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Blame CD Rate Ceiling for Money Woes

Large banks in major cities have felt the pinch of monetary restraint in recent months more than the smaller banks in smaller centers, according to the current report from the Federal Reserve Bank of Chicago.

The reason given for the greater pinch of the large banks has been the restriction on rates banks are permitted to pay on time deposits. As interest rates on market securities have risen, business firms and state-local governments in increasing numbers have cashed in their time certificates of deposit as they matured and shifted the funds to other investments. Since this kind of deposit is mainly held at the large banks, these banks have been affected most.

Suggestions that the interest rate ceiling on large certificates of deposit be raised has been rejected by Federal Reserve Board Governor Andrew F. Brimmer.

"If such a step were taken, in my opinion, it would further undermine the effects of monetary restraint in the United States," he said. "Commercial banks could be expected to use any new headroom given to compete vigorously for funds in the domestic market, and this would reduce their incentives for exerting much needed

restraint on lending, particularly lending to business."

Limitations on the availability of funds to lenders, he said, are a "critical element" of monetary restraint, especially in an inflationary period when many borrowers are willing to pay rising interest rates to obtain funds.

Total time deposits declined 22% at large banks in New York City and 13% at large banks in Chicago in the six months ending May 28, while at country member banks of the Federal Reserve System such deposits increased 4.5%, according to the bank's figures.

These large banks, then, were unable to increase the credit extended to their customers, even though they obtained large amounts of funds from sources other than deposits.

Prime Rate...

The increase in the prime rate to 8½% last month was clearly a response to financial market pressures faced by the banks in major cities. Banks in the smaller towns throughout the *Northwestern Banker* area are continuing to charge 7½% to many of their better borrowers.

Banking sources in Washington

believe that political realities make it quite hazardous for the bankers in major centers to hike the prime rate again, despite the fact that credit conditions may dictate such an increase.

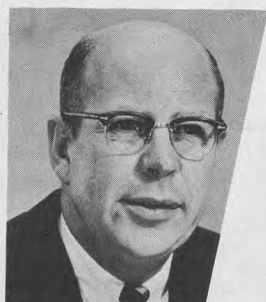
They point out that another prime rate might jeopardize enactment of an acceptable one-bank holding company bill in the House; it might lead to Congressional action of placing a ceiling on interest rates and might add fuel to the fire in the area of increased taxation of commercial banks.

Savings Bond Rate...

Steps are being taken to remove the maximum rate that may be paid on any Treasury bond, including savings bonds. The rate is now 4.25%, a statutory limitation which has been unchanged since 1918. If the ceiling is removed, the Treasury intends to set the savings bond rate at 5%. Dollar limit on annual bond purchases by an individual would be reduced from \$20,000 to \$5,000.

Despite the reduction in the dollar limit on savings bond purchases, thrift institutions are worried about the psychological impact on the saver of the new 5% rate.

But Treasury department officials don't expect large shifts
(Continued on Page 4)



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NATIONAL NEWS

NEW YORK: Edward Eller, formerly vice president of the Chase Manhattan Bank, New York, has joined the staff of United California Bank International as executive vice president. On October 1, he will succeed Stanfield Taylor, executive vice president and director, who will be transferred to the bank's Los Angeles, Calif., headquarters. Mr. Taylor will succeed Victor R. Rose as senior vice president and head of the bank's international division. Mr. Rose will retire, but will continue as a consultant and senior vice president in charge of foreign investments and international acquisitions.

PARK RIDGE, ILL.: William B. Carr, executive vice president of the Provident National Bank, Philadelphia, Penn., has taken over as the new president of the Bank Administration Institute, succeeding Earl L. Bimson, president of the Valley National Bank of Arizona, Phoenix. Other new BAI officers include: First vice president—Charles A. Agemian, executive vice president, Chase Manhattan Bank, N.A., New York; second vice president—Raymond E. Kolb, senior vice president and cashier, Mellon National Bank & Trust Company, Pittsburgh, Penn.; treasurer—Herman L. Scott, senior vice president, First National Bank of Memphis, Tenn.

IOWA NEWS

BRITT: Robert Gopperton, formerly of Spencer, has been named assistant vice president and agricultural representative at the First State Bank here, succeeding Jim Mallen, who has been named president of the Farmers State Bank at Kanawha. Mr. Gopperton has been associated with Equitable of Iowa as farm mortgage representative for the past eight years.

CLIMBING HILL: Milo B. Goodrich has been elected chairman and president of the Climbing Hill Savings Bank. He fills the vacancy created by the death early this year of Joseph P. Gesaman.

COLUMBUS JUNCTION: J. E. Hen-son has retired as vice president of the Columbus Junction State Bank

New High for Fed Funds...

Rates for "Federal funds" hit record levels last week as banks sought to borrow from each other to meet reserve requirements on the Federal Reserve's midweek settlement date.

Rates of 11% were recorded for those uncommitted reserves banks lend each other for short periods, usually overnight. The previous record was 10-5/8%, reached June 27.

Market analysis attributed the high rates to banks' misjudging the market and encountering a shortage of money with which to meet their reserve requirements.

Govt. Stops Issuing Currency in Denominations over \$100

The government announced last week it has stopped issuing currency in denominations of \$500, \$1,000, \$5,000 and \$10,000.

The Treasury Department and Fed-

eral Reserve Board said use of the large-denomination bills has declined to the point where it is not worth the cost of printing new supplies.

