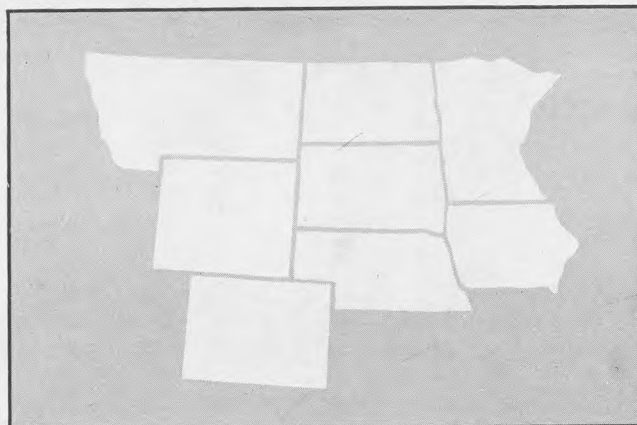


NORTHWESTERN Banker

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No. 1110

Des Moines, Iowa

July 29, 1968

Fed Reveals "Discount Window" Reforms

Sweeping reforms in the Federal Reserve "discount window" operations — including emergency credit for nonmember banks, S&L's, mutual savings banks, insurance companies and possibly credit unions — have been recommended by a Fed steering committee after three years of study.

In a 23-page report made public recently, the Fed steering committee urges changes in present regulations to give member banks a "basic borrowing privilege," "seasonal" advances and additional short-term borrowings under certain circumstances. It also proposes monetary policy procedures that would find the discount rate at which banks borrow from the Fed changing frequently — perhaps even weekly.

None of the recommendations in the steering committee report have been acted on by the Federal Reserve Board. Fed spokesmen said the Board plans to discuss the report with the banking community for two or three months, then make formal proposals for changing regulations on member bank borrow-

ing from the Federal Reserve.

Chairman of the steering committee was Fed Governor George W. Mitchell. Other members, included Fed Governors Sherman J. Maisel and William W. Sherrill and FR Bank Presidents Karl R. Bopp, Philadelphia, Edward A. Wayne, Richmond, Charles J. Scanlon, Chicago, and George H. Clay, Kansas City. In addition, a staff secretariat headed by Robert C. Holland, the Board's secretary, helped develop the proposals.

The "basic borrowing privilege" would enable a member bank to borrow limited amounts of funds on a no-questions-asked basis during as many as half of its weekly reserve periods.

The amount of this authority would be equal on a reserve period average basis to between 20% and 40% of capital stock and surplus up to \$1 million, between 10% and 20% of capital stock and surplus from \$1 million to \$10 million, and 10% of capital stock and surplus in excess of \$10 million.

For example, a bank with \$1 million in capital stock and surplus could borrow between

\$200,000 and \$400,000 on each day of its seven-day reserve period or between \$1.4 million and \$2.8 million on any one day.

So that the Fed could make credit available long enough to cushion the bulk of short-term fluctuations or asset adjustments and in most cases permit orderly adjustment to longer-term movements of funds, the frequency with which banks could use their basic borrowing privilege would be limited to no more than half of their reserve periods.

The "seasonal borrowing privilege," which would not count against a bank's basic borrowing privilege, would be available to generally smaller banks in agriculture and resort areas experiencing demonstrable seasonal pressures for at least four weeks. And to qualify, banks would have to show that seasonal swings in loan demand or deposits have a substantial impact on an entire community which cannot be met by normal money market borrowings and other adjustment resources.

Qualifying banks could borrow from the Fed up to the

(Continued on Page 4)

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IOWA NEWS

BETTENDORF: John Howes, president, Hynes & Howes and of the American Home Investment Co., has been elected to the board of the Security Trust & Savings Bank. He is chairman, Citizens State Bank, Donnellson; director of the Dyersville National Bank, and treasurer of the SBH Corporation, owner of the Bank of Silvis, Ill.

CORYDON: According to an announcement made by Bert Millis and Roy Meadows of Des Moines, a new Citizens State Bank will be constructed here soon. Remodeling is being done at the Allerton Security State Bank, the Citizens



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State Bank at Humeston and the Lineville State Bank. With the installation of a new Citizens State Bank here, the three above banks will become offices of the Corydon bank.

DES MOINES: James W. Angstead has been promoted to assistant vice president by Northwest Des Moines National Bank.

DUBUQUE: American Trust and Savings Bank is now offering a Check Guarantee Card. American Trust and First National Bank are now paying 4% on passbook savings.

