

NORTHWESTERN Banker Newsletter

Vol. 3. No. 7

Des Moines, Iowa

June 18, 1973

View Effects of Compulsory Fed Membership

The Federal Reserve Board should concentrate its full energy and substantial resources on effective means to restrain the growth of Federal Reserve credit and other monetary aggregates and discontinue its efforts to gain control over banks, declared Lawrence E. Kreider, executive vice president of the Conference of State Bank Supervisors.

Mr. Kreider called on the Fed to "exercise every reasonable influence possible to protect those values of freedom inherent in the Dual Banking System" during a talk recently at the annual conventions of the Maryland and Massachusetts Bankers Associations in Bermuda.

The economist stressed that the CSBS does not desire a direct confrontation on the question of regulatory authority.

He noted such a confrontation would be particularly damaging at this time when "the Fed needs uniform support from the entire financial community to be able to effectuate appropriate monetary policy actions of a broader nature, and when the CSBS has quite enough work to do in helping to strengthen the state banking departments."

"Unfortunately," added Mr. Kreider, "actions of the Board leave us no choice . . . We would not be worthy of the confidence placed in us to defend the checks and balances inherent in the Dual Banking System, nor worthy of membership in a relatively free society, if we evaded . . . the twin problems before us — loss of basic freedoms by the financial community and a crippling of the dollar's ability to serve the nation and world."

Turning to the probate impacts that com-

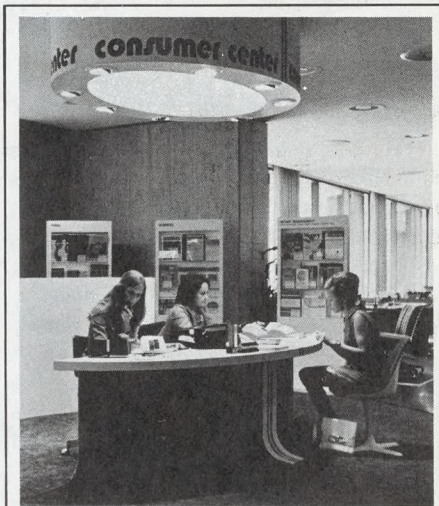
pulsory affiliation for reserve purposes would have on the banking industry. Mr. Kreider contended that it would not result in greater equality among banks or improve the Fed's ability to fine tune monetary policy.

"The primary effect of compulsory affiliation or membership would be the transfer of noninterest-bearing balances and correspondent services from city correspondents to the Fed," he explained.

Mr. Kreider went on to suggest that the Fed's efforts to secure some form of compulsory affiliation were — from a practical standpoint — totally unnecessary.

"It must be recognized that the free market place, in fact, imposes a strong compulsory membership discipline over nearly all, if not all, state chartered banks which should be members. The discipline is simple, but effective. Banks, nonmember and member, place their 'demand balances with banks' almost exclusively with Fed members. More than 96% of all 'correspondent demand balances' from commercial banks are deposited in member banks, even though 40% come from nonmembers. Even large nonmember banks enjoy only a small fraction of the correspondent balance volume compared with those deposited with member bank counterparts.

"The basic reason for this preference for a member bank as a correspondent is fairly obvious," he continued. "As a respondent bank, we want — should want — our liquidity or reserve balances to be on deposit with a bank which directly has the ultimate backstop and protection which can come only from a nation's central bank. This is



PICTURE OF THE WEEK—Mrs. Virginia Knauer, the President's special assistant for consumer affairs, recently dedicated the new American Consumer Center in formal opening ceremonies in the lobby of American National Bank of Denver, home of the consumer education facility. According to bank officials, it is the first center of its kind in the country.

The center is a non-profit service originated by the bank and located permanently in its central lobby. According to R. J. Frank, bank president, it is a clearing house for all sorts of information pertinent to consumer needs.

one for the great merits of a central bank and is consistent with relative freedom in banking."

