

NORTHWESTERN Banker Newsletter

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August 4, 1975

Urges Fed Lower Reserve Requirements

A prominent bank economist has urged the Federal Reserve System Board of Governors to reduce reserve requirements of member banks as a bold step toward improving the capital positions of all member banks.

Dr. George W. McKinney, senior vice president and head economist of the Irving Trust Company, New York, said at a recent meeting that "at a time like the present, when the Federal Reserve and others have expressed concern that capital shortages may inhibit bank lending needed to spur economic recovery, it is clearly in the national interest to do whatever is reasonable to rectify the problem."

Dr. McKinney added that "with one bold stroke of the pen it could help member banks improve their capital positions by simply paying interest on the reserves member banks hold at the Fed, or by reducing reserve requirements, or both. This would permit member banks to increase their earnings, thus increasing their ability to attract new capital as well as to retain more internally generated capital."

At the present time about \$30 billion is held by the Federal Reserve System as reserve deposits of member banks, he said. These reserves are a device which the Fed uses to control the money supply.

But Dr. McKinney believes that the Fed could exert adequate control with less such deposits demanded of member banks.



He also pointed out that reserves the banks keep with the Federal Reserve represents funds the Fed uses to invest in government securities at a profit to the reserve system, which it turns over annually to the government after deducting its own operating expenses.

"The Federal Reserve has the cost-free use of these funds, and its earnings are that much higher," Dr. McKinney stated. "Remember that the Federal Reserve banks are technically owned by the member banks. Yet we don't benefit from those earnings, because the Fed only pays a flat 6% dividend on its capital stock. Instead, the Fed pays over to the Treasury each year the vast bulk of those earnings."

In calling for a reduction in reserve deposits--which the Fed can vary from 7% to 22% of a bank's demand deposits, for example--Dr.

McKinney cited what would have happened last year if the Federal Reserve had reduced these requirements to the legal minimum of 7%.

"It would have added \$409 million, or 13.2%, to the internally generated additions to capital by member banks.

"If the Fed had maintained reserve requirements at the minimum permitted by law over the past seven-year period, and if the banks had invested these funds at the same rate of return earned on other comparable funds and had maintained the same payout ratio, the ratio of equity to assets would now be 7.46%. One-fourth of the decline in member bank capital ratios that disturbs the Fed so much was clearly within their discretion to prevent."

He said he saw no reason why the Federal Reserve System could not change the present reserve requirements.

"The law clearly specifies maximum and minimum levels, and directs the Fed to establish reserve requirements within that range. Thus, it is clearly within the province of the Fed to lower the reserve requirements without any further instructions from the Congress or anyone else."

Dr. McKinney concluded his

RESERVE REQUIREMENTS ...
[Turn to page 5, please]

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Iowa News

CENTERVILLE: Owners of the Centerville National Bank and Hawkeye Bancorporation have agreed in principle for purchase of the bank by Hawkeye. It is subject to Federal Reserve approval.

CLINTON: Funeral services were held recently for Alvin W. Poffenberger, former vice president and cashier of Clinton National Bank. Mr. Poffenberger retired in December of 1971.

DAVENPORT: Ted C. McNaney of Marion, senior bank examiner with the State Department of Banking for the eastern Iowa district, has been appointed a vice president of First Trust & Savings Bank.

GRIMES: A District Court order to Cecil Dunn, superintendent of banking, to issue a charter to Grimes State Bank will be appealed to the Iowa Supreme Court.

INDEPENDENCE: C. A. Handfelt has been named president of the Security State Bank succeeding John Corcoran, Jr., who was named chairman. Mr. Corcoran succeeds N. H. Tegen who has

announced his retirement. Other changes include: Al Lynes, executive vice president; Gary Short, vice president, and James Walker, assistant vice president and cashier.

KIMBALLTON: The Board of Governors of the Federal Reserve System has announced its approval of the application of The Landmands Corporation here to become a bank holding company through the acquisition of The Landmands National Bank.

SIOUX CITY: The Security National Bank has announced new areas of responsibility for several officers in the banks and bankers division. James M. Hongslo will assume additional duties designed to expand his involvement with correspondent banks and bankers in the four-state area. Wayne Johnson has joined the division as correspondent bank officer. Edward J. Leahy, division vice president, has been named executive vice president of Northwestern State Bank in Orange City, purchased in 1973 by the Security National Corporation. Owen A. Riddle, agricultural loan officer, will become more involved in the function of the Security Agri-Credit Corporation.

SIOUX CITY: The First National Bank has filed an application to establish a bank office in Morning-side.

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Nebraska News

KEARNEY: William H. Riley, state banking director, has announced the chartering of the Mid-Nebraska Bank of Kearney to be located at 31st Street and Second Avenue. He also announced that the application for a charter for the State Bank of Kearney to be located at 2525 Avenue A, also in Kearney, has been denied.

KEARNEY: Funeral services were held recently for W. Stafford Wimberley, 71, retired senior vice president of the Platte Valley State Bank and Trust.

NELIGH: David Knust has joined the National Bank as cashier. He previously served as cashier of The First National Bank of Wisner.

