

# NORTHWESTERN Banker Newsletter

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October 2, 1978

## "FDIC Should Certify State Competency"

**D**URING a major address at the 92nd annual convention of the Iowa Bankers Association in Des Moines September 25, FDIC Director William M. Isaac outlined some far-reaching suggestions for reform of the federal regulatory agencies. They call for the Federal Reserve Board and FDIC to relinquish some of their authority and responsibility to a possible national banking commission and certification of state banking departments as to competency by the FDIC.

When queried later for his assessment of the ultimate effect of mandatory reserves in the Fed for all banks—member and nonmember alike—and his plan for federal control over the performance of state banking departments, Mr. Isaac acknowledged that this could lead gradually to elimination of state banking supervision.

In giving his "few thoughts" toward possible reform, Mr. Isaac listed these five important characteristics he believes desirable for such a structure:

1. A strong dual banking system.
2. A strong Federal Reserve System with all powers necessary for carrying out monetary policy.
3. Unified bank and bank holding company supervision.
4. A strong and efficient regulatory system which will ensure a sound, responsive and

innovative banking system; and

5. Coordination between bank regulation and the conduct of monetary policy.



WM. M. ISAAC

He called for a strong state banking system as a necessity for full realization of the dual banking system but said there are two problems at present—the diversity in competence and performance of state regulators, and "the delays, irritations, frustrations and costs of dual supervision and regulation (which) are discouraging to state-chartered banks."

"I believe that we ought to consider the possibility of discontinuing the role of the Federal Reserve in bank and bank holding

company regulation," Mr. Isaac said, "substantially reducing the involvement of the FDIC in bank regulation, and transforming the office of the Comptroller of the Currency into an independent national banking commission headed by a board of directors."

If Fed reserve requirements are lowered, he said, a certification program to ease dual regulation "may be essential to prevent large numbers of conversions from state to national charters." He indicated federal assistance might be given to states to upgrade their departments to meet such FDIC certification standards. The certification criteria might be these, he stated:

A. Authority of the department to investigate all matters relating to the safety and soundness of banks under its jurisdiction and the manner in which these banks meet the convenience and needs of their communities;

B. Performance of the department in enforcing consumer and civil rights laws;

C. Organization of the department with a board for review of quasi-judicial determinations;

D. Adequacy of trained personnel to assist in administration;

E. Independence of the department and staff from political pressures in the performance of duties;

F. Adequacy and competency of

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## Iowa News

H. Rand Petersen, president of The Shelby County State Bank in Harlan, succeeded Christy F. Armstrong as president of the Iowa Bankers Association at the group's annual meeting in Des Moines last week. Mr. Armstrong is president of the American Trust and Savings Bank of Dubuque.

Leslie H. Olson, president of the Toy National Bank, Sioux City, is the new president-elect. Edward L. Tubbs, president of the Maquoketa State Bank, continues as treasurer for one more year.

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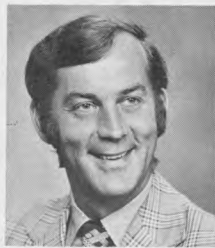


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A complete convention report with pictures will appear in the October issue of the Northwestern Banker, now on the press.

**ELDRIDGE:** Bernice F. Wulf recently retired as vice president of Central Trust and Savings Bank. She had been with the bank for 26 years, most recently as manager of the Mt. Joy office. Verna Feldpausch, assistant cashier, has been appointed temporary manager of the Mt. Joy office.

**NORA SPRINGS:** David C. Gonnerman has joined the First State Bank as an assistant vice president, loan officer and assistant operations officer. He has banking experience at Security State Bank of Lake Park and Union Whitten State Savings Bank, Union.

**SAC CITY:** The Northwest Iowa Group of the National Association of Bank Women will meet Thursday, October 5, at 4 p.m. at the Carlson House here. Officers will be installed. They are: vice president—Wilma Weeks, correspondent bank operations officer, Security National Bank, Sioux City; secretary—Nina Osborne, assistant vice president, First State Bank, Battle Creek, and treasurer—Patricia Schmeling, assistant cashier, Iowa Trust & Savings Bank, Emmetsburg.

**WEBSTER CITY:** Farmers Na-

tional Bank has advanced William F. Vance from senior vice president to president, succeeding L. S. (Bud) Wood, who is now vice chairman. Denny F. Rouse has been named executive vice president, moving up from vice president. L. Richard (Dick) Anderson, formerly with Toy National Bank in Sioux City, has joined the bank as assistant vice president and trust officer.

## Nebraska News

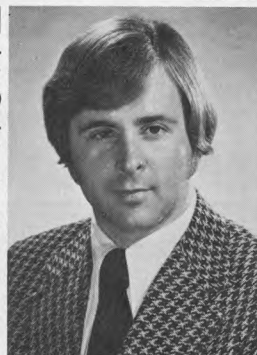
**AURORA:** The Farmers State Bank & Trust Co. has received consent to exercise full trust powers.

