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Tells When Fed Funds Sale Is A Loan

When is a Fed funds sale not a sale? When it is made by a national or state bank to one of its affiliates—and then it's a loan, says Comptroller of the Currency William B. Camp.

The Comptroller made known his opinion in a letter sent to all national bank presidents after several national banks asked if Section 23A of the Federal Reserve Act applies to a national bank selling Federal funds to one of its affiliates. He replied that "this office concurs in the Board's 1963 interpretation" as it applies to a sale of Federal Funds to an affiliate by a member bank, whether state or national.

The Board had ruled in that 1963 decision that "a transaction in Federal funds involves a loan on the part of the 'selling' bank and a borrowing on the part of the 'purchasing' bank." It then stipulated that "a 'sale' of Federal funds by a member bank, whether state or national, to an affiliate of the member bank is subject to the limitations" contained in Section 23A.

Section 23A of the Federal Reserve Act generally prohibits loans to affiliate member banks unless they are fully secured, almost exclusively by U. S. government obligations.

Mr. Camp stressed that this recent opinion of his regarding affiliate banks "does not represent any change" in his position that Fed funds transactions between a national bank and another bank "are not subject to the limitations imposed on loans and borrowings" by the National Bank Act. He has contended for a long time that these transactions between a national bank and any other bank are not loans, as the Fed contends. In the case of such a Fed funds transaction between a bank and an affiliate bank, though, Mr. Camp concurs that the "sale" then becomes a "loan."

Federal Legislative Calendar

Pending federal legislation of interest to bankers includes the following:

*Senate Majority Leader Mike Mansfield (D., Mont.) has scheduled Senate floor action on one-bank holding company legislation for September 15. He announced the tentative scheduling for this date just prior to the Labor Day recess. Committee discussions continued after resumption of business last Tuesday in an effort to reach a compromise tie-in provision acceptable to all com-

mittee members. A compromise was expected to be worked out before floor action starts on the 15th.

*The House Banking Committee is ready to act on H.R. 18870, a bill introduced by Chairman Wright Patman (D., Tex.) that would provide, for the first time in history, federal insurance for credit unions similar to FDIC and FSLIC protection. The credit union share insurance bill (S. 3822) was passed without opposition by the Senate just before the Labor Day recess. It is expected to be passed in the House, although Chairman Patman has submitted a number of changes from the Senate version. He recommends charging annual premiums for coverage of only one-twentieth (1/20th) of one per cent of total savings rather than the Senate's figure of one-twelfth (1/12th). He would also not require state-chartered credit unions to meet reserve requirements the same as those for federal credit unions.

Travel Agents in Court Again

A group of 42 Massachusetts travel agencies is petitioning the United States Supreme Court for the second time to give them standing to sue a national bank offering travel services to its cus-

(Continued on back page)

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September 25 and 26, concluding with attendance at University of Nebraska's opening football game.

MINNESOTA NEWS

DISTRICT MEETINGS start in Minnesota this week as follows: Dist. 8, Sept. 21, Hibbing; Dist. 9, Sept. 22, Crookston; Dist. 6, Sept. 23, Brainerd, and Dist. 7, Sept. 24, Montevideo.

AMBOY: Warren L. Pay has been appointed lending assistant at The Security National Bank, according to Richard L. Myers, president. Mr. Pay will continue to teach corporate finance and investments at Mankato State College. He will be on a full-time basis in Amboy until the end of Sept. and will then work part-time for the bank.

AUSTIN: James Bell, well-known area farmer, has been elected a director of Northwestern State Bank, it was announced by Carl Beireis, pres. Mr. Beireis also announced a bankers stag preview of the bank's new facility on Sept. 22. Tours of the building will be from 4:30 p.m. to 6:00 p.m., followed by a social hour and dinner at the Austin Country Club.

MINNEAPOLIS: Mrs. Mary P. Stockberger has been promoted to personnel officer and Lawrence A. Doherty to a.v.p. in international banking, it was announced last week by George H. Dixon, pres. of First National Bank.

WORTHINGTON: The election of Paul M. Lindbloom as a.v.p. and installment loan manager of the State Bank of Worthington was announced by John R. Troth, pres. Mr. Lindbloom formerly was employed by the Falcon Heights State Bank in St. Paul as an installment loan officer.

IOWA NEWS

ALTA VISTA: Joe Menges, 78, president of Alta Vista State Bank, died at the bank on September 1. Death was due to a heart condition he had suffered for some time. Mr. Menges had been semi-retired the past four years. Mr. Menges moved from Arlington to Alta Vista in 1929 to become cashier of the newly organized Alta Vista State Bank and later was elected its president. He was treasurer and also vice president of the Iowa Bankers Association. Mr. and Mrs. Menges had observed their 50th wedding anniversary August 9.

ARNOLDS PARK: E. W. Maser, pres., First National Bank, Le Mars, and associates have filed an application with the Comptroller to organize "The Lakes National Bank in Arnolds Park." Proposed capital is \$300,000. EDGEWOOD: Robert E. Arthur, vice president and cashier of The Community Savings Bank, reports that approval has been received to move the main office from its present location one block south to the corner of Washington and Union (Highway 3). Construction is to start immediately after the present clearing project is completed. The new building is expected to be ready by the summer of 1971. General contractor is Edgewood Building Service.

RED OAK: Hawkeye Bancorporation has applied for listing on the Midwest Stock Exchange. The firm would list 359,108 common shares with warrants and 200,000 common shares without warrants.