Mr. Kreider said that the triple combination of (1) this backstop through member banks, (2) the dynamics of our correspondent banking system which derives its strength in significant degree from reserve and liquidity balances from nonmember banks, and (3) the Dual Banking System is one of the most exciting economic packages
(Turn to back page, please)

Independent Banking

Has kind of a nice ring to it.
Use our toll free WATS line to find out how
our Correspondent Banking Department can help you.

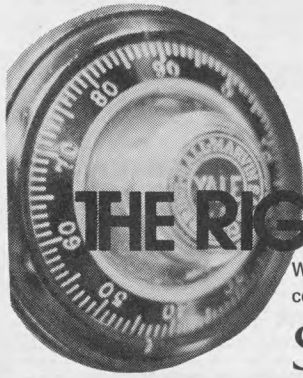


Member: FDIC,
Federal Reserve System

DES MOINES' LARGEST INDEPENDENT BANK

 **BANKERS TRUST**

6th & Locust / Des Moines, Iowa / 800-362-1688



Gene Hagen



Ed Leahy



Jim Hongslo

THE RIGHT COMBINATION

When you have the right combination of Gene, Ed and Jim from our correspondent banking department you get predictable results.

SECURITY NATIONAL BANK

Sioux City, Iowa

Minn. Bank Executives Favor Change in State Banking Laws

Minnesota bank executive officers are in favor of changing the laws governing banking structure in their state. This fact was determined at the Minnesota Bankers Association Convention following a survey conducted among 736 member banks on March 13, 1973. The questions the survey asked follow:

1. Do you feel our present banking laws place banks in Minnesota at a competitive disadvantage with non-bank competitors in providing services to the public?

229 or 70.2% of those surveyed replied yes, 75 or 23% replied no and the balance was undecided or gave no answer.

2. Do you feel that consideration should be given to changing the laws governing our banking structure in Minnesota?

213 or 65.3% replied yes, 78 or 23.9% replied no and the balance was undecided or gave no answer.

A future breakdown by district and type of bank will be published in the July issue of the *NORTHWESTERN BANKER*.

IOWA NEWS

DES MOINES: The State Banking Board will meet June 21 at 9:30 a.m., in the office of the state superintendent of banking, fifth floor, 607 Locust Street.

DYERSVILLE: Construction has begun

on the new Fidelity Bank and Trust building to be completed in about eight months.

EMERSON: The Emerson State Bank has announced the appointment of Dennis H. Huttman as assistant cashier. He is a native of Bloomfield, Nebr.

GRINNELL: Construction has begun on the expansion and remodeling of Grinnell State Bank, according to F. Addison Jones, bank president.

IOWA CITY: John S. Koza has joined the Iowa State Bank and Trust Co. as assistant cashier in the loan department, according to Ben E. Summerwill, bank president. Mr. Koza has been associated with the Harris Bank and Trust Co. of Chicago for the past five years.

KEOSAUQUA: The Farmers State Bank is in the process of building an addition to its main building to enlarge the lobby and office area.

SHENANDOAH: A grand opening for The City National Bank is being planned for June 23. The bank recently opened in its new building.

WATERLOO: R. L. Kilgore, president of the National Bank of Waterloo, has announced the appointment of James R. Martin as trust representative.

WEST LIBERTY: Robert T. Rehmke has been appointed executive vice president of the West Liberty State Bank, according to George Drahos, bank president.

NEBRASKA NEWS

ELM CREEK: Bill Whited of Emerson, Ia., has accepted a position as executive vice president of the Elm Creek Bank.

MILFORD: G. Alan Dunlap, president of the Farmers and Merchants Bank recently became a member of Southern Methodist University's Board of Trustees, Dallas.

OMAHA: Frank O. Starr has been appointed president and chief executive officer of The Omaha National Bank and chairman of the executive committee, according to Morris F. Miller. Also announced was the election of Allan Lozier to the board. Mr. Miller will continue to serve as chairman of The Omaha National Bank and chairman and chief executive officer of the Omaha National Corporation.

