

DO NOT REMOVE FROM
ACCOUNTING DEPARTMENT

ANNUAL REPORT
of
FEDERAL RESERVE BANK OF MINNEAPOLIS
to the
BOARD OF DIRECTORS

1944

INDEX

Summary	1
Assets	3
Liabilities	10
Capital Accounts	12
Earnings	17
Expenses	22
Departmental Comments	35

SUMMARY

Total assets increased for the 14th consecutive year to a total of nearly 900 million dollars.

* * *

Gold reserves of this bank declined for the second consecutive year as Federal Reserve Notes in circulation continued to increase. The reserve ratio, therefore, declined 7.7 percent during the year to 43.8 percent at year end.

* * *

While no discounts were on our books at year end, aggregate borrowings by member banks during 1944 totaled 329 million dollars, compared to 3.3 million dollars in 1943.

* * *

Our holdings of Government securities continued to increase during 1944, reaching a total of 466 million dollars at year end.

* * *

The number of officers and employees at the Head Office and Helena Branch declined from 912 at the end of 1943 to 825 at the end of 1944.

* * *

The net rate of turnover in the staff declined from 50 percent in 1943 to 27 percent in 1944.

* * *

Five Economic Conferences were held during 1944 for Wisconsin, North Dakota and South Dakota bankers and one such conference was conducted for bank examiners.

* * *

Sixteen State banks were admitted to membership during the year.

* * *

Members of the Research staff gave talks before various groups on 116 different occasions.

* * *

Commencing October 2, 1944, commercial banks were authorized to

redeem United States Savings Bonds (Series A to E), thereby relieving this bank of much of the detail work necessary when redeeming them direct.

* * *

During the year the Commodity Credit Corporation assumed some of the bookkeeping and other detail functions that we had been performing for them. This shift enabled a substantial reduction in the number of our employees on Commodity Credit Corporation work.

* * *

Work volume at the Head Office, on the whole, was larger in 1944 than in 1943 -

*

Checks handled by the Collection Department increased from 34 million in 1943 to 37 million in 1944.

*

Ration checks increased from 1.9 million to 2.3 million.

*

The volume of securities in safekeeping increased from 1.3 to 1.5 billion dollars.

*

The number of pieces of currency and coin handled increased from 58 to 66 million.

*

The number of bank examinations conducted increased from 115 to 131.

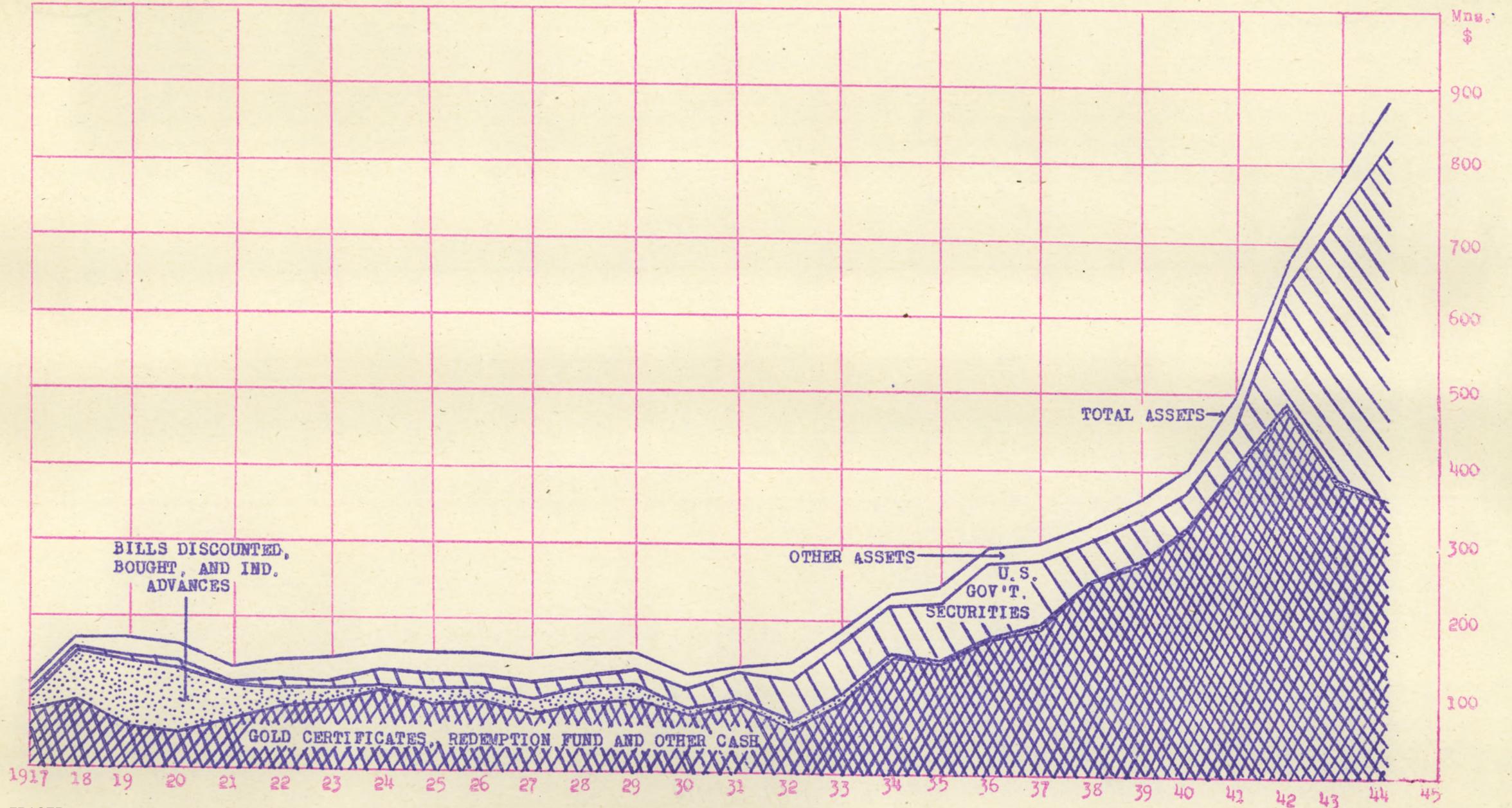
*

Number of securities handled by the Fiscal Agency Department increased from 13.2 to 15 million pieces.

*

Departments having a reduction in work volume were Noncash Collection, R.F.C. and Consumer Credit Department.

ASSETS



ASSETS

Total assets of this bank increased about 98 million dollars during 1944, bringing the total to 883 million dollars. The year-end low point since World War I in this bank's assets was on December 31, 1930 when they totaled 124 million dollars. Since that time assets have increased each year. During the 1930's the expansion in our assets was due principally to the large influx of gold into this nation. The increases during the last two or three years have been due principally to our increased holdings of U. S. Government securities.

More important items making up the year-end asset total were 366 million dollars in gold certificates and other cash, 466 million dollars in U. S. Government securities and 44 million in uncollected cash items. Other items included bank premises carried at 1,252 thousand dollars, Federal Reserve Notes of other Federal Reserve banks amounting to 3,913 thousand dollars and a group of miscellaneous assets totaling 1,274 thousand which was made up principally of premium on securities held in the Open Market Account, interest accrued and receivables of 398 thousand dollars representing expenses for which we will be reimbursed by the Treasury Department and various Governmental agencies.

Total Cash Reserves. Total cash reserves declined for the second consecutive year during 1944, and on December 31 were 366 million dollars, less than on any month-end since September 1941. Gold certificates held in the Interdistrict Settlement Fund were 10 million dollars larger than a year earlier, but that was more than offset by a decline of 30 million dollars in gold certificates pledged with the Federal Reserve Agent.

Our gold certificate reserve against Federal Reserve notes in circulation continued to decline during 1944. At the end of 1942, after setting aside 35 percent legal reserve against deposits, our gold certificate holdings amounted to 121 percent of our Federal Reserve notes in actual circulation. Due, however, to the large increase in notes in circulation and the decline in our gold certificate holdings, this ratio dropped to 67 percent at the end of 1943 and 50 percent at the end of 1944. As a result, it has been necessary for the bank to pledge Government securities against Federal

Reserve notes in circulation. On December 31, 1944 this bank had a total of 300 million dollars of Government securities pledged as collateral for Federal Reserve notes outstanding.

When Federal Reserve notes are not backed entirely by gold certificates, it is necessary to set up a gold redemption fund of at least 5 percent of the notes in circulation that are in excess of gold held against them. The gold redemption fund has, therefore, increased from a level of 202 thousand dollars on December 31, 1942 to 14,820 thousand dollars on December 31, 1944.

Our reserve ratio against deposits and notes combined continued to decline throughout 1944 and on December 31 the ratio was 43.8 percent compared to 51.5 percent one year earlier and the high point on December 31, 1941 of 86 percent.

Bills Discounted and Industrial Advances. This bank held no discounted bills on December 31, 1944. Member banks did, however, use our discount facilities more during 1944 than in any other recent year. Member bank borrowings were not large during the first part of 1944, but in the early Fall months the draw-down of war loan deposit accounts without a corresponding increase in commercial accounts resulted in somewhat of a squeeze on the Reserve City banks. As a result, one or more of the Reserve City banks were borrowing almost continuously during the last quarter of the year. These borrowings reached a peak of 24 million dollars on November 10, and declined thereafter as war loan deposits increased, as a result of the Sixth War Loan Drive.

There were no industrial advances outstanding on our books as of December 31. All of the 178 thousand dollars of current and 105 thousand of past due advances, which we had at the beginning of the year, as well as the advances made during the year, were repaid during 1944.

United States Government Securities. U. S. Government securities held in the open market account increased 168 million dollars, bringing the total to 452 million at the end of 1944. The 168 million dollar net increase resulted from a 204 million increase in Treasury Bills, 3 million increase in Notes, while holdings of Bonds and Certificates of Indebtedness declined 37

and 2 million dollars respectively.

In addition to U. S. Government securities held in the open market account at the year-end, this bank had 13 1/2 million dollars in Treasury Bills held under repurchase option. During 1944 banks in this area sold large quantities of Treasury Bills to us. On April 26, this bank held 106 million dollars of these securities. Since that time, however, the amount has gradually declined. The following table gives a comparison of this bank's holdings of Government securities by types of issue at the end of each of the last three years:

	Dec. 31 <u>1944</u>	Dec. 31 <u>1943</u>	Dec. 31 <u>1942</u>
	(In thousands of dollars)		
Bonds	\$ 22,553	\$ 60,270	\$ 75,729
Notes	28,444	25,074	36,474
Certificates of Indebtedness	88,636	91,258	28,230
Bills in Open Market Account	312,607	108,120	11,746
Bills under Repurchase Option	13,595	73,474	2,000

The huge increase in this bank's holdings of Government securities during recent years reflects the role which the Federal Reserve System is playing in maintaining a favorable climate for financing the war. An individual Federal Reserve Bank has only two direct ways by which it can affect the reserve position of member banks, one by discounting member bank paper and the other by purchasing Treasury Bills with the repurchase option. Both of these methods are relatively limited in character since the initiative in these transactions lies with the member banks, and the sale of Treasury Bills to a reserve bank or borrowing from a reserve bank by commercial banks is usually used to meet only temporary peaks in demand for funds.

The System as a whole, however, through the Open Market Committee can control the supply of member bank reserves by purchasing or selling U. S. Government securities in the open market, and it is the action of this committee during the last two years which has made possible the smooth financing of our war effort.

The amount of idle funds banks have on hand determines whether or not banks are interested in making further investments at current rates of interest. Member banks are required by law to carry a certain percentage of their deposits in a reserve account at a Reserve bank. If they have more in

that account than the law requires the overage is excess reserves or idle funds which the banks have available for investment. If those excess reserves are at an adequate level, banks will have funds available to purchase the Government securities that are necessary to adequately finance the war. It is this basic principle around which the Open Market Committee operates and for the last several months excess reserves have been maintained at about the one billion dollar level.

There are five major factors which affect the supply and use of member bank reserves: (1) monetary gold stock of the nation which adds to member bank reserves as it increases and depletes reserves as it goes out of the country or into earmark; (2) money in circulation which reduces bank reserves as it goes out into the hands of the public and increases reserves as it returns from circulation and flows back into the banking system; (3) Federal Reserve bank credit (the sum of the loans, investments and float of the Federal Reserve Banks) which supplies member banks with reserves when the Reserve System extends credit and reduces reserves when the Reserve System liquidates its loans and investments; (4) changes in commercial bank deposits, (As deposits rise, a larger amount of reserves must be maintained, and as they decline, a smaller amount is necessary); and (5) changes in percentage of deposits required as reserves, i.e., the Federal Reserve Board has the power, within certain limitations, to raise or lower the percentage of deposits which must be maintained as reserves.

The following table contains the above discussed data for the whole country since December 31, 1940 in billions of dollars:

	<u>Monetary Gold Stock</u>	<u>Money in Circulation</u>	<u>Federal Reserve Bank Credit</u>	<u>Member Bank</u>		
				<u>Reserve Balances</u>	<u>Required Reserves</u>	<u>Excess Reserves</u>
12-31-40	22.0	8.7	2.3	14.0	7.4	6.6
12-31-41	22.7	11.2	2.4	12.5	9.4	3.1
12-31-42	22.7	15.4	6.7	13.1	11.1	2.0
12-31-43	21.9	20.4	12.2	12.9	11.7	1.2
12-28-44	20.6	25.3	19.8	14.0	12.6	1.4
Increase or decrease						
12-31-40 to 12-28-44	- 1.4	+16.6	+17.5	-	+ 5.2	- 5.2

The Open Market Committee, of course, has no control over the trend

in monetary gold stock, money in circulation, or commercial bank deposits, but it can control Federal Reserve bank credit by buying or selling Government securities and thus increasing or decreasing member bank reserves.

