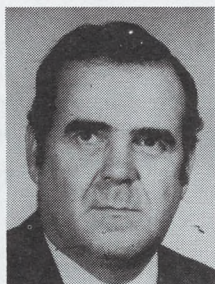


ABA Questions Money Market Funds

"THE money market fund question is only a symptom of a much more fundamental issue — and that is the issue of service line restrictions in the financial services industry," Lee Gunderson, president of the American Bankers Association, told the Senate Banking Committee recently.



L.E. GUNDERSON

Mr. Gunderson, president of the Bank of Osceola, Wisconsin, made his remarks during the second of two days of oversight hearings convened by Senate Banking Committee Chairman Jake Garn to examine issues surrounding the growth of money market funds.

"Bankers are concerned when they see money market funds being promoted to the public like they were demand deposit accounts, featuring high interest rates coupled with accessibility through checks," Mr. Gunderson said.

"Traditionally, this type of product has fallen within the exclusive domain of depository institutions. This was the legacy of the Banking Act of 1933, the Glass-Steagall Act," he said.

"But money market funds now make it clear that the old Glass-Steagall divisions no longer

serve to provide distinctions between the different sectors of the financial services industry," he said.

Credit Needs

"But distinctions do exist. Banks serve the credit needs of their local communities — money market funds do not. Bank are required to set aside non-interest-bearing reserves against their transaction accounts—money market funds have no such requirement," Mr. Gunderson said.

"It is inequitable on its face for federal regulators to require reserves against one type of transaction account and not against another type of transaction account," he said.

"There are three ways to correct this fundamental inequity. First, reserves could be required against those money market funds which feature checking. Second, if reserves are not deemed to be necessary, they should not be required against any transaction account, including those at depository institutions. A third solution could be for the Federal Reserve to apy interest on required reserves," he said.

The current situation is inequitable. Investment companies are offering transaction accounts that compete with banks for the same savings dollars but are not subject to reserve requirements or other regulations imposed on banks," Gunderson said.

Survey

He pointed to the preliminary

findings of a survey recently commissioned by the ABA which revealed that 70 per cent of the respondents who indicated they have money in a money market fund said this money would otherwise be in a savings or Certificate of Deposit type account.

Further, 50 percent of those respondents with money market funds said they believe that the funds are insured, he said. Money market funds are not insured.

"It was originally thought that Glass-Steagall kept commercial banks out of underwriting and dealing in securities and kept securities underwriters and dealers out of taking deposits. But marketplace developments are showing that Glass-Steagall is not a barrier, but a one-way street," Gunderson said.

"It is a one-way street because market developments and an aberration in the law make it clear that only prohibitions on commercial banks are working," he said.

"There is something profoundly disturbing when I see the securities industry wrap themselves in the flag of free enterprise on the one hand, then on the other hand shield themselves behind the Glass-Steagall Act in protecting their own service line monopolies," he said.

"I point specifically to the prohibition against banks managing their own money market mutual funds and against banks underwriting revenue bonds," Gunderson said.

Mr. Gunderson pointed out that

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the Investment Company Institute, the trade association representing mutual funds, recently renewed its opposition to legislation authorizing banks to manage and sell mutual funds. Likewise, the Securities Industries Association renewed its opposition to legislation authorizing banks to underwrite revenue bonds, he said.

Mr. Gunderson also told the Senate Banking Committee that the ABA has urged the Depository Institutions Deregulatory Committee (DIDC) to step up its phase-out of Regulation Q, which sets interest rate ceilings and minimum deposit requirements for savings deposits.

"We have specifically requested that Regulation Q be removed immediately from all deposits of more than three years maturity. Regulation Q should be further removed in annual increments," he said.

"We cannot bear continued inaction by the DIDC," Mr. Gunderson said.

Iowa News

A joint seminar for all incoming B.A.I. chapter officers will be held June 4 at the Fort Des Moines Hotel. A continental breakfast will be served at 8:30 a.m. and the program will

begin at 9:00 a.m. The meeting will adjourn at 3:00 p.m.

CLARION: An application by First Clarion Bancorporation to acquire the First National Bank has been approved.