TRAER: Areden E. Melcher, formerly vice president of the LaPorte City State Bank in LaPorte City, has joined First Community Bank & Trust here as vice president and cashier. James L. Rhodes has been promoted to vice president and ag rep. Other officers are Melvin M. Kupka, president; Wm. J. Beohm, vice president, and John S. Bauch, vice president.

NEBRASKA NEWS

Nebraska Bankers Association group meetings continue this week with meetings of Group 4 at Hastings today (Monday) and Group 3 at Norfolk tomorrow. The last two meetings of the series of six sessions will be Group 2 at Fremont on Monday, September 21, and Group 1 at Lincoln the following day.

AURORA: James E. Koepke has joined First National Bank as asst. cash. He was formerly asst. cash. at Jones National Bank in Seward.

OMAHA: Dale C. Tinstman, president of First Mid America, Inc., of Lincoln, has been elected president of First Security Growth Fund, an Omaha-based mutual fund. First Mid America is the parent company of Fund Management, Inc., the distributor and investment advisor for the mutual fund.

LINCOLN: The First National Bank & Trust Company's annual Correspondent Bank Conference will be held

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ILLINOIS NEWS

COUNTRY CLUB HILLS: A charter has been issued for organization of Heritage Bank of Country Club Hills, located at 4101 West 183rd St. Total capitalization consists of \$300,000 each in capital and surplus and \$150,000 in reserve. Officers are Walter G. Johnson, pres.; Walter H. Ehrmann, chairman; Richard P. Olson, cash., and Donald L. MacNeil, secretary.

LIBERTYVILLE: An application for a permit to organize has been filed by a group of applicants proposing to establish the New Century Bank near the Hawthorne Melody Farm just north of Route 60 and on Route 21, south of Libertyville in Lake County. Capital of \$750,000 consists of \$300,000 each in capital and surplus and \$150,000 in reserve. Applicants are Dante A. Greco, Virgil P. Ritacca and Raymond M. Fiocchi of Highland Park; Robert R. Salerno of Chicago; Joseph Lolli of Skokie, and Harvey Pyes of Wilmette.

MARKHAM: Wayne M. DeGraff, 37, was appointed to the presidency of Tri-State Bank recently after the board accepted the resignation of Wesley Larson. Mr. DeGraff has had 14 years of banking experience at

SOUTH DAKOTA NEWS

Group meetings of the South Dakota Bankers Association started today with the Group 2 meeting in Milbank. Meetings for the balance of the week



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are Group 4 at Mobridge on Tuesday; Group 5 at Rapid City on Wednesday; Group 3 at Mitchell on Thursday and Group 1 at Sioux Falls on Friday. The entire program and details appear in the September *Northwestern Banker* (page 65).

ELKTON: Robert F. Petschow, president of Corn Exchange Bank, reports work is underway on a remodeling program that will double the bank's existing space. Mr. Petschow said completion date should be some time in November.

SIOUX FALLS: James J. Murphy has been promoted at National Bank of South Dakota to installment loan department manager at the main office. He was recently elected asst. cash. and joined the bank in Jan., 1969, after having been branch manager of a finance company in Sioux Falls.

COLORADO NEWS

FRUITA: Leo Van Dittie, chairman

of the Fruita State Bank, has purchased full ownership in the bank by acquiring the stock of his former partner, Rip C. Underwood. Mr. Van Dittie also is chairman of the North Denver Bank and the Garden National Bank of Garden City, Kansas.

NORTH DAKOTA NEWS

RUGBY: Arlee Miller, who has served as pres. of Merchants Bank since the July 15 retirement of J. W. Moffatt, has resigned to return to Minnesota.

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WYOMING NEWS

CASPER: Controlling interest in the 56-year old Wyoming National Bank has been purchased by The Wyoming National Corporation, a Wyoming corporation composed of Wyoming investors, it was announced recently by Robert W. Miracle, president of the bank. Transfer of ownership was effective with the announcement on September 2. The seller was Wyoming Financial Services, Inc., a wholly-owned subsidiary of The South Dakota Corporation, and has totally divested itself of any interest in the bank. This makes Wyoming National, with total assets of more than \$60,000,000, the state's largest home-owned bank, according to Mr. Miracle, who continues as president and chief executive officer.

CHEYENNE: Two promotions at Cheyenne National Bank have been announced by its president, A. H. Trautwein. Robert V. Preston has been advanced from assistant cashier to assistant vice president. Frank L. Mowery has been elected assistant cashier in the real estate loan department. Mr. Preston has been with the bank since 1962 and Mr. Mowery joined the bank in March.

LARAMIE: Four promotions at First National Bank, announced by President P. W. Wilke, include the appointment of two women bank officers. They are Mrs. Barbara Lake,

head bookkeeper since June, 1967, and Mrs. Carrie Bernatow, named customer services officer. Also promoted were Edward H. McGraw as installment loan officer and Don Kany as auditor.

Travel Agents...

(Continued from Page 1)

tomers. As a result of their case originating in 1967, they were denied by the U. S. First Circuit Court of Appeals any standing to sue South Shore National Bank of Quincy, Mass., on the travel services basis. The Supreme Court awarded a favorable decision to ADAPSO (Association of Data Processing Service Organizations) giving it standing to sue national banks providing data processing service to customers. The travel agents, in their petition to the Supreme Court, claim the First Circuit Court did not follow the Supreme Court's ground rules laid down in the ADAPSO case for determining standing to sue.

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