Effective immediately, the agency said, the largest bills to be issued will be for \$100.

All existing supplies of the large-denomination bills at Federal Reserve banks will be turned over to the Treasury for destruction and circulating notes will be destroyed when they find their way back to Federal Reserve banks.

The last supply of the big bills was printed in 1946; the Treasury said the number available has now diminished to the point where additional printing would be necessary if they were to be kept in circulation.

Meanwhile, Rep. Silvio O. Conte, (R., Mass.), will urge Congressional approval of his bill to mint one-dollar U. S. coins composed of 800 parts silver and 200 parts copper, for a three-year period starting January 1, 1970.

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after completing nearly 52 years of banking service.

GRUNDY CENTER: The Peoples Savings Bank has purchased the former Wellsburg Hatchery property, just east of the bank, for development into a bank parking lot.

LEMARS: The First National Bank has announced a 100% stock dividend. This represents a \$100,000 increase in the bank's capital to \$200,000.

MASON CITY: Jay Gannon has been elected assistant cashier of the First National Bank. He joined the bank in 1966 and has been a member of the installment loan department.

SIOUX CITY: Shareholders of the Security National Bank have voted approval of a proposed merger and reorganization plan to form a holding company. Under the proposed reorganization, the bank will become the subsidiary of the new Security National Corporation, with each share of bank stock exchanged for 10 shares of the newly formed corporation. The proposal is subject to approval of the Comptroller of the Currency.

MINNESOTA NEWS

BLUE EARTH: Al Holland, local implement dealer, has been named assistant cashier at the Blue Earth State Bank, effective August 1.

GRAND MEADOW: Ray Gomer has been promoted from cashier to executive vice president and cashier at the First American Bank here. He has been with the bank for the past 13 years.

HALLOCK: Controlling interest in the Northwestern State Bank of Hallock has been sold by J. R. Chappell, chairman; R. C. Nelson, president, and C. B. Dahlquist, director, to Cecil Pogatchnik, formerly vice president of the First National Bank of Butte, Mont.; Dale Pogatchnik, coordinator of the audio-visual department of the Bloomington Independent School District, and Lowell Pogatchnik, president of the First National Bank of Middle River and the First

board and will remain active in the bank until the end of the year. Cecil Pogatchnik has been elected president and Dale Pogatchnik a vice president. Both men will be moving to the Hallock area.

HAWLEY: I. B. Leveson has retired from the State Bank of Hawley after 45 years of service. He joined the bank in 1924 and had been serving as vice president and director.

ISLE: Clifford Hammarberg has been named president of the Lakeside State Bank here. Mr. Hammarberg, formerly vice president, succeeds I. C. Rasmussen, who has resigned.

MINNEAPOLIS: Ed Griffin has joined the Central Northwestern National Bank as business development and marketing representative.

MORRIS: The third session of the Midwest Banking Institute will be held July 20-25 at the University of Minnesota campus here. The institute is sponsored by the Minnesota, North Dakota and South Dakota Bankers Associations.

ST. PAUL: Joseph H. Summers, executive director of the Independent Bankers of Minnesota since its founding in 1961, has died following a long illness. Mr. Summers was 58. He had been hospitalized since May 13.

ROSEVILLE: The Comptroller of the Currency has given preliminary approval to the application for a new bank, the Suburban National Bank of Roseville, to be located in the new Rosedale shopping center. Organizers of the bank are W. G. Andrews of Mendota Heights, F. A. McGonigle of Eagan; C. P. McGough and J. E. Parranto of Eagan. David A. Shern,

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president of the Valley National Bank of Eagan Township, is also one of the organizers of the bank.

SAVAGE: James Algeo, a vice president of Green Giant Company, has been named a vice president of the Savage State Bank. He has been a director of the bank since it was organized in August, 1960.

WARREN: Laverne Norman, formerly cashier of the Farmers State Bank of Stephen for 14 years, has taken over as executive vice president and managing officer of the Peoples State Bank here, succeeding Clarence Nybakken, who will continue as chairman of the board. Mr. Nybakken has been with the bank for 39 years, serving as president during the last seven years.

ILLINOIS NEWS

CHICAGO: Frank J. Tesar has been named assistant trust officer at the Exchange National Bank.

CHICAGO: Henry W. Washington, collection manager at the University National Bank, has been named assistant cashier.

ROSELLE: Russell C. Shockey, formerly trust officer at the Elmhurst National Bank, has been named trust

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SPRINGFIELD: Don S. Browning, controller at the Illinois National Bank, has been appointed to the additional position of cashier.

NORTH DAKOTA NEWS

HATTON: Gladys Hogen has retired from the Farmers and Merchants National Bank, following 25 years of service with that institution.

SOUTH DAKOTA NEWS

PLANKINTON: An open house was



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held recently at the newly remodeled Farmers & Merchants State Bank here.

WATERTOWN: Wayne Bredeson, president and chairman of the Farmers & Merchants Bank & Trust Company of Watertown, has announced two promotions and a transfer of \$50,000 from unassigned earnings to the bank's capital account, bringing total capital at the bank to \$1,292,400. Promoted were Darwin R. Anderson, to assistant cashier and insurance

department manager, and Paul D. Sigelman, to assistant vice president and director of marketing and public relations.

Savings Bond

(Continued from Page 1)

of funds away from savings institutions into savings bonds.

"We don't think this action will have a decided and noticeable impact on savings institutions," Treasury Undersecretary for Monetary Affairs Paul A. Volcker said.

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