

NORTHWESTERN Banker

Oldest Financial Journal Serving The Central and Western States

No. 1279

Des Moines, Iowa

March 15, 1971

Agents Question Holding Company Ruling

As expected, the comments filed from various organizations with the Federal Reserve Board on its proposed regulations for the 1970 one-bank holding company amendments followed sharply divergent views.

The National Association of Insurance Agents strongly maintains that wording in the new law controlling activities of one-bank firms is very restrictive and should rule out practically all insurance activities for banks.

The Independent Bankers Association of America maintains that the Fed Board's proposed list of 10 permissive activities "would, in effect, accomplish nationwide branch banking (and) foster a destructive competition in the banking business. The IBAA urges a geographical limitation be placed on holding companies—possibly to that area from which 75% or more of the total deposits of each individual bank are obtained."

The American Bankers Association in its brief expressed the belief that the proposed regulations provide a broadened base for holding company expansion. The ABA was joined by a strong ally in its case when the Justice Department filed similar comments.

Justice, as a matter of fact, stated that the Fed's proposed limitation on insurance activities is "more restrictive than the Act requires since the Act authorizes bank holding company activities in areas closely related to banking regardless of whether such activities are connected with the banking business of the particular holding company involved."

ABA stated on the same proposal that the Board should apply the principle that "acting as insurance agent or broker" is closely related to banking "and leave for the consideration of individual applications the question whether any given operation can reasonably be expected to produce public benefits that outweigh adverse effects."

In its comments on this particular proposal, which would limit permissible insurance activities to those "principally in connection with extensions of credit by the holding company or its subsidiaries," NAIA and all other insurance groups uniformly opposed inclusion of insurance as a permissible activity. NAIA maintains that a bank holding company operating an insurance agency "leads to improper banking practices, conflicts of interest and inadequate service to the public."

The entire argument surrounding the Fed's proposal to include insurance as a permissible activity, with the limitations it has tentatively proposed, seem to revert to the same arguments put forth when the ultra restrictive bill proposed by the House of Representatives was passed. In later action, the Senate rejected a proposed "laundry list" in the House bill, which included insurance activities, and passed a much broader, non-restrictive bill. In the ensuing conference committee, the Senate position prevailed and the final bill as enacted eliminated any reference to a "laundry list" or strict limitation of activities.

The nub of the current disagreement over the Fed's initial 10-point proposal is over the correct interpretation of Section 4(c)(8) of the Act. It is on this section that ABA and Justice agree with each other, and it is the same section which causes NAIA to take a completely opposite interpretation, reverting to the House version of restrictive arguments.

Section 4(c)(8) has two key sentences. The first authorizes bank holding companies to acquire subsidiaries which are "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The second sentence says the Federal

(Continued on back page)



Dale Luckow

Digitized for FRASER
<https://fraser.stlouisfed.org>
Federal Reserve Bank of St. Louis

*We know the importance of your
bank to your community.
Correspond with us.*

**IOWA-DES MOINES
NATIONAL BANK**

(515) 284-8686

There are so many ways we can help you
That's why over half the banks in Iowa are
— MNB correspondents

Terry Martin
Assistant Cashier



MERCHANTS NATIONAL BANK

CEDAR RAPIDS, IOWA 52401
Member FDIC



Northeast Iowa Banks

When you're ready for it, make an appointment to see our computer compute. It can solve a lot of problems for your bank. When your bank needs this or any other service, call Bill Rickert or Ken Young.



Prime Rate Drop To 5¼

Chase Manhattan Bank, N.A., New York, lead the way to another reduction in the prime rate last Thursday when it dropped its rate from 5¾ to 5¼. Continental Illinois National Bank and Trust Co., Chicago, and Northern Trust Company, Chicago, dropped their rates to 5½. Other key banks across the nation were expected to follow.

