (R.,Utah) has said it finally is time to quit talking and start passing this consumer legislation.

On the House side, the picture is not quite as encouraging. Although hearings on competitive-freedom legislation have been scheduled, this entire issue may be obscured, to use industry jargon, by the non-issue issue of banking-service fees.

Today, banks are being pressured by the twin forces of narrow interest-rate spreads and high costs of maintaining extensive facilities.

Since we have yet to secure the freedom to compete, we must rely, at least to some extent, on fees to cover our cost and required capital growth. Fees are a reasonable and straightforward way for us to stabilize our income, and they are not new.

Why, then, do we hear so much about banks "nickeling and diming their customers to death" with fees?

Part of the answer has to do with the economy. Consumer issues tend to return to the forefront during periods of economic prosperity. Unemployment and inflation, popular platforms just a year ago, have collapsed under the weight of a robust economic recovery.

The other part of the answer lies in the fact we now are in an even-numbered year, and that means most of Congress is up for reelection.

Veteran lawmakers understand how the media work and what issues they find attractive, and they know how to play on consumer frustrations.

We must deflate this political hot-air balloon before it has a chance to take off.

Make sure your customers understand the need for fees. Tell them in advance what these fees are and tell them in advance when you will be raising certain fees. Be selective and reasonable with your fees.

Tell your customers in advance when their deposits can be drawn on and/or when they will begin to earn interest. Be reasonable in determination of availability.

At the banking leadership conference I spoke of earlier, bankers committed themselves to supporting a constitutional amendment to balance the federal budget, except during time of war or when three-fifths of Congress votes for deficit spending.

This was done because it was felt the federal deficit is the No. 1 threat to our nation and to our way of life. I hope you will support this amendment actively with the same energy and commitment you bring to the fight for competitive freedoms.

I think we all realize competitive freedoms can be only as good as our economy. High interest rates, runaway inflation and low productivity and investment can do more harm to banking in the U. S. than can most government over-regulation.

One thing is certain though. If we stay unified and work together to achieve our goals, next year will be a great year for banking and for our nation. ● ●

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Convention Report

SALESMANSHIP IN BANKING —

Is It Just Around the Corner?

CHANGE: It's here. And more is coming — and at a faster pace! This is the message that came through loud and clear to Arkansas bankers last month at their annual convention in Hot Springs. The message, incidentally, came from nonbankers — consultants, educators, retailers — who kept a normally "mobile" audience literally glued to its seat.

Each of the speakers acknowledged that it was normal to resist change. It happens in any industry, and it happened to the airlines, according to Jack Jackson, a consultant from Oklahoma City.

Pilots were the first to resist change, he said, when they were informed that swept-winged jets would replace their old familiar prop planes. A ceiling of 39,000 feet? "Why we won't be able to see the highways," they cried. And we'll navigate by radar? "That didn't work at Pearl Harbor," moaned pilots, many of whom had flown the skies for 45 years.

Mr. Jackson soon made his point. No one wants change. We're comfortable with what we're doing now. But like it or not, change — it's permanent.

Airline management also resisted change. They didn't compete, said Mr. Jackson. They just "shared" market with other airlines. But they learned they had to compete when Congress deregulated the airlines. The industry was shaken earlier when an upstart in Texas, Southwest Airlines, found it did not have to request rates from the CAB (Civil Aeronautics Board) for an airline that stayed in Texas. The result was an industry-breaking fare from Dallas to Houston that sent shock waves through the airlines.

"That was their loophole," said Mr. Jackson, "and the banking industry has its own loophole finders." His comparison was accepted immediately by bankers, who forceably had been made aware in recent weeks of the "loophole bank" or the nonbank as the media had artfully dubbed it.

But does the public care whether it's a nonbank, argued Mr. Jackson? Pointing back to the Southwest Airlines example, Mr. Jackson "laid" it on: "If your fare is lower, they will fly with YOU."

The analogy was clear: Bank customers know what YOU pay. They know what YOU charge. Technology, Mr. Jackson assured his listeners, makes it possible for the sophisticated customer to shop any bank in his community.

If I Were a Banker

"What would I do if I were a banker and faced the changes faced by bankers today? Here's what I would do," counseled Dave Glass, vice chairman of Wal-Mart Stores, probably the nation's No. 1 discount chain. Mr. Glass, headquartered in nearby Bentonville, reminded bankers that "retail is detail" and that he (and his associates) would approach the problem from that viewpoint, examining *every* detail. He offered this eight-point plan.

1. Develop a plan. Decide what you are and where you're going, and put in as many "steps" as you can, but always be ready to "alter your plan."

2. Develop a low resistance to the change the previous speaker talked about. In the retail business, Mr. Glass explained, "We have a low resistance to change. In fact," he said, "we welcome criticism from our contemporaries and our competitors. Keeps us on our toes."

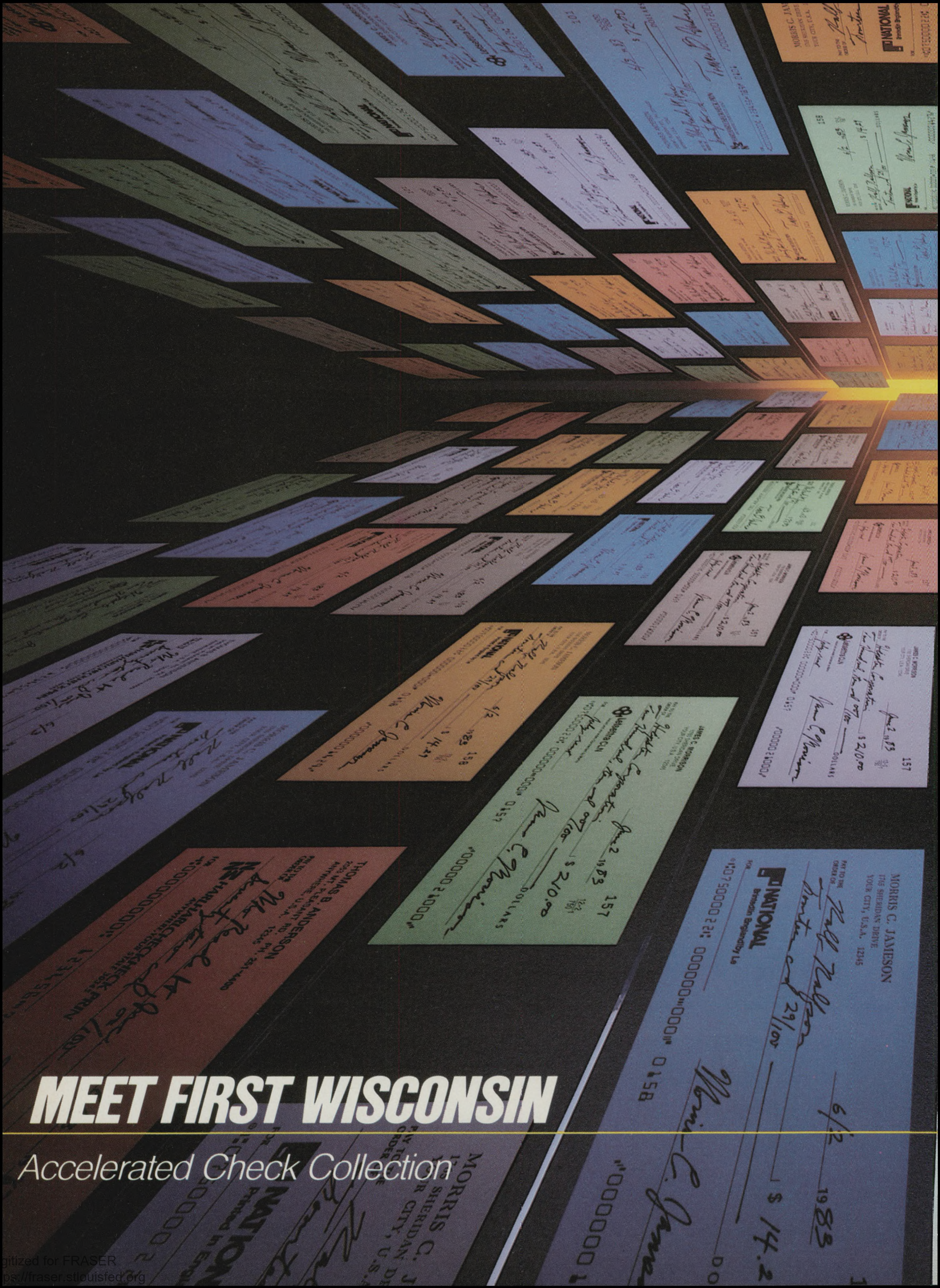
3. Involve all your people in the problems and success of your business. Share profits and pay people as much as you can. Retrain people. Teach them to think like a customer. Be on the *leading* edge of technology. Don't be a follower. Allow technology to sup-

KENT STICKLER — Marketing starts when the telephone is answered.

JAMES H. DONNELLY — Technology has changed today's banking customer.

JACK JACKSON — Does the public care whether it's a nonbank?

DAVE GLASS — Do not use short-term strategy for long-term goals.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"It's what my customers rely on," says Dan Priske, president and chief executive officer of Citizens National Bank and Trust.

And when Dan's customers deposit more than a million checks throughout the year, his bank turns to First Wisconsin for ways to increase profitability and streamline check collection operations.

Working together we constructed a Cash Letter Analysis Report to examine their complex check collection function, and we offered recommendations about how Citizens National could minimize transportation charges, reduce check clearing fees and improve funds availability.

When you want to streamline your check collections, whether large or small, talk to First Wisconsin. Or ask Dan Priske, he knows the advantage of working with a bank that clears more than a hundred million checks each year.... That's experience.

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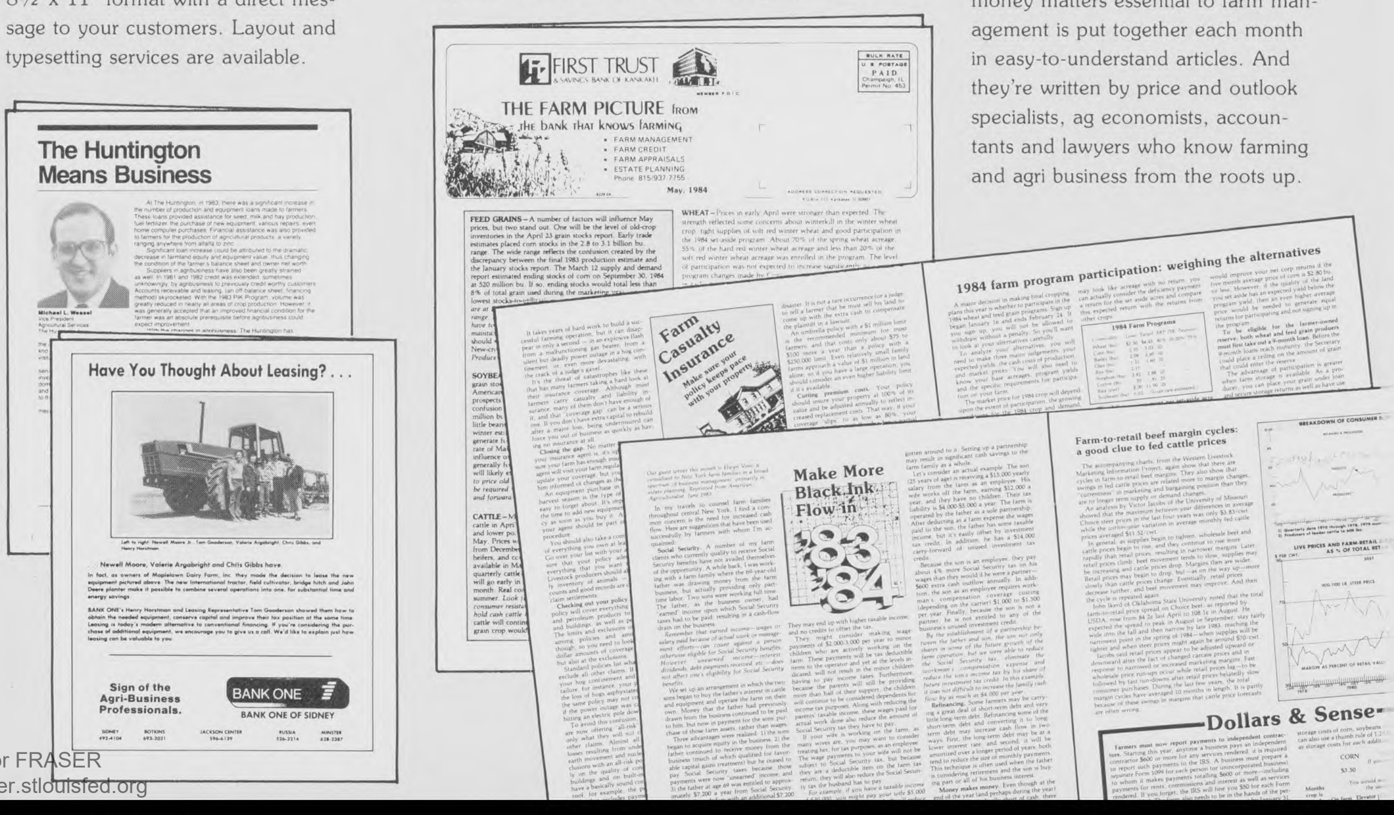

port your people, not replace them. Make your directors become productive.

4. Know your competitor, his products, his strengths, his weaknesses.

5. Reduce your cost of doing business. The lowest-cost producer will be the survivor. This will force you to look at productivity standards.

6. Challenge the obvious regulations that inhibit innovation. Hire mavericks. Every organization, said Mr. Glass, should have several who "rock the boat, ask questions, develop new techniques."

7. Lead. Do not follow the pack. Don't react. If it should be done, DO IT. Sell customers what *they* want to buy.

8. Do NOT develop a short-term strategy that will not enhance long-term goals.

These points, Mr. Glass told Arkansas bankers, embody the philosophy of Wal-Mart management. Many of them, he said, no doubt could be utilized by bankers to help adapt to the change that is here and that is anticipated.

Where Is My Bank Headed?

Changing technology and changing markets certainly require a change in managerial focus, said another speak-

Sales-Quotient Audit

One of the most important tasks facing a financial institution in the next few months is to change into a more aggressive sales organization. To focus attention on the various activities that must be considered in bringing about this change, a series of questions is presented that will be of help in assessing the present sales sophistication of an organization. Readers will want to rate their own organization on each of the following questions from one ("Not True of My Institution") to five ("True of My Institution").

	Not True of My Institution				True of My Institution
1. The organization emphasizes the importance of selling from top to bottom. The majority of staff members recognize the importance of sales to the future of the organization.	1	2	3	4	5
2. Senior officers of the line divisions (i.e., lending, retail, corporate, correspondent, trust, etc.) are accountable for sales results.	1	2	3	4	5
3. Within the organization, there is a department or individual responsible for developing and implementing sales strategy.	1	2	3	4	5
4. Every customer-contact person has a sales or customer relations statement as part of his job description.	1	2	3	4	5
5. Lending officers, branch managers, trust officers and others are involved in a sales-call program on prospects as well as customers. The program is producing meaningful results.	1	2	3	4	5
6. The organization has an on-going sales-training program.	1	2	3	4	5
7. The organization has developed a program for selling segmented customer groups (e.g., via a personal or executive banking department). These personnel, through aggressive selling techniques, are calling on attorneys, physicians and other centers of influence.	1	2	3	4	5
8. The organization is developing a product line, priced and packaged competitively, to meet the customers' needs in the '80s.	1	2	3	4	5
9. The organization is taking specific steps to provide sales support to line personnel (e.g., development of a central-information file, packaging of products, creative pricing, sales brochures, etc.).	1	2	3	4	5
10. Cash bonuses and incentives are used regularly as a means of recognition for personnel who achieve sales quotas.	1	2	3	4	5
11. Outstanding sales performance is an important criterion for promotion to higher levels.	1	2	3	4	5
12. Primary customer-contact personnel, such as tellers, new-account representatives and customer-service representatives, are trained in sales and customer relations and are measured regularly in these areas.	1	2	3	4	5

A perfect score would be 60 points ($12 \times 5 = 60$). If results measured 50-60 points, the organization probably has a well-developed sales culture. There may be areas in need of attention, but for the most part, the organization is moving in the right direction. A score of 40-50 points indicates there is some movement toward the sales culture, but, no doubt, many areas need immediate attention. The organization most probably is not seriously committed at the senior level. Unless change takes place soon, the organization may have problems in the marketplace in the next five years. A score of below 40 points reflects an organization unprepared for the challenging times ahead. There is little if any sales commitment at the senior level, and even the most basic sales programs have not been started or are operating below acceptable levels. This organization likely will not be a winner in the marketplace unless there is dramatic change soon.

er, James H. Donnelly, professor of business administration, University of Kentucky.