As the data in the table on the preceding page show, since December 31, 1940 the drain on member bank reserves caused by the decline in gold stock and increase in money in circulation totaled 18 billion dollars. This is four billion dollars more than total member bank reserve balances at the end of 1940. The Federal Reserve System, therefore, found it necessary to offset this huge drain on reserves if banks were to remain in the market for Government bonds. As the figures show, the expansion in Federal Reserve bank credit (due entirely to the purchase of U. S. Government securities in the open market) has almost totally offset the 18 billion dollar drain on member bank reserves caused by the increase of money in circulation and the decline in monetary gold stock. Minor factors which affect reserves that are not discussed here accounted for the 500 million dollar difference. Reserve balances, therefore, were as large at the end of 1944 as they were at the end of 1940. The decline of 5.2 billion dollars in excess reserves was, therefore, due to the larger amount of reserves that was required to support the huge increase in commercial bank deposits during the period. Thus, in spite of the unprecedented drain on reserves, Open Market Committee operations have held member bank reserves at an optimum level and an orderly Government security market has been maintained during this war emergency.

Uncollected Funds. Uncollected items (cash items in process of collection for member banks and governmental agencies) increased 8 million dollars during the year. This increase reflects principally the larger daily amount of cash items handled for banks and governmental agencies than one year earlier. Deferred availability items, which is the contra account on the liability side of the statement, increased 3 million dollars during the year. Since the deferred availability items increased less than the amount of uncollected items on the asset side of our statement, the float absorbed by this bank increased. The difference between deferred availability items on the liability side of our balance sheet and total uncollected items on the asset side repre-

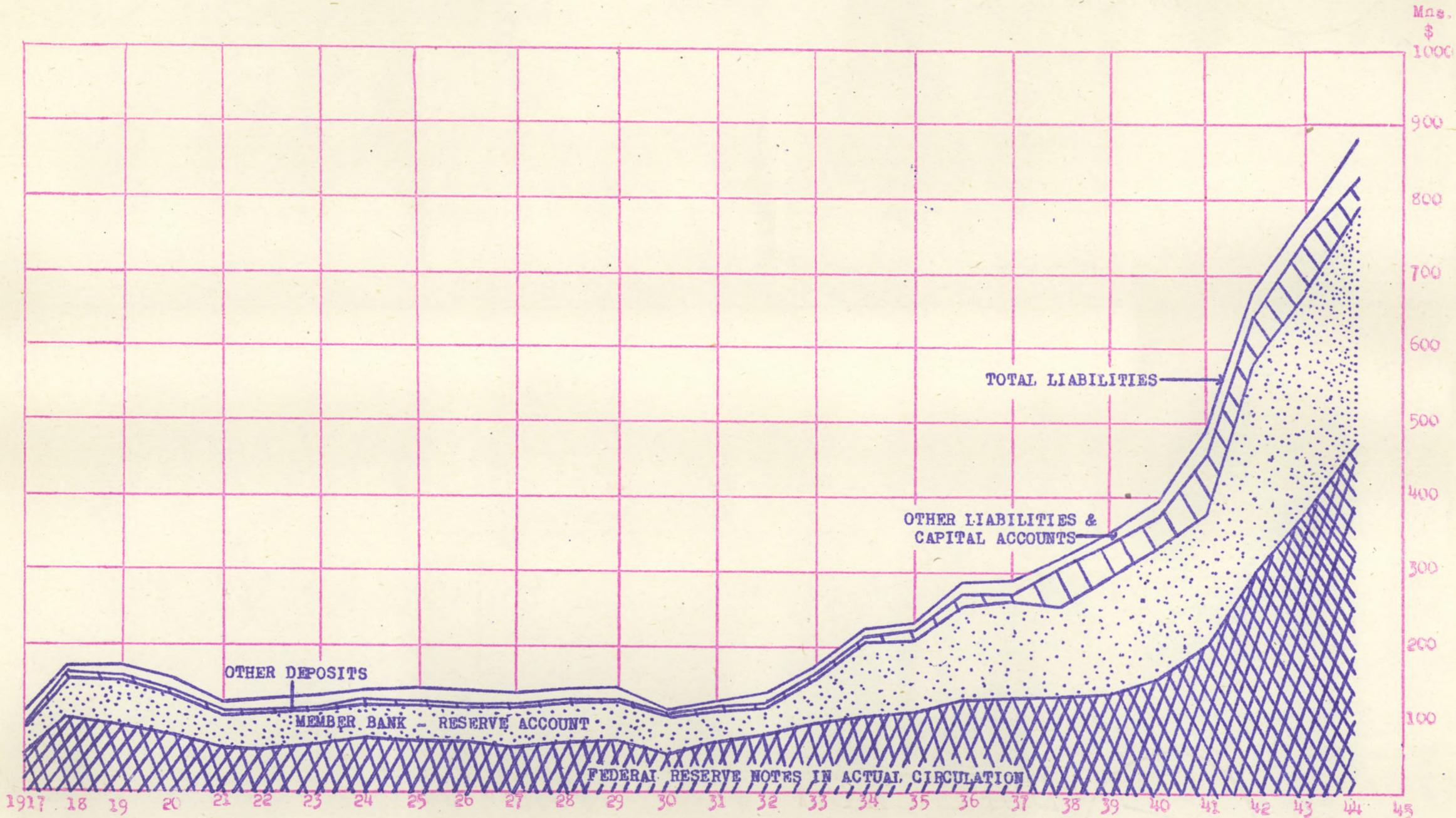
sents the float which this bank is carrying. On December 31 float absorbed totaled 11 1/2 million, an increase of 4 1/2 million dollars during the year.

Bank Premises. The bank premises account of this bank and the Helena Branch remained unchanged during 1944, with the exception of depreciation charges. A depreciation charge of 2 percent on bank building and 10 percent on fixed machinery and equipment were made during the year. A detail of the changes in the bank premises account is as follows:

	<u>LAND</u>		
	<u>Head Office</u>	<u>Helena Branch</u>	<u>Total</u>
Book Value	\$ 400,520.66	\$ 10,000.00	\$ 410,520.66
	<u>BANK BUILDING</u>		
Net book value December 31, 1943	795,634.74	66,750.00	862,384.74
Less: 1944 depreciation charges	<u>25,665.60</u>	<u>1,500.00</u>	<u>27,165.60</u>
Net book value December 31, 1944	769,969.14	65,250.00	835,219.14
	<u>FIXED MACHINERY AND EQUIPMENT</u>		
Net book value December 31, 1943	(Chgd. Off)	7,563.29	7,563.29
Less: 1944 depreciation charges		<u>1,680.84</u>	<u>1,680.84</u>
Net book value December 31, 1944		5,882.45	5,882.45
	<u>TOTAL BANK PREMISES</u>		
Net book value December 31, 1943	1,196,155.40	84,313.29	1,280,468.69
Less: 1944 depreciation charges	<u>25,665.60</u>	<u>3,180.84</u>	<u>28,846.44</u>
Net book value December 31, 1944	\$1,170,489.80	\$ 81,132.45	\$1,251,622.25

Miscellaneous Assets. Miscellaneous assets totaled 1,274 thousand dollars, a decline of 888 thousand during the year. The major change in the miscellaneous assets account was a decline of 711 thousand dollars in the premium on U. S. Government securities which was due, in part, to the further liquidation of longer term securities in the Open Market Account, and in part, to the gradual amortization of premium accounts. Interest income accrued was 169 thousand dollars less than one year earlier because a much larger portion of our income is now derived from Treasury Bills which are purchased on a discount basis. Reimbursable expenditures receivable due from various Governmental agencies was 61 thousand dollars smaller.

LIABILITIES



LIABILITIES

Federal Reserve Notes in Actual Circulation. Federal Reserve notes in circulation increased 90 million dollars during 1944, bringing the total outstanding on December 31 to 476 million dollars, more than double the pre-Pearl Harbor level. During the last three years, Federal Reserve notes in circulation have increased on the average between 7 and 8 million dollars each month, and to date there is no apparent slowing-up of this demand. During 1942 our notes outstanding increased 96 million dollars; during 1943, 83 million dollars and during 1944, 90 million dollars.

Member Bank Reserve Accounts. Member bank reserve accounts totaled 318 million dollars at the end of the year, an increase of 22 million as compared with one year earlier. The results of the operations of the open market committee are readily apparent when looking at these accounts. In spite of the huge amount of currency which the banks have provided the public, they have, nevertheless, been able to increase their reserve balances in each of the last six years.

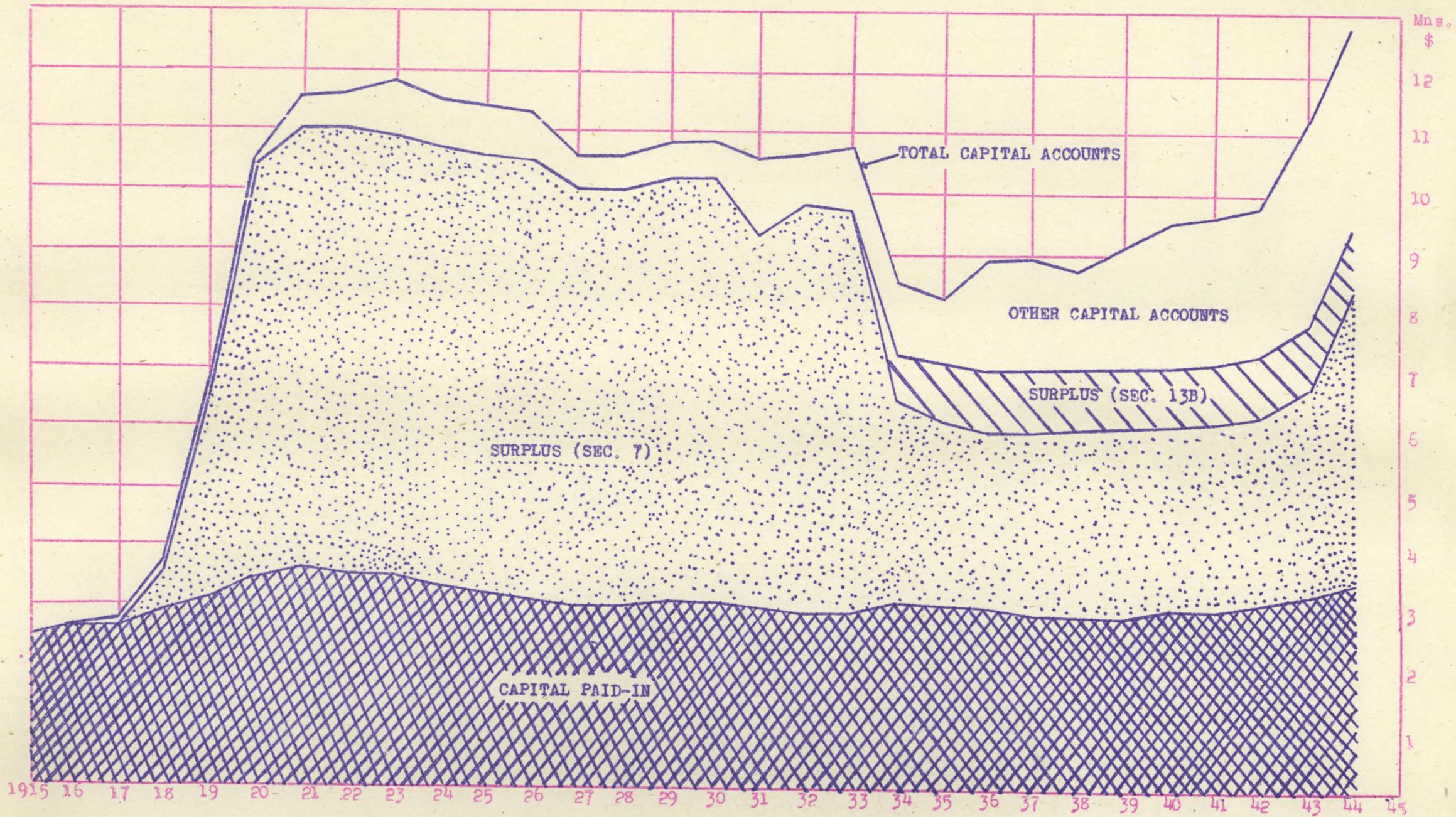
Ninth District Member Bank Reserves
(In thousands of dollars)

Daily average for the first half of December 1944

	<u>Reserve City Banks</u>		<u>Country Banks</u>		<u>All Member Banks</u>	
	Dec. 1-15	Change since Dec. '43	Dec. 1-15	Change since Dec. '43	Dec. 1-15	Change since Dec. '43
Reserve Accounts	\$153,837	\$ +2,601	\$167,819	\$ +27,213	\$321,656	\$ +29,814
Required Reserves	147,206	-1,537	128,860	+20,811	276,066	+19,274
Excess Reserves	6,631	+4,138	38,959	+ 6,402	45,590	+10,540
Excess:						
Minneapolis	2,282	+1,536				
St. Paul	4,110	+2,653				
Helena	239	- 51				

Other Deposits. Other deposits of this bank declined about 20 million dollars during the year. This was due principally to a 9 million dollar decline in the U. S. Treasurer's general account, and a decline of 8 million dollars in officers' checks outstanding.