Formerly president and chief operating officer, Mr. Starr joined the bank in May of 1969. He also serves as president of the Omaha National Corporation.

Other promotions announced include: Ronald E. Mohr to second vice president, Grant E. Yates to loan officer and Jean C. Wells to assistant trust officer.

OMAHA: Packers National Bank has promoted Don Dworak from vice president and cashier to senior vice president and cashier.

Other promotions: Wes Bowen from vice president to senior vice president, Helene Lesac and Robert Schilke from assistant cashiers to assistant vice presidents; Jerry Floyd, Tom Remington and Terry Tvrdik to assistant cashiers. Tom Grove has joined the bank as a vice president in the commercial loan department and in marketing.

OMAHA: The Century State Bank in Sarpy County has applied for a charter for a banking business at 4111 Harrison Street, Omaha, according to the State Banking Department.

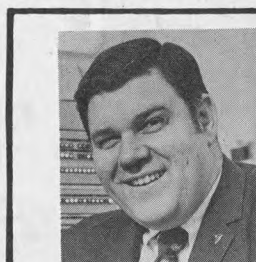
OMAHA: Mrs. John L. Lewis has been promoted to cashier of the Omaha State Bank. She was formerly general bookkeeper and was assisting with supervising operations and customer relations.

OMAHA: The Center Bank recently received an award for outstanding contributions to the welfare of Omaha senior citizens. It was presented to President Bernard Engels by the Omaha Senior Citizens' Council, Inc. Council President Edward Chappell said the bank has hosted a number of social events for the elderly and was the first Omaha bank to offer free checking to all senior citizens.

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.

nb National Bank of Waterloo



Dwayne Smith

Service innovations are our business. Why not make them yours?

IOWA-DES MOINES NATIONAL BANK

Member Federal Deposit Insurance Corporation

Call on the "Performance Team"...

Where the record speaks for itself in the administration of Employee Profit Sharing Trusts.

FIRST NATIONAL BANK & TRUST COMPANY OF LINCOLN

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



PLAINVIEW: Eleanor Bennett, bank employee for 12 years, has been elected auditor at the Plainview National Bank. Eugene L. Matson has been elected assistant cashier.

SOUTH SIOUX CITY: Donald E. Sabbann has been appointed executive vice president and director of the Dakota County State Bank, replacing James Long. Mr. Sabbann was formerly vice president of the Newton National Bank, Newton, Ia.

YORK: Funeral services were held recently for L. R. (Casey) Vavrina, 64, vice president and head of the installment loan department of the 1st National Bank of York.

MINNESOTA NEWS

ANNANDALE: Construction is to start soon on an addition to the west end of the Annandale State Bank.

BURNSVILLE: An application for a proposed National City Bank has been denied by the Comptroller of the Currency, Washington, D.C. Applicants included: R. L. Anderson, Sr., Edward C. Brown, Jr., John H. Daniels, Frederick L. Deming and Bernard C. Jacobs.

LE CENTER: Funeral services were held recently for Charles C. Traxler, 79, president of The First National Bank.

RED WING: Lorin Hemre of Wahpeton, N. D. will become the new president of the First National Bank. Previously he was vice president of the First National Bank, Wahpeton.

ST. PAUL: Allan W. Lambrecht has been named assistant vice president of the St. Paul Bank for cooperatives. He was regional business analyst.

MINNEAPOLIS: Richard Weyrauch, vice president, correspondent bank department, First National Bank of Minneapolis, will take early retirement on July 1. Mr. Weyrauch is chairman of the board of The First National Bank of Maiden Rock, Wisc., and he will be active in the management of that bank.

ILLINOIS NEWS

CHICAGO: The First National Bank of Chicago has opened an office in Stockholm. It is the first foreign commercial bank in the Swedish capital.

CHICAGO: National Boulevard Bank has announced that Joseph P. Kerr has been promoted to vice president and Edward G. Griffiths and Everett J. Lockenvitz to assistant vice presidents.