Today's banking customer is changing (has changed) as a result of rapidly changing technology. At an early age, for example, youngsters come in contact with computers and thus easily adapt (more so than the 60-year-old customer) to use of ATMs, POS terminals, credit and debit cards, etc. As a result, said the Kentucky educator, bankers need to ask themselves: "Where is my bank headed?" And adopt a clear-cut strategy to meet the needs of the customer.

Effectiveness, he pointed out, is the foundation for success in any business. Efficiency also is important, but, he cautioned, it is NOT vital if you are efficiently providing the *wrong* service in the *wrong* market.

Therefore, he stated, banks must clearly separate their strategy from operations. Products and customer needs should *drive* operations and not vice versa.

Define what you want to do, he advised, and then organize to do it. Often, units of a bank do not cooperate, particularly in the areas of loans and deposits. Who gets credit should not be the question, Dr. Donnelly said. The objective should be to serve the customer better.

Again, he emphasized, respond quickly and strategically to changes taking place in the banking industry.

A Sales Bank?

Banking's share of the financial market has deteriorated gradually over the years from 38% in 1944 to 33% in 1974, and if the pace continues, said Kent Stickler, will erode to 13% by the year 2044! Thus, the next few years can be crucial for banks, said Mr. Stickler, president of Financial Shares South, Clearwater, Fla.

His program for "survival" includes the following:

- Innovate. Expand into new markets. Look at Sears as an example.
- Develop planning and strategy formulas. Reduce costs and price products realistically based on costs.
- Manage, effectively, the interest-rate spread. Develop a high state of efficiency in operations.
- Manage and motivate people. As morale increases, customer recognition also increases.
- Market services, but with *emphasis on sales*. Marketing is NOT just advertising and public relations, Mr. Stickler pointed out. Marketing (or selling) starts when the telephone is answered and never stops anywhere in the bank. "Get rid of the word *friendly* in your bank advertising," he urged. "You will earn that title if your people are sales-minded."

Mr. Stickler gave his audience a "sales quiz." (See chart on page 17). The bank of the future will be a SALES BANK, he argued, and management must be ready to implement an ongoing sales program in which employees are properly trained to offer the bank's services and products.

Mr. Stickler offered his seven-tiered program of selling, which, he claims, will help any bank meet the coming changes and challenges successfully.

1. Tellers. Here is your perfect contact with the customer. Train them.
2. New-account people. Train them to sell ONE MORE SERVICE. Allow them to earn a monthly commission ($20-$50) on accounts thus opened.
3. Personal bankers. Assign officers to those up-scale accounts that usually make up some 20% of your deposits. Cultivate those accounts.
4. Branch managers. Have them call on local businesses. They should be able to earn cash bonuses of $1,200 or more per year.
5. Commercial loan and other officers. Have them develop new loans, new deposits and allow them to earn up to $2,500 in cash bonuses per year.
6. All employees. Have a sales contest at least once a year. Develop new IRA accounts, deposits and loans of all types.
7. Directors *and* spouses. Get these two groups involved. They can bring in new business or refer accounts to the bank.

Make no mistake about it, said Mr. Stickler, sales environment in a bank must start AT THE TOP. If it does at your bank, you can hold your share of market and even regain share of market. The SALES BANK, he said, is on its way. — **Ralph B. Cox, publisher.**

Deregulation Leads to Unveiling Of New Account at Alabama Bank

DEREGULATION has led Central Bank of the South, Birmingham, Ala., to introduce its new Prime Account, a savings account whose interest rate is tied to the bank's prime-lending rate.

"From a management perspective," says W. Dan Puckett, the bank's executive vice president in charge of general banking, "this is the most recent example of Central's leadership in the deregulated banking industry. Broadly, we view deregulation as an opportunity to build our market share and assume an even stronger position against other banks, savings and loans, credit unions, brokerage houses and various other industries entering the banking field. With this account in particular, we're competing against money-market accounts and other short-term investments to provide discriminating consumers with high interest, convenience and FDIC-insured security."

Mr. Puckett adds that his bank decided to put deregulation to work for its customers by approaching it as an opportunity to give them more sophisticated, innovative services such as the Prime Account.

How it works. To open a Prime Account, a customer must have an initial deposit of $2,500 and a Central Bank checking account. He/she may make as many deposits and withdrawals as he/she wishes, using tellers at Central's more than 80 offices throughout the state during regular business hours (including Saturdays at most locations) — or his/her special Prime Account HandyBank ATM card, 24 hours a day, seven days a week, in 34 locations.

As a bonus for the first month — April 30 through May 30 — Central paid 12%, which was its prime lending rate during that time, on deposits of $10,000 or more. Now, Prime accounts with balances of $10,000 and over earn 80% of Central Bank's prime rate; $2,500-$9,999.99 balances, 75% of the bank's prime rate; and $500-$2,499.99 balances, 5½% interest. Balances below $500 don't earn interest.

"The major advantage to the customer — aside from higher interest, of course — is convenience," Mr. Puckett points out. "Now Central's customers no longer have to check fluctuating money-market and savings rates to make sure they're making the most on their hard-earned savings dollars."

Mr. Puckett cites as the most secure aspect of this account the fact that each Prime-Account depositor is insured up to $100,000 by the FDIC.

"As a result," he adds, "our customers know their money is safe with us; whereas, it may not be with certain other high-yield investments.

"In essence, Central's Prime Account is an innovative way of consistently piquing our customers' interest, while giving them maximum access to their funds — and helping them reap the benefits of deregulation." • •

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

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

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State Association Conventions

Definition of a Bank, Deregulation Among Issues of Interest to Bankers

NONBANKS and nonbank competition, effects of deregulation, bank structure, interstate banking, the need to define what a bank is, interest rates and the national deficit were discussed at annual meetings of state bankers associations in the Mid-Continent area this spring. In addition to these national-interest issues, topics on each convention program also dealt with matters germane to the respective state associations.

The ABA was represented at various meetings by its president-elect, James G. Cairns Jr., president, Peoples National of Washington, Seattle (an article based on his speeches appears elsewhere in this issue); William H. Kennedy Jr., ABA council chairman and chairman, National Bank of Commerce, Pine Bluff, Ark.; and Gerald Lowrie, executive director, ABA government relations, Washington, D. C.

Here are reports on each of the conventions attended by MID-CONTINENT BANKER editors last month. Reports on conventions scheduled for June will appear in the July issue.

Arkansas

ARKANSAS bankers adopted a strong resolution at their 94th annual convention voicing opposition to the so-called "loophole" bank charters applied for by many of the nation's money-center banks.

The resolution called on Congress to clarify the definition of banks in order "to close the loopholes for the formation of nonbank banks."

Arkansas bankers noted that although the Comptroller had established a moratorium on the approval of these "loophole" banks until the end of the current session, the Comptroller would consider over 230 applications if Congress failed to act. Furthermore, the resolution noted, the Comptroller is expecting additional applications. Obviously, the resolution noted, Congress *must* clarify the definition of a bank.

Despite their resolution on "loophole" banking, Arkansas bankers recognized the changing trends in banking and devoted most of their two days of business sessions to examining this change and asking how they can meet the challenges that lie ahead.

Reported elsewhere in this issue (page 16) is a feature article devoted to advice received from consultants, an educator and a successful retailing executive. The combined advice of these speakers might be summed up as follows: Develop well-trained, well-paid personnel and above all become sales-oriented banks. This approach, they told bankers, will help banks retain their share of the financial market and in some cases regain share of market.

One other scheduled speaker, not reported in that separate feature article, presented some alarming thoughts about the federal deficit. If nothing changes — in taxation or spending — said Jack Albertine, American Business Council, Washington, D. C., the annual national deficit by the year 2000 will be $1¼ trillion!

PAST PRESIDENTS of Ark.BA gather annually at a luncheon sponsored by Mercantile Trust, St. Louis. Here, three pose for the camera: Cecil W. Cupp (1959), sr. ch., Arkansas Bank, Hot Springs; Max A. Mitcham (1964), ch., Smackover State; and Digby C. West (1960), ch., First Nat'l, Berryville.

We have "built-in deficits," according to Mr. Albertine, who pointed to the indexing of entitlement programs as the chief culprits: social security, military and civil-service retirements, railroad retirements and food stamps. This social spending has mushroomed, he said, from 8% of GNP in 1960 to 15.5% in 1980 and still will amount to 14% of GNP by 1988.

By way of contrast, defense spending in 1960 was 9% of GNP. 5.3% in 1980 and will be 8% by 1988. Interest on the federal debt was 1% of GNP in 1960, 2½% in 1980 and probably would amount to 3% by 1988.

Congress has managed to hide some of its tax increases, said Mr. Albertine, through "bracket creep" as inflation has pushed taxpayers into higher tax brackets. However, with the impending indexing of tax returns, Congress is becoming extremely nervous about the loss of revenues that will result. President Reagan, if reelected, said Mr. Albertine, has pledged to veto any legislation that would halt indexing of tax returns. Mr. Albertine also expressed the opinion that President Regan, if reelected, will have his best opportunity to correct spending and taxation problems during the first six months of a new term. After that, he said, prospects for success diminish.

During business portions of their two-day meeting, Arkansas bankers elected John M. Lewis, chairman, First National, Fayetteville, as their president. He succeeded William H. Brandon Jr., president, First National, Helena.

Others elected: first vice president, B. Gene Staton, president, DeWitt Bank; second vice president, William H. Handy, president, First National, El Dorado; treasurer, R. R. Tullos, president, National Bank of Arkansas, Little Rock.

New members of the Ark.BA board

are: J. C. Stuckey, chairman/president, Bank of Trumann; Ray L. Cash, president, Arkansas Bank, Hot Springs; Howard M. Qualls, president, State First National, Texarkana; and Howell N. Davis, president, Simmons First National, Pine Bluff.

American Bankers Association members elected Mr. Brandon, retiring Ark.BA president, to serve on the ABA council for two years. ● ●

Kansas

A TALK via telephone was made at the Kansas Bankers Association's convention last month by Senator Robert Dole (R.,Kan.), who said reducing the deficit is of paramount importance. There is no end in sight regarding the deficit-reduction bill in Congress, he told his home-state audience, and there's an impasse that requires action from the constituency. He sees no freeze on spending this year.

Senator Dole pointed out that any successful legislation must be favored by President Ronald Reagan and Representative Thomas P. "Tip" O'Neill Jr. (D.,Mass.) because of their great influence. The Kansas senator said he hopes to see a $150-billion-deficit-reduction bill emerge finally from Congress.

In the good-news department, Senator Dole reported that Comptroller of the Currency C. T. Conover agreed to halt temporarily the expansion of nonbank banks. He sees it as unlikely that banks will get extended powers this session because the insurance lobby is too strong. The senator believes there will be a start this year on such legislation, but it won't begin until after the November election.

President's Message. Outgoing KBA President Anderson Chandler (president, Fidelity State, Topeka) said the good news in his message is that the KBA's financial position is good. The bad news includes two bank failures in the state in the past year, narrowing spreads and nonbank competition.

On the state-legislative scene, Mr. Chandler reported that banks can make loans at detached facilities starting July 1, that attempts by thrifts to get more public funds was defeated and that multi-bank-HC enabling legislation didn't pass.

"We've lost ground in some sectors and gained somewhat in others," he continued. He reported big banks in Kansas are losing customers at a 9% rate; they're losing affluent customers at an 11% rate. Mergers have affected competition by enabling nonbanks to buy service-offering firms whose products they want to gain and sell.

In areas where there is a level playing field, according to Mr. Chandler, banks are doing well, such as in money-market accounts. However, the interest-rate spread is narrowing, forcing banks to seek new sources of fee income. Banks must have additional powers on the asset side, such as full-service brokerages and real-estate-equity participations.

From the ABA. William Kennedy, ABA chairman, said the national debt is the result of government efforts to do good on the social front. The U. S. can't continue to raise the deficit, said Mr. Kennedy, chairman, National Bank of Commerce, Pine Bluff, Ark. He said Senator Dole's prediction of small gains being made for banks in Congress should make bankers angry enough to encourage them to contact the senator to insist on action.

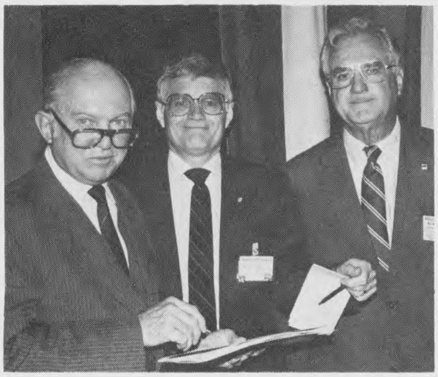
"We're talking about the future of the banking industry and its ability to remain competitive," he added. He pointed out that Sears is floor planning autos in Pine Bluff now. Mr. Kennedy sees a danger resulting from nonbanks, such as Sears: If children see their parents banking at Sears, they will follow in their parents' footsteps. As a result, banking will lose an entire generation of customers!

Mr. Kennedy told the Kansas bankers that Senator Jake Garn (R.,Utah) is going to go the way wind blows, and bankers must make a wind favorable to their interests.

The deficit has an adverse impact on bank profits, Mr. Kennedy pointed out, and it must be straightened out. It's a tough problem, he admits, but bankers must insist on its resolution.

ARKANSAS — From l., Outgoing Ark.BA pres. William H. Brandon Jr. congratulates new Pres. John M. Lewis; V.P.B. Gene Staton and 2nd V.P. William H. Handy.

KANSAS — New officers (from l.): Treas. Francis W. Esely; Pres.-Elect Ronald R. Louden; and Pres. Don Steffes pose with outgoing Pres. Anderson Chandler and KBA E.V.P. Harold A. Stones.



James Kilpatrick (l.) and William H. Kennedy Jr. (r.), speakers at Kansas convention, flank KBA E.V.P. Harold A. Stones.

Defense and entitlements must be cut, and Americans must be willing to bite the bullet and pay more taxes, providing such taxes are levied fairly, said Mr. Kennedy.

Incoming President's Message. Incoming KBA President Don Steffes said it's too easy to wish to maintain the status quo, but a status quo is impossible to maintain under deregulation. Bankers should concentrate on what they agree on, not on what they disagree on, said Mr. Steffes, president, McPherson Bank. He advised bankers to avoid developing a siege mentality that sets them up to be picked off individually.

Mr. Steffes outlined his goals for the 1984-85 term. 1. Creation of a strategic planning committee to advise the KBA on assuring survival and profitability of Kansas banks. Five past presidents have been asked to serve on this committee, chaired by John McNay, president, City National, Pittsburg. The committee is called Task Force on Nonbank Competition. Its charge is to develop a strategic plan that is best for Kansas, best for Kansas banks and best for the KBA. 2. Develop dialogues among Kansas bankers. A meeting of CEOs is planned for western Kansas to develop this dialogue. 3. Aid and strengthen the state banking department. It's important to keep the national and state systems equally strong. 4. Assist exporters. A study group is to be created to see whether the KBA should be more involved in this area.

"We can't afford inertia!," said Mr. Steffes.

New Officers. In addition to Mr. Steffes, new KBA officers are: president-elect, Ronald R. Louden, president, Citizens State, St. Francis; treasurer, Francis W. Esely, president/CEO, Farmers State, Canton; chairman, governing council, Mr. Chandler. Mr. McNay was elected to a two-year term on the ABA council. ●●

Mississippi

ALL Mississippi banks are members of the Mississippi Bankers Association, and total assets of these banks are $14.8 billion, outgoing MBA President Robert E. Kennington II said at the MBA convention last month in his executive-committee report. Mr. Kennington, chairman, Grenada Bank, reported that 1,100 Mississippi bankers attended the numerous MBA-sponsored meetings held during the past year. The association moved into its new building last October, and, according to the MBA president, the structure has proved its utility to the association.

President's Address. Bankers' unity of purpose on all issues of common interest should not be compromised, said Mr. Kennington; yet the MBA must provide a forum to air all issues, keeping in mind that all ways of thinking must be respected. Each member, he advised, should be concerned about problems of other members, even if those problems don't concern everyone. One banker's problems should be considered to be problems to all banks for the purpose of solving them all. If individual problems aren't addressed, continued Mr. Kennington, they could grow to become every bank's problems.

Bank structure has been a forbidden topic at the MBA in the past, Mr. Kennington pointed out. However, nonbank competition makes it essential that this topic be raised and addressed in an open forum. Mr. Kennington believes that's the best way to control the structure issue. He added that nonbanks should not go unregulated. He also said thrifts have been given full bank powers in Mississippi and are threatening bank structure. He believes it would be a simple matter for the state legislature to authorize nonbanks to operate in Mississippi (from other states). Structure is changing whether or not bankers want it, he added.

