

NORTHWESTERN Banker Newsletter

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December 16, 1974

Set Ground Rules for Dealing in Gold

Ground rules for commercial banks who plan to deal in gold, which will be legal beginning December 31, 1974, have been outlined by federal bank supervisory authorities and other government offices having jurisdiction. At the same time, the Government Services Administration announced its bidding procedures for the sale of 2,000,000 ounces of United States gold by the Treasury on January 6, 1975.

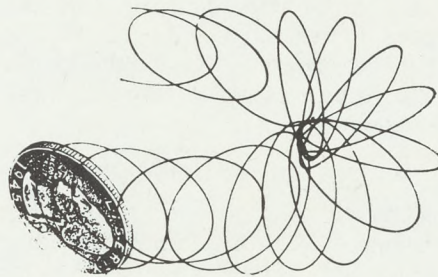
The authorities all have issued banks and the general public forceful warnings against "unscrupulous promoters and fraudulent schemes." The warnings are necessitated by the fact that this will be the first time in 41 years that the public has been permitted by federal law to own gold and few people recall the protective measures to be taken and the inherent hazards in its ownership and handling. The SEC and Justice Department are already investigating an increasing number of frauds related to gold and other precious metals.

General rules that will apply to banks are these, with specific details available to individual banks:

1. Banks preferably should sell and buy gold only on a consignment basis or as an agent.

2. Gold may be accepted as collateral for a bank loan.

3. Banks may **not** use gold as collateral for an advance from a Federal Reserve district bank.



4. Banks may **not** count gold coins or bullion as cash to satisfy reserve requirements.

5. Banks should "carefully evaluate the experience and ability" of their staffs to deal in the metal for their own accounts.

6. Banks are reminded that gold does not bear yield or interest.

7. Any gold assets should be adjusted periodically to reflect their current market value.

The GSA said bids for the auction must be received on copies of the bid invitation, which is available from the GSA. The bids must be received by 11 a.m. (EST) on January 2, with a 5% deposit. Minimum bid accepted will be 400 ounces, with larger bids being in multiples of 400 ounces.

Trading in gold commodity futures will be regulated by the new Commodity Futures Trading Commission commencing April 21, 1975.

Dr. Henry G. Jarecki, chairman of Mocatta Metals Corporation, the nation's largest coin and bullion dealer, advises would-be investors in gold to "buy your gold where you can also sell it." He recommends gold ownership only if there is a two-way market for the investor, guaranteeing the opportunity also to sell the gold investment at a fair price.

Dr. Jarecki's firm has a marketing program through major banks, which will allow the consumer both to buy and resell Mocatta-supplied gold coins and bars. He cited the unfortunate experience of Japan, where gold was legalized in April, 1973. After a flurry of gold-buying through department stores at high mark-ups, the Japanese were unable to resell when the price fell.

The Federal Home Loan Bank Board has ruled that the federally chartered S&L's and their parent holding companies, as well as the 12 district FHLB's may not purchase, hold or sell gold. State S&L's may do so if state laws permit. FHLB examiners will take a close look at any gold transactions by state S&L's. The Board considers gold to be highly speculative.

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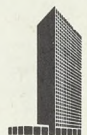


Don Rainer

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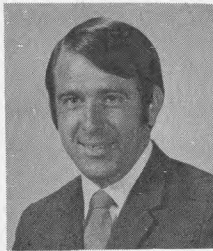
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Iowa News

Eight additional Credit Insurance Schools will be held shortly after the first of the year. The earliest meetings are: January 8—Julien Motor Inn, Dubuque, and January 9—Holiday Inn, Waterloo.

DYERSVILLE: Bart Solon has joined Fidelity Bank and Trust as vice president. Mr. Solon's banking experience includes serving as commercial and agricultural loan officer with the First National Bank of Freeport, Ill.

STUART: David Ory has been named assistant cashier at the First State Bank.

Nebraska News

FORT CALHOUN: The Federal Reserve Bank of Kansas City has approved an application by Fort Calhoun Investment Company, Omaha, for prior approval to form a bank holding company through acquisition of 100% (less directors'

qualifying shares) of the voting shares of Fort Calhoun State Bank, and to engage de novo in a general insurance agency business on the premises of the bank. Fort Calhoun State Bank was opened for business early in January, 1974, and its president is Frank O. Starr, III, Omaha attorney.

OMAHA: Edward W. May, president of May Seed and Nursery Company and May Broadcasting Company of Shenandoah, Ia., has been named to the board of The United States National Bank, according to Kermit Hansen, bank president.

Minnesota News

ELY: The State of Minnesota Department of Commerce has approved a charter application for the Guaranty State Bank to be located at 601-605 Sheridan Street. Opening date of the bank is scheduled for early spring, 1975, contingent upon the date membership in the Federal Reserve System is approved.

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National Bank of Waterloo

HUTCHINSON: Carl A. Monzel, Jr., has joined the First National Bank as assistant cashier in charge of instalment loans. He previously was instalment loan and security officer with Mid America National Bank of Egan.

Illinois News

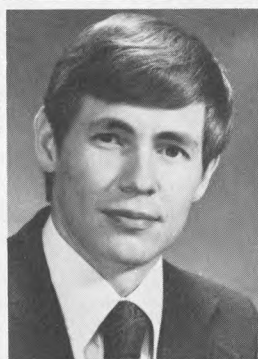
CHICAGO: Mount Greenwood Bank has received permission to exercise limited trust powers.

IRVINGTON: Community Trust Bank has received permission to exercise limited trust powers.