**CENTRAL CITY:** Larry R. Spencer has been appointed loan officer of Central Bank. Mr. Spencer formerly was business manager at Nebraska Christian High School.

**KEARNEY:** Kearney State Bank has announced the promotions of Charles Hickey to senior vice president and Sharon Nelson to assistant cashier. Mr. Hickey joined the bank as a vice president and commercial loan officer in 1977. Ms. Nelson has been with the bank since 1976.

**SCOTTSBLUFF:** Rich Zoeter recently was named assistant vice president in the commercial loan

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department of Scottsbluff National Bank. He was in operations, commercial and institutional loans, security and marketing with the First Westroads Bank in Omaha for six years before coming to Scottsbluff.

### Illinois News

**BYRON:** The application of Byron Bancshares, Inc., to become a bank holding company by acquiring First National Bank here has been approved.

**PECATONICA:** The Board of Governors of the Federal Reserve System has announced its approval of the application of Pecatonica Bancshares, Inc., to become a bank holding company by acquiring Bank of Pecatonica.

**PEORIA:** Ellen L. Dingleline has been elected trust administrator of the Commercial National Bank.

### Minnesota News

The Minnesota Bankers Association will hold its 29th Junior Bank Officer and Staff Conference October 11-12 at the Holiday Inn, Rochester, with a program designed for mid-management officers. Activities begin with registration, dinner and opening program on Wednesday evening, and continue with a full-day business session on Thursday. The program will emphasize communications, decision making and supervisory skills for managers, challenges facing the banking profession, marketing, cost analysis and economic outlook.

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The Minnesota Bankers Association has promoted Wayne Berthiaume to administrative vice president from administrative assistant.

**ANOKA:** The Federal Reserve Bank of Minneapolis has approved an application of Northern Cities Bancorporation, Inc., here to become a bank holding company through the acquisition of State Bank of Anoka.

**BUFFALO:** Buffalo National Bank has announced the promotions of Barbara Ritze to instalment loan officer and Sharlyn Whittlef to real estate loan officer.

**GARRISON:** Security State Bank of Aitkin has received consent to establish a detached facility at the corner of Central Avenue and Jefferson Street here.

**LAMBERTON:** Lynn Freeman has joined the Farmers and Merchants State Bank as operations officer. He and his wife also own and operate Freeman's Supper Club at Sanborn Corners.

**HASTINGS:** Craig Redalen has been elected assistant vice president of the First National Bank. He formerly was in the advertising department of the Northfield News.

**MINNEAPOLIS:** Robert J. Koenske has resigned as communications director of the Minnesota Bankers Association to join National City Bank as assistant vice president and director of marketing.

**OWATONNA:** First National Bank has announced the election of Bonne L. Knutson to marketing officer and John C. Doyle to instalment loan officer.

### Colorado News

**GREELEY:** Central Bank of West Greeley, to be located close to the intersection of 10th Street and 35th Avenue here, has filed an application for charter with the state banking board. Organizers are George B. McKinley, Richard A. Boettcher, Sr., John P. Watson, P. Dewayne Krause and Jack L. Schreiber.

### North Dakota News

**HORACE:** A paying and receiving station has been opened here by the West Fargo State Bank.

**VALLEY CITY:** Tom Lessard has been named auditor of the First National Bank. He worked part-time as an internal auditor at Dakota National Bank and Trust Co. of Fargo while attending Moorhead State University.

### South Dakota News

The South Dakota Bankers Association will hold its Instalment Credit Conference October 12-13 at the Ramada Inn, Sioux Falls. Registration will be held from 9:30-10:15 a.m. on Thursday, Oct. 12. Registrants will be divided into five groups and will attend five different workshops. The subjects of the workshops are: indirect leasing, direct leasing, Federally Insured Student Loan Program, Reg. 2, and State Laws and Reg. B.



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examiner and supervisory personnel;

G. Maintenance of research and legal departments to work on banking problems; and

H. Adequacy of financing from state sources, possibly supplemented by funds expected from FDIC.

There would be periodic evaluation of the certification.

Mr. Isaac suggests the Comptroller's office be made independent of the Fed, have it converted to a national banking commission with a board and a single administrator. The board would be comprised of three appointive members, one from the FDIC and one from the Fed as ex-officio members. Holding companies, for example, would fall within the purview of this commission.

"It might be advisable for the Comptroller to be replaced on the FDIC board by one of the Governors from the Federal Reserve board." This would free the Comptroller for his regulatory duties, some would argue he should not be on the federal board regulating state banks, and the Fed would have a means for viewing developments in the state banking system, Mr. Isaac concluded.

He said it appears "there is a better chance in the next year or two that significant regulatory restructuring will occur than at any other time during the past 40 years."

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