"We are underestimating ourselves as competitors," said Mr. Kennington. "Smaller banks should form groups so they can offer new services collectively, taking advantage of economies of scale. Banking needs an expanded capacity to go forward, better ways to accelerate — according to our own abilities to operate."

According to the MBA president, geographic limitations severely limit the number of qualified bidders when there is a need for a takeover of a Mississippi bank (he should know, since his bank took over the failed Mississippi Bank, Jackson, last month). All bidders were required to bid on each Mississippi Bank facility, and few bidders could quality. Grenada Bank must divest two Mississippi Bank facilities, and Mr. Kennington doesn't believe this is fair. He advocates that more work be done to achieve deregulation in all areas so bankers can take advantage of future opportunities.

Young Bankers' Report. William D. Sones, president, State Bank, Brookhaven, and president, Mississippi Young Bankers, reported that the MYB has put on an educational program that has affected 21,000 high school students in the past year. The group also is implementing the ABA's PEP program in the seven-12-grade group of school children. Mr. Sones also said attendance was good at his group's leadership and study conferences.

Mississippi BankPac. The Mississippi BankPac has collected more than $10,000 so far this year, with 60% going to the state fund and 40% earmarked for the national fund. Of candidates supported by the BankPac in the last state election, 81% won. So reported Bobby Martin, chairman/president, Peoples Bank, Ripley.

Legislative Action. The state legislature didn't agree with the MBA on the latter's quest to change or eliminate loan-interest-rate ceilings, said C. Willis Connell Jr., chairman/president, United Southern Bank, Clarksdale. The present law was extended for two years. According to Mr. Connell, legislators didn't accept the MBA's argument that the asset side of banking must be deregulated. The State Senate, he continued, went along with the

James M. Speed (r.), v.ch., Great Southern Nat'l, Jackson, was installed into Miss.BA's 50-Year Club at convention. At l. is son James T. Speed, ch./pres., same bank.

MBA, but there wasn't time for a compromise with the House. Members of the House don't like the credit-life rates being charged by Mississippi bankers, saying these rates are too high, said Mr. Connell. The House wants the 90¢ rate lowered to 75¢.

New Officers. Raymond L. Davis, president, Brookhaven Bank, was elected MBA president. M. F. Kahlmus, chairman/president, merchants & Farmers Bank, Meridian, was elected vice president. Elected treasurer was Ferrill F. Berryhill, chairman/president, First National, Pontotoc.

Don F. Calfee, president, First Mississippi National, Hattiesburg, was elected to a two-year term on the ABA council. • •

Missouri

A NEW FORMAT was tried by the convention-planning committee of the Missouri Bankers Association at its 94th annual convention at the Hyatt Regency, Kansas City, last month.

Convention Chairman Richard Pryor, president, Bank of Jacomo, and his committee divided the program into four sessions. Session one dispensed with matters pertaining to the association and consisted of a state-of-the-association panel, with all top officers participating, a meeting of Missouri ABA members at which two Missouri bankers were elected to the ABA council and election of officers for the MBA for 1984-85.

Each of the other three sessions featured an "attendance-encouragement" speaker or panel. Session two began with keynoter William F. Buckley Jr. publisher/author; session three featured a first-time-ever panel of five HC CEOs, and the final session gathered together all five gubernatorial candidates.

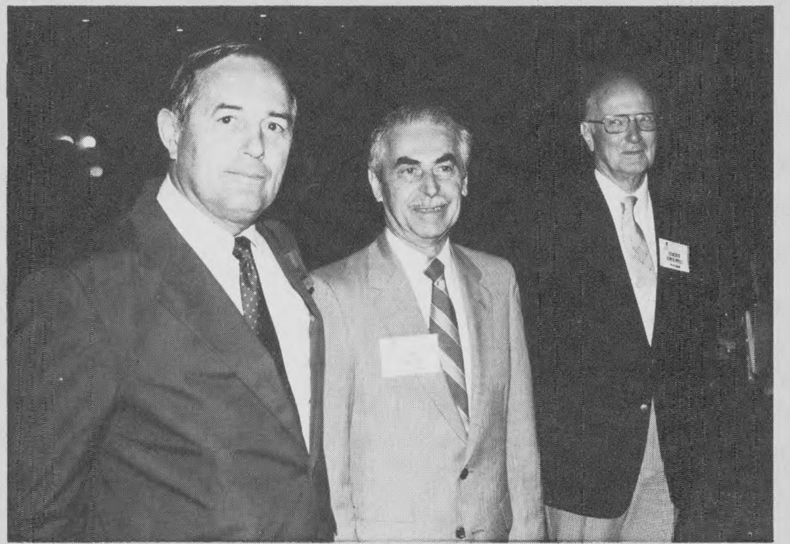
Outgoing MBA President George R. Curry, chairman/CEO, Central Bank, Lebanon, reported the MBA is in excellent health, offering more services than ever. Internal management has become more effective, he said, and membership participation is at an all-time high. Membership input has resulted in shorter, stronger conferences and one of the most successful legislative efforts in the association's history. Legislative victories include passage of variable-lending-rate authority and defeat of the Citicorp incursion into Missouri. Mr. Curry also reported that a consensus was reached among members on how to fashion a plan for interstate banking.

MBA Executive Vice President Robert Crawford reported that seven of the MBA's nine conferences held in the past year operated in the black and that convention attendance was double last year's figure. The association's staff-reorganization study, performed by Peat, Marwick, Mitchell & Co., has resulted in new personnel and new products/services, including a new commercial lending school, which will be held this month. The MBA office is being renovated; a new second story is in place. A new federal BankPac is successful. The MBA has become the first state association to have the capability of communicating with the ABA via computer. The MBA expects to be able to provide daily reporting service to member banks via computer by January.

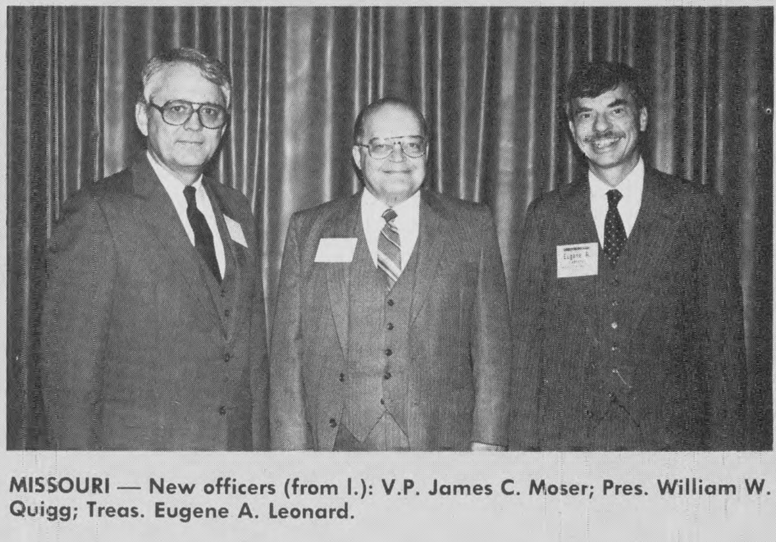
At the ABA meeting, George R. Curry and Richard Pryor were elected to two-year terms on the ABA council.

The CEO panel consisted of Clarence C. Barksdale, chairman, Centerre Bancorp, St. Louis; Sam B. Cook, chairman, Central Bancorp, Jefferson City; Donald E. Lasater, chairman, Mercantile Bancorp, St. Louis; James M. Kemper Jr., chairman, Commerce Bancshares, Kansas City; and R. Crosby Kemper, chairman, United Missouri Bancshares, Kansas City.

The panel discussed deregulation, nonbank banks, problems at big banks, such as Continental Illinois National, Chicago, new bank products/services, the two-tier rescue system of federal regulators and what banks should do to survive these turbulent times.



MISSISSIPPI — New officers (from l'.): Treas. Ferrill F. Berryhill; V.P.M.F. Kahlmus; Pres. Raymond L. Davis.



MISSOURI — New officers (from l.): V.P. James C. Moser; Pres. William W. Quigg; Treas. Eugene A. Leonard.

Responding to the topic of deregulation and its associated specter of interstate banking, Mr. Barksdale said the panelists agreed interstate banking is coming, but it must be a gradual process. It must be preceded by deregulation in Missouri. Panelists favor the regional-network approach, he said, and legislation is expected from the Missouri statehouse to authorize additional branches and ATMs.

"We don't need Citicorp to come in here and tell us how to bank," he commented.

Mr. Lasater said Congress must make the decisions about nonbank banks. Loophole banking is the wrong way to go, he said. He added he has taken an active position in urging Congress to resolve the deficiency in banking law that permits loophole banks.

"If nonbanks are allowed to continue, we will have to look into expansion into Kansas and Illinois, but I hope we don't have to take this route," he said.

Jim Kemper said banks should be permitted to expand within SMSAs and not be limited by state lines or any other geographical limit. Bankers must look at the realities of how people do their banking and make things convenient for them.

Crosby Kemper took issue with other panelists when he declared he was totally opposed to too much expansion.

"Money-center banks have gotten themselves in trouble because they expanded into areas they knew nothing about. There's no place in Missouri I'd want to branch into — and few spots in Kansas!" he said.

Mr. Cook said money-center banks should not dominate rural areas. It's not right for decisions to be made in far-off cities. The regional-bank concept makes sense. It responds to the need for some kind of expansion of the banking system so banks can reach customers in a wider area.

On the topic of Continental Bank of Chicago's woes, Jim Kemper said federal regulators are in a state of disarray because of the multitude of problems they face. He said regulators should concentrate more on banking fundamentals. Proliferation of nonbanks is causing much confusion on the part of the public.

"We shouldn't rely on Congress to come up with a solution to bank survival," he said.

Mr. Cook said Continental is suffering from a lack of core deposits, which indicates lack of confidence in bank management. Continental was forced to fund its obligations with overnight money, he added, and Citicorp of New York City and others are doing the same thing — funding long-term loans with short-term borrowing. The big money-center banks are expanding beyond their capacity. Problems at Continental will be costly to all banks because "we're paying for these bailouts."

Taking part at HC CEO panel at Missouri convention were (from l.): Clarence C. Barksdale, Centerre Bancorp, St. Louis; Donald E. Lasater, Mercantile Bancorp, St. Louis; James M. Kemper Jr., Commerce Bancshares, Kansas City; Sam B. Cook, Central Bancorp, Jefferson City; and R. Crosby Kemper, United Missouri Bancshares, Kansas City. Panelists discussed current banking issues.

Crosby Kemper again disagreed with the general panel sentiment by stating that Continental's problem stems from bad loans. He advised bankers to "stick to what they know. Know the industry your bank is making loans to; know the managements involved. United Missouri wouldn't go to southeastern Missouri to finance cotton growers." Also, he added, don't gamble on the bond market as First Pennsylvania of Philadelphia did. Continental's management got very far afield from the basics of banking, he continued, and its management didn't know what was going on. Bankers are taking risks too cheaply, as are insurance firms and other types of businesses. If a banker doesn't know about a business he's dealing with, he's vulnerable.

Mo.BA E.V.P. Robert W. Crawford (l.) honors A. F. Burger, pres., Citizens Bank, Owensville, with assn.'s "cymbal award" for Mr. Burger's service as pres. of MBA's 50-Year Club for past eight years.

Addressing the double-standard issue of federal regulators going the extra mile to save big banks, but letting small banks fail, Mr. Cook said 100% FDIC insurance isn't the answer, because then the FDIC, which will be taking the entire risk, will want to take the entire profit, too! This would lead to nationalization of the banking industry. However, "we can't let Continental go under."

Mr. Lasater pointed out there would be a funding problem with totally insured banks. If the FDIC totally insured money-center banks, businesses would place deposits only in those banks, regardless of the bank's management quality. Bigness shouldn't be a factor in attracting deposits. He said the way to avoid problem situations is to place more risk on shareholders (an unpopular view, he added). Regulators should be encouraged to close banks before the situation becomes hopeless, so shareholders will see the benefit of insisting on good management for their institutions.

Jim Kemper said we are "underwriting the world" with the FDIC insurance fund. It's ironic that banks are the only group that can't take a bankruptcy position when they're in trouble. Regulators must be able to keep poor banks from expanding loans when they're in trouble. He pointed out that Continental has just completed arrangements for its largest loan ever in the KC area!

Crosby Kemper said "the cattle are out of the corral and roaming the hills. The cattle never should have been let out! Problems arise at money-center banks because they aren't being run by men with lending experience, but by men with marketing experience. Man-

agement must be lending oriented."

Speaking to the issue of offensive/defensive moves to capture retail deposits, Mr. Barksdale said, "We must run like hell to stay where we are." Attention is on getting core deposits, and shared ATMs are the cheapest method of building core deposits.

Mr. Cook said Missouri bankers aren't taking advantage of technology available. He said ATMs are expensive to service, costing between 75¢-$1.25 per transaction — and no bank is charging for ATM use. He likened depreciation/depletion costs of ATMs to retirement and other benefits' cost of employees. He added that credit cards have become a necessary possession of the average citizen, and this places them in the category of a utility. He predicted the possibility of credit cards coming under the same jurisdiction as other utilities, rather than under the department of banking. He said bankers are too busy reading about what's going on in their industry to have time to actually go out and see what's going on.

Mr. Barksdale said banks still don't know how to price services accurately. Bankers should make efforts to retain control of the payments system or Sears will take it away from them, he said.

Fifty-Year Club. New inductees of the club are: Clark G. McCorkle, vice chairman, Ameribanc, Kansas City (originally with Laurel Bank, Kansas City); and Jim Nichol, formerly with First National, Independence (now Centerre Bank).

New MBA Officers. Elected officers of the MBA for the coming year were: president, William W. Quigg, president, Central Trust, Jefferson City; vice president, James C. Moser, president, Bank of Poplar Bluff; and treasurer, Eugene A. Leonard, senior vice president, Mercantile Trust, St. Louis. Mr. Leonard replaces David W. Lewis, chairman/CEO, United Missouri Bank, St. Joseph, who was unable to accept the nomination because of medical reasons. ● ●

Tennessee

TENNESSEE bankers are anticipating the day when fewer banks in the state would mean a smaller dues structure for the state association. Thus, they passed, without debate, a change in bylaws that includes a new dues structure taking this into consideration. As banks are absorbed as branches or as part of a holding company, these units would continue to pay dues based on deposits.

New Tenn.BA directors pose with incoming Tenn.BA Pres. Virgil H. Moore Jr. (c.). At l. is William I. Powell; at r. is Simpson Russell.

If the present method were used, said outgoing President James H. Shelton, the association could lose 20% of its dues over the next few years.

Mr. Shelton, president, Somerville Bank, announced a new TBA program available to banks of the state. It is a cooperative plan for loan collections. Currently in the introductory stage, the program, said Mr. Shelton, offers many cost-saving possibilities for banks.

In recounting many of the services and educational programs offered by the TBA, Mr. Shelton agreed the rate of change in the industry today is almost "shocking." But the young bankers in the state, he said, apparently are taking this in stride. When a panel of young Tennessee bankers recently was asked about the future of interstate banking and/or Tennessee banking in the future, this was their reply, he said:

"Regardless of what these changes are, the thing for us to do is try to run the most cost-efficient, productive institutions we can, examining each opportunity for new products and services and offering those in which we can be cost efficient to our customers."

No better advice could be given either to young or old bankers, said Mr. Shelton.

Changes already are here, but more are coming, said Arkansas banker William H. Kennedy Jr., council chairman, American Bankers Association. The consumer has benefited from changes that allow banks to offer discount-brokerage service. The market today, he said, is serving more small investors than ever before.

Bankers, through the ABA's efforts in Congress, said Mr. Kennedy (chairman, National Bank of Commerce, Pine Bluff), are pro-consumer. Any new services we ask for, he said, must be in the public interest, and we're going to have to earn the ability to compete.

At the ABA's recent leadership conference, he reported, the ABA had agreed it was logical to seek congressional approval to sell mutual funds, underwrite and sell insurance and also engage in real-estate activities.

Congress also will be forced, he said, to decide on the definition of a bank. If not, then the marketplace will decide, but in a haphazard way.

Richard C. Breeden, a representative of the Bush Task Group: Recommendation for the Future, outlined some of the changes proposed by the group. Regulation of banks, for example, would come under the Comptroller, Federal Reserve and state banking departments, with the FDIC examining only those banks considered in danger. State banking departments would be certified as to their capabilities.