DUBUQUE: Mr. Bruce G. Koch has been elected vice president of the Key City Bank and Trust Company. He will begin his new duties at the Epworth Savings Bank until that bank charter is moved to Dubuque.

IOWA CITY: Funeral services were held last week for Dale M. Vorbrich, Sr., cashier, Hawkeye State Bank. Mr. Vorbrich died of a heart attack.

KEOKUK: The State Central Savings Bank has announced plans for construction of its fifth facility—two drive-in windows, a walk-up window and a night depository. The facility will be located on the corner of Second and Main Streets in Keosippi Plaza.

LAKE CITY: Work has started on the new building for the Lake City State Bank. It is to be a one-story building, measuring 50 by 70 feet.

LENOX: Mr. and Mrs. Elmer Bose

Kirk Gross Co
BANK PLANNING
Waterloo, Iowa

have sold their interests in the First National Bank to Mr. and Mrs. Ralph Zabel. Mr. Bose, who has served as cashier, will continue as a vice president. His son, Eldon, will become cashier. Mr. Zabel continues as president.

MARION: Construction will start in August on an office in Hiawatha for the Farmers State Bank, Marion.

NEBRASKA NEWS

OMAHA: Robert A. Anderson has been promoted to assistant vice president of the Center Bank.

OMAHA: Construction on the proposed Hilton Hotel First National Bank complex on the site of the old post office could begin in August, if the City Council okays the closing, according to Marvin G. Schmid, attorney for the developers of the hotel. The council could vote on the matter tomorrow, July 30.

STAMFORD: The Stamford Bank was recently purchased by Elbert Loewenstein and associates of Bruning. Mr. Loewenstein, presently employed as an agricultural consultant for the Bruning State Bank, will assume duties as bank president on September 1.

WACO: Warren D. Pettee, cashier of the Waco Farmers and Traders Bank for the past 47½ years has retired. Earl Schrader, former Hampton farmer, has been named cashier at the bank.

MITCHELL: W. W. Hickman has been named cashier at the First National Bank, succeeding William Huffman, who has resigned. Mr. Hickman was previously assistant cashier at the bank since 1960.

MINNESOTA NEWS

DULUTH: Donald A. Tedlund has been named assistant trust officer at the Northern City National Bank.

MINNEAPOLIS: Roland L. St. Clair, 58, president, First Produce State Bank, died July 16. He had been with the bank since 1948.

MINNEAPOLIS: Avery Fick has been advanced to vice president and manager of the correspondent banking division of Marquette National Bank. William Addington was promoted to assistant vice president and Lorne R. Newhouse to correspondent bank officer. Both men will assist Mr. Fick. J. Leonard Erickson was named as assistant vice president, and Thomas Klemmond was elected an install-

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ment sales officer. R. W. (Bill) Crouley has resigned as a senior vice president.

MINNEAPOLIS: Three new directors have been elected to the board of the Fourth Northwestern National Bank. They are James W. Wilkie, Savage, Minn.; Herbert C. Johnson and E. E. Abramson, both of Eden Prairie.

MORRIS: The Citizens Bank has named Arthur Hanson as assistant vice president. He was with the Security Bank, Roslyn, S. D.

NORTHFIELD: John D. Nutting, chairman, First National Bank, died at age of 76 on July 9. He had been with the bank since 1908.

OSSEO: William A. Laing has been advanced from assistant cashier to cashier of the Northwestern State Bank, and Leon J. Duval has been named an assistant cashier. Mr. Laing is in charge of installment loans.

ROSEVILLE: An application for a new national bank in Roseville has been made to the Comptroller.

The organizers are: W. G. Andrews, St. Paul; D. A. Shern, North St. Paul; F. A. McGonigle, Roseville; C. P. McGough, St. Paul; and J. E. Parranto, St. Paul.

Proposed capitalization is \$750,000 to be allocated as follows: Capital \$300,000, Surplus \$300,000, and Undivided Profit \$150,000. Mid America Bancorporation, Inc. will be the principal stockholder of the bank if the charter is granted, and it is proposed that the name be First Mid America National Bank.

RUSH CITY: Bernard M. Keagan, president, Sealey Mattress Co., St. Paul has purchased the interest of John D. O'Brien in the State Bank of Rush City, and has been

elected chairman of the board. George D. Crockett, formerly executive vice president, has been named president to succeed Mr. O'Brien.