CONRAD: James J. Molloy has been elected president of the First State Bank, succeeding L.M. Brindle. Mr. Brindle retired after serving as a director for 34 years and as president since January of 1980. Mr. Molloy has been with the First State Bank for 14 years and most recently served as executive vice president.

DES MOINES: United Central Bancshares, Inc. has activated a wholly-owned data processing subsidiary to be known as UCB Systems, Inc., which, subject to federal approval, will assume the functions presently being provided by the data processing department of United Central Bank, N.A. William F. Dawdy, formerly with Peat, Marwick, Mitchell & Co. in Kansas City, is president of UCB systems.

DES MOINES: S.F. 300 - the Omnibus banking bill was tied up in the Iowa legislature as this issue went to press.

DES MOINES: Dave McNichols, v.p. and staff officer of the Iowa Bankers Association, resigned to accept position as secretary of the New Hampshire Bankers Assn.

GARNER: John R. Hensley will join the Hancock County National Bank June 1 as vice president and cashier. Also, Steve Templeton and Gloria Halverson were promoted to assistant cashiers.

KESLEY: Iowa State Bank of Clarksville has announced the completion of their new Kesley office. A public open house will be held Saturday, June 4.

Minnesota News

GLENCOE: Controlling interest in

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the First National Bank has been sold to Lowell G. Wakefield of Waconia and Winton Jones of Wayzata. The pair, principals in the First National Bank of Wayzata, also recently purchased controlling interest in the Exchange State Bank in St. Paul. Mr. Wakefield was elected president and board chairman and Mr. Jones was elected a vice president and board member.

LUVERNE: At First Bank Luverne, Norman R. Blount has been elected chairman of the board and T. Donald Cashin has been elected president and managing officer. Mr. Cashin was also elected a director.

MINNEAPOLIS: Arlen Nissen was promoted to senior vice president and Steve Johnson to assistant vice president of Midland National Bank. Mr. Nissen joined the bank in 1966, Mr. Johnson in 1974.

Bankers Service

LOAN ACTIVITY BULLETIN

- Who:** names of all debtors in the county recorded during the period
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The "Life Care Chair" was developed by Bison Instruments, Inc., an experienced volume manufacturer of sophisticated electronic geophysical instruments. Life Care Systems, Inc., is two-thirds owned by Bison, which has been a publicly-owned corporation since 1969. Bison products, sold worldwide, enjoy the highest ratings for reliability. Bison seismographs for measuring and recording subsurface sound waves are the standard of the industry. They have now applied their technology of monitoring subsurface sounds to the monitoring of blood pressure sounds.

Blood pressure readings using the conventional sphygmomanometer depend on listening for sounds through a stethoscope. The "Life Care" unit interprets blood pressure (Korotkoff) sounds electronically through a special listening device manufactured under NASA patent and license.

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ACCURACY:	Accurate to + 2 millimeters of mercury (+ 2 mm Hg).	POWER:	120 volts, 60 cycles. Fused to 3 amperes maximum. UL approved.
DISPLAY CONSOLE:	High visibility LED (light-emitting diodes) display. Digit height: 7.62 mm (1/3 inch).	POWER USAGE:	15 watts on “standby” mode.
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Bank of Elbow Lake Elbow Lake, Minn. 56451	Owatonna State Bank Owatonna, Minn. 55060	Liberty State Bank St. Paul, Minn. 55164
Merchants State Bank North Branch, Minn. 55056	Shelly State Bank Shelly, Minn. 56581	Sterling State Bank Austin, Minn. 55912
Roberts County National Sisseton, South Dakota 57262	First State Bank Casselton, North Dakota 58012	West Fargo State Bank West Fargo, North Dakota 58078
Midwest Federal Savings & Loan Minot, North Dakota 58701	State Bank of Delano Delano, Minn. 55328	The American National Bank Nashwauk, Minn. 55769
First Federal Savings & Loan Jamestown, North Dakota 58401	Merchants & Miners State Bank Hibbing, Minn. 55746	Security State Bank Aitkin, Minn. 56431
Pope County State Bank Glenwood, Minn. 56334	Peoples State Bank Warren, Minn. 56762	The Pioneer Nat'l Bank Duluth, Minn. 55807
Bank of Willmar & Trust Willmar, Minn. 56201	Valley State Bank Oslo, Minn. 56744	Belview State Bank Belview, Minn. 56214
The First National Bank Deerwood, Minn. 56444	Citizens National Bank Park Rapids, Minn. 56470	Americana Bank Albert Lea, Minn. 56007
Manly State Bank Manly, Iowa 50456	Farmers State Bank Clarissa, Minn. 56440	The First National Bank Bertha, Minn. 56437