FDIC premiums would take into consideration the riskiness of a bank's loan portfolio, and banks or thrifts could opt to operate either as a commercial bank or thrift (no matter what charter they hold), but then would be required to "play by the rules" established for that type of organization.

Above all, said Mr. Breeden, any changes enacted would take into consideration the safety and soundness of the financial system as well as the competition and efficiency within the system.

What to do about the federal deficit was a problem discussed by speaker Frank Cappiello, a finance and economics analyst. Summing up all the problems faced by the Administration, Mr. Cappiello predicted that President Ronald Reagan would tackle the issue with a dramatic pre-election statement in which he would ask for an emergency short-term cut in defense spending, along with a modest tax increase. The federal deficit is enormous and growing out of sight, said Mr. Cappiello, and only some dramatic gesture, in his opinion, could break the deadlock of opinion in the capital.

New Officers. In official action taken by the TBA, Virgil H. Moore Jr., chairman, First Farmers & Merchants, Columbia, was named president of the association.

Others named: president-elect, James W. Hudson, president, Bank of Madisonville; first vice president, Ray U. Tanner, president, Jackson National; second vice president, George E. Bivins Jr., chairman, Williamson County, Bank, Franklin.

Three TBA directors also were named: east Tennessee, William I. Powell, president, First Peoples, Jefferson City; middle Tennessee, Eugene Southwood, vice chairman, Third National Corp., Nashville; and west Tennessee, Simpson Russell, regional president, Union Planters, Jackson. James C. Brewer, president, First Heritage National, Loudon, was appointed to fill an unexpired term in east Tennessee.

Members of the ABA elected Jim Fitzhugh, president, Bank of Ripley, to a two-year term on the ABA council.

Texas

WITH the theme of "Suddenly It's Tomorrow," the Texas Bankers Association held its 100th annual convention in Fort Worth May 2-4.

Proliferation of nonbank competitors has been the greatest change and one that poses the most serious threat to banks' ability to compete. This is the view of guest speaker Gerald Lowrie, executive director of the ABA's government relations group. He predicted that some profoundly important decisions will be made in the next few weeks. Two questions that will be addressed are product and service freedom and the definition of what is a bank. Mr. Lowrie encouraged bankers to contact their legislators on these issues.

In suggesting how the nation's complex financial system can be shielded from a renewal of inflation, Henry Kaufman, vice chairman, Philbro-Salomon, Inc., and executive director, Salomon Brothers, Inc., New York City, said, "I find the reality is harsh indeed: interest rates will be the only disciplining force for the economy as we move to a higher level of activity and this business expansion."

In comments that helped contribute to a Dow Jones Industrial drop of some 15 points, Dr. Kaufman said, "All other national-policy variables are inoperative. We either lack the political will to bring them to bear or they have been dismissed in view of the shortcomings they exhibited when implemented in the past.

"The best way to avoid a severe interest-rate clash would be through effective fiscal policy. Without such policy and lacking measures other than interest rates to rein in growth of credit, before the end of the current-cycle interest-rate peak is reached, interest rates will move spectacularly higher — in some sectors well beyond their previous cyclical highs."

"Such an occurrence is not eminent. The more dramatic phase of the surge and yield will occur perhaps late this year and more likely in 1985, when the Federal Reserve will be forced to respond to the flairing of inflation and when key monetary and credit aggregates expand beyond tolerable limits," Dr. Kaufman continued.

In pointing out that the nation now lacks either a program of fiscal restraint or income policy, Dr. Kaufman said the Administration's proposal of a "down payment" on deficit-cutting should be reversed. "Instead of small deficit reductions beginning in fiscal 1985, large deficit cuts should become effective immediately: $60-75 billion within the next 12 months," Dr. Kaufman said.

New Officers. In the elections, A. W. "Dub" Riter Jr., chairman/CEO, InterFirst Bank, Tyler, was elected president of the association for 1984-85. Marvin Hancock, president/CEO of Capital Bank, Dallas, was elected vice president, and George Sell, chairman/CEO, Texas Commerce Bank, Amarillo, was elected treasurer.

A panel chaired by Gene Edwards, chairman/CEO, First National, Amarillo, stressed the question of future implications for banking in Texas. Panel members consisted of Gene H. Bishop, chairman/CEO, Mercantile Texas Corp., Dallas; Gerald W. Fronterhouse, president/CEO, RepublicBank Corp., Dallas; Bayard H. Friedman, chairman, Fort Worth division, InterFirst Corp., Dallas; and Tom C. Frost Jr., chairman, Cullen/Frost Bankers, Inc., San Antonio.

In response to the question, "Do you believe a large bank holding company can do a better job of serving its customers than a small community-owned bank?," Mr. Friedman said it will become more and more difficult for smaller banks to compete because of the variety of products offered by nonbank competitors at low prices. Mr. Bishop said he believed the "per-

TEXAS — Outgoing Tex.BA Pres. Glen E. Lemon (l.), passes gavel of office to incoming Pres. A. W. Riter Jr. during convention ceremony.

TENNESSEE — Outgoing Tenn.BA Pres. James H. Shelton (l.) congratulates new Pres.Virgil H. Moore Jr.; Pres.-Elect J. W. Hudson; and 1st V.P. Ray U. Tanner.

sonalized service a small bank can offer" will assure its place in the community. Mr. Frost, however, said, "Don't get comfortable with the idea that personalization will save you, because many of your customers will choose an 800 number over you if they believe the value offered is greater."

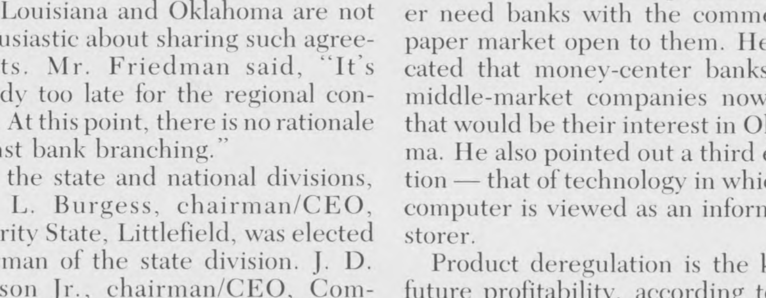
The most surprising response from a question was that of Mr. Friedman to the question, "Do you believe there will be a decline in the number of banks in the state over the next 10 years?" Mr. Friedman said he believes there will be no more than 25% of the existing number of banks by then. Mr. Bishop agreed the number will drop, but not by such a dramatic amount.

On a question of branch banking in Texas, panel members seemed to agree there was little support for a change in state law because the HC system already has allowed branching.

On a question of nationwide branch banking, Mr. Friedman said, "It will be a fact within 36 months. It already exists in many forms." Mr. Frost said he could envision a gradual process, beginning with a regional concept as an interim step, but Mr. Fronterhouse said Louisiana and Oklahoma are not enthusiastic about sharing such agreements. Mr. Friedman said, "It's already too late for the regional concept. At this point, there is no rationale against bank branching."

In the state and national divisions, Ken L. Burgess, chairman/CEO, Security State, Littlefield, was elected chairman of the state division. J. D. Hudson Jr., chairman/CEO, Community State, Waco, was named vice chairman; and Dan Haynes, president/CEO, First State, Burnet, was elected secretary.

John C. Scurlock, vice chairman, First City National, Austin, was elected chairman of the national division; David A. Moore, president, First National, Alpine, was elected vice chairman; and Gary W. Schur, president/CEO, First National, Munday, was elected secretary. ● ●



Members of "Texas Banking Today" panel: (from l.) Gene H. Bishop, Bayard H. Friedman, Gene Edwards (moderator); Gerald W. Fronterhouse and Tom C. Frost Jr. Panelists stressed question of future implications for banking in Texas.

Oklahoma

"HIGH-performance banking" was the theme of the Oklahoma Bankers Association's 87th annual convention May 6-8 in Oklahoma City. Approximately 900 bankers and their spouses registered for the event.

Interstate banking is here, and it arrived through the back door was the consensus of an outlook panel.

The panel consisted of Curtis A. Brooks, chairman, First National, Chickasha; Robert L. McCormick, president, Stillwater National; H. E. Rainbolt, chairman, Federal National, Shawnee; Leonard Eaton, chairman, Bank of Oklahoma, Tulsa; and Charles E. Nelson, president, First Oklahoma Bancorp, Oklahoma City.

There was agreement that deregulation will bring about more aggressive sales-oriented banks. Mr. Eaton outlined a major change in market structure. He pointed out that the traditional market of large banks has evaporated. Fortune 500 companies no longer need banks with the commercial-paper market open to them. He indicated that money-center banks seek middle-market companies now, and that would be their interest in Oklahoma. He also pointed out a third evolution — that of technology in which the computer is viewed as an information storer.

Product deregulation is the key to future profitability, according to Mr. Brooks. He predicts that competition in Oklahoma would be stiff and that there would be 100 new bank charters and 200 branches in Oklahoma within the next several years.

That deregulation is technology driven was the view of Mr. McCormick. He pointed out that tough-driving, cutthroat competition lies ahead. He also stated that a most important aspect in productivity is well-motivated people.

Mr. Nelson started out his presentation with a rhetorical question: "How would you run your bank five years from now with no regulation?" He further stated that the holding-company expansion will take more than five years and will result in a three-tier system. The first consolidation would take place in the two major markets — Tulsa and Oklahoma City. Next, there would be consolidation in the state's growth areas and finally in the county-seat banks and other large markets. Mr. Eaton predicted a continued slow consolidation in Oklahoma.

New Officers. In the elections, Donald D. Doty, president, First National, Bartlesville, is OBA president, and Murlin Derebery, chairman/president, First State, Shawnee, is the new president-elect.

ABA Election. Elected to a two-year term on the ABA governing council was outgoing OBA President Gordon Greer, president, Liberty National, Oklahoma City. Oklahoma has been selected for a pilot program in which advice will be sought from Oklahoma bankers on what they want from the ABA.

In his annual report to the association, OBA President Gordon Greer told bankers it has been a good year in the area of state-government relations. He outlined revisions in the state's bankruptcy code and in the state's banking code: 1. The lending limit is now 20% of capital, surplus and undivided profits. 2. Elimination of the 6% ceiling on preferred stock dividends. 3. Majority of directors rather than two-thirds now required to approve borrowing by insiders. 4. Trust companies are subject to the banking code. This makes them subject to the same lending limits as state banks.

Mr. Greer also reported the banking-department appropriation bill likely will be effective January 1, 1985, and provides that state-bank examination fees (90%) go into a revolving fund for the department — rather than 100% into the state general-revenue fund. He also reported that the association had successfully defeated a cattle-lien bill.

"We had formidable opponents, but the bankers got active and we prevailed," commented Mr. Greer.

Mr. Greer reported the association has been involved in several matters in the courts this past year: 1. Tax-refund litigation related to unconstitutional income tax on banks. 2. Franchise-tax issues. 3. Citicorp acquiring a dormant trust company. 4. Dimension nonbank

(Continued on page 45)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Despite Comptroller's Moratorium:

'Loophole' Banking Still of Interest To Bank Officials

ALTHOUGH a moratorium has been declared on consumer — or "loophole" — banking by Comptroller of the Currency C. T. Conover, the subject still is of vital interest to bankers. The Comptroller said he ordered the mortatorium for a number of reasons, the first one being that it would encourage Congress to enact banking legislation that would allow commercial banks to offer expanded services to their customers. If Congress doesn't get busy, the Comptroller probably will lift the moratorium, and another onslaught of applications for consumer banks will start.

Loophole banking has become an emotional issue among bankers, some unalterably opposed to it, others in favor of it and still others, while not willing to take advantage of it themselves, see it as a way to get Congress moving on new banking legislation. This was borne out in comments made to MID-CONTINENT BANKER by bank/HC CEOs and others in the banking field.

Clarence C. Barksdale, chairman, Centerre Bancorp, St. Louis, sees consumer "nonbanks" or "loophole" banking as not an end in themselves. It's clear, says Mr. Barksdale, regulators approved the U. S. Trust of New York City case and were prepared to further approve this phenomenon to pressure Congress to act on the "definition of a bank" and interstate-banking issues. U. S. Trust was granted permission to set up a deposit-taking/consumer-lending operation in Florida through a "loophole": Its Florida operation will not offer commercial lending, and, thus, the Fed says it is not a "bank."

Another St. Louis banker, Donald N. Brandin, chairman, Boatmen's Bancshares, Inc., says he does not approve of loophole banking because it is a clear attempt to circumvent present laws restricting interstate banking. He adds that he would not consider opening a loophole bank at present.

R. Crosby Kemper, chairman, United Missouri Bank, Kansas City, also opposes loophole banking because he thinks anything that subverts the intention of the (interstate-banking) law is dishonest. Naturally, he adds, he would not consider opening a "loophole" bank.

Jordan L. Haines, chairman, Fourth Financial Corp., Wichita, believes institutions that have taken steps to establish "consumer banks" in areas outside their immediate trade areas are using the existing law and its interpretation to their benefit. These organizations, according to Mr. Haines, are merely taking advantage of an opportunity presented to them to position themselves within desired markets. As long as these organizations are not violating existing law and its interpretation, he believes it's difficult to disapprove their actions.

At present, Mr. Haines says, he is not considering opening a consumer bank, but will continue to monitor developments in this area.

Another vote against loophole banking was given by J. W. McLean, chairman, Liberty National, Oklahoma City. He says that in addition to the utter confusion it brings to an already fragmented regulatory arena, it simply defeats the spirit of the law — both McFadden and Douglas. He believes Douglas eventually should be repealed, but not McFadden. Meanwhile, he continues, he believes strongly that state legislators are in a much better position than is Congress to judge when and if interstate banking (on a reciprocal basis) would be appropriate in a given state or region. He adds that he would not consider opening a loophole bank and believes Congress should eliminate this loophole now.

Although Martin C. Miler, chairman, Hibernia National, New Orleans, also does not approve of loophole banking, he sees it as a natural response to a definition needing clarification. He states emphatically that Congress needs to act now, and he would consider opening a loophole bank if the law is not clarified.

A southern banker who does not want to be identified says, "Loophole banking is not the most desirable way to implement change, but, as a practical matter, it often is the only means

St Germain Acts

WASHINGTON, D. C. — Representative Fernand St Germain (D.,R.I.), ch., House Banking Committee, last month introduced legislation that would outlaw consumer banks and force commercial banks to divest themselves of their discount-brokerage activities.

Representative St Germain also would impose a general halt on diversification by financial institutions into new types of financial services.

The Senate Banking Committee is considering a bill that would legitimize consumer banks and allow commercial banks to expand into certain securities and real-estate activities. This bill generally is favored by the Reagan Administration.

Thus, the two houses of Congress seem to be opposed to each other on consumer-bank and bank-services issues. It remains to be seen what happens now.

available to cause change to occur. Our political and regulatory systems often are responding to pressures not originating in the marketplace nor even, for that matter, in the public interest."

This banker adds that he would consider opening a loophole bank.

N. Beverley Tucker Jr., group vice president, Fifth Third Bancorp, Cincinnati, says he disapproves of inequities that force banks to use "loopholes," and, until regulations are improved, banks will continue to expand under current rules in order to pursue their own interests.

Mr. Tucker adds that his organization would consider opening a consumer bank.

"There are organizations devoting people full time to looking for loopholes in banking laws," says Charles J. Kane, senior chairman, Third National, Nashville. "This is getting out of control, and I think this is a big mistake to let this continue. We are in need of a complete review of existing legislation and regulation affecting powers of banks and relationships between banks and organizations owning them.

"If we keep fragmenting the banking industry, I am concerned that we will be letting it get out of control and could face some serious financial repercussions in years to come. We need to establish what is a bank, and I do believe banks are special, since they perform a critical role in our financial system, which means there should be some government concern as it relates to their structure and who the players should be.

"If we continue to let nonbanking entities in the banking field, my concern is whether we will be able to wholly insulate their banking business from their other businesses and affiliates. The way we are going now, the central bank is losing a certain amount of control, and these people theoretically are going unregulated. I think Congress should eliminate this loophole now before it gets completely out of control. I also feel the time has come for Congress to address the interstate-banking issue and come up with some rules and guidelines as to how we should phase into interstate banking. I believe it ought to be on a phase-in basis, using the regional concept and opening the gates gradually so that we can give the proper time for consolidations to prove themselves beneficial."

A vote for consumer banks came from Harry Brock Jr., chairman, Central Bank of the South, Birmingham, who says he approves of consumer banking across state lines because his bank always has advocated the free-market system. In fact, his organization has filed applications for formation of consumer banks in other states.