CAPITAL ACCOUNTS



CAPITAL ACCOUNTS

Capital stock paid in increased 265 thousand dollars during 1944, bringing the total to 3,501 thousand dollars, the largest amount of capital stock this bank has had outstanding since 1922. This increase was occasioned in part through increases in capital and surplus accounts of member banks, and in part by the admission to membership of sixteen State banks during the year.

The general surplus account (under Section 7 of the Federal Reserve Act) increased 1,281 thousand dollars, bringing the total to 4,950 thousand dollars, the largest it has been since the end of 1933 when there was a charge to the surplus account of 3,509 thousand dollars for the purchase of F.D.I.C. stock.

The surplus earmarked for losses on industrial loans under Section 13b increased 73 thousand dollars during 1944. An industrial loan, against which an \$88,800 reserve had been set up, was collected in full. The portion of that recovery which could be allocated to Surplus-Section 13b under a formula prescribed by the Treasury amounted to 73 thousand dollars. The balance, together with the net earnings from industrial loans of \$3,789, was paid to the U. S. Treasury.

No credits or charges were made to reserves for contingencies in 1944 and they, therefore, remained at 3,362 thousand dollars. However, \$25,443.42 of the unallocated portion of this reserve was earmarked as reserve for loss-sharing contracts involving registered mail losses, raising that reserve to \$125,443.42.

The following table sets forth the disposition of 1944 net earnings and its effect on the surplus accounts.

1944 Net Earnings		\$1,579,330.31
Dividends Paid	\$206,158.74	
Paid to U.S.Treasury under Section 13b	20,154.94	
Transferred to Surplus Section 13b	<u>72,319.98</u>	<u>298,633.66</u>
Transferred to Surplus Section 7		<u>\$1,280,696.65</u>

* * * *

Surplus, Section 7, December 31, 1943		3,669,040.63
Transferred from 1944 earnings		<u>1,280,696.65</u>
Surplus, Section 7, December 31, 1944		\$4,949,737.28

* * * *

Surplus, Section 13b, December 31, 1943	\$1,000,301.36
Transferred from 1944 earnings	<u>72,319.98</u>
Surplus, Section 13b, December 31, 1944	<u>\$1,072,621.34</u>

* * * *

Reserve for Contingencies, December 31, 1944

Reserve for postwar Head Office building, improvements and repairs	645,000.00
Reserve for loss sharing contracts involv- ing war risk and losses in excess of blanket bond coverage	100,000.00
Reserve for loss sharing contracts involv- ing registered mail losses	125,433.42
Unallocated reserves	<u>2,491,213.75</u>
	<u>\$3,361,647.17</u>

Following is the statement of condition of the Federal Reserve Bank of Minneapolis and Helena Branch as of December 31, 1944 and the changes which have occurred since December 31, 1943:

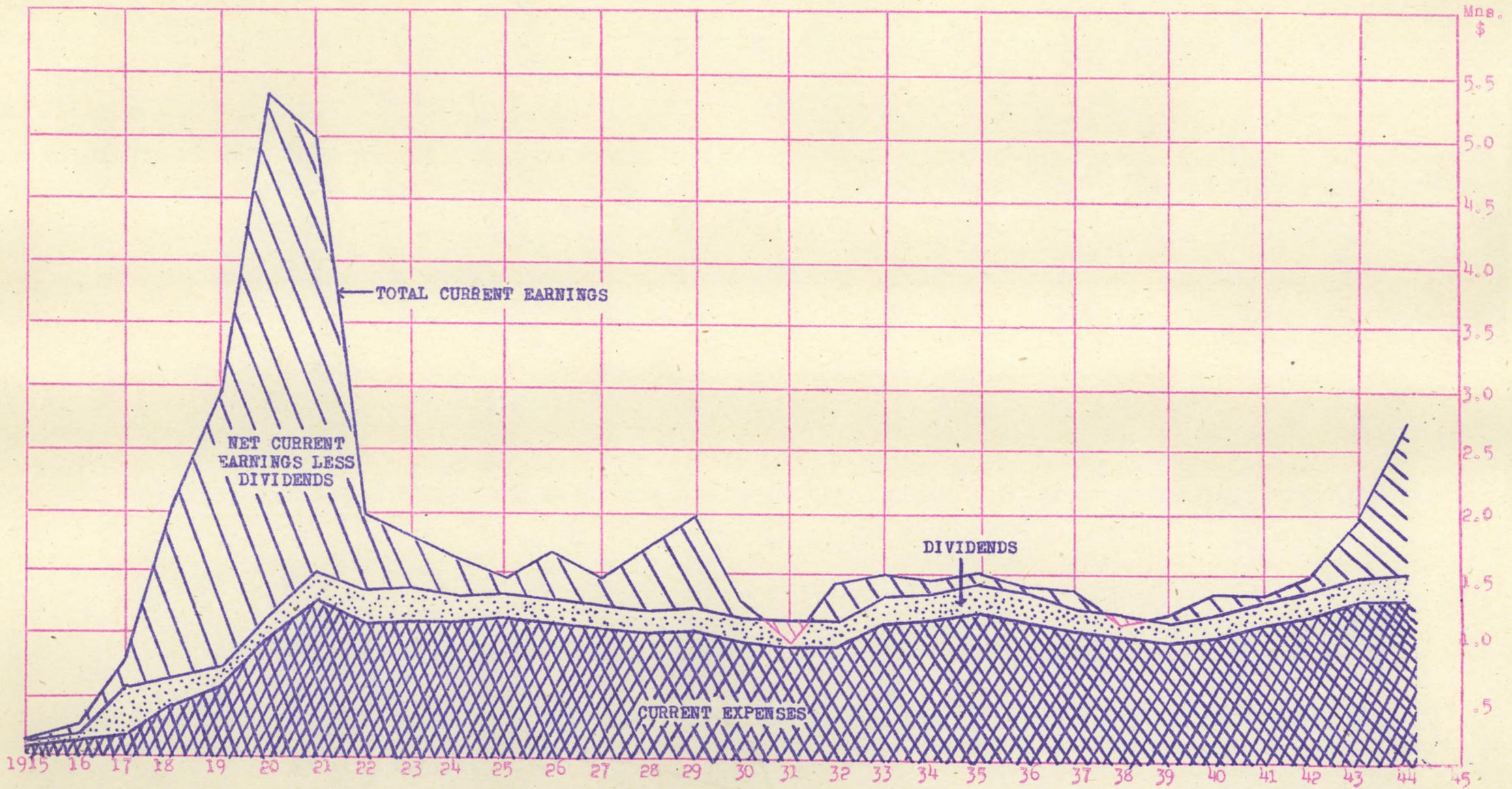
COMPARATIVE STATEMENT OF ASSETS
(In thousands of dollars)

	<u>Dec. 31, 1944</u>	<u>Increase or Decrease since Dec. 31, 1943</u>
Cash Reserves:		
Interdistrict settlement fund	\$ 150,553	\$ + 10,441
Gold certificates with F.R. Agent	195,000	- 30,000
Redemption Fund - F.R. Notes	<u>14,820</u>	<u>+ 6,195</u>
Total gold certificate reserves	\$ 360,373	\$ - 13,364
Other cash	<u>5,933</u>	<u>- 3,845</u>
Total cash reserves	\$ 366,306	\$ - 17,209
Bills and Securities:		
Industrial advances	-	- 178
U. S. Government securities in Open Market Account	452,240	+ 167,518
U. S. Treasury Bills held under Repurchase Option	<u>13,595</u>	<u>- 59,879</u>
Total bills and securities	\$ 465,835	\$ + 107,461
Due from foreign banks	3	+ 1
F. R. Notes of other Federal Reserve Banks	3,913	+ 622
Uncollected Items:		
Transit items	40,175	+ 7,645
Exchanges for clearing house	2,677	+ 716
Other cash items	<u>1,278</u>	<u>- 510</u>
Total uncollected items	\$ 44,130	\$ + 7,851
Bank premises	2,451	-
Less reserve	<u>1,199</u>	<u>+ 28</u>
Bank premises - Net	1,252	- 28
Miscellaneous Assets:		
Industrial advances past due three months	\$ -	\$ - 105
Less reserve	-	- 89
Industrial advances past due 3 mos.-Net	\$ -	\$ - 16
F.D.I.C. stock	3,509	-
Less reserve against F.D.I.C. stock	3,509	-
Premium on securities	372	- 711
Interest accrued	387	- 169
Reimbursable expenditures	398	- 61
Deferred charges	22	+ 2
All other assets	<u>95</u>	<u>+ 67</u>
Total miscellaneous assets	\$ 1,274	\$ - 888
TOTAL ASSETS	\$ 882,713	\$ + 97,810

COMPARATIVE STATEMENT OF LIABILITIES
(In thousands of dollars)

	<u>Dec. 31, 1944</u>	<u>Increase or De- crease since Dec. 31, 1943</u>
F. R. Notes in actual circulation	\$ 475,794	\$ + 90,033
Deposits:		
Members - Reserve Account	317,789	+ 22,319
U. S. Treasurer - General Account	15,877	- 9,168
Foreign balances	25,432	- 2,420
Nonmembers - Clearing Account	1,198	+ 359
Officers' checks	646	- 7,867
Other deposits	<u>265</u>	<u>- 435</u>
Total deposits	\$ 361,207	\$ + 2,788
Deferred availability items	32,597	+ 3,307
Miscellaneous Liabilities:		
Accrued taxes unpaid	63	- 1
Sundry items payable	14	-
Discount on securities	<u>152</u>	<u>+ 64</u>
Total miscellaneous liabilities	\$ 229	\$ + 63
Capital stock paid in	\$ 3,501	\$ + 265
Surplus Fund - Section 7	4,950	+ 1,281
Surplus Fund - Section 13b	1,073	+ 73
Reserve for contingencies	<u>3,362</u>	<u>-</u>
TOTAL LIABILITIES	\$ 882,713	\$ + 97,810
Gold certificate reserve against F.R. Notes in actual circulation after setting aside 35 percent legal reserve against deposits	50.4%	- 16.5%
Reserve ratio against combined net deposits and note liabilities	43.8%	- 7.7%
Commitments to make industrial advances ...	-	-
Float absorbed	\$ 11,533	\$ + 4,545

NET CURRENT EARNINGS



NET EARNINGS AND PROFITS

Net earnings and profits totaled 1,579 thousand dollars during 1944, an increase of 95 thousand over 1943. Current earnings increased 697 thousand, while current expenses increased 43 thousand, leaving an increase in net current earnings of 654 thousand dollars over one year ago. Net current earnings during 1944 were the largest for any year since 1921.

Additions to net current earnings during 1944 were, however, only a fraction of those during 1943. Profits on U. S. Government securities in the Open Market Account totaled approximately 100 thousand dollars in 1944 compared to more than one million during 1943 when a large volume of bonds was sold and replaced with shorter term securities. All other additions during 1944 totaled 92 thousand dollars, of which \$88,800 was the crediting back of a reserve against an industrial loan which was paid during the year. Deductions from current net earnings were nominal, and substantially smaller than during 1943 when a special contribution of 331 thousand dollars was added to the Retirement System.

	1944	Inc. or Dec. from 1943
Current Earnings	\$2,692,787	\$ + 697,329
Current Expenses	<u>1,305,271</u>	<u>+ 43,262</u>
Net Current Earnings	\$1,387,516	\$ + 654,067
Additions to Net Current Earnings		
Profit on U.S.Sec. Open Market Acct.	\$ 99,777	- 983,421
All other	<u>92,442</u>	<u>+ 88,078</u>
Total additions	<u>\$192,219</u>	<u>- 895,343</u>
Deductions from Net Current Earnings		
Losses and reserves for losses on industrial advances	-	- 4,800
Retirement System special contribu- tions	-	- 331,041
All other	<u>405</u>	<u>- 474</u>
Total deductions	\$ <u>405</u>	\$ <u>- 336,315</u>
Net addition to Net Current Earnings	<u>191,814</u>	<u>- 559,028</u>
Net Earnings and Profits	\$1,579,330	\$ + 95,039

The table on the following page gives a breakdown of the Profit and Loss transactions during 1944.