MINNEAPOLIS: Diane L. Thor-modsgard has been elected senior vice president and treasurer of the corporate support group of FBS Financial, Inc. She joined FBS Financial in 1978 as assistant treasurer and controller.

MINNEAPOLIS: The board of First Bank System, Inc. has elected John R. Baker vice president and cost accounting and operations analysis. Mr. Baker joined First Bank Austin in 1965.

MINNEAPOLIS: Northwestern National Bank has elected Peter Poolos senior vice president-commercial loan operations and Gerald A. Vande Garde vice president-systems.

ST. PAUL: Northwestern National Bank has announced the promotion of Paul H. Mertensotto from operations officer to assistant vice president.

ST. PAUL: American Bancorporation, Inc. recently elected James W. Reagan president and chief executive officer. He has been vice president since 1976, and succeeds Stanier E. Mason, who is retiring. Mr. Mason has been president and c.e.o. of American Bancorporation since 1976.

WASECA: Robert A. Nystuen has been elected vice president and senior lending officer of First Bank Waseca. He began his banking career in 1975 at First Bank Wahpeton, N.D.

Nebraska News

LB 376, the multi-bank holding company bill, was scheduled for second reading last Thursday, May 21, after having been delayed from the day before. An attempt to amend it to allow out-of-state holding companies to enter Nebraska under the bill was defeated 31-14. With other bills also being heard, it was not known when LB 376 would be considered. It needs a third reading for passage and as of today, May 25, there are four legislative days left.

OMAHA: The Mid Plains Group of the National Association of Bank Women will hold a dinner meeting May 26 at the Kiewit Conference Center beginning at 6:30 p.m. Dr. Geil Browning will be the featured speaker.

OMAHA: Funeral services were held last week for G.R. "Bob" Brown, v.p. of First Nat'l. Bk. He was veteran correspondent man, and included in survivors is his wife, Babe.

South Dakota News

VOLGA: Larry Ness has joined the First National Bank as executive vice president. Mr. Ness was previously with First Mitchell National and prior to that was with the Comptroller of the Currency.

North Dakota News

Newly-elected officers of the North Dakota Bankers Association are: President-Tom A. Roney, pres., Foster County Bank & Trust; Executive Director-Harry J. Argue, Bismarck; President-elect-John M. McGinley, pres., American State Bank & Trust, Williston, and Vice President-Treasurer-Darold Petersen, pres., Lakeside State Bank, New Town. Full coverage of the 1981 NDBA convention will be in the July Northwestern Banker.

Illinois News

For the first time in the four years since Multi Bank Holding Company legislation has been proposed in the state legislature, an MBHC bill is slated to be heard on the Senate Floor. SB 578 was amended on May 20 by a 29-19 vote to adopt the same language as HB 666, the MBHC bill passed 93-59 a day earlier by the House. Previously, SB 375 had been tabled. This new vote means that SB 578 will go directly to the Senate floor for third reading. As of May 21, there were 129 bills ahead of SB 578 on the

Senate calendar and all bills for third reading are supposed to be heard by May 29 or will be dead.

Wyoming News

GLENROCK: A state charter for a second bank in Glenrock has been approved by the state banking commission, but still must be approved by FDIC. Ed Cleary will head the planned bank, which will offer all commercial banking services. Mr. Cleary is presently a vice president of the Bank of Casper.

TORRINGTON: First National Bank has announced the addition of Larry Franklin, Dennis Greenwald and Charles Youtz to the board.



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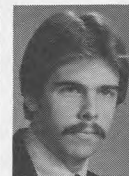
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Illinois News

LINCOLNWOOD: An application by First Lincolnwood Corp. to become a bank holding company by acquiring First National Bank has been approved.

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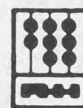
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