Mr. Brock believes that since Congress has chosen to duck the issue in the past, it should do so now. He adds that he prefers an orderly transition through some sort of regional-acquisition program, but if the choice came down to full interstate versus no interstate, he would vote for full interstate.

A "disgrace" and a "perversion of federal regulations" caused by federal inaction. This is the opinion of loophole banking held by Barry F. Sullivan, chairman, First Chicago Corp. However, he adds, opening such a bank, whether "graceful or not," is an appropriate action for a major bank HC, which has to answer to several

'Loophole' Banking Is Recognition Of Legitimate Market Need

By James D. Berry Chairman/CEO RepublicBank Corp. Dallas

REPUBLICBANK Corp. views the recent ruling by the Federal Reserve allowing U. S. Trust of New York City to open a limited-charter bank in Florida as a valid application of existing laws and regulations. We do not see it as so-called "loophole" banking; rather, it is long-overdue recognition of a legitimate market need.

This is why RepublicBank Corp. decided to file an application to charter national banks — and provide commercial-banking services — in 16 cities in 11 adjoining and nearby southern and western states. We believe our experience and expertise in meeting our customers' financial needs position us well to provide financial services to a broader market area than we have been able to provide up until now.

While RepublicBank has long been developing business relationships in these 11 states, we now would like to reinforce these activities by chartering banks to give us a solid local presence and ability to provide convenient service to our customers outside of Texas. Just as RepublicBank Corp. has contributed to the strong growth of the Texas economy with our affiliate-bank network, we want to become helpful to the growth of these additional states.

Now that the Comptroller of the Currency has postponed action on our applications and those of other banks, we are quite willing to wait and to abide by whatever Congress legislates in the future regarding interstate banking. But we do urge that there be a level playing field — everyone playing by the same set of rules — among all financial-service providers. If our nonbank competitors can open financial institutions all over the U. S., we believe banks should be allowed the same authority. We are not afraid of competition, but we want the ability to compete on an equal basis.

While we viewed the ruling in the U. S. Trust case as one opportunity to better serve our customers and the marketplace, we, in fact, prefer a more total solution than limited-charter banks. We believe permission for unrestricted interstate banking ultimately should be provided at the national level. In the interim, however, a satisfactory beginning of geographical expansion of full interstate banking would be appropriate through gradual regional expansions — such as recently completed in New England — by reciprocal agreements between consenting states. In order to provide a transition into competitive parity with the national-financial vendors like Sears and American Express, we favor and encourage national legislation that would approve the constitutionality of such regional compacts created at the state level and, through sunset provisions, permit total geographical freedom to offer full banking services after a reasonable period.

Banks have the expertise, resources and trust of the public to meet all financial needs of consumers. All we are asking is that banks be given the freedom to compete. Consumers, in turn, will have alternatives to make decisions on how best to meet their financial needs.

constituencies such as shareholders and customers. His bank HC, by the way, has filed applications with the Comptroller of the Currency for bank charters in California, Texas, New York, New Jersey and Georgia.

Clarence Barksdale of Centerre Bancorp, St. Louis, believes large banks rushing to file applications are telegraphing their long-range market-expansion strategy. They would open, de novo, such consumer nonbanks to complement loan production offices or other financial-service activities in certain markets and essentially be full service through multiple legal entities initially, he says. However, he continues, more rationally, these large banks are using nonbanks as a starting point to be positioned better for acquisitions in certain markets under state laws or ultimate federal legislation permitting interstate banking.

Mr. Barksdale said his HC, given no other alternative, would use such a vehicle to potentially expand in its "natural" market, such as Illinois. However, he continues to believe a more orderly, structured approach to geographic expansion of financial-service institutions done on a phased approach over several years is in the best interest of the public, employees of banks and banks themselves.

"We believe," continued Mr. Barksdale, "regional reciprocal banking under state law should be officially blessed by Congress as proposed, among other things, in S. 2181 (sponsored by Senator Jake Garn) and that Congress subsequently deal with the issue of interstate banking on a national scope in the years ahead as it observes the economic impact of the first step — regionalization. In addition, Congress should immediately clearly establish the definition of a bank and close the loopholes. Also importantly, it should broaden banks' powers to enable them to effectively compete with thrifts and other financial intermediaries such as brokers. Here, I refer to such things as underwriting revenue bonds, offering/managing mutual funds, brokering insurance and more powers in real estate."

He advocates letting banking evolve in an orderly way in services offered and geography served — while recognizing that, ultimately, there will be nationwide banking.

Donald Brandin of Boatmen's Bancshares, St. Louis, believes Congress should face the interstate-banking issue head-on, but adds that it's clear Congress is perfectly willing to let the states take the lead with regional bills. He wants interstate banking implemented on a regional basis, probably on a contiguous-state-reciprocity basis for a three-year period, following which full interstate banking could be implemented.

R. Crosby Kemper of United Missouri Bank, Kansas City, thinks Congress should eliminate the loophole program and should classify what banking should be in this country. He is opposed to full interstate banking, but would be in favor of some modification of present laws.

"This is too big and diverse a country," he says, "to turn it over to a few banks in Chicago and New York City, which, incidentally, have not shown they are very good bankers in the last several years."

According to Jordan L. Haines of Fourth Financial Corp., Wichita, it would be in the best interest of the financial community to have clarification on the issue of what is and is not a bank. Elimination of a "loophole" could best be accomplished by properly defining the role of various financial institutions and their ability to cross state lines, he says, then adds that Congress should act quickly to avoid organizations spending massive amounts of money and then later

ABA Approves Moratorium On 'Loophole' Banking

THE Comptroller of the Currency's imposition of a moratorium on nonbank banks — or "loophole banking" — was approved by the ABA.

In speaking for the association, its president, C. Robert Brenton, says, "The Comptroller's decision is the latest — and perhaps the most dramatic — of a series of actions that make it urgent that Congress enact a rational and realistic solution to problems of the fragmented financial-services marketplace. The Comptroller's decision reaffirms the need this year for substantive legislative action — both new competitive freedoms and redefinition of a bank; in other words, what a bank should be allowed to do and what a bank is.

"If Congress acts by inaction, the future will continue to be determined exclusively by federal-regulatory decisions, state actions, court rulings and the marketplace."

Mr. Brenton is president, Brenton Banks, Inc., Des Moines, Ia.

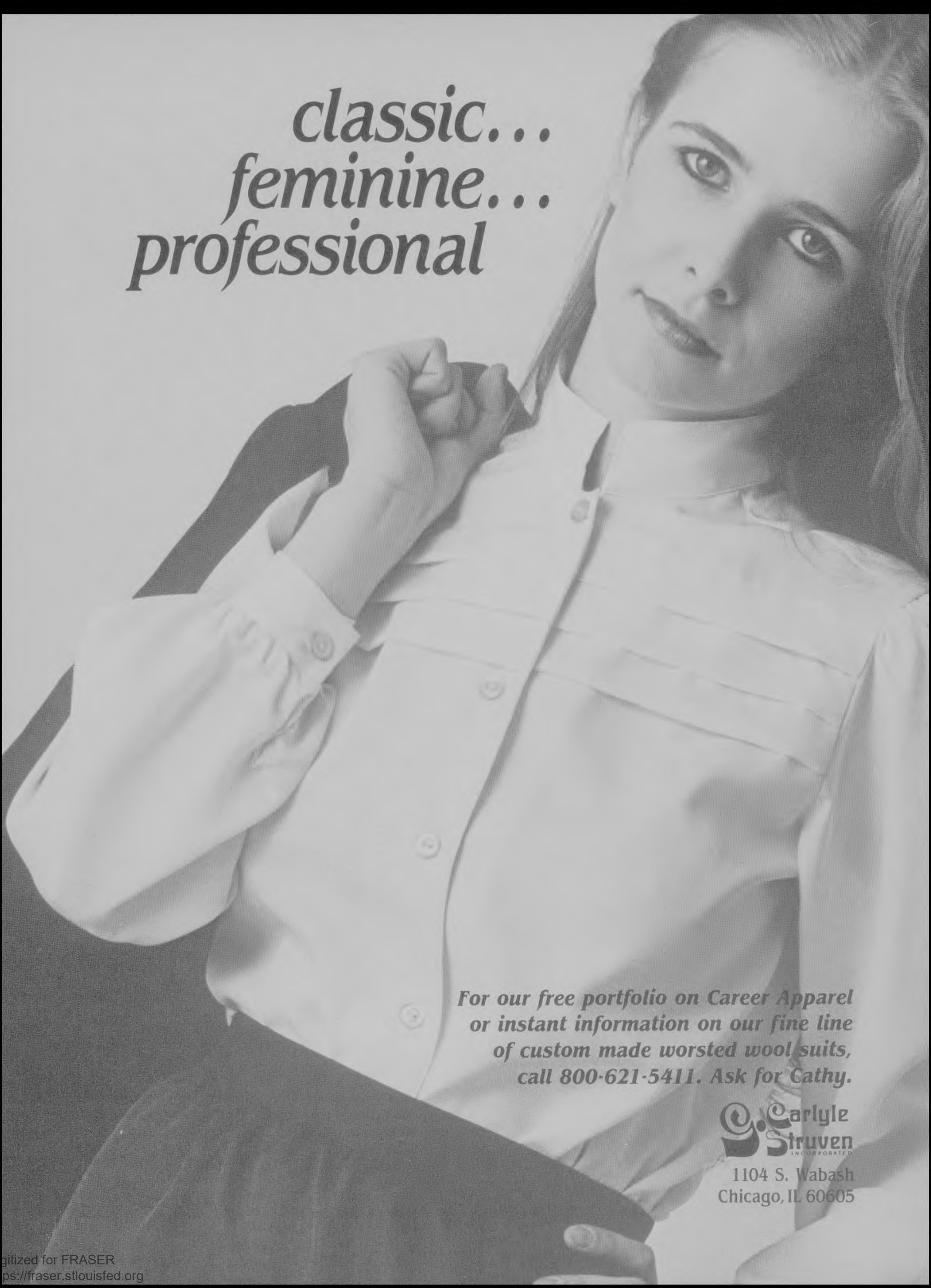
Earlier this year, the ABA testified before the Senate Banking Committee on the need for new banking legislation. Mark Olson, chairman of the ABA government relations council and president, Security State, Fergus Falls, Minn., pointed to three basic issues that need immediate resolution by Congress. They are:

- What is a bank?
- Who is allowed to own a bank?
- What products and services should banks be allowed to offer?

Mr. Olson outlined the consensus reached on these issues during meetings of the ABA's banking leadership conference in February. In that consensus, the banking leaders endorsed the redefinition of a bank supported by the Reagan Administration and the Fed. They said a bank, for purposes of the Bank Holding Company Act, should be defined strictly as: 1. An FDIC-insured institution. 2. Any institution eligible to be FDIC insured, or 3. Any institution that accepts deposits that a depositor may withdraw by check or similar means for payment to third parties and is engaged in the business of making commercial loans.

Once that legal definition is enacted, ABA banking leaders say, any entity willing to live by the legislative/regulatory rules governing banking should be allowed to own a bank. As proposed in the legislation, S&Ls are excluded from this redefinition because they would be similarly defined and regulated by the Savings and Loan Holding Company Act.

In his testimony, Mr. Olson said banking leaders note the growing importance of two other major questions: where banks should be allowed to operate and who will regulate banking in the future. However, they concluded that these matters should not be considered until after resolution of the questions of what is a bank, who should be allowed to own one and what products and services banks should be allowed to offer.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seeing the "loophole" closed.

Mr. Haines believes, as do many other bankers, that once clarification of definitions has been developed, a phased-in approach to interstate banking should occur. He says the most logical way to approach this, however, is to allow regional agreements for formation of regional financial institutions. By phasing in the interstate framework, says Mr. Haines, more orderly consolidation of financial services' organizations might occur, thus avoiding situations where acquisitions are made too quickly and in too large a number. He also said it might allow the marketplaces to adjust and the regulation/examination of those organizations to be managed better at the federal level. This is a concern, he points out, because the safety and soundness of the system are of importance to all providers of financial services.

"We believe," says Mr. Haines, "eventual removal of interstate regulations in total is advisable because of the realities of the marketplace that exist today."

Hibernia National of New Orleans' Martin C. Miler wants Congress to eliminate loophole banking now and open the gates to full interstate banking — by regions first, starting with the federal districts in 1986 and nationwide by 1989.

Another southern banker thinks it would be most helpful if Congress would lay out a time schedule of deregulation, which would lead to full interstate banking. If in doing that, he says, Congress elected to eliminate the loophole at this time, he doubts there would be much opposition. Assuming this phasing in were done in logical steps extending over, say, the remainder of the 1980s, this banker believes adjustments could be made with relative ease and without pain.

N. Beverley Tucker Jr. of Cincinnati's Fifth Third Bancorp says Congress, with the help of members of the Depository Institutions Deregulation Committee (DIDC), should prepare legislation allowing banks to grow in a rational way and correct the impossibly complicated regulatory system under which banks now operate.

Speaking as an independent banker, a midwestern bank chairman believes full interstate banking would not be beneficial to the public as a whole. For the same reason, he feels loophole banking is not either.

State Regulators' Opinions. Four state banking commissioners, commenting on loophole banking, say they don't approve of it. One says it is an attempt to circumvent state/federal-banking regulations. He believes Congress should eliminate this loophole as soon as possible. He adds that Congress should not open the gates to full interstate banking. Such a decision should be left up to the states because state regulators would lose too much control in a full interstate-banking situation.

Another superintendent of banks points out that the fact it is referred to as a "loophole" indicates that such activity was not contemplated when the statutes were written. To permit applicants to slip through a loophole circumvents the law's intended purpose. Also, this state regulator adds, many times, those who pass through loopholes are not banks in the traditional sense and often either are unregulated or less regulated than commercial banks, often creating an unfair competitive advantage. She wants Congress to eliminate this loophole now and says Congress has a responsibility to act without delay to establish acceptable parameters in which banks can operate on an interstate basis. She also believes Congress should have the benefit of the thoughts of the states in reaching its decision on this matter. Should Congress choose not to act, then the states would be obligated to do so on behalf of consumers in their respective states.

Another state banking commissioner believes interstate banking is inevitable and, in fact, already is here in a large degree. He can support interstate banking on some basis, but at this point, it is not clear to him whether full interstate banking is preferable to a regional approach. He feels Congress should address this matter.

James L. Sexton, Texas banking commissioner, in voicing his disapproval of loophole banking, has this to say: "The process of legislation is ideally geared toward equitable treatment of all parties involved in an area that is, in the first place, deemed to warrant legislation. 'Loophole' activity, by its nature, preempts this balancing of interests and, in the case of banking, has created relationships Congress did not intend and has breached geographical boundaries Congress explicitly erected. Whatever public-policy goals were contemplated in establishing product barriers clearly have been subverted by the entry of firms conducting a broad range of business activities proscribed by the Bank Holding Company Act. The fact that banks and bank HCs legally are not able to enter, reciprocally, insurance/securities/real estate/consumer goods and other businesses in an unlimited fashion is reason enough to object to 'loophole' activity."

Mr. Sexton wants Congress to eliminate loophole banking either by opening the gates equally to all or by closing them effectively, including forced divestiture with no "grandfathering." He does not believe Congress should open the gates to full interstate banking. Rather, he continues, the matter should be left for the states to decide, as the Douglas Amendment and Bank Holding Company Act contemplated.

Deregulation Benefits Consumers, According to St. Louis Banker

WHAT EFFECT has banking deregulation had on consumers? According to Neal Farrell, president, Mercantile Trust, St. Louis, and vice chairman, Mercantile Bancorp, also in St. Louis, it has been good for them.

Speaking at his bank HC's annual shareholders' meeting late in April, Mr. Farrell based his opinion on his own research at Mercantile Trust and figures developed by the Office of the Comptroller of the Currency in Washington, D. C. According to Mr. Farrell, the Comptroller's Office estimates consumers have gained $13 billion in additional interest since rates on consumer deposits were deregulated, while paying an additional $3 billion in service fees. This is a gain of $10 billion, Mr. Farrell pointed out.

The calculations, he continued, clearly point to benefits for consumers through deregulation.

"The consumer — the saver — should get a fair price for his dollar. And today he is," Mr. Farrell told his bank HC's shareholders. . . . "We believe deregulation has been good for both the consumer and the bank. We intend to pursue this (retail) market aggressively and to ensure the consumer of a complete range of financial products to be provided at a fair price to all."

How Will the Midwest Be Affected By Interstate Banking?

By Arnold G. Danielson

Arnold G. Danielson is managing director, Danielson Associates, Columbia, Md., which was founded in 1978 as a consulting firm specializing in helping commercial banks develop strategic plans. The firm works particularly with smaller banks — those with under $500 million in deposits. Before forming Danielson Associates, Mr. Danielson was v.p., corporate development, Maryland National, Baltimore.