Additions to Net Current Earnings

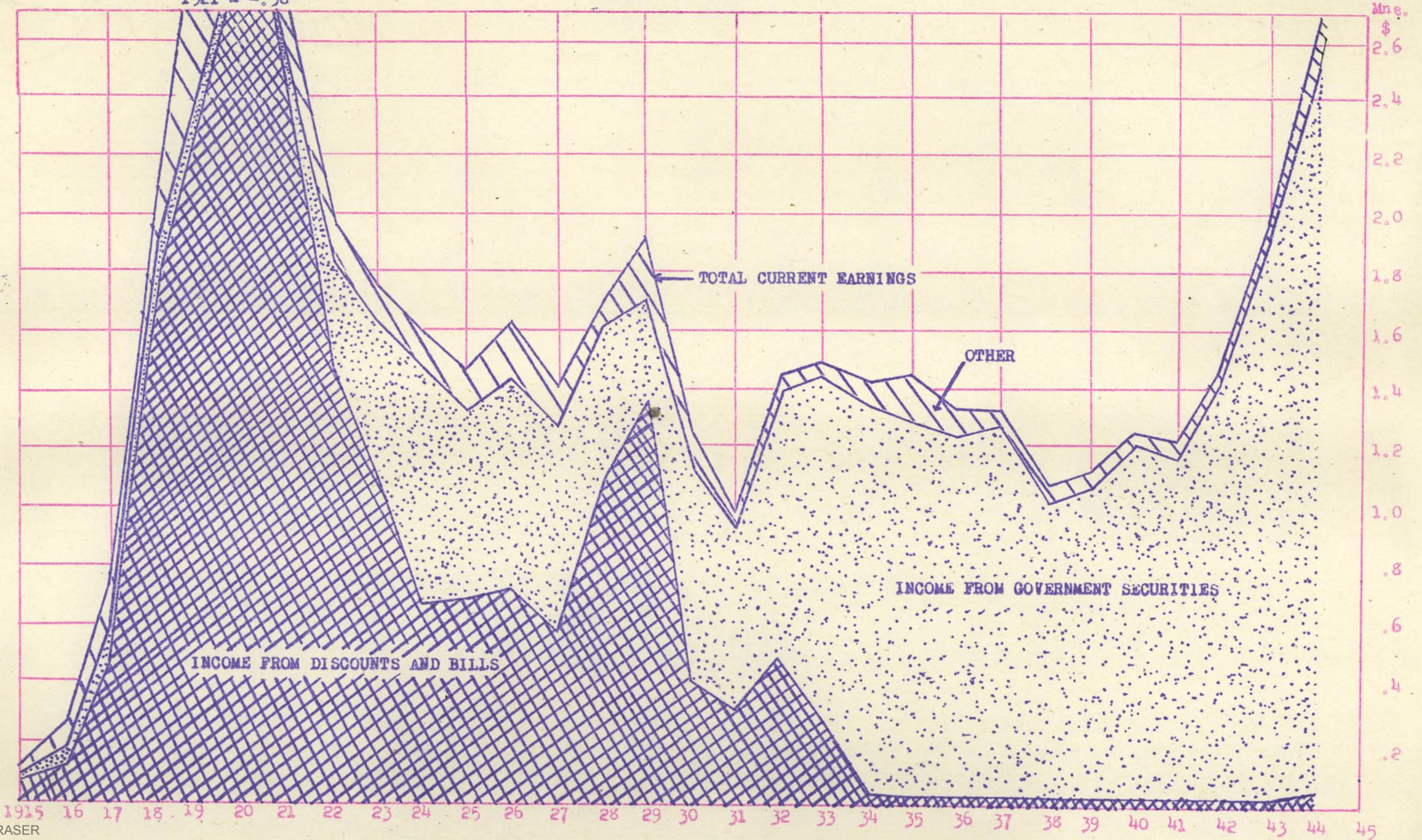
	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
Profit on sale of U. S. Government securities in Open Market account	\$ 99,776.70	\$ 99,776.70	\$ -
Profit on sale of miscellaneous assets acquired in settlement of claims account closed banks	500.00	500.00	-
Net income miscellaneous assets acquired in settlement of claims account closed banks	188.29	188.29	-
Funds collected in excess of claims from miscellaneous assets acquired in settlement closed banks	16.87	16.87	-
Recovery from liquidation of miscellaneous assets acquired in settlement of claims accounts closed banks	2,561.64	2,561.64	-
War savings stamps found in lobby, unable to locate owner	16.60	16.60	-
Recovery of items previously charged off	44.71	44.71	-
Profit on mutilated currency and coin	157.27	157.27	-
Sale of scrap	80.66	80.66	-
Partial recovery of pilferage of coin shipment	69.00	-	69.00
Discount on Canadian coin	.15	.15	-
Miscellaneous small cash found in bank and turned into personnel department	5.29	5.29	-
Dividend received account of transit claims - address of endorser unknown	1.95	1.95	-
Withdrawal from allowances for industrial loans	88,800.00	88,800.00	-
Total additions	<u>\$192,219.13</u>	<u>\$192,150.13</u>	<u>\$ 69.00</u>

Deduction from Net Current Earnings

Loss on counterfeit	\$ 11.00	\$ 6.00	\$ 5.00
Difference account	393.65	213.68	179.97
Discount on foreign currency and coin	.46	-	.46
Total deductions	<u>\$ 405.11</u>	<u>\$ 219.68</u>	<u>\$ 185.43</u>
Net Addition to Net Current Earnings	<u><u>\$191,814.02</u></u>	<u><u>\$191,930.45</u></u>	<u><u>\$ 116.43</u></u>

CURRENT EARNINGS

1919 - 3.01
1920 - 5.32
1921 - 4.98



CURRENT EARNINGS

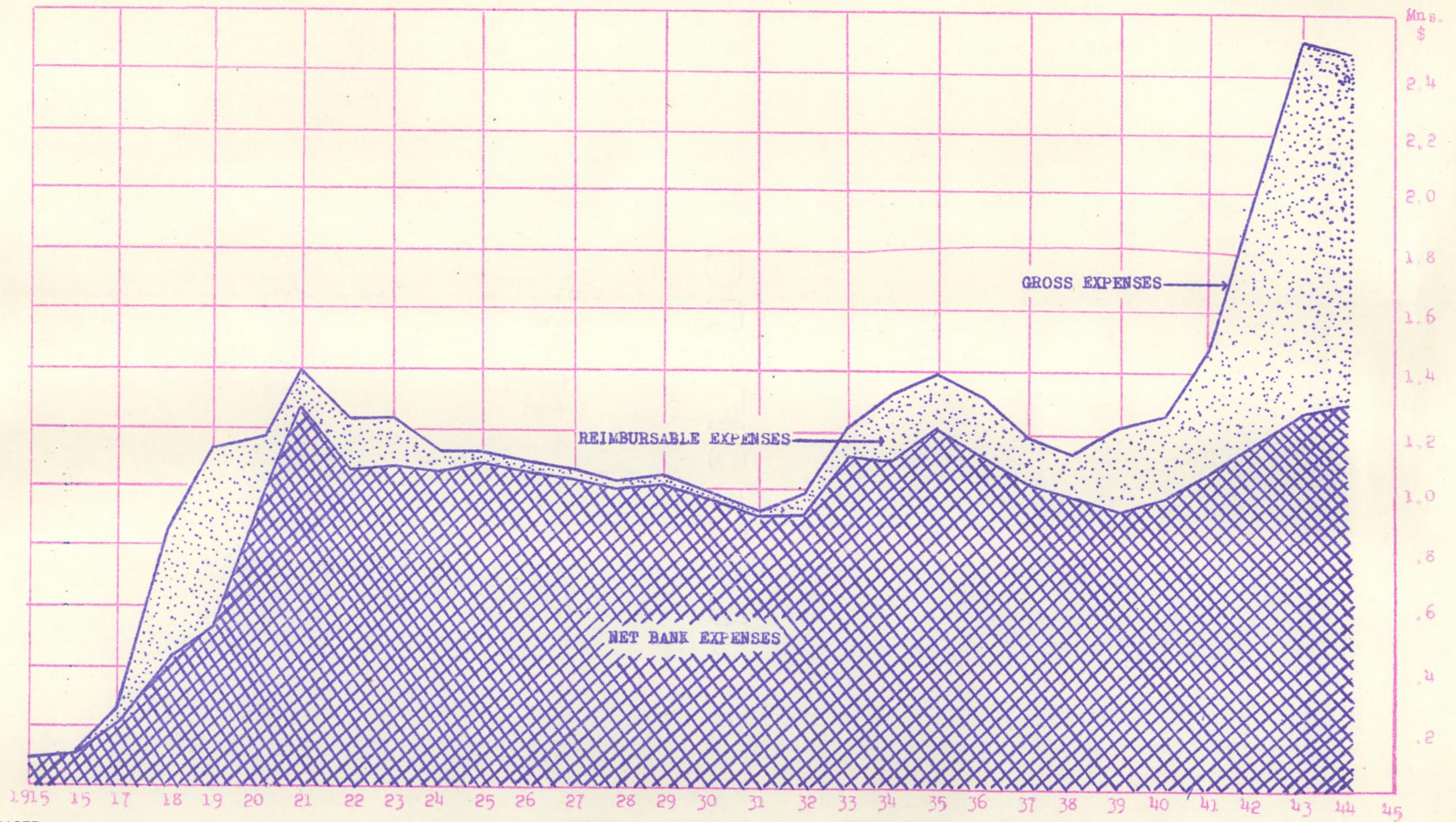
Total earnings from current operations during 1944 were larger than in any other year since 1921 and amounted to \$2,693,000, an increase of \$697,000 over one year earlier. The bulk of our earnings continued to be derived from our holdings of U. S. Government securities. Earnings from discounted bills increased sharply during 1944, but nevertheless amounted to only \$19,000, an insignificant part of the total. Income from industrial advances declined during 1944, reflecting the gradual reduction and ultimate repayment of all industrial loans we had outstanding. Deficient reserve penalties were about one-half as large as in 1943, in spite of the fact that the reserve position of most banks was somewhat tighter than one year earlier.

Our income from government securities held in the Open Market Account totaled \$2,489,000, an increase of about 20 percent. While the volume of holdings of U. S. Government securities increased somewhat more than 20 percent, the fact that a much larger portion of the portfolio was in Treasury Bills resulted in a decline in the average earning rate on our U.S. Government securities. During 1943 the average earning rate on our U.S. Government holdings was 1.08 percent, whereas in 1944 the average rate was .71 of one percent.

The following table sets forth a detail of the sources of our current earnings:

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Discounted Bills	\$ 18,548.70	\$ + 17,984.66
Industrial Advances	3,979.12	- 1,689.74
U. S. Government Securities - System Account	2,488,686.73	+ 592,566.68
Treasury Bills held under Repurchase Option	177,030.13	+ 95,432.69
Rent received; banking house	-	- 66.00
Deficient reserve penalties	2,936.86	- 2,600.07
Interest on past-due industrial advances	642.39	- 3,721.05
Sale of waste paper, money bags, etc.	343.35	+ 37.05
Clearing House fines	90.00	- 102.00
Charges for custodies under Section 61 of the Bankruptcy Act	7.50	+ 7.50
Savings in registration fees, etc. on regis- tered mail shipments for member banks during year	510.46	- 526.17
Interest on personal loans to employees	11.77	+ 7.45
All other	.22	- 2.28
	<u>\$2,692,787.23</u>	<u>\$ + 697,328.72</u>

CURRENT EXPENSES



NET CURRENT EXPENSES

Head Office net expenses for the year 1944 totaled 1,186 thousand dollars and the Helena Branch expenses amounted to 119 thousand, bringing total net expenses for this bank to 1,305 thousand, an increase of 43 thousand over one year earlier.

Expense items which showed the largest increases over one year earlier were Salaries, Retirement System Contributions, Travel expense, Postage & Expressage and Cost of Federal Reserve Currency. Important reductions were effected in Insurance, Board Assessment and Miscellaneous expenses.

SALARIES

	1944	Inc. or Dec. from 1943
Head Office	\$619,603	\$ + 2,466*
Helena Branch	63,102	+ 1,148
	<u>\$682,705</u>	<u>\$ + 3,614</u>

Net salary costs at Head Office and Helena Branch totaled \$682,705 in 1944, an increase of \$3,614 over 1943. While the volume of work in almost all of the departments in the bank was larger in 1944 than a year earlier, it was largely offset by (1) the reduction in rate of turnover of the staff from 50 percent in 1943 to 27 percent in 1944; (2) the amount of training required was less and the staff on the average better trained because of the smaller turnover; and (3) a reduction in overtime payments.

Overtime payments at Head Office amounted to 51 thousand dollars, of which 26 thousand was reimbursable, leaving a net overtime expense chargeable to the bank of 25 thousand dollars compared to 66 thousand in 1943.

The total staff of this bank and the Helena Branch declined from an average of 908 persons in 1943 to an average of 898 in 1944. By December 1944, the number of employees had declined to 825. The number working on bank functions was slightly smaller than a year ago, but the bulk of the reduction in staff has been effected in the departments doing reimbursable work. The decline in employees on reimbursable work was largely due to a reduction in the amount of work performed for the Commodity Credit Corporation and to

* 1943 salaries increased \$3,344 as that amount was included in Telephone & Telegraph expense in that year

the reduced amount of work in connection with the redemption of Savings Bonds since the commercial banks have been authorized to redeem those securities.

RETIREMENT SYSTEM CONTRIBUTIONS

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$56,866	\$ + 16,470*
Helena Branch	<u>5,679</u>	<u>+ 1,326</u>
	\$62,545	\$ + 17,796

Retirement System contributions totaled \$62,545, an increase of approximately 18 thousand dollars over 1943. This increase was due almost entirely to the increase in the average rate paid by the bank on its payroll. During most of 1943 the rate was approximately 6 1/2 percent. During 1944 the rate was about 9 percent.

TRAVELING EXPENSE

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$21,262	\$ + 6,237
Helena Branch	<u>2,371</u>	<u>+ 834</u>
	\$23,633	\$ + 7,071

The amount of traveling done in 1944, while not as much as in normal times, was somewhat larger than during the previous two years. The increase over one year earlier was primarily the result of expense in connection with a larger number of bank examinations, travel in connection with bank relations, and research and statistical travel. Travel for other purposes was smaller than a year earlier.