LEMONT: An application for a permit to organize the Bank of Lemont at 1200 South State Street has been filed. Total capitalization of the new bank would be \$1 million consisting of \$400,000 in both capital and surplus and \$200,000 in reserve.

OLYMPIA FIELDS: A permit to organize the First Suburban Bank at 20900 Western Avenue has been issued. Total capitalization of the new bank will be \$1,500,000, consisting of \$600,000 in both capital and surplus and \$300,000 in reserve. Organizers include Richard L. Halpin, Jr., Ronald M. Miniati, Edwin C. Pendrys, and Donald L. Pizza, all of Olympia Fields, and

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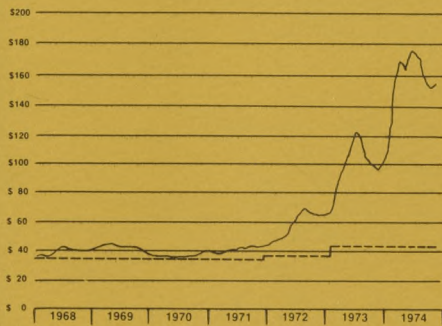
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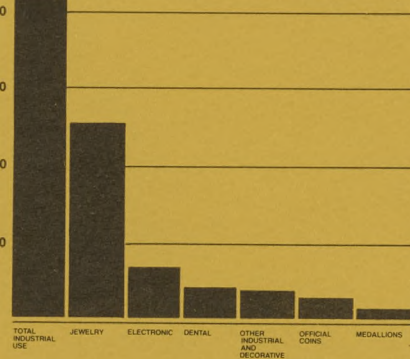
GOLD INFORMATION

Official Price ———
Gold Prices—Basis London
(Per fine troy ounce)



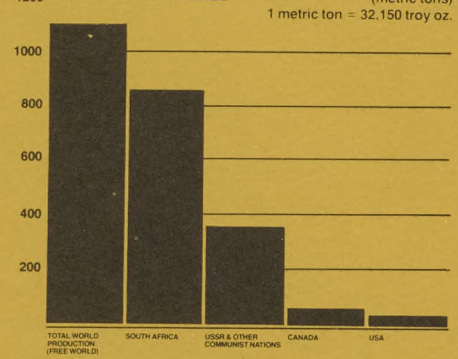
Dates on which the official price was set:
 January, 1879 \$20.67 November, 1971 \$38.00
 January, 1934 \$35.00 February, 1973 \$42.22

World Industrial Demand 1973
(metric tons)



Source: Consolidated Gold Fields, Gold 1974

World Gold Production 1973
(metric tons)
1 metric ton = 32,150 troy oz.



Source: Consolidated Gold Fields, Gold 1974

Effective January 1975 the American public will again be able to own gold, which will also be traded on the Futures Markets. Futures contracts of 100 troy ounces will be available for those who wish to participate in gold ownership without having to worry about physical possession or storage. Gold traded on the exchanges will be 99.5% pure gold, so you need not worry about assay. If you have interest in gold futures and would like further information, please return the coupon below. Ben Krautmann, Ph.D.

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Correspondent Bank Division



Gavin Weir, Flossmoor.

WARRENSBURG: Community Bank's application for Federal deposit insurance has been approved. Capital accounts of the bank total \$500,000.

Maybe you should take a fresh look at things.

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Higher Rate CDs

Federal banking agencies have given commercial banks and thrift institutions authority to offer a new, higher-interest savings certificate.

Effective Dec. 23, banks can offer a six year certificate of deposit carrying a 7.5% interest rate, and thrift institutions, including savings and loan associations, can issue a six year CD with a 7.75% rate. The new certificates will be available in \$1,000 minimum denominations.

Currently, commercial banks can offer a maximum rate of 7.25% on \$1,000 CDs maturing in four years or more, while S&Ls can pay a maximum 7.5% on such CDs. There isn't a ceiling rate on CDs of \$100,000 or more.

Banking authorities said the action is intended to permit the financial institutions to offer longer-term time deposits "at more competitive rates of interest." Thomas R. Bomar, Home Loan Bank Board chairman, said the new certificates "should attract new account-holders to savings associations and provide the thrift

Fly Away from Winter via Marquette-Sedard Independent Bankers Convention Tours

The Post-Convention Grand Tour (March 20 through April 7)—21-day tour of the South Pacific, visiting Australia, New Zealand, Tahiti, with refueling stops in Hawaii, Samoa, and the Fijis.

The Pre-Convention Mini Tour (March 12 through 16)—5-day San Diego holiday package.

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industry with additional savings which will provide a greater amount of funds for home mortgages."

North Dakota News

FARGO: Dean B. Wiedmann has been elected assistant cashier of the Fargo National Bank.



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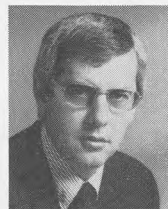
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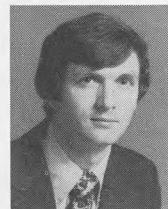
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South Dakota News

SIOUX FALLS: The American Security Bank has received approval to become a member of the Federal Reserve System.

Issues Off-Premise Ruling

Comptroller of the Currency James E. Smith stated last week that he planned to issue a ruling last Thursday, December 12, concerning off-premises electronic funds transfer terminals of national banks.

In an interview last September with the Northwestern Banker, Mr. Smith said he would rule unmanned EFTS terminals as non-branches and that national banks could locate them anywhere in the state, or within a 50-mile radius of the head office, or within five miles of an established branch. Although his final ruling was not available at press time, his original concept was that this geographical scope would authorize national banks to cross state lines in order to serve the bank's market area.

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