SCOTIA: Robert Sixel has joined the State Bank of Scotia as assistant cashier.

Minnesota News

The Independent Bankers of Minnesota will hold its 1975 Convention August 13-16 at Arrowwood Lodge in Alexandria. Registration opens Wednesday morning, August 13, followed by council and committee sessions.

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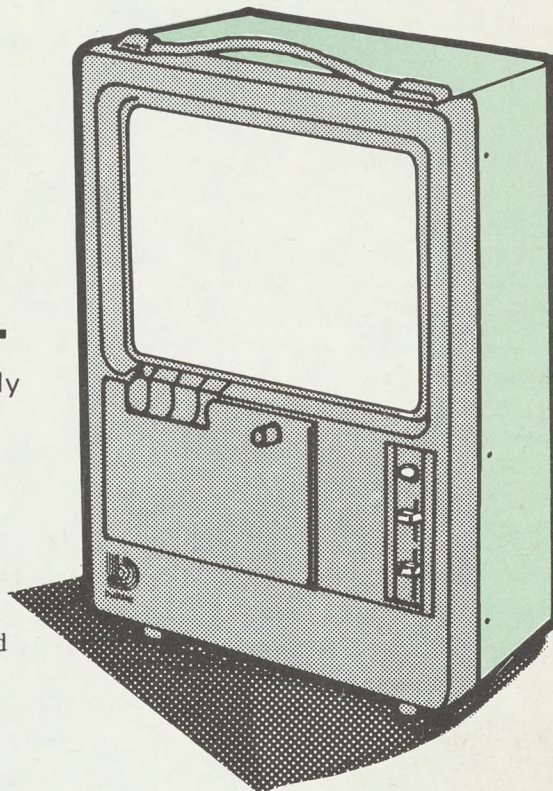
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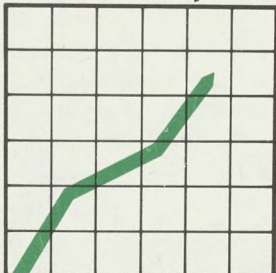
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The business sessions begin the morning of August 14.

BABBITT: D. Jack Robertson, Jr., has been elected president of the First State Bank. Mr. Robertson previously with the St. Anthony Falls office of the First National Bank of Minneapolis.

COTTONWOOD: The Empire State Bank has announced the addition of Mark Bjornebo as an instalment loan officer.

MANKATO: Durwood W. Thompson has been elected president of the First National Bank of Mankato effective September 15. Mr. Thompson formerly was president and managing officer of the First National Bank of Willmar.

ST. PAUL: Agreement in principle of a merger of two bank holding companies and acquisition of 12 independently owned banks has been announced by W. T. Richards, chairman, Mid America Bancorporation, Inc., and Carl R. Pohlad, president of Bank Shares Incorporated, Minneapolis. The arrangement would merge into Mid America all five banks of Bank Shares, a registered bank holding company, and 12 independently owned banks in which Mr. Pohlad and associates have a major interest. Mid America Bancorporation would become the surviving corporation.

The resulting holding company would have 24 affiliated banks, 18 of which are in the Twin Cities area, with a major bank, Marquette National, located in downtown Minneapolis. The remaining six are located in Rochester, Worthington, Hutchinson and three other out-state locations. A complete list of the banks involved will be made available in the near future, the announcement said.

The announcement noted that the consolidation would result in a banking organization with more than \$35 million in capital and more than \$1/2 billion in deposits.

The transactions are subject to certain contingencies including the approval of various governmental

agencies as well as the boards and shareholders of Bank Shares, Mid America and the independent banks involved.

WAYZATA: Roy F. Rasmussen has been elected vice president and cashier of the First National Bank.

WILLMAR: Oliver H. Hagen has been elected president of the First National Bank of Willmar. Mr. Hagen previously served as vice president of The First National Bank of Austin.

Illinois News

CHICAGO: An application for a permit to organize United Bank of Chicago, 5946-60 North Broadway Street, has been filed. The bank's capitalization will total \$2,250,000.

CHICAGO: Charles B. Hall has been moved from his position as regional administrator of national banks of Chicago. Mr. Hall will be succeeded by Billy C. Wood, former regional administrator of national banks in Atlanta. Mr. Wood, a native of Lubbock, Tex., served as deputy regional administrator in Dallas before moving to Atlanta.

CLEARING: FDIC has announced the deposit liabilities of State Bank of Clearing (Chicago) have been assumed by Clearing Bank, a newly-chartered insured bank. The bank opened July 14.

State Bank of Clearing was closed by the Comm. of Banks and Trust Companies on July 12. In addition to assuming about \$61 million in deposits and other liabilities, the new bank will also pay a purchase premium of \$300,000.

COLUMBIA: A charter has been issued by the Comptroller for the Columbia National Bank.