The following table sets forth the purposes for which the traveling expenses were incurred:

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
<u>Head Office</u>		
Bank examinations	\$ 9,514	\$ + 2,681
Bank relations	4,342	+ 3,194
Conferences (miscellaneous)	1,373	- 244
Presidents' Conference	506	- 424
Retirement System	231	- 118
Consumer Credit	253	- 457
Research and statistics	3,240	+ 1,615
Trips to Helena Branch	269	- 28
Legal Sub-Committee on Collections	50	+ 50
Graduate School of Banking	98	- 100

* 1943 Retirement System contributions increased \$222 as that amount was included in Telephone & Telegraph expense in that year

	1944	Inc. or Dec. from 1943
<u>Head Office (Cont'd)</u>		
United Nations Monetary & Finance Conf.	\$ 422	\$ + 422
Fiscal Agency Conference	140	+ 140
Industrial Advisory Comm. expenses	-	- 149
Industrial loan investigations	-	- 44
Miscellaneous	824	- 301
Total Head Office	\$21,262	\$ + 6,237
<u>Helena Branch</u>		
Head Office Auditors	1,144	- 14
Asst. Manager's trip to Minneapolis	125	+ 125
Montana Group Meeting	147	- 227
Bank Relations	367	+ 367
Special expense survey	294	+ 294
Miscellaneous	294	+ 289
Total Helena Branch	\$ 2,371	\$ + 834
Total Traveling Expense	\$23,633	\$ + 7,071

POSTAGE AND EXPRESSAGE

	1944	Inc. or Dec. from 1943
Head Office	\$139,845	\$ + 9,720
Helena Branch	23,340	+ 3,502
	\$163,185	\$ +13,222

Postage and expressage costs of this bank totaled \$163,185 during 1944, an increase of approximately 13 thousand dollars over one year earlier. This increase in expenses reflects in part the increase in mail volume during the year, and in part the increase in postage rates which became effective in April 1944.

The decline in expressage costs was due principally to a larger amount of Brink's Inc. service being used on reimbursable work, thereby reducing the net cost to the bank, and to a reduction in expressage absorbed on incoming coin shipments. A special call was put out for pennies in late 1943; as they were returned to us, the expressage was charged to expense. In 1944 we received reimbursement from the Treasury Department for this expense amounting to \$484. This amount was credited to the 1944 expressage. Because of this special request for pennies, the 1943 expense was somewhat larger than usual, and because of the reimbursement received, the 1944 expense was somewhat smaller than it would have otherwise been.

A detailed account of postage and expressage costs at the Head Office is shown on the following page.

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
<u>Postage</u>		
Absorbed on incoming currency shipments	\$ 34,781.17	\$ + 5,878
Placed on outgoing currency shipments	28,534.55	+ 3,320
Absorbed on incoming coin shipments	115.74	+ 2
Placed on outgoing coin shipments	11,199.68	+ 2,094
Net amount used on ordinary mail	48,448.47	+ 141
Postage used on security shipments	<u>351.55</u>	<u>+ 196</u>
	\$123,431.16	\$ + 11,631

<u>Expressage</u>		
Absorbed on incoming currency shipments	165.13	- 54
Absorbed on incoming coin shipments	3,620.93	- 1,583
Government checks sent by express	2,146.17	+ 593
Checks sent to member banks by express	5,687.83	+ 13
Paid to Brink's Inc. for express service	3,852.00	- 1,046
Mail car expense and miscellaneous	<u>942.30</u>	<u>+ 167</u>
	\$ 16,414.36	\$ - 1,910

TELEPHONE AND TELEGRAPH

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$ 4,890	\$ - 418*
Helena Branch	<u>5,736</u>	<u>+ 887</u>
	\$10,626	\$ + 469

Telephone and telegraph expense during 1944 totaled \$10,626, an increase of \$469 over 1943. The cost of these services at the Head Office was slightly smaller than one year earlier, whereas the Helena Branch experienced an increase.

OFFICE SUPPLIES

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$37,436	\$ - 530
Helena Branch	<u>5,242</u>	<u>+ 972</u>
	\$42,678	\$ + 442

Purchases of office supplies for the bank's use during 1944 totaled \$42,678 which was only \$442 larger than during 1943. Purchases made at Head Office were, in fact, smaller than one year earlier, but the increase at the Helena Branch more than offset that reduction. Since purchases are charged into expense and no dollar inventory is maintained, it is impossible to determine what the cost of supplies used really was. However, it is reasonable to assume that over a period of a year the purchases would approximate the supplies used.

* 1943 Telephone & Telegraph expense reduced by \$3,566 as Salaries and Retirement System Contributions of that amount were included in Telephone & Telegraph during that year

INSURANCE ON CURRENCY AND SECURITY SHIPMENTS

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$5,262	\$ - 859
Helena Branch	<u>565</u>	<u>- 116</u>
	\$5,827	\$ - 975

This bank's expense in connection with insurance on currency and security shipments was 975 dollars smaller in 1944 than in 1943, in spite of the fact that the actual dollar value of shipments of currency and securities was larger than one year earlier. This decrease was due to the fact that on July 1, 1943 insurance for this class of shipment was reduced from 3 cents to 2 1/4 cents per thousand dollars of currency shipped. The rate on security shipments continued to be 4 cents per thousand dollars of securities shipped.

OTHER INSURANCE

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$4,773	\$ - 3,014
Helena Branch	<u>981</u>	<u>+ 330</u>
	\$5,754	\$ - 2,684

Other insurance expense totaled \$5,754, a reduction of \$2,684 from 1943. The bulk of this decline was due to a larger than usual dividend on the group life insurance policy. Another factor which contributed to the decline was the reduction in the blanket bond premiums paid during 1944. Workmen's compensation insurance premiums were slightly larger than in 1943, and fire insurance on building and contents was also larger. A detailed list of insurance costs is given below:

<u>Head Office</u>	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Group life insurance	\$3,604	
Dividend group life insurance	<u>5,146</u>	\$ - 2,009
Bankers' blanket bond	2,757	- 1,593
Workmen's compensation	1,657	
Earned premium on workmen's compensation	<u>481</u>	+ 333
Comprehensive public auto liability insurance	686	- 123
Fire insurance on building and contents	916	+ 710*
Steam boiler insurance	94	- 35
Special police bonds	23	- 278

<u>Head Office (Cont'd)</u>	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Fidelity bonds (F.R.Agent, Asst. F.R.Agent and Alt. Asst. F.R.Agent)	\$ 40	\$ -
Camera property floater and insurance on bank movie film	53	- 3
Military service	<u>570</u>	<u>- 16</u>
	\$ 4,773	\$ - 3,014

<u>Helena Branch</u>			
Group life insurance	\$ 360		
Dividend group life insurance	<u>472</u>	112	- 199
Workmen's compensation		171	- 49
Police Bond		55	+ 15
Boiler insurance		19	- 6
War vandalism		33	-
Fire - Building and contents		200	+ 585**
Public and auto liability - building and car		76	- 5
Earthquake insurance		130	- 241
Auto - fire and theft		14	+ 21
Military service		<u>396</u>	<u>+ 212</u>
	\$ 982	\$ + 331	

* In 1943 a dividend of \$710 was received

** In 1943 a dividend of \$515.45 was received

LIGHT, HEAT, POWER AND WATER

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$20,063	\$ - 703
Helena Branch	<u>2,663</u>	<u>+ 195</u>
	\$22,726	\$ - 508

The cost of light, heat, power, water and sewage disposal for this bank and the Helena Branch was \$22,726 during 1944, a decline of \$508 from 1943. The most important reduction was in the cost of light which undoubtedly reflects the somewhat shorter hours worked in 1944 than in 1943. Sewage expense was larger as one payment was waived in 1943 because the department had built up a surplus in its accounts. The following schedule gives a breakdown of these items for the Head Office:

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Heat	\$ 2,714	\$ - 126
Fuel for hot water	172	+ 9
Power and light	15,680	- 631
Water	871	- 128
Sewage	<u>626</u>	<u>+ 173</u>
	\$20,063	\$ + 703

REPAIRS AND ALTERATIONS

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$ 7,944	\$ + 878
Helena Branch	<u>2,075</u>	<u>+1,762</u>
	\$10,019	\$ +2,640

Cost of repairs and alterations during 1944 totaled \$10,019, an increase of about \$2,600 over one year earlier. Repairs and alterations at Head Office during the year remained relatively small and were of only the most necessary nature. The increase of \$1,762 at the Branch was due largely to the revamping of the recreation room in the basement for Fiscal Agency office space. A detail of the major repairs and alterations during 1944 is as follows:

<u>Head Office</u>	
Otis Elevator maintenance contract	\$2,782
Air circuit breaker on lighting switchboard	1,354
Painting	2,260
Washing walls and ceilings	567
Miscellaneous items amounting to \$100 or less	981
	<u>\$7,944</u>

<u>Helena Branch</u>	
Remodeling recreation room for Fiscal Agency office space	1,497
Painting exterior	450
Venetian blinds	109
Miscellaneous repairs	19
	<u>\$2,075</u>

FURNITURE AND EQUIPMENT

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$8,766	\$ -.180
Helena Branch	<u>1,042</u>	<u>+ 452</u>
	<u>\$9,808</u>	<u>\$ + 272</u>

Furniture and equipment purchases at Head Office continued to be unusually small during 1944 because of the limited supplies available to be purchased. The only items of any importance purchased were four new currency counting machines. The increase in purchases at the Branch was due primarily to the furnishing of the office space provided in the basement of the building. A detailed list of the more important items of furniture and equipment purchased is as follows:

<u>Head Office</u>	
Four currency sorting machines	\$7,254
Twenty-eight tables	620
Furniture for women's lounge	456
Camera and equipment	218
Lights for photostat machine	177
Rug for Army Liaison Officer's office	115
Miscellaneous purchases	313
Total purchases	<u>\$9,153</u>
Miscellaneous furniture sold	387
Net purchases	<u>\$8,766</u>

<u>Helena Branch</u>	
Eighteen tables	\$ 520
Typewriters	352
Twelve chairs	102
Miscellaneous purchases	68
	<u>\$1,042</u>

MISCELLANEOUS EXPENSE

	1944	Inc. or Dec. from 1943
Head Office	\$35,454	\$ - 4,891
Helena Branch	3,573	+ 213
	<u>\$39,027</u>	<u>\$ - 4,678</u>

Miscellaneous expenses totaled \$39,027 during 1944, a decrease of \$4,678 from 1943. The principal reason for the decline from one year earlier was the fact that expenses in connection with the War Finance Conference were included in 1943 expense. A detail of the more important expense items is given below:

Head Office

Rental, repairs and maintenance of furniture and equipment	\$15,150
Newspapers, periodicals, services, books, etc.	4,585
Copies of bank examination reports	3,275
Medical service, examinations and supplies	2,296
Cafeteria net expense	4,520
Entertainment of bankers and others	3,779
Officers' and employees' dinners	2,654
American Institute of Banking	2,700
Foreign department, pro rata share of System expense	2,950
Federal Reserve Club	1,100
Commercial agency credit reports, etc.	1,062
Outside protection, vault inspection, etc.	769
All other miscellaneous expense	6,609*
Gross (includes reimbursable)	<u>\$51,449</u>
Less: reimbursable portion	<u>15,995</u>
Net (bank expense)	\$35,454

Helena Branch

Rental, repairs and maintenance of furniture and equipment	\$ 2,049
Entertainment of bankers and others	378
Federal Reserve Club	300
Officers' and employees' dinners	287
Medical service, examinations and supplies	201
Copies of bank examination reports	164
Postoffice box and postage meter rental	154
Outside protection and vault inspection	134
All other miscellaneous expense	625
Gross (includes reimbursable)	<u>\$ 4,292</u>
Less: reimbursable portion	<u>719</u>
Net (bank expense)	\$ 3,573

* Includes various association dues, local transportation, laundry, postage meter rental, annual banquet, advertising for help, miscellaneous expenses at the annex, etc.

BOARD ASSESSMENT

		Inc. or Dec.
	<u>1944</u>	<u>from 1943</u>
Head Office	\$49,461	\$ - 3,601

This assessment which is made by the Board of Governors of the Federal Reserve System to defray the expenses of maintaining the Board's staff and Board building at Washington totaled \$49,461 in 1944, a decrease of \$3,601 from 1943.

COST OF FEDERAL RESERVE CURRENCY

		Inc. or Dec.
	<u>1944</u>	<u>from 1943</u>
Original cost (including shipping charges)	\$115,984	\$ +12,993
Redemptions	<u>6,953</u>	<u>+ 97</u>
	\$122,937	\$ +13,090

Reflecting the continued expansion of our Federal Reserve Notes in circulation, the cost of new currency was \$13,000 larger in 1944 than in 1943. Currency cost totaled 122 thousand dollars in 1944, nearly four times the 1940 level. A detailed breakdown of the cost of Federal Reserve currency for the years 1940 to 1944 is given in the table below:

	<u>1944</u>	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>
Printing costs	\$ 80,923	\$ 74,910	\$ 87,800	\$ 26,000	\$ 18,000
Postage	8,577	8,072	8,000	5,900	3,400
Surcharges	24,386	17,955	13,000	10,200	5,500
Insurance	1,941	1,951	2,000	1,600	1,200
Salaries of issue and redemption division	<u>157</u>	<u>103</u>	<u>200</u>	<u>400</u>	<u>200</u>
	\$115,984	\$102,991	\$111,000	\$ 44,100	\$ 28,300
Cost of redemption	<u>6,953</u>	<u>6,857</u>	<u>5,100</u>	<u>5,300</u>	<u>5,600</u>
	\$122,937	\$109,848	\$116,100	\$ 49,400	\$ 33,900

ALL OTHER EXPENSES

	<u>Head Office</u>		<u>Helena Branch</u>	
	<u>1944</u>	Inc. or Dec. <u>from 1943</u>	<u>1944</u>	Inc. or Dec. <u>from 1943</u>
Legal	\$ 444	\$ - 2,629	\$ -	\$ -
Directors' Fees	7,442	- 197	2,728	- 684
Federal Advisory Council	1,343	- 80	-	-
Taxes on Bank Premises	63,504	- 163	1,796	+ 132
Deprec. on bank building	<u>25,665</u>	<u>-</u>	<u>3,181</u>	<u>-</u>
Total All Other	\$98,398	\$ - 3,069	\$7,705	\$ - 552

RENTAL RECEIVED

	<u>1944</u>	<u>Inc. or Dec. from 1943</u>
Head Office	\$46,360	\$ - 2,206
Helena Branch	<u>5,404</u>	<u>+ 1,586</u>
	\$51,764	\$ - 620

Rental received from government agencies, which is treated as a credit against our total expenses, amounted to \$51,764 during 1944, a decline of \$620 from one year earlier. Rental received from space accounted for \$44,000 of this amount. Space rental at Head Office was \$2,665 less than one year earlier due to the reduced floor space used by the Commodity Credit Corporation.

