

NORTHWESTERN Banker Newsletter

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Regulators Argue Repo Definition

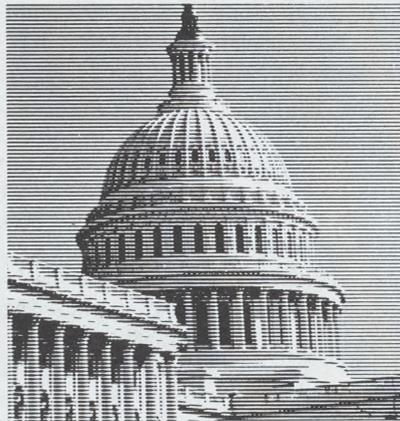
CONFLICTING opinions on the true definition of a retail repurchase agreement have cast a cloud over \$18 billion in repos outstanding at mid-year.

The FDIC generally has considered repos to be loans to the bank by individual customers who have been given a secured interest in a U.S. government or agency security owned by the bank. The FDIC says repos are *not* deposits and, therefore, uninsured. Banks do not represent repos as being insured by FDIC.

Now, FDIC lawyers are trying to determine if the repo contracts issued by Mount Pleasant Bank & Trust Co. in Mount Pleasant, Ia., give the repo holders a security interest that is perfected under Iowa law. The amount in question ranges from \$350,000 to \$450,000 according to two estimates of repos in the bank at the time it was closed. However, the ruling on repo contracts could have wide repercussions. Mount Pleasant Bank & Trust was declared insolvent on August 5 and a new state-chartered bank was opened in its place August 9.

On a second front, the Federal Reserve Board and two primary dealers in government securities which trade directly with the Fed (Salomon Brothers and Goldman, Sachs &

Co.), are petitioning U.S. Bankruptcy Judge Edward J. Ryan in New York to consider repurchase agreements as purchase and sale transactions, not secured loans. Their petition is involved in the bankruptcy case of Lombard-Wall Inc., New York. The latter firm says its creditors may not sell the securities they are holding because repos represent a secured loan and the



securities that Lombard put up with them as collateral are assets of the firm; therefore, creditors may not sell assets of the debtor without court approval, according to the federal bankruptcy code.

The NORTHWESTERN BANKER queried the FDIC late last week but a re-

ply had not been received at press time.

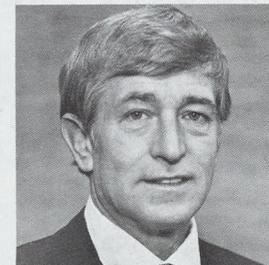
In other action on the repo front, the Fed has voted to remove restrictions against automatic renewals of repos. The FDIC took the same action a week earlier, and the Federal Home Loan Bank Board had already taken such action. Automatic roll-overs make it easier for "sweep" arrangements, a Fed spokesman stated. The Fed staff wanted to impose reserves on sweeps tied to retail repos, but the Fed Board vetoed that. Repos of under \$100,000 will be exempt from Reg Q, it was stated.

* * *

On another regulatory matter, the FDIC board has adopted a policy, after inquiry from the Securities Exchange Commission, that says state-chartered, non-member banks may form securities subsidiaries. This would make it permissible for such a subsidiary to offer a money market mutual fund. Comptroller C.T. Conover, who sits on the FDIC board, reportedly wants a number of minor changes. The FHLBB already has approved such subsidiaries for savings and loans. The Fed and Comptroller also were asked by SEC for an opinion. The Investment Company Institute opposes the action. However, the SEC says if the financial regulators reply favorably, it

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will speed up the registration process for about two dozen such applications.

* * *

Also, the Federal Reserve Board has ruled that the new seven to 31-day CDs that banks and thrifts can offer September 1 under the June 29 DIDC action will be considered time deposits; thus, they will have no reserve required for personal deposits and a 3% reserve if the CD is owned by a business or a municipality. The 60-day comment on the ruling runs to mid-October.

The Fed said it took the action to make the new instrument more competitive with MMMFs. It requires a \$20,000 minimum deposit, with the rate tied to the 91-day T-Bill rate. Thrifts will have a one-



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quarter percent rate advantage over banks. The interest rate ceiling on the instrument will be eliminated May 1, 1983. □

Iowa News

DES MOINES: Michael Austin has joined United Central Bank as vice president in the Iowa commercial services division. Mr. Austin was formerly employed with the First National Bank of Denver as vice president.