THE REALITY of true interstate banking spreading across the country appears to have moved well past the "maybe" stage into a virtual certainty; only the question of timing remains to be seen.

It has hit the Northeast to the extent that New York and New England will, more than likely, be a single market within three years, and it would surprise no one if states such as Pennsylvania and New Jersey were included.

The West Coast also has generally succumbed to a form of regional banking as the states of Alaska and Washington have opened their doors to their neighbors to the south, and all indications are that stateline barriers on a regional basis will be down in much of the South within two or three years.

This regional spread of interstate banking generally has missed the Midwest to date, although there certainly has been considerable talk of a possible regional approach in the upper Midwest. However, lack of any clear signs of regional banking has not left the Midwest free of interstate activity. In recent months, Citicorp, New York City, has received tentative approval to operate deposit-collecting offices in Illinois, and the two large Minneapolis-based banks — First Bank System and Norwest — long have operated on a multistate basis.

Despite this recent activity, it probably is safe to say the Midwest will be among the last parts of the country to experience interstate banking. However, before anyone takes too much comfort in that statement, it's likely that events occurring elsewhere in the nation will force national interstate banking within four or five years. There is no reason to dismiss the thought that the suddenness of the Garn-St Germain Act could not be repeated, and national interstate banking could become a reality within a year or two. With this in mind, it's interesting to speculate on just what could happen to banking in the Midwest when interstate banking arrives.

Interstate banking in the Midwest would, in effect, move a region that only sporadically has accepted intrastate banking suddenly into the world of interstate banking. As a result of past constraints, few banks in the Midwest have developed the size found elsewhere in the country. For example, in the single state of Texas, five commercial banks are larger than the third largest bank in the Midwest. In addition, some of the larger banks in the Midwest have had limited experience in running dispersed banking operations. This is true particularly of Illinois banks.

Interstate banking in the Midwest also is going to be influenced by state laws that favor unit banking. Such laws can make running large regional-banking organizations both unwieldly and expensive and certainly will slow the pace of any eventual consolidation.

Nevertheless, interstate consolidations will occur, and it would seem that the principles of logic as well as experiences elsewhere in the country will apply to the pattern this consolidation is most likely to follow. These principles are:

1. Whenever possible, the largest banks will try to merge with the largest possible partners.

2. Most major mergers will occur between banks in relatively contiguous states to maximize market cohesiveness.

3. Banks from the largest states will tend to dominate as they tend to start with the most assets, and those in the large states that allow intrastate consolidation will have a particular advantage.

4. Few stockholder groups will be able to resist offers made.

Any doubts about some of these principles can readily be dispelled by what happened in New England when interstate banking was allowed. Literally within weeks after Connecticut opened its doors, three of its four largest commercial banks entered into deals that effectively would make them satellite operations of banks headquartered in other states; the fourth made a major acquisition in Massachusetts. Less than a year after Massachusetts law made interstate banking permissible, the largest bank in New England, Bank of Boston, had agreements of a substantial nature with banks in four of the other five New England states. In Maine, four of the six largest commercial banks relinquished their independence within a year after the barriers came down. Things may not move as rapidly in the Midwest, but a pace half that fast certainly would cause major changes.

Unlike in other parts of the country, though, it's exceedingly difficult to pinpoint which banks are most likely to survive and which will sell out to others. Based on pure numbers, it would seem logical that the two banks most likely to dominate would be Continental Illinois, Chicago, and First Chicago, since they both are more than twice as large as any other banks in the region. However, both are products of a unit-banking state and are totally oriented toward commercial banking. It's doubtful that either of these banks will try to develop large retail networks, and their relative inactivity in recently allowed intrastate banking in Illinois would further suggest this. In fact, it's likely that any mergers involving these two banks

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would be with similar, commercially oriented banks located in New York, California or Texas — and merging with foreign banks is not out of the question.

With the only two other Illinois banks ranking among the 30 largest in the Midwest being owned either by an international bank or a specialized trust operation, it would seem certain that Illinois will not play a leading role in any consolidation of banking in that region. This would tend to place the mantle of leadership on banks in the two other large states, Michigan and Ohio, which account for 11 of the 16 largest non-Illinois banks in the region. No other single state has more than two banks in the top 20. However, because of their historic multistate activities, the two largest Minneapolis banks are of a size that goes well beyond what normally would be expected in a state like Minnesota, and their experience with interstate banking gives them some unique advantages.

With all this in mind, the two factors most likely to dominate the initial stages of interstate banking in the Midwest are:

1. Absorption of major commercial-banking organizations in states contiguous to Minnesota — including Wisconsin, Iowa and Nebraska — into Norwest and First Bank System, both of Minneapolis.

2. Merger of the largest banks in Ohio with the largest banks in Michigan to create the size to allow for later absorption of banks throughout the region.

In terms of individual banks, Norwest and First Bank System would become major Midwest players, and on size alone NBD Bancorp (Detroit) in Michigan should be among the leaders in the consolidation. Among smaller banks likely to survive and grow considerably in an expanded environment are Comerica, Detroit, Huntington and Bank One, Columbus, O., and National City, Cleveland. All rank among the 10 largest in the Midwest and have been aggressive in expanding within their own states in recent years.

What happens to the larger banks in Indiana, Illinois and Missouri in this scenario? In each state, the pattern should be a little different. Since the largest banks in Indiana rank no higher than 24th and 28th among all Midwest commercial banks and are losing ground, it would seem inevitable that Indiana banks would be swallowed by banking systems in Michigan and Ohio. Missouri, on the other hand, is relatively remote from the largest states and includes five of the 25 largest banks in the region. Certainly, a couple of the larger banks in Missouri eventually might become part of the banking systems of the two large Minneapolis banks, but it's likely that a couple of these banks will use advantageous mergers with banks in Illinois, Iowa and Tennessee to become major players themselves. Illinois defies analysis.

Constraints of Illinois banking laws have prevented banks in the state,

Thirty Largest Commercial-Banking Organizations in Midwest

	Total Assets*		Rank		Capital-to-
	1982†	1977	1982	1977	Assets*
Continental Illinois (Ill.)	$41,300	$24,975	1	1	3.99%
First Chicago (Ill.)	39,309	21,533	2	2	4.16
First Bank System (Minn.)	16,704	9,233	3	4	5.40
Norwest (Minn.)	15,573	9,436	4	3	5.90
NBD Bancorp (Mich.)	12,819	8,383	5	5	6.04
Comerica (Mich.)	8,015	4,236	6	10	5.54
Harris Bancorp (Ill.)	7,419	5,509	7	6	5.35
Huntington (Ohio)	7,155	2,005	8	20	4.00
Bank One (Ohio)	7,123	1,924	9	22	7.20
National City (Ohio)	6,903	3,527	10	13	5.80
Michigan National	6,718	4,353	11	8	5.16
Northern Trust (Ill.)	6,254	4,352	12	9	5.41
Mercantile Bancorp (Mo.)	6,110	3,427	13	15	5.39
BancOhio	5,792	3,789	14	12	5.69
AmeriTrust (Ohio)	5,748	4,540	15	7	10.49
Manufacturers National (Mich.)	5,286	3,593	16	14	5.14
Centerre Bancorp (Mo.)	5,128	3,034	17	16	5.60
Society (Ohio)	4,928	2,056	18	19	6.29
First Wisconsin	4,485	3,921	19	11	5.14
First American (Mich.)	3,866	770	20	—	4.30
Commerce Bancshares (Mo.)	3,567	1,977	21	21	7.59
Old Kent (Mich.)	3,404	1,383	22	—	7.35
Boatmen's Bancshares (Mo.)	2,927	1,535	23	28	5.86
American Fletcher (Ind.)	2,923	2,133	24	18	5.97
Central Bancorp (Mo.)	2,834	1,682	25	25	6.67
Centran (Ohio)	2,779	2,266	26	17	6.11
United Missouri Bancshares	2,745	1,369	27	—	6.37
Indiana National	2,669	1,929	28	23	5.89
CharterCorp (Mo.)	2,589	1,629	29	26	6.96
Marshall & Ilsley (Wis.)	2,560	1,570	30	27	6.41

* December 31, 1982
† Includes mergers completed or in process since December 31, 1982

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other than some specialized Chicago banks, from attaining meaningful size. Removal of intrastate restrictions on holding-company expansion within the state recently has set in motion a consolidation process that eventually should result in some fairly large banking organizations; such holding companies as Midwest Financial, Peoria, and First Midwest, Joliet, certainly are headed in that direction. However, assembling a lot of relatively small Illinois banks into a single, cohesive unit will not be easy and will take a number of years. Thus, if interstate banking comes quickly, it's unlikely any Illinois bank will be a major player. Some of the evolving regional banks in Illinois will become part of out-of-state banking systems, but sheer numbers suggest many will be independent for a long time due to a lack of prospective buyers.

Conjecture would suggest that banks outside the Midwest would play little role in the coming consolidation other than possibly to merge with Continental Illinois and First Chicago. This probably is the case, except in certain border areas, since the Midwest would not be deemed overly attractive by most out-of-area banks with the size and capital to make major acquisitions. The only exception probably would be the Chicago market.

In terms of "border" activity, the possibility of such large Pittsburgh banks as Mellon and PNC Financial playing some role in Ohio is more than just a possibility, and Missouri banks may have a more natural affinity with banks in certain southern states. It also is possible that banks in states like Kentucky and West Virginia would be natural acquisition candidates for the large Ohio banks, particularly those headquartered in Columbus.

Despite this likely merger activity, the major effect of interstate banking would be on the largest banks — particularly those with assets in excess of $1 billion. For banks with assets of less than $1 billion, or certainly for those with assets of less than $500 million, interstate banking would not change things all that much. For some, it might even lessen merger attention.

For banks under a certain size, the acquisition attraction under an interstate-banking environment normally will not vary from the status prior to its advent, since the most likely acquirers still would be in-state banks. A major variation would be where small or medium-sized banking organizations are natural extensions of major markets in other states, i.e., southern Illinois vis-à-vis St. Louis or in small states where banks that do not rank among the Midwest leaders still are leaders in their respective states. In other words, a bank that ranks second or third in Kansas with $400 million in assets will be a more likely interstate-merger target than a bank of similar size in Ohio, where it would constitute a comparatively small competitive factor.

Prices paid for acquisitions when interstate banking comes also are of widespread interest, and many believe that with passage of time, it will be difficult for the seemingly high prices of 1983 to continue to be paid. That certainly would be good logic, but it probably will not stand up to reality. Major acquirers more than likely will continue to pay what is needed to get the most desired acquisitions, although the tendency for the large to merge with similar-sized banks will be motivated partially by lack of a need for any premium in a so-called "equal" merger.

Possible lower prices will be offered only to smaller banks. Even there, in some instances, the standard set by large banks in major mergers may be emulated in mergers of smaller banks trying to become larger in the belief this is necessary for survival. New England is not a true growth market, and two years ago most analysts would have said paying 1.5 times book for banks of all sizes in that region would be ridiculous. In the interstate fervor, however, 1.6 times book and even more is being paid. There is no reason to believe things will be different when interstate banking hits the Midwest.

Many may not accept the above scenario and opinions, and it's entirely possible interstate banking still may be a decade away as far as the Midwest is concerned. Nevertheless, as bank managements do their future planning, they cannot afford to ignore the possibility of interstate banking arriving rather suddenly and a scenario such as presented in this article unfolding. A bank that forsees the possible coming changes often can make them work to its advantage.

The above scenario generally suggests what would happen if logic were to prevail. Actuality does not necessarily follow logic, and in any period of massive changes, small, aggressive competitors often upset the normal pattern and emerge as industry leaders. Certainly in the Midwest, the 1990s will see among its survivors, and leaders, at least a couple of innovative banks that presently do not rank among the top 10 or even the top 20.

Financial-Service Conf.

"The Consumer and the Financial-Service Revolution" will be the subject of a national conference to be held June 28-29 at the Sheraton Dallas Hotel/Towers, Dallas. This conference is being coordinated by the Office of the Special Adviser to the President for Consumer Affairs and will focus on the rapidly changing financial-services industry and the effects on consumers/business.

Cosponsors include: the ABA, Defense Credit Union Council, Electronic Funds Transfer Association, National Coalition for Consumer Education, Society of Consumer Affairs Professionals in Business and *United States Banker*.

Major topics will include: the changing financial-services industry and its response to deregulation, extending the marketplace into new customer services, use of technology, new customer profiles/retailing perspectives, new players in the financial-service industry and legislative outlook. Federal/state officials, industry leaders and consumer affairs professionals/educators will assess the current legislative/regulatory environments and explore how changing policies, products, services and new technologies affect the industry and consumer.

Mark Twain Bancshares Tests 30-Mile Rule As Interstate Vehicle

Using a rarely, if ever, used provision of banking law, Ladue, Mo.,-based Mark Twain Bancshares is seeking to relocate its Independence, Mo., bank 16 miles to Overland Park, Kan.

"We're asking for nothing more than Sears has," Carl A. Wattenberg Jr., vice president/secretary/general counsel for Mark Twain, says, referring to the HC's application to the Office of the Comptroller of the Currency for permission to cross state lines. Mr. Wattenburg says the giant Chicago-based retailer can locate its facilities anywhere and has financial centers in Independence and Overland Park. Banks should have the same right, he claims.

Moreover, Mr. Wattenburg insists that Mark Twain isn't asking for a major extension of laws governing interstate banking. Mark Twain, he points out, is asking only to move its Independence bank 16 miles, the last three of which happen to be in another state. The HC is making the request under a section of the National Bank Act permitting a national bank to relocate 30 miles away from the city in which it is located.

State Conventions

(Continued from page 28)

charter in Tulsa. 5. S&Ls advertising themselves as banks. 6. Conversion of S&Ls to savings banks (which may be illegal under Oklahoma law).

The job-placement service is progressing nicely and is designed to be a "break-even" operation for the OBA, but it has provided cost savings of 60-70% to OBA-member banks, said Mr. Greer.

Mr. Greer reported that in the area of advertising/public relations, the association is in its second year of a statewide advertising program — something most bankers feel is vital to banking success in Oklahoma, but is not being supported by all Oklahoma banks as it should be. Thirty-seven banks have not paid their pledges for 1984. Only 343 of the state's 528 banks have joined this volunteer program.

"We *all* need to support this industry effort. Just 65% of our banks are paying for the 185 non-participants," Mr. Greer reported.

The OBA building addition was completed in October, and the association now has an adequate facility that should serve its needs for several years to come.

"The association will have a satisfactory year financially with income over expenses of approximately $100,000," Mr. Greer reported. This is a result of operating within budget and expenses and producing higher income than expected in education and from the sale of products and services.

Turning to challenges the association faces, Mr. Greer reported that BankPac is critical to the OBA's success. Mr. Greer reported that BankPac has reached 50% of its goal of $50,000. Just $25 from directors and officers would give the fund over $100,000, he pointed out.

Industry outlook panelists (from l.) Charles E. Nelson, H. E. Rainbolt, Robert L. McCormick and Leonard Eaton. Not pictured: Curtis A. Brooks.

On interstate banking, Mr. Greer reported that reciprocal arrangements among groups of states is moving rapidly. He cited the New England experiment, the Southeast movement and activities in the Pacific Northwest. He also reported that Texas banks now are getting active and talking about a Southwest compact.

New Okla.BA Pres. Donald D. Doty (l.) and Okla. Gov. George Nigh (r.) addressed Okla. convention.

"Over the months ahead, we must come to grips with our policy and strategy regarding this fast-moving matter," Mr. Greer commented.

(J. G. Cairns Jr., president-elect of the ABA, spoke at the OBA convention and an article based on his talk appears elsewhere in this issue.) ● ●

A Medium to Match the Market: BAI's Satellite Teleconferences

By James R. Pastorello

IN JANUARY, 1982, more than 1,200 bankers from across the country gathered for an important conference; yet not one of the attendees traveled more than a few hours from home.

The event was the banking industry's first satellite video teleconference, produced and sponsored by the Bank Administration Institute, to cover changes in consumer-lending regulations.

The BAI now has produced six nationwide video teleconferences, reaching more than 22,000 banking professionals with important current information at minimal cost and with optimal use of time. These successful experiences have made it clear that teleconferencing — now an efficient information-delivery alternative — will become a major component of educational programming for the financial-services industry.

What's involved in teleconferencing? This "high-tech" medium employs all the techniques of television production. Actual program production takes place at a television studio, from where "live" broadcasts are beamed via satellite to sites across the country. In addition, telephone arrangements between the local sites and the TV studio allow attendees to participate in two-way question-and-answer sessions.