Space rental at the Branch increased \$1,092, due principally to the additional space made available to the Fiscal Agency functions in the basement of the Branch building. Rent received from furniture and equipment totaled \$7,600 which was about \$1,000 larger than a year earlier. This increase was about equally divided between Head Office and Helena Branch.

REIMBURSABLE EXPENDITURES

Reimbursable expenses during 1944 at the Head Office and Helena Branch totaled \$1,167,000, a decline of \$152,000 from one year earlier. It is interesting to note that the gross expenses of the bank are about equally divided between reimbursable expenditures and expenditures for bank functions. Salaries of officers and employees made up the bulk of the reimbursable expenses, totaling \$823,000 during 1944. This was a decline of \$62,000 from one year earlier. Postage and expressage was the second largest item amounting to \$127,000, and Retirement System contributions was third totaling \$65,000. Purchases of printing and stationery for reimbursable activities totaled \$51,000.

Expenses in connection with the sale and redemption of Savings Bonds accounted for \$737,000 of the total, and expenses in connection with other Treasury issues amounted to \$184,000. Expenses incurred on behalf of the Reconstruction Finance Corporation totaled \$73,000, a decline of \$46,000 from 1943. This decline was due in the main to the fact that the work in

connection with the Idle Tire Program was included in the 1943 figures. Expenses in connection with Commodity Credit Corporation also declined sharply from 1943 and totaled only \$89,000. This reduction resulted principally from the reduced volume of wheat loans made by the C.C.C. during 1944 and to a reduction in duties performed for that agency. Expenses in connection with the War and Navy departments and the Maritime Commission which were incurred in connection with guaranteed loans under Regulation V were only slightly smaller than in 1943.

A detailed breakdown of the reimbursable expenses classified by type of expenses and functions is as follows:

	1944	Inc. or Dec. from 1943
U. S. Treasury issues	\$ 183,179.49	\$ + 37,920
U. S. Savings Bonds	736,837.20	+ 96,460
Foreign Funds Control	9,329.55	- 3,867
War Finance Committee	-	- 184,709
Work Relief Checks	-	- 434
Withheld Taxes	9,182.00	+ 3,241
Reconstruction Finance Corporation	73,065.47	- 45,981
Federal Farm Mortgage Corporation	3,751.91	+ 1,757
Federal Land Banks	976.40	+ 32
Federal Intermediate Credit Banks	3.39	- 1
Federal Public Housing Authority	67.84	- 33
Federal Housing Administration	-	- 3
Commodity Credit Corporation	88,748.71	- 58,157
Maritime Commission	806.58	- 499
War Department	22,575.15	- 871
Navy Department	4,388.74	- 64
Public Works Administration	19.90	+ 10
Federal Home Loan Banks and Home Owners' Loan Corporation	2,249.24	+ 657
Office of Price Administration	29,782.22	+ 2,420
Leased wire service	1,367.17	+ 182
Photostat service	338.23	+ 201
	<u>\$1,166,669.19</u>	<u>\$ - 151,731</u>

COMPARATIVE STATEMENT

NET CURRENT EXPENSES OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS & HELENA BRANCH

	<u>Minneapolis 1944</u>	<u>Helene Branch 1944</u>	<u>Combined 1944</u>	<u>Increase or Decrease since Dec. 31, 1943</u>
Salaries: Officers	\$ 110,216.93	\$ 6,870.87	\$ 117,087.80	\$ + 4,607.12
Employees	509,385.57	56,231.20	565,616.77	- 894.32*
Retirement System Contributions	56,865.86	5,678.74	62,544.60	+ 17,795.91*
Legal Fees	444.01	-	444.01	- 2,629.41
Directors' fees and expenses	7,441.62	2,727.65	10,169.27	- 881.54
Federal Advisory Council fees and expenses	1,342.60	-	1,342.60	- 80.50
Traveling expenses	21,261.67	2,370.82	23,632.49	+ 7,071.34
Postage and expressage	139,845.52	23,339.87	163,185.39	+ 13,223.03
Telephone and telegraph	4,890.73	5,736.32	10,627.05	+ 471.23*
Printing, stationery and supplies	37,436.18	5,241.89	42,678.07	+ 441.48
Insurance on currency and security shipments	5,262.39	565.68	5,828.07	- 974.64
Other insurance	4,772.81	981.84	5,754.65	- 2,683.60
Taxes on bank premises	63,503.65	1,796.05	65,299.70	- 30.63
Depreciation on bank building	25,665.60	3,180.84	28,846.44	-
Light, heat, power and water	20,063.58	2,663.43	22,727.01	- 506.17
Repairs and alterations to bank building	7,944.24	2,075.36	10,019.60	+ 2,640.59
Furniture and equipment	8,765.84	1,042.00	9,807.84	+ 271.16
Miscellaneous	35,454.04	3,572.81	39,026.85	- 4,679.42
Rent	-	-	-	- 8.25
Total Operating Expenses	<u>\$1,060,562.84</u>	<u>\$124,075.37</u>	<u>\$1,184,638.21</u>	<u>\$ + 33,153.38</u>
Received from Government Agencies for:				
Rental of space	40,151.59	4,005.52	44,157.11	- 1,572.91
Rental of furniture and equipment	6,209.21	1,399.24	7,608.45	+ 952.04
Net Operating Expenses	<u>\$1,014,202.04</u>	<u>\$118,670.61</u>	<u>\$1,132,872.65</u>	<u>\$ + 33,774.25</u>
Board Assessment	49,460.76	-	49,460.76	- 3,601.51
Federal Reserve Currency:				
Original cost including shipping charges	115,984.15	-	115,984.15	+ 12,992.71
Cost of redemption including shipping charges	6,159.71	793.67	6,953.38	+ 96.55
Total Current Expenses	<u>\$1,185,806.66</u>	<u>\$119,464.28</u>	<u>\$1,305,270.94</u>	<u>\$ + 43,262.00</u>

* 1943 Salaries and Retirement System contributions were increased \$3,344 and \$222, respectively, as these amounts were included in Telephone & Telegraph expense in that year. 1943 Telephone & Telegraph expense adjusted accordingly

DEPARTMENTAL COMMENTS

Personnel	36
Bank and Public Relations	39
Research and Statistics	41
Discounts	43
Currency and Coin	44
Ration Checks	45
Noncash Collections	46
Safekeeping	47
Consumer Credit	48
Check Collections	49
Tabulating Operations	50
Bank Examinations	51
Reconstruction Finance Corporation	54
Fiscal Agency	55

PERSONNEL DEPARTMENT

During 1944, 11 employees of this bank and the Helena Branch left for military service; 4 of these were men, 7 were women. This is the lowest number of persons separating to enter the military services since 1940 and well below the peak of 66 reached in 1942. Thus far, 91 men and 14 women have left this bank for military service and 13 men and one woman have left the Helena Branch, to give a combined total of 119, 104 men and 15 women. Of the 105 Head Office employees entering service, 3 have lost their lives; 1 died in camp, 2 were killed in action, one in Italy and one in France. Six men have received discharges; 3 of these were reemployed by the bank (one has since left), while 3 accepted employment elsewhere; 1 discharged servicee was reemployed at Helena.

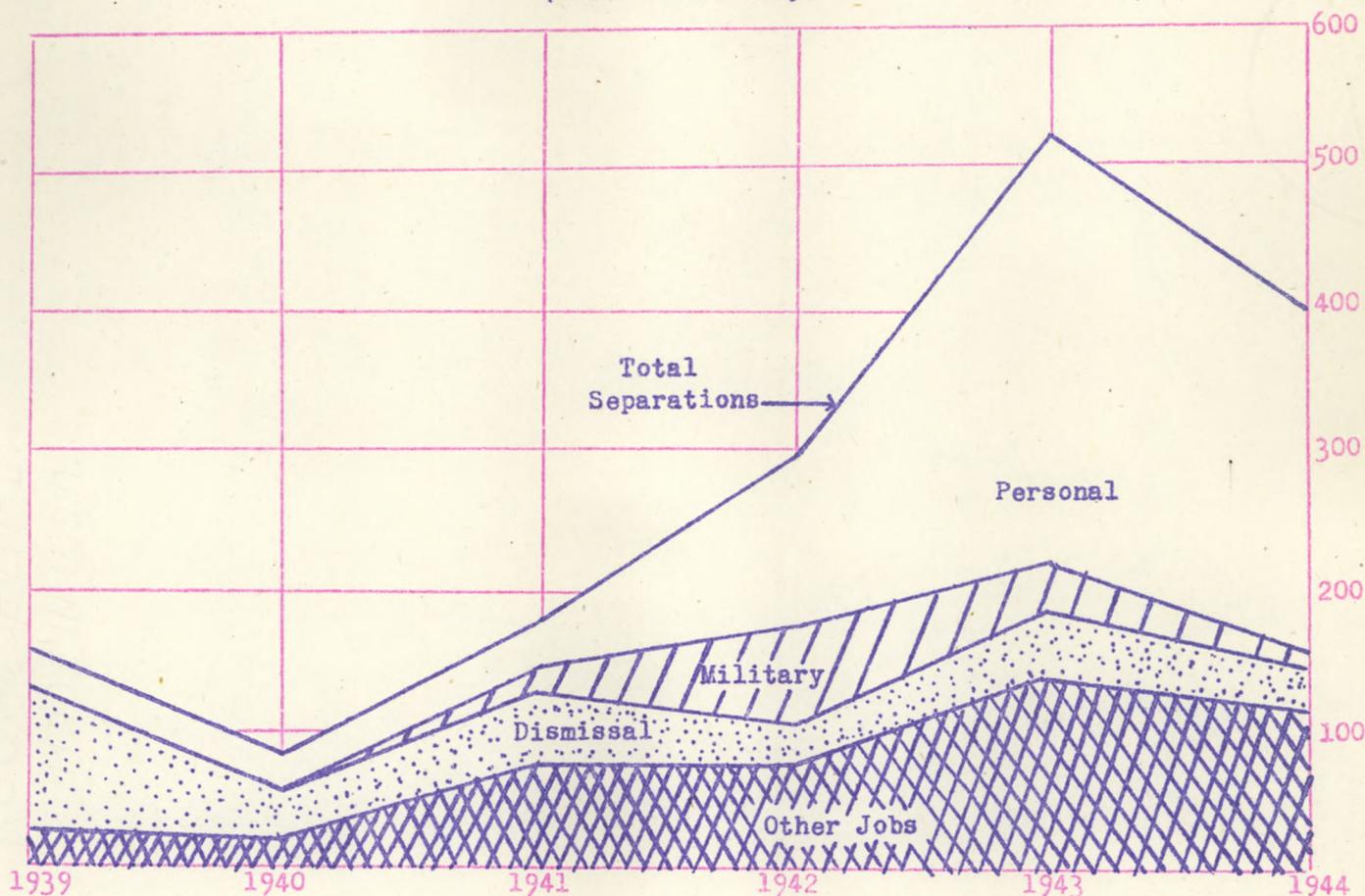
Nineteen hundred and forty-four help needs at the Head Office declined from the 1943 level and were considerably below the 1942 high point. Two factors were important in this trend. First, net turnover dropped from a level of 50 percent in 1943 to 27 percent in 1944, the lowest rate since 1940. Second, declining turnover acted to increase individual skills, and this, together with continually improved methods, stepped up general efficiency.

During 1944, 317 persons were employed as against 541 during 1943, while separations totaled 405 as against 526 in 1943. The annual net turnover rates for the Head Office for the last five years is as follows:

<u>Year</u>	<u>Percent</u>
1939	14
1940	8
1941	34
1942	41
1943	50
1944	27

The decline in separations was most noticeable during the last half of the year and was largely in the category of "personal reasons" which means fewer persons left the bank for such reasons as "leaving town", "needed at home", "joining husband in service", and "returning to school". During the first three quarters of the year there was a gradual increase in the number of employees who left the bank to secure work elsewhere, but this classification of separation has declined very sharply since September.