ST. PAUL: American National Bank & Trust Co. has promoted three officers and elected a new officer. B. John Barry and Robert A. Hoodecheck were named vice presidents; William C. Shively, was elected assistant vice president, and Truman Porter, representative in the banks and bankers division, was named bond and investment officer.

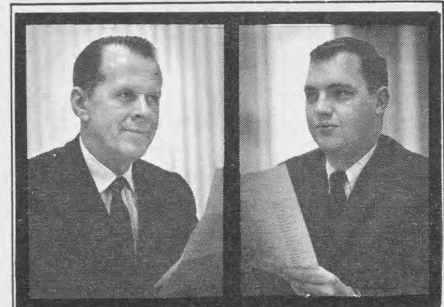
ILLINOIS NEWS

CHICAGO: James T. Chalikis, trust tax division, and Benjamin H. Eimstad, data processing, have been named assistant vice presidents at the American National Bank and Trust Company. Appointed assistant cashiers were: Lawrence B. Bloom, Richard L. Gribble, Gerald C. Hines, Theodore J. Rogenski, Guy L. Saunders and Jerome R. Thomas.

CHICAGO: Beverly Bank has advanced John C. Cotton to vice president; Joan D. Wynne to director of community relations, and Frank L. Lentfer to assistant commercial loan officer.

CHICAGO: Controlling interest in the Southwestern Bank, 7601 South Cicero Avenue, has been sold to a group of local investors headed by Thomas V. Markle, president, Beverly Bank. The bank's total assets are over \$5.6 million. John C. Wheeler has resigned as a vice president of the Beverly Bank to become president of the Southwestern Bank.

ELK GROVE: John N. Ehlebracht has been named vice president and



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FIRST NATIONAL BANK OF MINNEAPOLIS

MEMBER F.D.I.C.

cashier of the Bank of Elk Grove.

HIGHLAND PARK: The Comptroller has approved a facility for The First National Bank to be located at 500 Park Avenue in Highland Park.

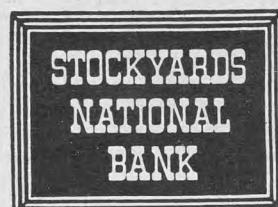
MOUNT PROSPECT: The Mount Prospect State Bank has installed a Burroughs B300 electronic data processing system valued at more than \$300,000.

PARIS: The Comptroller has approved a change in name for The Edgar County National Bank of Paris to The Edgar County National Bank and Trust Co., Paris, Illinois.



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SOUTH DAKOTA NEWS

ABERDEEN: L. A. Johnson has resigned as vice president and manager of the National Bank of South Dakota, Huron branch, to take over this week as president of Aberdeen National Bank.

BURKE: Harvey Glover, vice president and ag representative of the Burke State Bank, has announced his resignation as of September 1. Future plans have not been announced.

WYOMING NEWS

LANDER: The First National Bank has purchased the adjoining Episcopal church property for eventual use as a parking lot and drive-in facilities.

NEWCASTLE: First State Bank has announced two promotions. Donald C. Howell has been named cashier, and Dale Z. Newlin has been named assistant cashier.

Discount Reforms...

(Continued from Page 1)

amount of their seasonal swing in excess of a specified percentage of its average deposits in the preceding year. The specified percentage would range from 5% to 10%. Such loans would be available for up to 90 days—although the Fed could extend credit longer as renewals if conditions persisted.

In any event, banks using the seasonal borrowing privilege would have to meet part of their seasonal needs out of their own resources. The study considers this necessary so the banks maintain some minimum level of liquidity for purposes of flexibility.

“Other adjustment credit” beyond the basic borrowing privilege would be available to banks unable to meet their need for funds through normal borrowing from the Fed.

But these bank borrowers, in most cases larger banks that borrow infrequently but in large amounts from the Fed, would be subject to “administrative procedures broadly similar to those which have been progressively developing in recent years under existing discount arrangements.” In short, the banks might undergo actions ranging from review of the portfolio policies and sources of lendable funds to conferences with Fed officials.

Smaller banks also would use “other adjustment credit” when suffering a sharp temporary drain of funds, it is anticipated.

“Emergency credit,” while being provided member banks that are solvent and taking steps to correct their problems, also would be available to nonmember bank fi-

ancial institutions to forestall the economy’s financial structure from being threatened. Although the study itself refers only to “depository institutions” as probable recipients of Fed emergency credit, a Fed spokesman specifically cited nonmember banks, S&L’s, mutual savings and insurance companies. The spokesman also said credit unions might be considered eligible.

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