For the contemporary banker, teleconferencing satisfies two constant and sometimes conflicting demands: unceasing pressure to control costs and the equally unceasing need to access and absorb masses of information.

Cost Effectiveness. Today's banker is "cost conscious," looking for ways to control costs in all areas, including staff training and education. Teleconferencing can deliver important information to large audiences, while requiring only a minimum expenditure of participant time and money.

Sending someone to an out-of-town conference or seminar can be expensive, considering registration fees, travel and hotel expenses and lost productivity. By attending teleconferences at sites close to their homes, participants have saved millions of dollars in travel and hotel costs alone. And, because of reduced costs and minimal time away from the job required by attendance at a teleconference, a bank may be able to send additional members of the staff, thus multiplying educational benefits of the seminar.

This was the case last February when the BAI, the Treasury Department and the Federal Reserve Board sponsored a teleconference on benefits of direct deposit of government payments. Since the program included information that addressed both the marketing and operational aspects of the service, it attracted staffs from various areas within financial institutions. Nearly 8,000 financial-services professionals attended the 55 local sites across the country, making it the BAI's largest single education event. The expanded reach of information delivery via the teleconference would have been difficult — if not impossible — to achieve economically by other means.

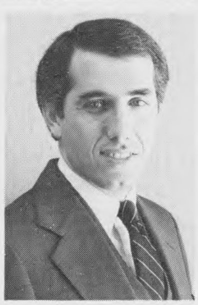
Timeliness of Information. Bankers today also recognize that changes within the competitive environment and new-product offerings are creating intense pressure on management at all levels to obtain and absorb mass amounts of timely, accurate information. The teleconference is an excellent medium for delivering fast-breaking news and changes.

The BAI has used the teleconference as an ideal "quick-response" vehicle to deliver timely information about newly authorized money-market accounts and withholding of interest for tax purposes. Within only 39 days following passage of legislation authorizing the money-market account, the BAI had produced a teleconference on the subject of the new deposit instruments. Attendees received timely, important information that could give them the "competitive edge" in a new market.

The teleconference also can be an effective medium for reaching top-level banking executives. At a recent BAI video teleconference, more than 2,000 senior financial executives were able to "sit down at the same table" with the head of a federal regulatory agency, coauthors of a survey on banking strategy and top executives — including chairmen and presidents — of the nation's leading financial institutions and explore strategies for success in the 1980s. The result was a nationwide strategy session.

The institute's work with satellite communications reflects our intent to improve the quality and delivery of educational services to the financial community. Moreover, teleconferencing has become a major line of business that generates significant annual revenue, and it positions the BAI perfectly to meet the exploding information needs of the financial-services industry.

What's in the Future? Until now the BAI has presented its teleconferences in what would be termed "ad hoc" sites — locations, usually hotels, with satellite-receiving capabilities, selected on a conference-by-conference basis. But we think the future of teleconferencing ultimately points in a different direction: a nationwide network of established sites that ultimately will provide educational programming directly to



JAMES R. PASTORELLO is group e.v.p., Bank Administration Institute, Rolling Meadows, Ill., which he joined in 1981 as asst. director, education. In 1983, he was named e.v.p. with responsibility for all the BAI's educational programming. As group e.v.p., Mr. Pastorello oversees the BAI's commitment to meeting professional-development needs of the financial-services industry. His responsibilities include all education programs, teleconference/video productions and BAI field/chapter operations.

Mr. Pastorello began his banking career at Chicago's Continental Illinois National, serving in various operations-marketing posts over a 13-year period.

financial institutions.

Already, a number of banks have their own satellite-reception facilities, which enable them to receive BAI teleconferences and present them in-house. And as the cost of satellite-reception hardware continues to fall — and as banks recognize the potential value of in-house teleconferencing as part of their training programs — more institutions are likely to install the equipment on their premises.

Optimal benefits of teleconferencing will be gained by institutions that can receive broadcasts within their own facilities. In-house teleconferencing can maximize access to much-needed information by all levels of bank staff. It also increases the types of teleconference programs available to include multi-day presentations and repeated broadcasts.

In-house teleconferencing can be a powerful component of a bank's ongoing professional-development efforts, enabling it to provide training and information to virtually every member of its staff. This technique promises to make teleconferencing a primary medium for delivering information and training programs to financial-services professionals.

Too Logical for Success? Futurist John Naisbitt has written that teleconferencing is a medium that's just too logical to succeed. With due respect, we at the BAI think video teleconferencing is too good not to succeed! Our experience confirms our optimism: Teleconferencing is indeed a "medium to match the market." ● ●

Annual-Report Manual

An analysis of information required in a bank holding company's annual report and Form 10-K is contained in a new manual, *SEC Annual Reports — Banking Supplement*, coordinated by Ernst & Whinney.

The manual contains sample financial statements and explanations of "single-step"-income presentations and issues concerning varied loan disclosures. It also details recent revisions to Article 9 of Regulation S-X and Guide 3.

In addition, there is a statement-disclosure checklist for banks and bank HCs. The list incorporates new Security and Exchange Commission disclosure requirements and those contained in the American Institute of Certified Public Accountants' 1983 edition of *Audits of Banks*.

For further information, contact M. C. Nelson in Ernst & Whinney's Cleveland office (216/861-5000).

Bank Directors Warned To Take Job Seriously

LEADING off the Indiana Bankers Association's (IBA's) day-long seminar for bank directors recently, Toledo-based consultant Dr. Douglas Austin confessed to an overflow crowd that the first 45 minutes of his speech would be a "real downer."

Normally, that might have been sufficient to send even the most enthusiastic crowd scurrying for the exits, but the nearly 600 bankers and bank directors attending IBA's first seminar for directors stayed around for the full day to hear the other scheduled speakers, Dr. Paul Nadler, Rutgers University, New Brunswick, N. J., banking professor, and Richard Olstein, administrative managing director, L. F. Rothschild, Unterberg, Towbin, Inc., New York City-based institutional investment firm. Mr. Nadler's appearance was cosponsored by L. F. Rothschild.

Although Mr. Austin suggested during the first segment of his presentation that some members of his audience might choose to tender their resignations after hearing the responsibilities and potential liabilities they face as bank directors, the crowd was not noticeably diminished after the morning coffee break. Mr. Austin leavened his comments with humor, but he repeatedly emphasized that a bank director's responsibilities are not to be taken lightly.

A rude awakening awaits those directors who consider their representation on a bank's board as merely a confirmation of their status in the community, Mr. Austin stressed. "You could be in for the toughest job of your career," he said. He then gave those in his audience all the motivation they needed to take their responsibilities as directors seriously.

Bank directors have no shield to protect their personal wealth in the event the bank fails or even if the bank "just limps along" under a letter of memorandum or a cease-and-desist order for a time, Mr. Austin said. Directors'-and-officers' liability insurance should be considered a last line of defense and not even an always effective defense at that.

"You are personally responsible in the event anything goes wrong," he said.

Most directors are content to come to meetings and let management run

Douglas Austin, pres., Douglas Austin & Associates, Toledo, O., tells bank directors good and bad news about their responsibilities during Indiana Bankers Association seminar.

the bank, said Mr. Austin, but in the majority of cases of fraud or failure, board mischief usually is not the cause, but rather lack of supervision of management. An illegal overline loan — even though inadvertently allowed — can lead to personal liability for a bank's board members. Nor is lack of involvement in the bank or the action that precipitated the legal problem an acceptable excuse, Mr. Austin said. If a board member must absent himself/herself from the board for three or more months of the year, he/she should consider resigning and letting someone else have the liability, he said.

Conversations about bank business at restaurants or other public places where outsiders could overhear is a form of bank disloyalty that could create legal problems for directors, Mr. Austin said. Wherever possible, directors ought to err on the side of conservatism.

Directors have a role to play in finding and retaining competent management, in strategic planning and in maintaining their independence, he said. Not only is independence of action important to the direction of the bank, but if directors can show they

William H. King, ch., Second Nat'l, Richmond, Ind., and Paul Nadler smile for photographers at Indiana Bankers Association seminar for bank directors.

voted against an action that later proved illegal, they may be able to escape personal liability. Of course, directors who find themselves voting "no" several times a meeting several meetings in a row may wish to consider whether they are serving on the right board, he said.

During the second segment of his presentation, Mr. Austin discussed how directors can limit their liability and make their service on the board more productive.

A strong management and a strong board are not incompatible, according to Mr. Austin. In fact, they can complement one another. If boards properly fulfill their oversight role and ensure that all elements of the bank are strong, they can limit their liability and perform a worthwhile community service. He advocated that bank directors be appointed and retained on the basis of merit. "You are only as strong as your weakest link," he warned, and directors have a responsibility to see that their fellow directors bring strength to the board.

Rothschild's Mr. Olstein opened the afternoon segment of the seminar with a paean to community banks and their roles in the communities they serve. Community banks have a distinct advantage in competing with the "mega-deposit, mega-branch" banks, he said, but during the 1980s, smaller banks will have to pay close attention to the increasingly more difficult tasks of generating capital and maintaining a balance in their rate-sensitive assets and liabilities.

Under the Rothschild strategy, a bank designates a certain bloc of securities that are to be sold depending on the movement of short-term interest rates or market rates of maturity-equivalent securities toward the book yield of the designated bloc of securities. Mr. Olstein said that bank directors too frequently fail to give bank management the credit they deserve in forecasting interest-rate movement, but added that he did not find that surprising considering that bank management itself also denigrates its ability to foresee interest-rate movement.

With the wealth of economic information available to bankers today, Mr. Olstein said, bankers can get a "good gut feeling" as to the direction of interest rates and predict local loan demand with better accuracy than the most respected economists.

Dr. Nadler concluded the seminar on a humorous note with a wide-ranging view of the nation's economic and political problems and their antecedents. — **John L. Cleveland, assistant to the publisher.**

Looking for a "data processor"? The phone book is full of them. Then, there's FDMC

The information explosion. It's an everyday fact in the financial industry. As is the legion of people offering help in dealing with the data. FDMC is one such firm; but that's where the similarity ends.

For the past 14 years, FDMC has been building and fine tuning a full array of financial services. In areas such as profitability analysis, micros, EFT/SCS, asset liability management and proof of deposit, we, quite literally, have no equal. In truth we do it all and we do it well.

Our goal, since the beginning, has been to be the first, in quantity and, more importantly, quality. To date, by both criteria, we have succeeded. But we're not resting on past accomplishments. To keep the momentum going, we've recently "gone public" with stock offerings which will provide the needed capital to keep us comfortably ahead of the pack.

In a word, commitment says it best. A commitment which says that uncommon service, both in terms of quantity and quality, is common practice. We invite you to experience the FDMC difference.

Gary D. Bunch, Chairman of the Board

William P. Adams, President

FDMC First Data Management Company, Inc.

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Oklahoma City, Oklahoma 73125

For More Information
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(405) 272-4090

Deregulation Leads to Changes At St. Louis-Based HC

MEETING the challenge of a deregulated banking environment. This is the stated purpose of important changes planned by St. Louis-based General Bancshares Corp.

At a press conference held in April in St. Louis, Jack W. Minton, the HC's chairman/president, announced planned consolidations of its St. Louis-area banks and establishment of a new operations center "with the latest state-of-the-art technology."

Mr. Minton said the HC is changing the names of its St. Louis-area banks to General Bank. As he put it, "This name is a natural outgrowth of our long-standing corporate identity as General Bancshares. The word 'General' also signifies the fact that our banks are engaged in general, full-service banking for the general public."

According to the plan, the six banks will be merged into two banks: General Bank (in the city) and General Bank of St. Louis County. Bank of St. Louis, Baden Bank and Jefferson Gravois Bank, all in St. Louis, will be merged into General Bank. It will be directed by Kenneth Poslosky, currently president/CEO, Bank of St. Louis, and executive vice president, General Bancshares. General Bank will be a $600-million bank.

Central Bank-Clayton, Commercial Bank and Lindbergh Bank, all in St. Louis County, will be merged into General Bank of St. Louis County, which will be a $165-million bank headquartered in Clayton. It will be directed by Thomas Caspari, currently chairman/CEO, Central Bank-Clayton.

The merged banks will be identified by a new logo, which, said Mr. Minton, symbolizes what General Bank stands for — strength.

According to Mr. Poslosky, by virtue of a Missouri law that took effect last September 28, his HC is able to consolidate without giving up rights for expansion through addition of facilities. Currently, General Bancshares has franchise rights to expand to an additional 14 new banking locations in St. Louis and St. Louis County, bringing total available banking locations to 27. Mr. Poslosky told those at the press conference that site studies and facilities planning already have begun, and the HC expects to develop a building structure to be used in its future expansion — an architectural design he described as "distinctive, attractive and functional for all our consumers' use."

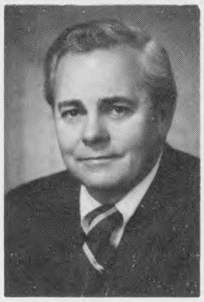
The new operations center, as described by Donald W. Moriarty, the HC's senior vice president, will be located in downtown St. Louis (at Ninth and Washington) and will employ about 120 persons, all of whom are part of the present HC staff. Much of the transition activity is underway, and plans are to have the majority of it completed during the third quarter of this year, with the bulk of trailing activities being completed during early 1985.

Mr. Moriarty said General Bancshares had just signed a contract to install the latest Burroughs computer software/hardware. The system is known as BIS (Bank Information System), which, along with the Burroughs newly announced computer system (A9F), will cost approximately $3 million.

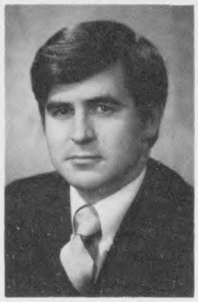
The new system will provide a totally integrated capability at the teller terminal — financial transactions, platform documentation, word processing, electronic mailbox and inquiry functions. An important new feature, signature verification on the same teller terminal, is being incorporated and will permit General Bank customers to be identified and to cash checks at all General Bank locations. As Mr. Moriarty pointed out, these customers no longer will be limited to their "home" banks. This complete use of a work station by a bank teller, he said, is a first in the St. Louis area. Installation will begin in September.

Mr. Moriarty also announced that the HC's banks' automated-teller network was switching from an off-line system where the cash-dispensing machine stands alone to an on-line system, which immediately disburses funds and changes a customer's balance on the books in accordance with the customer transaction. He said this sytem permits a customer not only to withdraw money at all General Bank ATM locations, but permits transfer of money from one account to another. This GBC ATM network — which includes the HC's bank at Ziegler, Ill. — also is serviced through the operations center.

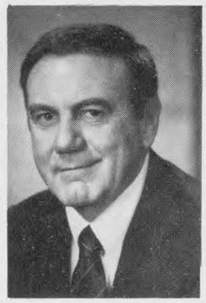
Consolidation of "back-room" operations, continued Mr. Moriarty, will



MINTON



CASPARI



POSLOSKI

MORIARTY

remove duplication of many functions in the various locations, thus permitting each facility to focus entirely on providing person-to-person customer services (deposits, withdrawals, payments, lending, safe-deposit, ATM and other services). Furthermore, he said, the centralized operations center, with its heavy reliance on computer technology, will permit the HC's banks to expand into new locations with minimal start-up time. Many bank employees are in classes learning about these new technologies and their potential capabilities. ● ●

● U. S. commercial banks paid $537 million in insurance premiums in 1982, according to the ABA's seventh annual bank-insurance survey. More than one quarter of that amount was used to purchase bankers' blanket bond coverage. The survey report includes industry figures on various types of coverage, premiums, deductibles and the incidence and nature of losses. For information call 202/467-4118.

Ben W. Tabor has been promoted to senior vice president, loan/deposit services group, InterFirst Bank Houston, which he joined in 1983.

Banking Scene

(Continued from page 6)

One exceptional technique that has some merit is to review only those ratios and data that fall outside reasonable statistical parameters. Other data in the report would be ignored, but major variances would be highlighted and called to the board's attention.

A number of operating officers would object to this policy, contending that the procedure would preempt the prerogatives of management and give directors information they really didn't need. In rebuttal, I can say that the board — as part of its oversight function — must be aware of whether their bank's performance is above or below average. The UBPR is a valuable tool in helping directors perform this task.