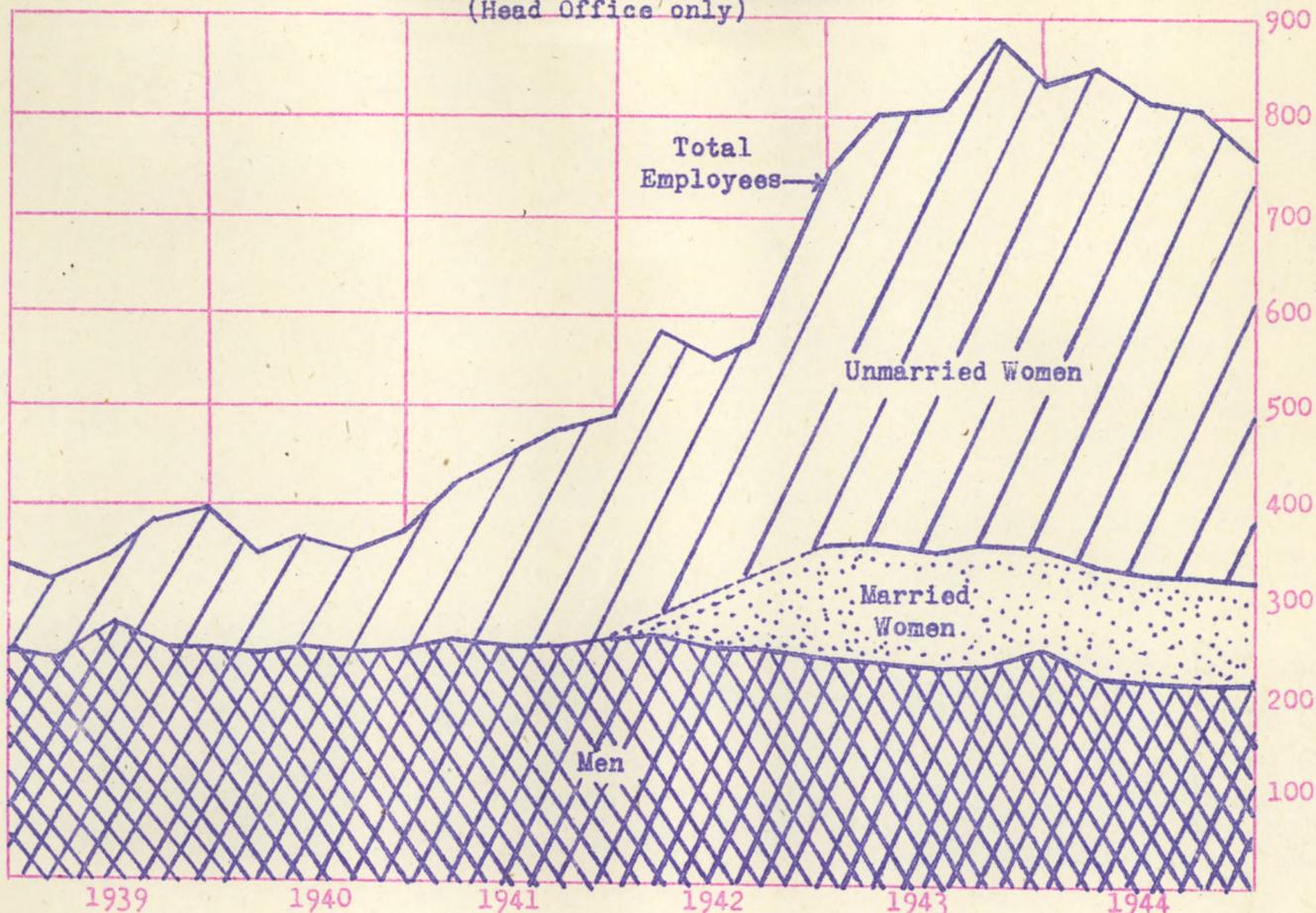
Employees' Separations
(Head Office only)



We have continued our policy of cooperating with the high schools in placing members of the senior classes as part-time employees prior to graduation with the understanding that they will transfer to full-time upon completion of their school work. There has been a sharp increase in the number of Minneapolis employers participating in such plans in an effort to meet their help needs. Despite this increased competition, we were able to make 18 such placements during 1944. We also placed 27 part-time housewives, employed on a war duration basis, during the year to maintain an average of 30 such employees on our staff throughout the year.

The labor market in the Minneapolis area has tightened noticeably during the past six months and this situation gives evidence of becoming even more acute during early 1945. In such a market, our essential rating has been of marked help since it assures us the continued assistance of the United States Employment Service in securing help. Our friendly contact with the Board of Education and the local high schools has thus far given us our share of applicants from each graduating class, while newspaper advertising has become increasingly ineffective as a help-getting medium.

Composition of Staff at the end
of each quarter, 1939-1944
(Head Office only)



Annual salaries by years at the Head Office were as follows:

<u>Year</u>	<u>Amount</u>
1938	\$1,623
1939	1,501
1940	1,485
1941	1,399
1942	1,441
1943	1,438
1944	1,464

The number of overtime payments made in 1944 was 15,870 as against 29,798 for 1943, a decline of 47 percent.

The moderate relaxing of employment pressure permitted the Personnel Department to further expand activities in education, research and special projects, fields that have shown rapid growth since the start of the war. Along this line, Job Methods and Elementary Banking classes were arranged. An information booklet for new employees was prepared, and this booklet, the "Peggy" book, is given new employees entering the bank and has been supplied to the local high schools for their use in interesting students prior to sending them to the bank as applicants.

Research has included studies relative to the practicability of Job Evaluation for our staff, the preparation of an analysis of the personnel

records of employees now in the armed services, and construction of a card file classification of the skills of our present staff. Studies were made in connection with the preparation of long-time figures on number of employees, work volume, and salary expense, for use in the departmental reports recently initiated.

Special projects presented themselves in the form of operational problems surrounding such matters as the withholding tax, overtime payments, the preparations incident to the contemplated changeover in the method and equipment used in running the payroll, and the arranging of temporary transfers of employees to Fiscal Agency Department to assist during War Bond Drives.

1944 BANK AND PUBLIC RELATIONS ACTIVITIES
(Head Office only)

Bank officers and representatives delivered 116 addresses to an estimated audience of 10,040 people.

The attendance at showings of the Federal Reserve bank movie during 1944 was 12,830. The bank continued its cooperation with the Wisconsin Bankers' Association with regard to showing of the Federal Reserve movie. A new 16mm print of the Federal Reserve movie was sent to the Army Service Forces, Information & Education Division, Visual Aids Department, New York, for use in the Army Education Program for Armed Forces personnel throughout the world, for permanent retention.

The operating ratio statement covering 1943 operations of member banks in this district was mailed out to all member banks. We offered to make up operating ratio reports for nonmember banks which are candidates for membership so that they can compare their operations with member banks of similar size.

The picture book, "Your Money and the Federal Reserve System" was mailed to the principal of every high school in the district (1,624) with letter offering additional copies. As a result, requests were received from 303 schools for 12,068 copies. In addition, the Helena Branch received 1,000 copies for distribution in Montana. In all, a total of 16,048 copies

were requested during the year.

Fifteen luncheons were held at the bank with bank officers, prominent businessmen, and University professors as our guests. At each luncheon a guest speaker discussed some topic of the day.

Six Economic Conferences were held in 1944:

On November 18 at the Federal Reserve Bank for Wisconsin bankers located in the Ninth District portion of the State, attended by 73 bankers and businessmen. The program consisted of talks by Messrs. Parsons, McCracken, Upgren and Powell, followed by a panel discussion led by Messrs. Thorpe, Barlow and Sprecher. Luncheon was served at the bank.

On December 7 at Bismarck, North Dakota, attended by 100 bankers and businessmen. Program: talks by Messrs. Parsons, McCracken and Powell; panel discussion led by Messrs. McCartney, Callahan and Bambenek. Luncheon provided by the Federal Reserve Bank at Patterson Hotel.

On December 8 at Fargo, North Dakota, attended by 110 bankers and businessmen. Program: talks by Messrs. Parsons, McCracken and Powell; panel discussion led by Messrs. McCartney, Callahan and Bambenek. Luncheon provided by Federal Reserve Bank at Hotel Gardner.

On December 13 at Rapid City, South Dakota attended by 50 bankers and businessmen. Program: talks by Messrs. Parsons, McCracken and Powell. Luncheon provided by Federal Reserve Bank at Alex Johnston Hotel.

On December 14 at Mitchell, South Dakota, attended by 60 bankers and businessmen. Program: talks by Messrs. Parsons, McCracken and Powell. Luncheon provided by Federal Reserve Bank served by Mitchell Eastern Star Ladies.

On December 27 at the Federal Reserve Bank, for examiners from the Regional offices of the Federal Deposit Insurance Corporation, Comptroller of the Currency, Minnesota State Banking Department, and Federal Reserve Bank of Minneapolis. Attendance, 100. Program: talks by Messrs. Parsons, McCracken, Upgren and Powell. Mr. Merrill Hutchinson spoke at lunch. Luncheon was served at the bank.

Digests of the various talks given at all but the last of the above meetings were sent to all of the banks not represented at the conference.

A letter-writing clinic for officers and senior employees was conducted in the autumn. There were four sessions devoted to criticising certain types of letters which have gone out of this bank and designing improved letters to meet certain situations.

RESEARCH AND STATISTICS

The year 1944 has seen further changes in the volume and character of the work of the Department of Research and Statistics. The routine operational statistics which the Department collects and processes have occupied the time of the major proportion of the clerical staff. One important new item added to the regular statistical work is the semi-annual survey of the ownership of demand deposits in this area. This has been in conjunction with a nationwide project. This survey has covered a sampling of all types and sizes of banks and has represented approximately fifty percent of the total of all of these deposits at all member banks in our District.

During the year considerable work has been done in connection with the Monthly Review. The mailing list has been completely revised. Only those who returned replies to our cards of inquiry, or who have written subsequently requesting to be on the mailing list, are now receiving the Monthly Review. While this weeding-out process pruned down our mailing list at the time, subsequent requests for additional copies have built the mailing list back up to about 5,500. We have also endeavored to improve the content and appearance of the Monthly Review by rather extensive changes in typography, and by the addition of special articles on current topics of interest to bankers and business people in the District. Among the latter have been articles on "The Agricultural Financial Situation", "Population Changes in the Ninth Federal Reserve District", and "Agricultural Price Support Programs."

In November a new publication "Farm News for Bankers" was inaugurated and sent to all banks in the district. It is planned to issue it monthly thereafter.

The Department has been participating in a large number of research projects of particular interest to bankers and businessmen in the Ninth Federal Reserve District and in national projects sponsored by the research departments of the twelve Federal Reserve banks and the Board of Governors, jointly.

Early this year as a part of the System analysis of the financial problems of reconversion, a committee consisting of two from the Minneapolis Federal Reserve Bank and one from the Board of Governors investigated in some

detail the magnitude and importance of the loss carry-back provisions of the corporate income tax with respect to business financing requirements.

The Research personnel of the Minneapolis bank have assumed the leadership in a joint project of the Federal Reserve System and the Robert Morris Associates (the association of bank credit men) investigating the financing of war production and the probable extent of business borrowing in the future, particularly from the commercial banks. This project is now nearing completion.

Two papers were prepared by our Department for the Goldenweiser Postwar Studies project. One of these is concerned with the problems of agricultural credit and the other considers the subject of intergovernmental fiscal relations.

The staff has also cooperated with the System Research Committee on Banking and Credit Policy in the preparation of their two-volume report on postwar credit problems and contributed one of the monographs to this report.

Dr. A. R. Upgren spent most of the month of July as an official delegate at the Bretton Woods Monetary Conference, and was secretary to the commission developing the draft proposal of the International Bank for Reconstruction and Development, of which Lord Keynes was Chairman.

It has been the policy of the Research Department to accept invitations from bankers and others for talks on various subjects. Six economic conferences were conducted for bankers and banking personnel in the District. These included one for northern Wisconsin bankers, two for North Dakota bankers, two for South Dakota, and one for the bank examiners for the four examining agencies with headquarters in the Twin Cities. In addition to these, the staff of the department have appeared on a total of 110 occasions in connection with this part of our program.

The staff have also, during the year, been responsible for the following publications (excluding the Monthly Review and articles mimeographed for limited distribution only):

- F. L. Parsons: "Agricultural Price Support Programs", Reprinted in "Farmers' Elevator Guide".
- Paul W. McCracken: "The Northwest in Two Wars", Minneapolis Federal Reserve Bank.
"Business After the War", Minnesota Technolog.

- Arthur R. Upgren: "Factors Affecting Bank Deposits after the War", Minneapolis Federal Reserve Bank.
- "Economic Proposals for the Peace Settlement", Harvard Business Review, Summer 1944.
- "The Role of Business Policies in America's Economic Future", with James E. Bennett, Sumner H. Slichter, and A. B. Wolfe.

DISCOUNT DEPARTMENT
(Head Office only)

During the year 1944 the discount rate remained at one percent, and one-half of one percent on loans to member banks secured by direct obligations of the United States Government having one year or less to run to maturity or to call date.

Ten banks took advantage of loan privileges on sixty-nine different occasions during 1944, borrowing an aggregate amount of \$328,780,000, all of which was represented by member bank bills payable secured by U. S. Government obligations. Only \$2,330,000 of the total discounted represented borrowings of members other than Twin City banks. The large total was the result of one Twin City member renewing one-day notes in large amounts for different periods of time rather than discounting notes with longer maturities. In 1943 eight banks were accommodated to the extent of \$3,330,000.

United States Treasury Bills bought under repurchase agreements totaled \$652,262,000 during 1944, as compared to \$470,992,000 during 1943.

Forty-seven industrial advances were made in 1944 for an aggregate amount of \$895,630.16. All of the advances were made under Regulation V to the same borrower with no participation by financing institutions. Repayments on advances during the year totaled \$1,178,759.19. This paid industrial loans in full, the last loan having been paid October 14, 1944. There was no contingent liability under commitments during the year. Interest charged on industrial loans remained on the sliding scale of 2 1/2 percent to 5 percent, which rates went into effect May 16, 1942. No industrial loan applications were under consideration as of December 31, 1944.

Sixty-four applications for guarantees on loans were received during 1944. Of this number, together with two under consideration and avail-

able from 1943, thirty-nine were approved and made, six rejected, three withdrawn after, and seven before, approval, and eleven were under consideration at the end of the year.

In 1943, ninety-one applications were received. Of this number, together with eighteen under consideration and available from 1942, sixty-eight were approved and made, sixteen rejected, twelve withdrawn after, and eleven before, approval, and two were under consideration at the end of the year.