SANDWICH: A charter has been issued to the First Security Bank in the Indian Springs Shopping Center. The state bank's total capitalization of \$750,000 will consist of \$300,000 in both capital and surplus and \$150,000 in reserve. Officers are Carl T. Becker, chairman and president, and John E. Behrens, executive vice president and cashier, Yorkville. Directors are William J. Murphy, Evergreen Park; Allen F. McKee, Batavia; Donald E. Holt and Mr. Becker, Plano; Simon C. Larson, Newark; Richard M. Swisher, Olaf E. Gjovik, James K. Marshall, Richard C. Holland, LaVerne Wilkening, Jack Norling, and James Stark, all of Sandwich.

MINONK: Henry H. Byers, president, Minonk State Bank, reports the following changes: Lewis H. Gregg, executive vice president and trust officer, retires but continues as a director; Merlyn D. Kalkwarf, cashier advances to executive vice president; Donald Heneger, assistant vice president to cashier and trust officer, and Stephen O'Riley continues as assistant cashier and becomes assistant trust officer and ag rep. Assets have passed \$13 million.

OLYMPIA FIELDS: A charter for a new state bank has been issued for First Suburban Bank at 20900 Western Avenue. Total capitalization will be \$1,500,000 consisting of \$600,000 in capital and surplus and \$300,000 in reserve. Gavin Weir is president and Donald L. Pizza is cashier.

Colorado News

DENVER: United Bank of Denver has announced the appointment of Roger H. Bohart to vice president, Ronald J. Brescian to personal trust officer, and Morris Mather III to investment officer.

DENVER: United Bank of Skyline has announced the appointment of Steven E. Leatherman as director of marketing and commercial loan officer. He formerly was associated with the First National Bank of Chicago.

LEADVILLE: Colorado Division of Banking has scheduled a public hearing at 9 a.m. Thursday, Aug. 21, for the proposed charter of Centennial State Bank of Lake County at the intersection of Mountain View Drive and Poplar Street. Applicants are Raleigh N. Alford and Norman A. Weng, Berthoud; and Michael F. Ormsby, Bernard F. Kochevar, Sr., and Joseph P. Kochevar, all of Leadville.

North Dakota News

BISMARCK: Robert P. Hendrickson has been elected chairman and Robert E. Westbee president and chief administrative officer of the

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First National Bank and Trust Company, effective September 1. Mr. Hendrickson, president and managing officer since 1964, continues as chief executive officer. Mr. Westbee is vice president and liaison officer of First Bank System.

CAVALIER: Carl A. Berg has been elected chairman and Darold D. Johnson president of the First State Bank, effective September 1. Mr. Berg has been president and managing officer since 1957. Mr. Johnson is vice president of the First National Bank of Valley City.

South Dakota News

LENOX: Over 600 attended the open house held recently by Valley Exchange Bank.

McLAUGHLIN: Funeral services were held recently for Scott Hatch, vice president and director of First State Bank.

MOBRIDGE: Citizen's Bank has announced the following promotions: Bernard Quaschnick, assistant vice president and insurance department manager; Marian Selzer and Pamela Hunsley, assistant cashiers.

SALEM: McCook County National Bank observed its 50th year on

July 12, according to Boyd Knox, president.

SIOUX FALLS: At their July 15 meeting, directors of Northwestern National Bank announced that effective October 1, 1975, Curtis A. Lovre will advance to chairman and chief executive officer and Charles P. (Buck) Moore will succeed him as president. Mr. Moore presently is president of First National Bank, Aberdeen.

Montana News

MISSOULA: Ross E. Hunt has been elected chairman and George M. Leland president of The Western Montana National Bank, effective October 1. Mr. Hunt formerly was president and managing officer since 1965 and Mr. Leland currently is president of the First National Bank of Mankato, Minn.

Plan 19th "Market Day"

The nineteenth annual Market Day will be held by the First Stock Yards Bank, South St. Joseph, Mo., on September 10. Registration begins at 9 a.m. Sam Addoms, formerly with Continental Bank, Chicago, and now executive vice president and treasurer of Monfort of Colorado, Inc., will be a key speaker.



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Wyoming News

GILLETTE: State examiner Dwight Bonham has rejected the application of Wyoming Bancorporation to open a fourth bank here.

RAWLINS: Bill Chandler has been promoted to operations officer of the First National Bank.

RESERVE REQUIREMENTS ... [Continued from page 1]

address by urging that "whatever pressure can be brought to cause the Federal Reserve Board to lower member bank reserve requirements would be very much in the interests of the banking system and of the nation."



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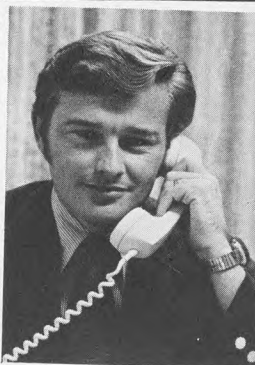
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 Cashier—Variety of positions from setting up operations for new bank to managing operations in larger bank. WI., MN. Jobs #590, 624. \$12,000 - \$20,000
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Reply in strict confidence in writing to: James E. Barry, Senior Vice President, United National Bank, 14 St. Joe St., Box 2290, Rapid City, S.D. 57701, PH: 605/343-9230, or Loren D. Gerleman, Vice President-Cashier, United National Bank, P.O. Box 1088, Sioux Falls, S.D. 57101, PH: 605/336-9206.

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