CHICAGO: Northern Trust Co. has announced that it plans to open a representative office in Hong Kong to serve the Far East. Stephen Wolfe, international banking officer, will be in charge when it opens in early fall.

COLORADO NEWS

BOULDER: First National Bank has announced the appointment of Dan R. Sheehy, Jr., to join the bank as assistant trust officer. He was formerly with the First National Bank of Kansas City.

DENVER: Proposed acquisition of the United States Bank of Grand Junction by The First National Bancorporation, Inc. has been announced jointly by E. L. Bacon, chairman, Grand Junction bank, and Bruce D. Alexander, president, Bancorporation.

The proposed exchange ratio for the acquisition would be 52 shares of Bancorporation common stock for each share of United States Bank common. There are 3,000 shares of United States Bank outstanding.

The announcement followed unanimous authorization by the boards of both for Bancorporation to file an application to the Board of Governors of the Federal Reserve System. The application seeks approval to acquire 80% or more of outstanding shares. The offer will be made only by means of a prospectus pursuant to a registration statement to be filed with the Securities and Exchange Commission in Washington, D. C.

NORTH DAKOTA NEWS

JAMESTOWN: First James River National Bank has announced that Wallace D. Eide, a native of western North Dakota, has been named agricultural representative for the bank.

SOUTH DAKOTA NEWS

RAPID CITY: The following appointments have been announced by United National Bank: Chuck Wendling, assistant vice president; Rick VanLandingham, installment loan officer; John I. Larson, installment loan officer in the Hill City bank; Pam Rippentrop, Millie Fauth, Evelyn Hall and Ilene Temple, operations supervisors.

SIOUX FALLS: Donald F. Bertsch has been elected vice president and cashier of the National Bank of South Dakota, according to Don W. Westbee, chairman. He joined the bank from the First Bank System in 1963 and has been controller since August, 1970. He succeeds Robert M. Haugen, who is assuming a position in the bank's western division headquarters in Rapid City.

VERMILLION: Charles Carbeiner has been named vice president and manager of United National Bank here. He has moved from Tucson, Ariz., where he was affiliated for 13 years as an officer of Southern Arizona Bank.

WYOMING NEWS

JACKSON HOLE: A grand opening was held recently in the new building for the First National Bank of Jackson Hole, according to Robert T. Noel, president and director.

FOR SALE

Recordak RM-1 Microfilmer - Automatic feed, endorser. Under service contract - \$500. Security State Bank, Stanton, Iowa 51573. Telephone (area code 712) 829-2115.

YALE SECURITY EQUIPMENT

Sales and Service

Full line of bank security equipment
YALE BANK SERVICE DIVISION. Regional offices

1960 W. 12th Place | 2066 Farnam Street
Denver, Colorado 80204 | Omaha, Nebraska 68104
Phone: 303/825-8241 | Phone: 402/342-1821

F.A.T.O.N. Security Products & Systems

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

When you choose a city correspondent,
do what over half of the banks in Iowa do
— bank at MNB.

Terry Martin
Assistant Vice President



MERCHANTS NATIONAL BANK
so many ways we can help you

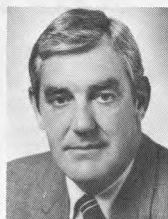
CEDAR RAPIDS, IOWA 52401





COULSON CANNON AND MUIR

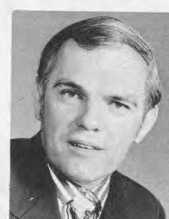
Three of our men
on your side at



Fred Coulson



Tom Cannon



Dick Muir

COMMERCE BANK of Kansas City

MONTANA NEWS

GREAT FALLS: The Great Falls National Bank has changed its name to Northwestern National Bank of Great Falls.

FED MEMBERSHIP . . .

(Continued from page 1)

any people of any country ever inherited.

"We should be grateful for that inheritance and should protect its perpetuation with every power at our command," Mr. Kreider declared.