The cost of purchasing UBPR reports could be inexpensive insurance for directors. ● ●

● Index to Advertisers ●

NEWS
About Banks & Bankers

ILLINOIS

David G. Taylor was appointed chairman of Continental Illinois Corp. and Continental Illinois National, both of Chicago, at a board meeting following the corporation's annual meeting April 23. Mr. Taylor succeeds Roger E. Anderson, who, earlier this year, announced plans to retire from Continental after the annual meeting. Last year, Mr. Taylor was elected vice chairman/director of Continental and, in February, was named CEO. Also in February, Edward S. Bottum was elected president, succeeding John H. Perkins, who retired. In other action, Leonard W. Busse, senior vice president, was named controller, Continental Illinois Corp. He succeeds J. Joseph Anderson, executive vice president, who was named head of domestic multinational investment banking. Mr. Busse, who headed the North America II banking group, now reports to Mr. Taylor. In his new post, J. Joseph Anderson succeeds John E. Porta, who resigned from the bank to become president, Southeast Banking Corp., Miami.

David G. Taylor (r.), newly elected ch., Continental Illinois Corp., Chicago, receives chairman's gavel from retiring Ch. Roger E. Anderson.

Robert G. Blanquart has been named a director, First National, Belleville. He is president, George Blanquart Jewelers, Inc., Belleville.

Bank Sponsors Test Plot

SPRINGFIELD — The Springfield Marine Bank farm department has established its third annual corn-variety test plot. The test plot, used to measure consistency and performance of various seed hybrids, is located on a farm a half mile north of New Berlin.

This annual test-planting program began two years ago with a plot located northwest of Springfield. Last year's plot was located northeast of Springfield. According to a bank spokesperson, these tests have provided area farmers with valuable information for selecting seed types.

The test plot planted the last week of April will measure the yield, moisture, percentage, standability and gross income per acre after drying of 54 seed-corn hybrids. Other than traditional corn-variety tests, this year's plot also will evaluate use of dry, liquid and stripping applications of phosphate and potash fertilizer as well as different applications of dry and liquid nitrogen.

Philip W. K. Sweet Jr., chairman/CEO, Northern Trust Corp., Chicago, has announced he will be taking early retirement from the HC. He will do so when his successor is appointed. In other action, Northern Trust Corp. has completed purchase of Jerome Hickey Associates, Inc., a Chicago-based discount-brokerage firm. It will become Northern Trust Brokerage, Inc. The firm has an office in Scottsdale, Ariz. Jerome E. Hickey, who founded the firm in 1979, continues as president of Northern Trust Brokerage.

Magna Group, Inc., Belleville, and Millikin Bancshares, Inc., Decatur, have executed a letter of intent that contemplates an agreement for merger of Millikin into a wholly owned subsidiary of Magna.

James B. Rogers has been elected cashier, Woodford County Bank, El Paso, replacing Twyla Terven, who has become cashier, First American National, Chandler, Ariz. Mr. Rogers joined Woodford County Bank in 1976. Dean T. Hastings has been promoted from loan officer there to assistant trust officer. Carl T. Cooper, a director the past 20 years, did not stand for reelection, but has been named director emeritus.

City National, Kankakee, has elected Don Gallois, vice president, bank operations/operation projects, to the post of cashier, promoted Carl Lindokken to assistant vice president, Rosemary Wieliczko from customer service officer to operations officer in charge of customer service at all bank locations and Dorcilla Mitchell to assistant trust officer. Mr. Lindokken remains investment officer responsible for bank/trust department investment activities.

Jeffrey W. Taylor has been appointed vice president, Main Bank, Chicago. He was assistant vice president, commercial loan department. In his new post, Mr. Taylor is responsible for that department.

Bank Compliance Officers Meet

Problems of bank compliance were a key feature of a recent meeting sponsored by the Southwestern Illinois Association of Bank Compliance Officers. Hardware, software, informational systems, insurance programs and accounting programs were examined during a half-day of exhibits. No speeches! Photo shows two of the program's organizers visiting with exhibitors from Commerce Clearing House. On the left: Brenda Stewart, v.p., DuQuoin State, and on the right, Gary L. Fisher, auditor, First Illinois, East St. Louis. Mr. Fisher is president of the bank compliance group. In the center are Donald Steinbrueck and Diane Barnard of Commerce Clearing House, Inc.

INDIANA

AFNB Crosses County Lines To Acquire Closed Bank

American Fletcher National, Indianapolis, has purchased the assets of the failed Shelby National, Shelbyville, and thus now has a bank outside its home county of Marion. Shelby National is in Shelby County. AFNB reopened the closed bank, and none of the depositors lost money.

For more than a decade, AFNB has been seeking legislation that would allow banks to have full-service branches across county lines. However, the Indiana General Assembly has refused to permit such actions except when a bank is in danger of failing, and no bank in its county makes a satisfactory bid.

Shelby National was closed by the Comptroller of the Currency because of serious loan-loss/earnings problems. It then was placed in the hands of the FDIC to be sold to another bank.

Five former Shelby National branches also reopened as AFNB branches.

Salem Capital Corp., Elkhart, has received Fed approval to become a bank HC by acquiring 44% of voting shares of Salem Financial Corp., Goshen, and thereby indirectly acquiring Salem Bank, Goshen.

G. Richard Nisbeth has been elected executive vice president, Midwest Commerce Banking Co., Elkhart. He joined the bank in 1971 and heads the administrative division.

David V. Lakes has been named executive vice president, Lincoln Financial Corp./Lincoln National, Fort Wayne. He joined Lincoln in May, 1983, as senior vice president, corporate financial services division. He formerly was with BancOhio National, Cincinnati.

The St. Louis Fed has approved the application of CSB Bancorp, Petersburg, to become a bank HC through acquisition of at least 80% of voting shares of Citizens State, Petersburg.

MICHIGAN

Manufacturers National, Detroit, has announced the following promotions: to senior vice president/auditor, auditing department, Vernon W. Pietila; to senior vice president, operations administration, Dean J. Smith; to first vice president, operations administration, Larry E. Eastham; to vice president/trust officer, David W. Cornwell; to vice presidents, branch department, Joseph P. Ouellette and Carmelo A. Vermiglio; to vice presidents, systems department, Dave A. Rayford and William A. Reynolds; to vice president, distribution department, Joseph Petrini; to second vice president/marketing officer, Pamela S. Fahlund; to second vice president/account officer, Robert A. Ambrose; to second vice president/financial planning officer, Gail K. Barski-McCracken; to second vice president/investment officer, David H. Cooke; and to second vice president/operations officer, Ronald J. Schensky.

National Bank of Detroit has announced these promotions: to first vice president and head of its newly formed north Michigan regional banking division, Gordon S. Crimmins; to vice presidents, Arthur Littlefield III and William J. Schmid, Midwest banking division; Michael A. Meroney, bank operations division; Alexander Robinson Jr., national banking division; Edward Tinsley, western metropolitan regional banking division; James E. Taylor, trust administration division; Donald W. Wagner, energy division; Richard V. Balgenorth, trust investment division; Charles A. Dillard, international division; John W. McGowan NBD Trust Co. of Florida; to second vice president, Paul P. Baran, trust investment division; to assistant vice presidents, Brian D. Althaver, eastern regional banking division; Peter J. Hebert, comptroller's division; Mark A. Kruggel and Rodney A. Kurtz, trust administration division; James S. Schoening, western regional banking division; Thelma Goodwin, financial service division; Marlene E. Kapelan, bank operations division; Paul V. Rivetto, property management department; Dennis T. Ward, international division; and Thomas Zambeck, information processing division.

MINNESOTA

Small Businesses Offered Specialized Services By Minneapolis Bank

Norwest Bank Minneapolis has introduced a new specialized banking service designed to meet specialized financial needs of small businesses and their owners. Metro Business Banking is a financial/advisory resource for small businesses in the twin cities (Minneapolis/St. Paul).

The new service offers a full range of loans structured around the needs of smaller businesses, including working capital lines of credit, equipment/inventory loans, Small Business Administration-guaranteed loans and international lines of credit.

Metro Business Banking, managed by Vice President James Gossen, has a staff specially trained to coordinate the expertise, products and services available from all areas of the bank, including cash management, trust/employee-benefit services, bond and international. In addition, Metro Business Banking customers will have access to resources of Norwest Corp.

Norwest Bank Minneapolis has elected five vice presidents: Dennis P. Jacobson, who joined the bank in March as a credit-quality analyst, loan administration; Loran J. Hunt, who joined the bank in April as commercial-banking representative, energy-finance area, domestic-banking group; Charlotte Kafitz, who is in the business-consulting area, finance group, and who joined the bank last December as manager, business consulting; Jerry Gudmundson, who is in bond trusteeship, operations group, and who joined Norwest Bank Minneapolis in 1980; and Ann Hart Wernz, who joined the bank in April as manager, capital management/trust legal area. She is the bank's primary internal counsel to the capital management/trust group.

M. L. Grotewold has been promoted from executive vice president/CEO to president, Marquette Bank of Columbia Heights. He joined the bank last December.

Gerald Ranfranz has been advanced from executive vice president to president, Marquette Lake State, Minneapolis.

Larry Anderson has moved up from executive vice president to president, Marquette Bank at University, Minneapolis, which he joined in 1977.

Wallace V. Blomquist has been named senior vice president, First Bank Minneapolis, which he joined in 1955. He had been vice president, commercial loan workout division. Also at First Bank Minneapolis, Charles S. Ingwalson has been made president, First Asset Realty Advisers (FARA), and vice president of the bank. FARA is a subsidiary of the bank.

OHIO

Major Reorganization Announced by Bank HC; Wydman Gets New Post

Society Corp., Cleveland, has announced the election of Perry B. Wydman to the newly created position of senior vice chairman, completion of its merger with Interstate Financial Corp., Dayton, and a major reorganization of its service structure into four regional banks.

Mr. Wydman, who was president/CEO, Interstate Financial Corp. prior to its merger into Society Corp., has relocated to the Cleveland area. He also continues as chairman, Third National, Dayton. In Cleveland, Mr. Wydman joins Gordon E. Heffern, chairman/CEO, and Robert W. Gillespie, president/chief operating officer, in the office of the chairman.

The four-bank strategy announced by Society will take place in stages over the next two years. Each region will have its own board, and districts within the regions will maintain boards to counsel on community/marketing matters.

The four regional banks will be served by corporate operating/staff groups providing highly specialized technical/support services.

Cleveland-based Society National has 43 offices in Cuyahoga, Summit, Lake, Portage and Medina counties.

Society Bank, serving the eastern region, headquartered in Canton, will serve an area extending from Lake Erie to the Ohio River, with district banks in the principal cities of Ashtabula, Youngstown and Salem.

Society National of Northwest Ohio will represent a consolidation of banks based in Fostoria, Fremont, Vermilion, Port Clinton and Bucyrus. It will serve 12 counties in the region between Cleveland and Toledo.

Society Bank serving the southern region, headquartered in Dayton, will serve several of the state's major metropolitan areas, including Cincinnati, Dayton and Columbus.

William P. Boardman has been elected an executive vice president, BancOhio National, Columbus. He joined the bank in 1981 and is on its senior management committee and head of the general counsel/development group. He also has been general counsel for both the bank and BancOhio Corp., Columbus, since joining the organization.

AmeriTrust Co., Cleveland, has promoted the following: to vice presidents — Nathanael Morales, rotunda; Merryl K. Rapp, retail investment products; Sharon E. Lebovitz, personnel/organization; John R. Knapp, retail loan/card products; Robert C. D'Andrea, manager, business development, retail loan/card products; Gayle S. Seeman, retail banking; Michael P. Barnum, retail banking; Henry J. Picozzi Jr., estates; and to assistant vice presidents — James C. Boehlefeld, controllers; Norman J. Malek, controllers; and Karen A. Joyce, corporate banking services.

WISCONSIN

Jerry L. Olsen, has been named president/director, Valley Bank, Black Creek. He has been with Valley Bancorp, Green Bay, 12 years and, most recently, was vice president/manager, Military Branch, Valley Bank, Green Bay.

First Wisconsin Trust, Milwaukee, has promoted Patrick L. Donahue and Joe D. Redwine to vice presidents; Peter T. Aust, Barbara J. Demmer and Chris A. Wise to assistant vice presidents; and Clifford J. Gridley, Mark K. Sullivan, Sara J. Willsey and Kathryn Z. Wiskow to trust officers. Newly elected officers are: Steven E. Osgood, trust officer, and Barbara D. Bauzenberger, assistant trust officer/assistant secretary. Mr. Donahue has been with the trust company since 1969, Mr. Redwine since 1982, Mr. Aust since 1971, Miss Demmer since 1980, Mr. Wise, Mr. Gridley and Mrs. Willsey since 1981, Mr. Sullivan since 1977, Mrs. Wiskow since 1973 and Mrs. Bauzenberger since 1983. Mr. Osgood recently joined First Wisconsin Trust with five years' experience with a major financial organization.

New Ag Officers

Kenneth Becker, assistant vice president, Farmers State, Coleman, was elected chairman, Agricultural Bankers Section, Wisconsin Bankers Association, at the section's annual conference in Appleton.

Other new officers are: vice chairman, Keith Wetherell, executive vice president/agricultural officer, State Bank, Howards Grove; and treasurer, Richard H. Most, vice president/assistant trust officer/farm credit officer, First Bank, Menomonie.

New board members are Carl M. Axness, vice president/agricultural representative, Union Bank, Blair; and Stanley M. Johansen, agricultural/business loan officer, M&I Bank, Watertown.

Richard M. Sheridan has joined the marketing department, Marine Corp., Milwaukee, as marketing officer, responsible for sales training, serving the corporation and its member banks. He formerly was with Datacom Associates, Inc., as writer/producer of audiovisual programs. He also has been in the sales training department of Mortgage Guaranty Insurance Corp., Milwaukee.

Richard Laabs has been named senior vice president, corporate planning/development, Brown Deer Bank. Most recently, he was vice president, commercial banking department.

Gerald H. Beier has been promoted to cochairman and Michael A. Hall to president, Citizens State, Shawano. Mr. Beier formerly was president, and Mr. Hall was senior executive vice president with responsibility for bank operations/administration.

First Bank Milwaukee has promoted Craig J. Witte to senior vice president, corporate lending, and named John C. Tans vice president, corporate lending. Mr. Witte was a vice president. Mr. Tans was vice president, correspondent banking, M&I Marshall & Ilsley Bank, Milwaukee. Richard R. Jandrain has joined First Bank Milwaukee as vice president, trust investments, asset management/trust division. He was vice president, trust, Wood County National, Wisconsin Rapids.

James W. Henken has been promoted to assistant vice president, First Bank International, Milwaukee, which he joined in 1981.

Karen Weiland has been promoted to financial services officer, M&I Bank, Madison, which she joined in 1970 as an executive secretary. Mrs. Weiland is a licensed general securities representative in Wisconsin.

• The ABA's National Agricultural Bank Management School will be held July 8-13 at Iowa State University, Ames. It's designed for senior management of agricultural banks, experienced agricultural loan officers, correspondent banking and credit officers of larger banks, branch managers in agricultural areas and bank regulatory personnel. It's a two-year school. Call 202/467-6738 for information.

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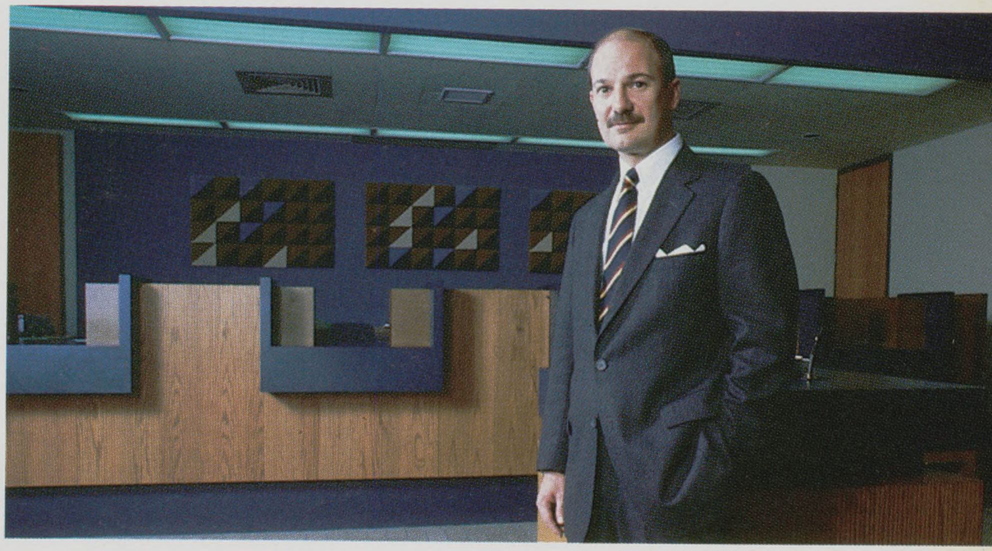

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