DONNELLSON: Bankers Trust Company of Des Moines has taken over the stock of Citizens State Bank owned by American Home Investors Company, a holding company, due to inability of the holding company to make stock loan payments to Bankers Trust. Herman C. Kilpper, president of Bankers Trust, has been elected to the board of Citizens State Bank. Jerry Harkins, Jr., chairman, has resigned. Mr. Kilpper said Citizens State is an excellent bank and announced that President Doug VanDyke and all other officers will continue in their present positions.

LISBON: Dave Blakely has been appointed ag loan officer at Lisbon Bank & Trust Co. He was graduated from Iowa State University last December and joined Lisbon B&T in January.

MT. PLEASANT: Bankers Trust Company of Des Moines has filed suit against eight partners in the group that owned Mount Pleasant Bank & Trust Company. The bank failed recently, as reported earlier, due to more than \$2 million in loan losses of two years ago from which the bank never recovered. After the bank was declared insolvent, FDIC negotiated sale of deposits to Hawkeye Bancorporation, which opened Hawkeye Bank and Trust on August 9 here. The lawsuit says Bankers Trust loaned the group \$2,916,933 at prime, which then was 19.5%. The suit says that Gerald

Nordbrock, chairman of the bank, and Gerald Anderson, president of the Exchange State Bank, Adair, signed guarantees pledging their personal assets to repay the loan, as did other members of the investment group.

RIVERTON: James T. Weaver, president, Nishna Valley State Bank, announced recently the bank has converted to a national charter under the name of Valley National Bank of Fremont County. Also, he said, the charter is being moved into Hamburg, and an office will be retained in Riverton. Ground was to be broken this week on a 3900-square foot building that should be ready for occupancy about the first of next year, Mr. Weaver stated.

Nebraska News

LINCOLN: First National Bank will host its 22nd Annual Correspondent Bank Conference at Lincoln Hilton Hotel September 10-11, concluding Saturday noon so all registrants may adjourn to the nearby University of Nebraska football stadium for the game between Nebraska and University of Iowa. Registration opens Friday at 1:00 p.m. at the hotel and a social hour runs through the afternoon until 6:00 p.m. in the Riverside Room. A cocktail-buffet

APPRAISAL REPORTS OF CLOSELY-HELD BUSINESS INTERESTS

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reception will be held in the main ballroom from 6:30-8:30.

The Saturday program has breakfast at 7:30 a.m., followed by the traditional Ag Panel discussion. Moderator again is Dr. Irving T. Omtvedt, chairman, department of animal sciences at U of N-Lincoln. Panel members include Robert Cartmill, president, Lincoln Grain Co., Inc.; Jack Maddux, rancher-live-stock producer, Wauneta, and Dale C. Tinstman, co-chairman, Iowa Beef Processors, Dakota City, all repeat panelists, and Carson Rogers, swine producer, Ord. After a refreshment hour and buffet luncheon in the First National Bank Building the conference adjourns for the game.

OMAHA: At First Northwestern Trust Company of Nebraska, Ronald G. Weber has been elected senior vice president and Harry P. Yosten and Richard H. Sieling have been named vice presidents.

Minnesota News

HAYWARD: Controlling interest in the Farmers State Bank of Hayward and 100% interest in the C.J. Katzenmeyer Insurance Agency has been purchased by Bill Johnson, Alden, and Ray Bentsdahl, Edina, from C.J. Katzenmeyer of Hayward. At a special board of directors meeting in the end of July Bill Johnson, Ray Bentsdahl and Paul Wichmann were elected to the bank's board, following Mr. Katzenmeyer's resignation as a director and president. Paul Wichmann, currently a vice president of Americana State Bank of Alden and manager of the bank's Albert Lea office, will become the Hayward bank's chief executive officer. Mr.

Johnson and Mr. Bentsdahl are controlling shareholders in the Americana State Bank of Alden, which they acquired in 1979.