"With the framework of that tripartite inheritance, and returning to a previous point, the free market has established a highly effective system of 'compulsory' membership in the Fed."

The CSBS official said generally speaking if a state-chartered bank wants to be heavily involved in the correspondent services business, it must be a member. So strong is this compulsion that no one need fear further massive withdrawals from the Fed of state-chartered banks.

"In most withdrawals of the past decade," he noted, "respective banks had a relatively low volume of correspondent demand balances from other banks, thus having little or no rational public interest reason for remaining in the Fed."

"That trend, however, has about run its course," Mr. Kreider claimed. "Although there remains a sizeable number of state-chartered member banks which have no more than a nominal volume of correspondent demand balances and thus might be tempted to withdraw from the Fed, the total assets of these banks represent a

relatively small proportion of the total banking assets of the nation and, in any event, are of little or no consequence as members per se from the monetary policy standpoint.

"One must conclude that nearly all . . . banks which should be members of the Fed, from the public interest standpoint, are compelled by free market forces to be members and that questions of further withdrawals — or conversely, of joining the Fed — are largely a business choice of individual banks . . . with little or no monetary policy implications."

In conclusion, Mr. Kreider predicted "that current efforts to compel nonmember banks to become members will fail, if the banking and bank regulatory communities work in the public interest toward that end."

WANT ADS

Rates 25 cents per word per insertion. Minimum: 12 words.

POSITION WANTED

Banking School graduate with 15 years experience desires job in a Nebraska or Iowa bank. Write Box FNV, NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

WANTED

Bank of \$8 million in town of 16,000 desires insurance man for agency. Located within 60 miles of Twin Cities. Equity position available. Write Box LTC, c/o NORTHWESTERN BANKER, 306 - 15th Street, Des Moines, Iowa 50309.

POSITION AVAILABLE

For man as cashier, some insurance work — smaller city in Omaha-Lincoln area. Write Box DCJ, in care of the NORTHWESTERN BANKER, 306 - 15th St., Des Moines, Iowa 50309.

LOWER YOUR FARM LOAN RISK

By sending him DOANE'S Farming For Profit, the hard-hitting, fact-filled monthly, newsletter that provides help in management, production and marketing. Free sample subscription for 6 months. Write D. R. Gorr, DOANE Agricultural Service, Inc., Dept. 701, 8900 Manchester Road, St. Louis, Missouri 63144.

POSITION WANTED

Young man, age 29, desires banking position as loan officer with opportunity to move to managing officer. Experience in lending, credit analysis and business development. Presently employed as second man and director in an agricultural bank. Prefers Nebraska location. Write Box FWA, c/o Northwestern Banker, 306 15th St., Des Moines, Iowa 50309.

LA SALLE'S Teller Referral Guide can help your tellers work more efficiently

It's a handy card that gives your tellers a complete step-by-step procedure for the proper handling of their various operations. Yours without charge. Just write or phone Cy Kirk or Max Roy at the LaSalle National Bank in Chicago today. Telephone (312) 443-2774.

WANTED: Midwestern Banks
Have qualified buyers willing to pay substantial Premium.

Write or Call: J. Mason Henry, President
CHARLES E. WALTERS CO., INC.
P.O. Box 1313, Omaha Neb. 68101
Phone: (402) 553-6400

SERVING PROFESSIONALLY

Banking, Financial & Business Personnel
Iowa and Nationwide

CAPITAL PERSONNEL SERVICE

204 Securities Bldg. 515-283-2545
Des Moines, Iowa 50309

800 **Need something fast?**
362
1615 **"C"**
Central National Bank & Trust Company
LOCUST AT SIXTH AVENUE, DOWNTOWN DES MOINES, PHONE 243-8181. MEMBER FDIC.

Vol. 3. No. 7 Northwestern Banker Newsletter is published weekly by the Northwestern Banker Company, 306 Fifteenth Street, Des Moines, Iowa 50309. Subscriptions 25¢ 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.