IOWA NEWS

DES MOINES: Richard W. Carey and Lewis C. Cobb, Jr., senior trust officers at the Iowa-Des Moines National Bank, were promoted last week to vice presidents in the trust department. At the same time the board of directors elected Jack Lytle as an installment loan officer. Following the board meeting, President John R. Fitzgibbon also announced that 65 officers of the bank other than vice presidents have all been given job descriptive titles to replace the traditional titles normally used in

banks. The new titles, he said are intended to identify for customers the officer personnel by job title who can help them.

DES MOINES: Lehman Plummer, 72, died last week in Laguna Hills, Calif. He had retired from the Central National Bank & Trust Company December 31, 1963, after 28 years of service with the bank. He organized Central National's installment loan department when he joined the bank August 1, 1935, and managed it until his retirement. He was a member for five years and chairman for two years of the ABA Installment Credit Commission. During World War II Mr. Plummer helped form Regulation W. He was also author of "Principles of Installment Credit."

DES MOINES: State Treasurer Maurice Baringer has announced that banks may pay 5% interest on state money invested in time certificates beginning March 1. He said the rate on other public funds will be between 4 and 5%. The new rates apply only

to CD's of 90 days to one year. Mr. Baringer said this replaces eight categories previously used since the rate-setting committee decided it is restricted to one maturity category.

KEOKUK: Directors of the Security State Bank recently voted a 100% stock dividend. This increases capital stock from \$200,000 to \$400,000, consisting of 8,000 shares at \$50 each. Surplus is also \$400,000.

MASON CITY: At their March meeting, directors of First National Bank increased the bank's surplus by \$500,000 to a new total of \$2,000,000. Capital continues at \$1,000,000, giving the bank a new legal lending limit of \$300,000.

NEW LONDON: Tom Ritchey, a native of New London, has joined the New London State Bank as a vice president, taking the place of G. Robert Ballman, who resigned in January. Mr. Ritchey has been cashier of the State Bank of Danville, where he has been employed the past three years. He had 11 years of banking experience prior to joining the Danville bank.

SIoux CENTER: The First Federal Savings and Loan Association of Rock Rapids has been authorized by the Federal Home Loan Bank Board to establish a branch at Third Street North and First Avenue East in Sioux Center.

NEBRASKA NEWS

BEATRICE: John Rypma has joined the staff of Beatrice National Bank and Trust Company as an installment loan officer.

CAIRO: Robert Larson, president of the State Bank of Cairo, has an-

Get to know VERLON BRITT

He knows Data Processing for correspondents banks.

"the
pacesetter
bank"

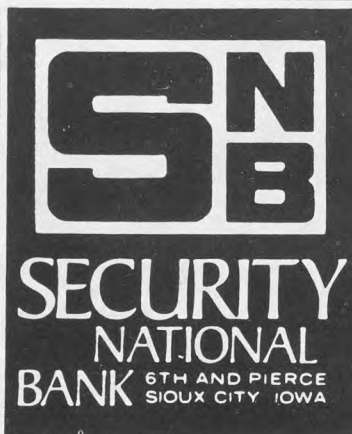


Bankers Trust

Sixth and Locust, Des Moines (515) 283-2421



more bank
for your
money.



Call on the "Performance Team"...

Fast, accurate computer forecasting for banks and business.

FIRST NATIONAL BANK & TRUST COMPANY OF LINCOLN

13th and M Street • Lincoln, Nebraska 68501 • Member, F.D.I.C.



nounced that Richard Heckman of Omaha joined the bank staff March 1.

KIMBALL: Conrad Flohr has been appointed assistant vice president at the First State Bank, according to Joel H. Wiens, president.

OMAHA: The First National Bank of Omaha will hold its Sixth Annual "Chuck Wagon Roundup" in the Ak-Sar-Ben Sale Pavilion on Thursday, March 25. The program starts at 10:00 a.m. and will conclude at 3:30 p.m. Championship beef will be served at the Chuck Wagon noon feed. The three guest speakers will be Dr. Frank Baker, chairman, Animal Science Department, University of Nebraska, Lincoln; Dr. Robert Long, director of research and development, Ankony Angus, Rhinebeck, N. Y., and Bob Ross, range ecologist, Soil Conservation Service, Bozeman, Mont.