ROCHESTER: Norbert J. Conzemius has been elected president and managing officer, effective September 1, of First Bank Rochester. He succeeds Paul W. Olander, who resigned recently to establish a bank consulting firm. Mr. Conzemius is currently senior vice president and group executive, North Dakota and South Dakota Group, of First Bank System, Inc.

Illinois News

CHICAGO: Henry G. MacMorran has joined the Sears Bank and Trust Company as an executive vice president. He succeeds John C. Maulding, who has retired as senior executive vice president and chief credit officer of the bank. He was formerly senior vice president and senior lending officer of the Lakeview Trust and Savings Bank in Chicago.

North Dakota News

The North Dakota Bankers Association and the State Committee of the American Institute of Banking are sponsoring a one-day seminar entitled "Compliance Update."

The seminar will be offered at two locations on consecutive days: Monday, September 20, at the Doublewood Inn, Fargo; and Tuesday, September 21, at the Kirkwood Motor Inn, Bismarck, from 9:30 a.m. to 4:00 p.m. both days.

Timothy D. Marrinan, associate general counsel, First Bank System, Inc., Minneapolis, will be the instructor.

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Montana News

The Montana Bankers Association and the American Institute of Banking Education Committee has announced a unique series of Team Marketing Seminars that represent a history making step forward in educational programs for the banking industry in Montana.

The series of seminars, consisting of three Tuesday evening sessions, will be conducted simultaneously in ten Montana cities using the latest in teleconference and audio-visual presentations. The ten seminar locations will be linked electronically to allow participants to interact with one another.

Dates for the seminars are: September 14, 21, and 28. Teleconference sites will be located in Kalispell, Havre, Wolf Point, Glendive, Miles City, Billings, Bozeman, Butte, Missoula and Great Falls.

For more information contact: Gretchen Tea, director of education, Montana Bankers Association, phone (406) 443-4121.

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FARM AG LENDER—7-10 years experience. Age 35 or older. Locate as senior ag loan officer. Town in Northern Iowa. Salary open. All replies confidential. Write file QBR, c/o Northwestern Banker. (PA)

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(2) NCR Model 775-2100 proof machines with 16 pockets each. Best offer. Contact Dennis McCormick at 612/227-8047. (FS)

Steel vault 84" x 37" x 32" with two movement timelocks, with or without interior teller lockers. Contact: **Financial Products, Inc.**, Box 1035, Eau Claire, WI 54702. Phone: 715/835-8160 or in Des Moines 515/277-5505. (FS)

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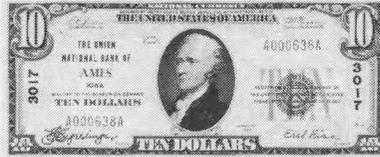
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Auditor/CPA for major western Iowa bank Salary open

Strong Second Man for western Iowa community bank. Must be ag-oriented Salary \$32,000

Ag Rep for larger bank located in Iowa college community. Must have current experience with bank or govt. agency Salary \$22,000

Number Two Person for major bank in outstate Nebraska. Requires solid experience in administration and lending Salary \$40,000

Ag Rep for larger northern Iowa bank. Requires 5 or more years of heavy ag lending and college degree Salary to \$30,000

Number Two person for smaller eastern Nebraska community bank Salary to \$25,000

Cashier for larger eastern Iowa bank. Requires 5 or more years of solid operations experience and data processing knowledge Salary to \$28,000

Ag Rep for southern Iowa bank. Requires two or more years of ag lending with bank or govt. agency Salary to \$24,000

Office Manager for southern Iowa community bank. Insurance a plus Salary to \$25,000

Write or call in confidence to Malcolm Freeland, Freeland Financial Service, Inc., 1032 Carriers Bldg., Des Moines, Iowa 50309. Phone 515/282-6462. Employer pays fee.

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President of smaller Illinois community bank seeks new situation in southern Iowa, Missouri or central Illinois Salary \$32,000

Operations V.P., currently in \$30 million bank in Illinois Salary \$30,000

Strong Second Man in smaller Iowa community bank Salary \$32,000

Commercial Lender in larger community bank. Has been examiner. Salary \$33,000

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Insurance Agent wants to sell his agency and join bank agency Salary open

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