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'High Noon' in Utah For Banking Law

Salt Lake City was starting to look like a scene from "High Noon" with more out-of-towners coming in slinging briefcases instead of guns to take on the proposed financial institutions overhaul law.

Latest to come riding into town was David Silver, president of Investment Co. Institute, Washington, D.C. who warned Thursday that an attempt to do away with the check writing features of money market funds could force their suspension in Utah.

The institute represents the interest of 540 mutual funds, 88 of which are the controversial money market funds.

'Third Party Payments'

Senate Bill 134 would extend banking regulation to any involved in so-called "third party payments" — which specifically endorses check writing.

The availability of checks for a holder to tap his money market fund is a matter of investor convenience and does not imply a depository function, the brokerages contend.

Mr. Silver said the suspension of the funds in Utah could be forced by the Investment Company Act of 1940 which prohibits discrimination in the offering of mutual funds.

In other words, if fund buyers and sellers in Utah do not have the same access — via the check mechanism — as do those buyers and sellers in the other 49 states, they would suffer discrimination.

To avoid the charge of discrimination, fund offerers would have to withdraw.

Hottest 'Brushfire'

Mr. Silver said he was in Salt Lake City to assess the bill and its circumstances. There are "brushfires" in other states, he said, but none quite as burning as in Utah.

"I had thought of Utah as the citadel of 'free enterprise.' The idea of the Legislature taking someone out of business is surprising," he said in an interview.

The "check-writing" issue is a phony one, he said. "The real issue is whether the citizen can get the 17.5 percent return now offered by the money funds or the 5.25 percent offered by the banks or the 5.5 percent by the savings and loans."

Oranges and Apples

Mr. Silver, a lawyer (Harvard '56), termed the bill in general a well-drafted document. However, its efforts to extend regulation to the money market funds, he said, was like trying to graft oranges onto apples.

Showdown in Salt Lake City: David Silver takes on bill.

Five federal agencies — including those associated with banking — he said have testified that banking type regulation of money funds, already regulated by the SEC, was undesirable.

These are the Securities and Exchange Commission, the Federal Reserve Board, the Federal Home Loan Bank, the Comptroller of the Currency and the National Credit Union Administration.