OMAHA: Three officers and one employee have resigned at the Security National Bank. They are Howard Johnson, president; John B. Foley, vice president; Richard L. Lupardus, assistant cashier, and Gerald O'Hagan, clerk.

VALLEY: Controlling interest in the Bank of Valley has been sold by Harry Green, president and principal stockholder, to John Wagner and his son, Kermit, of Schuyler, Nebr. The Wagner family operates the Wagner Mills in Schuyler and also owns other banking interests in Nebraska. No changes in personnel have been announced.

ILLINOIS NEWS

CASEY: The Bank of Casey has re-

ceived FDIC approval to exercise full trust powers.

CHICAGO: The First Commercial Bank will establish a detached teller facility at 6936 North Clark Street under authority granted by the Federal Reserve Board.

CHICAGO: Samuel H. Johnson and 11 other persons have purchased 16,876 shares of the 40,000 total shares of stock outstanding in the Steel City National Bank. Sellers included Henry C. Szesny, president and chairman, and others.

DECATUR: Northtown Bank of Decatur has received authority from the FDIC to exercise full trust powers.

MOMENCE: Eastern Illinois Savings & Trust Bank, a new institution, has been accepted for membership in the FDIC. Wayne C. Ostling is president of the bank, which has total capital accounts of \$500,000.

NILES: Dempster Plaza State Bank has been approved for FDIC membership and has also received approval to establish a detached drive-in facility. The new bank is in Dempster Plaza Shopping Center at Dempster Street and Greenwood Avenue and the facility will be on the east side of Greenwood, 800 feet from the main bank.

MINNESOTA NEWS

BROOKLYN CENTER: Edward J. Hamernick, 64, president, Brooklyn Center State Bank, died March 2.

CLARISSA: Dennis J. Feda, cashier at Farmers and Merchants State Bank,

Pierz, since 1965 has taken over new duties as cashier at Farmers State Bank, Clarissa.

NAVARRE: Joseph H. Nordlund has been promoted to vice president and cashier at First National Bank.

WINONA: Richard D. Gillen, has been advanced from assistant vice president and manager of installment loan department to vice president at Merchants National Bank.

SOUTH DAKOTA NEWS

ELKTON: The Corn Exchange Bank will host an open house March 22 to view the bank's newly-remodeled banking quarters.

NORTH DAKOTA NEWS

PARSHALL: The Peoples State Bank at Parshall has received permission from the FDIC to move its branch office in Plaza to a new location within the same community.

WISCONSIN NEWS

EAU CLAIRE: The Controller of the Currency has granted permission to First Wisconsin National Bank of Eau Claire to open a branch at the southeast corner of the junction of State Highways 37 and 85 (Short Street) extended, immediately west of the Eau Claire city limits, in the town of Brunswick.

LANCASTER: The Lancaster State Bank has received approval to withdraw from membership in the Federal Reserve System.

LEBANON: The FDIC has granted approval to Lebanon State Bank to move its main office from 459 North

**COULSON
CANNON
AND MUIR**

Three of our men
on your side at



Fred Coulson



Tom Cannon



Dick Muir



COMMERCE BANK of Kansas City

Strengthening international banking connections and services through City National Bank's International Department has become quite a custom.



City National Bank

& Trust Company
KANSAS CITY, MISSOURI

Member F.D.I.C.

- I would like to sell my majority bank stock.
- I would like to buy majority bank stock.

Please Contact: J. Mason Henry, Pres.
CHARLES E. WALTERS CO., INC.
P. O. Box 1313, Omaha, Neb. 68101
Phone: (402) 553-6400

Highway 109 to 538 North Highway 109 within Lebanon.

MERRILL: The FDIC has given approval for consolidation of the Lincoln County Bank with the Gleason State Bank at Gleason under the charter and title of Lincoln County Bank.

SPOONER: The Bank of Spooner has received FDIC approval for a branch to be located on the east side of State Highway 70, Village of Stone Lake.

Holding Company...

(Continued from Page 1)

Reserve Board must take into consideration public convenience by determining if the proposed holding company activity "can reasonably be expected to produce public benefits (and) outweigh possible adverse effects."

In commenting on this key section, Justice listed as an example that bank holding companies couldn't conceivably be authorized to enter the steel making business since it could not be interpreted as "closely related to banking." Justice's comments stated further, however, "On

the other hand, we believe that the Board might authorize bank holding company activity into a financial activity which was just borderline under the 'closely related to banking' aspect in the test."

In effect, the Justice Department and ABA take the position that a single test is to be used by the Fed Board, while NAIA maintains that two separate tests must be met under the law. The Justice Department position is that the first sentence is the main determinant - whether an activity "is closely related to banking" - and the second sentence merely provides plus or minus factors for the Fed in determining public interest.

The entire matter appears headed for a final judgment by the United States Supreme Court.

WANT ADS

Rates 25 cents per word per insertion. Minimum: 12 words.
NORTHWESTERN BANKER
306 15th St., Des Moines, Iowa

LA SALLE MOVES AHEAD

LaSalle National Bank, Chicago, has installed a Centrex telephone system to give you better service. You may now dial direct to Max Roy and Cy Kirk on their new number (area code 312) 443-2774. Of course, Max Roy may still be reached in Iowa City (319/338-5224) and Cy Kirk in Rockford (815/398-9521). Their home stamping ground remains the same - LaSalle National Bank, 135 South LaSalle Street, Chicago, Ill. 60690.

POSITION WANTED

Want to learn banking business. Age 27, have BA in Business Administration - Economics and MA in Ag Economics. Farm background. Single. George Van de Voort, 1015 Broadway, Pella, Iowa 50219. Phone (area code 515) 628-3540.

CASH FLOW SHEETS

Monthly cash flow income and expense forms - so helpful in planning budget loans for farmers and ranchers. Samples available. Farm Business Council, Inc., 1300 Hagan Street, Champaign, Illinois 61820.

PROTECT YOUR FARM LOANS

Send Doane's Farming For Profit monthly farm management newsletter. Latest ways to save money, increase yields and profits. Mailed direct by us with your imprint. Low cost. Free sample, D. R. Gorr, Doane Agricultural Service, Inc., Dept. 702, 8900 Manchester Road, St. Louis, Missouri 63144.

EXPERIENCED AG MAN

Seeks ag representative position with bank. Have Ag Degree from Iowa State. Most recently six years with Farmers Home Administration in all phases ag credit. Previously eight years farm and livestock experience. Write Box HKI, NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

BETTER FARM & RANCH RECORD-KEEPING SYSTEM

It's PROFITAB... brand new from Doane's. Innovative. Fast. Complete. Only \$5.95. Send to D. R. Gorr, Doane Agricultural Service, Inc., Dept. 702, 8900 Manchester Road, St. Louis, Missouri 63144.



Bank Under the Big

"The Bank That Cares"

CENTRAL NATIONAL BANK AND TRUST COMPANY
Member Federal Deposit Insurance Corporation

YALE® SECURITY EQUIPMENT

NOW AVAILABLE FROM THE SPECIALISTS TO YOUR STATE BANKERS ASSOCIATION FOR BANK EQUIPMENT SALES/SERVICE

F. E. DAVENPORT
REGIONAL OFFICE
2066 FARNAM ST.
OMAHA, NEB. 68102



YALE
BANK SERVICE DIV.
RYE, N.Y. 10580

No. 1279 Northwestern Banker is published five times monthly (including magazine issue) by the Northwestern Banker Company, 306 Fifteenth Street, Des Moines, Iowa 50309. Subscriptions 50¢ per copy, \$6 per year. Second class postage paid at Des Moines, Iowa. Address all mail subscriptions, changes of address (Form 3579), manuscripts, mail items to above address.