Advances amounting to \$78,745,200.11 were made by financing institutions under Regulation V, guaranteed by the War Department, Navy Department and Maritime Commission, during the year, compared to \$81,047,035.61 during 1943. The approvals of applications for guaranteed loans ranged from \$12,000 to \$30,000,000, practically all of which were in the form of revolving credits. The large majority of the guarantees were for 90 percent.

As of December 31, 1944 the amount of loans outstanding guaranteed by the War Department was \$13,266,874.29, portion guaranteed \$11,831,530.82; the Navy Department, \$1,701,435.09, portion guaranteed \$1,563,791.56; and the Maritime Commission, \$216,431.04, portion guaranteed \$194,787.94.

CURRENCY AND COIN DEPARTMENT
(Head Office only)

The volume of work in the Currency and Coin Department continued to expand during 1944. The number of pieces of currency and coin handled by the department totaled nearly 66 million compared to 58 million in 1943. The bulk of this increase occurred in the number of notes hand verified. It was necessary to hand verify a large number of pieces of currency due to training new clerks in the sorting division.

The dollar amount of currency in denominations of \$50, \$100, \$500 and \$1,000 paid out in 1944 was considerably greater than in 1943, whereas the payments of smaller denominations was less in 1944 compared to 1943.

The number of incoming shipments was 18,281 in 1944, an increase of 572 shipments over 1943, for a total of \$22,592,865 in amount. Outgoing shipments were slightly smaller than a year earlier, however.

During the year we purchased and installed four new currency sort-

ing machines and increased the number of sorting clerks from eight to twelve.

<u>Number of Pieces Handled</u>		
	<u>1944</u>	<u>1943</u>
Notes Received and Counted	43,007,016	42,399,000
Notes Rehandled	4,756,458	3,314,000
Hand Verification of Notes	12,484,758	5,761,000
Coin Rehandled	<u>5,374,800</u>	<u>6,219,000</u>
	65,623,032	57,693,000

Currency Paid Out
to
Ninth District Commercial Banks and Governmental Agencies

	<u>1944</u>	<u>1943</u>
1's and 2's	\$ 23,586,000	\$ 23,913,000
5's	42,555,000	45,287,000
10's	80,465,000	90,713,000
20's	70,004,000	73,885,000
50's	7,070,000	6,249,000
100's	26,238,000	18,942,000
500's	2,623,000	1,659,000
1000's	<u>4,484,000</u>	<u>2,561,000</u>
	\$257,025,000	\$263,209,000

Outgoing Shipments

	<u>1944</u>		<u>1943</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency Paid out	27,599	\$257,025,000)	28,649	\$263,209,000)
Currency shipped to Helena Br. and for other F.R. Banks		5,338,815)		6,614,000)
Coin	<u>10,277</u>	<u>5,536,171</u>	<u>9,976</u>	<u>5,471,000</u>
	37,876	\$267,899,986	38,625	\$275,294,000

Incoming Shipments

	<u>1944</u>		<u>1943</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency	16,358	\$191,196,103	15,478	\$168,772,000
Coin	<u>1,923</u>	<u>2,477,762</u>	<u>2,241</u>	<u>2,309,000</u>
	18,281	\$193,673,865	17,719	\$171,081,000

RATION CHECKS DEPARTMENT
(Head Office only)

At the close of business for the year 1944 the Ration Check Department records showed that 1,147 banks have been sent one or more transmittal letters as compared to 1,089 banks during the year of 1943. This department received a total of 66,095 transmittal letters from other banks, an increase of 6,481 letters over 1943. The number of checks enclosed in these letters totaled 2,282,328, an increase of 357,867 items over the previous year, and the department sent out 277,955 transmittal letters, an increase of 54,517

letters.

The Ration Check Department was receiving an average of 208 letters a day containing 6,827 checks and sending out 936 transmittal letters during the period from October to the end of December.

The Ration Banking Department commenced operations the 29th of January 1943 and received a small volume of items during the first half of the year. Consequently, the number of items received during 1944 was 357,867 larger than in 1943.

	Number Transmittal Letters <u>Received</u>	Number Transmittal Letters <u>Sent Out</u>	Number Ration Checks
Total Dec. 31 to Dec. 31, 1944	66,095	277,955	2,282,328
Jan. 29 to Dec. 31, 1943	59,614	223,438	1,924,461
Daily Average (based on the last three months of the year 1944)	208	936	6,827
Daily Average (based on the last three months of the year 1943)	246	936	8,504

NONCASH COLLECTION DEPARTMENT
(Head Office only)

During 1944 the Noncash Collection Department handled 799,351 grain drafts, a decrease of 67,379 items as compared to 1943. The value of grain items handled totaled \$544,143,719.85, an increase of \$14,690,000 over the previous year, although the number of items was considerably less. This increase in amount of money was due largely to the drafts sent to us for collection by the Commodity Credit Corporation.

There was a decrease of 8,688 city collection items, and 6,613 country items handled in 1944 compared to 1943.

Security collections showed a decrease of 1,908 items and also a decrease in number of coupons received for collection detached from bonds held in safekeeping for member banks.

Member banks forwarded 3,735 collections, totaling \$34,710,597.25 direct to other Federal Reserve banks for their credit with us during 1944,

as against 3,755 during 1943. The total amount of drafts increased \$24,637,-
276.30.

Comparison of Number of Items Received for Collection

	<u>City Collections</u>		<u>Country Collections</u>		<u>Security Collections</u>	
	<u>1944</u>	<u>1943</u>	<u>1944</u>	<u>1943</u>	<u>1944</u>	<u>1943</u>
<u>Number of Items</u>						
Grain Drafts	799,351	866,730				
City Items	<u>25,019</u>	<u>33,797</u>				
	824,460	900,527	34,549	41,162	29,632	31,540
<u>Dollar Value</u> (000 omitted)						
Grain Drafts	\$544,143	\$529,449				
City Items	185,868	146,591	\$24,230	\$54,552	\$27,891	\$29,699

SAFEKEEPING DEPARTMENT
(Head Office only)

At the close of business December 31, 1944, the total of all securities held in our custody for safekeeping and collateral purposes totaled \$1,531,998,856.37, an increase of \$229,123,949.38 during the year. The principal increases were as follows:

Member bank safekeeping	\$112,378,316.89
Safekeeping-Pledged accounts	11,368,587.20
Collateral to War Loan accounts	152,349,750.00
Safekeeping U.S.Savings Bonds- Nonmember	14,540,075.00

The department issued 15,193 receipts and handled 12,105 withdrawals during 1944, as compared with 15,821 receipts and 9,875 withdrawals during 1943.

We received 79,954 pieces and delivered 63,967 pieces in 1944, as compared to 110,102 pieces received and 51,778 pieces delivered during 1943. There were 5,907 transfers from one account to another in 1944, compared to 6,267 transfers for 1943. The number of coupons clipped this year was 275,021 as compared to 249,956 the previous year.

For comparative purposes, there is listed on the following page a statement of all accounts showing securities held at the close of business December 31, 1944 and December 31, 1943.

	<u>Dec. 31, 1944</u>	<u>Dec. 31, 1943</u>
Government and miscellaneous securities held in safekeeping for members	\$ 688,311,222.77	\$ 575,932,905.88
Securities pledged to secure public deposits	193,006,906.93	181,638,319.73
U. S. Savings Bonds held for Nonmembers	27,434,325.00	12,894,250.00
Securities held for U.S.Treasurer and others	3,464,400.00	3,274,600.00
Securities held for Reconstruction Finance Corporation	13,855,522.49	15,505,598.86
Collateral to War Loan Deposits	569,051,600.00	416,701,850.00
U. S. Depository Bonds held in Safekeeping	3,375,000.00	3,089,000.00
U. S. Depository Bonds held as Collateral to Time Deposits	103,500.00	112,500.00
Federal Works Administration	54,806.00	-
Collateral to Discounts, Rediscounts and Industrial Advances	1,052.00	853.00
Securities held for U. S. Housing Authority	2,823,028.00	2,850,028.00
Collateral to Consignment Account - U. S. Savings Bonds, Series E	186,300.00	273,800.00
Treasury Bills held under Repurchase Option	13,595,000.00	72,874,000.00
Safekeeping - Nonmember Accounts	16,236,000.00	17,727,000.00
War Savings Stamps	170.76	179.10
Unclaimed Cashier's Checks	22.42	22.42
Suspended Delivery (Original Issue	500,000.00	-
	<u>\$1,531,998,856.37</u>	<u>\$1,302,874,906.99</u>

CONSUMER CREDIT DEPARTMENT
(Head Office only)

During 1944, the Consumer Credit Department consisted of one investigator and the part-time assistance of a stenographer. The supervisory aspects of Regulation W were slack from the investigation standpoint. However, many interpretations were given as the result of personal telephone and mail inquiries. In 1944 there were 148 new registrants representing largely new retail establishments. This brought total registrations to 14,402.

Eighteen investigations including three credit unions, three small loan companies, two banks, two individuals, and eight retail establishments were made during the year. All of the investigations except those of retail establishments were made as the result of reports from various State Enforcement Agencies. The retail investigations were the result largely of local complaint. Four reinvestigations were made and the cases closed during the year. All cases were due almost entirely to misunderstandings or failure to properly evaluate the importance of the regulation. There was no evidence of premeditated or willful violation.

During the year, Regulation W was amended four times. On April 3, Amendment No. 11 was added to the regulation. This amendment consisted of

15 changes, none of them of any great importance except as they smoothed the functioning of the regulation for business. This amendment was the result of accumulated recommendations by business to the Board.

Early in June, Amendments No. 12 and 13 were added. No. 12 became effective July 10 concurrently with the new OPA ceiling prices on automobiles and motorcycles. The amendment provided for a change in the basis of figuring down payment for the purchase of cars and motorcycles. The basis previously used was the guide price value, while now a straight one-third of the purchase price is required. Amendment No. 13 became effective June 22. This amendment clarified some controversial questions on the extension of credit for mixed purposes.

Amendment No. 14 was added to the regulation effective November 6, 1944. This amendment was aimed to assist in the functioning of the "GI Bill of Rights" in that the amendment exempted from Regulation W any extension of credit guaranteed in whole or part by the Veterans Administration. Amendment No. 14 was timely as an increasing number of inquiries was being received at the bank with reference to the requests of Veterans for credit.

CHECK COLLECTION DEPARTMENT
(Head Office only)

This department in 1944 handled a total of 36,957,000 checks, an increase of 2,860,000 over the total handled in 1943 and an increase of 4,881,000 over the 1942 total. Twin City clearing checks increased 1,165,000, U. S. Treasury checks increased 1,216,000, while checks drawn on out-of-town banks and banks in other districts increased only 443,000.

The picture in the U. S. Treasury Check Division changed completely during the year. Checks payable at the Treasury Office in Washington declined from 257,000 handled during the month of January to 115,000 handled in December. Punch card checks payable at the various Federal Reserve banks increased from 222,000 handled in January to 390,000 in December. The change-over from paper to punch card checks is proving very helpful to us, as fewer clerks using IBM equipment can handle a much larger volume of card checks daily than a greater number of clerks can handle of paper checks.

A new high for number of checks handled in one day was established on November 13. On that day a total of 195,369 checks was handled.

Volume Data

	1944		1943	
	Number	Amount (000 omitted)	Number	Amount (000 omitted)
City checks	6,673,000	\$ 5,316,391	5,508,000	\$ 5,852,349
Country checks	23,675,000	3,390,715	23,232,000	3,176,814
Checks on us	80,000	608,959	63,000	439,885
Return items	263,000	68,582	246,000	82,658
Government checks (paper)	2,357,000	1,432,250	5,049,000*	1,727,032
Government checks (punch cards)	3,909,000	308,480	-	*
	<u>36,957,000</u>	<u>\$ 11,125,377</u>	<u>34,098,000</u>	<u>\$ 11,278,738</u>

* Separate figures for paper and punch card checks not available prior to January 1944.

Average cash letters daily	1,146	1,124
----------------------------	-------	-------

TABULATING OPERATIONS

The tabulating division of the Fiscal Agency Department prepares the schedules of Series E War Savings Bonds sold by this office, its Helena Branch and authorized issuing agents. The Treasury requires lists of such bonds sold by month of issue, denomination and by serial numbers in numerical sequence. During 1944 6,876,669 Savings Bonds were scheduled in this manner. In addition, the tabulating division sorted and tabulated original stubs for spoiled and cancelled bonds, Series E. The schedules of Series F and G Savings Bonds sold at Head Office were also tabulated and sales reports for the Fourth, Fifth and Sixth War Loan Drives were tabulated on this equipment. Schedules of Savings Bonds redeemed, Series A-E, have been tabulated throughout the year. The operations have been constantly improved through surveys and by obtaining the cooperation and approval of the Treasury Department to changes. During 1944 2,645,140 pieces of Savings Bonds, Series A-E, were redeemed at this office. In October 1944, qualified banks began to redeem Savings Bonds, Series A-E, and to forward the bonds to the Reserve Bank for payment or credit. In order to establish records from which to reconcile and pay qualified banks for redemptions handled,

tabulator cards are prepared for each remittance letter containing Savings Bonds received from banks. These cards are also used for the preparation of a journal register of such shipments received and a monthly report of redemptions by counties requested by the Treasury beginning October 1944. At the close of each quarter, statements are prepared of redemptions by each qualified bank.

The volume of U. S. Treasury checks issued on tabulator cards is increasing and such items are sorted and listed on tabulating equipment, when deposited at this office. In September an endorsing feature was added to the tabulator used for listing card checks, which feature has eliminated a separate handling to endorse the items. During 1944 3,908,183 Treasury card checks were handled at this office.

Mr. M. E. Lysen attended the International Business Machines' school at Endicott, New York, the two week session being devoted to practical applications of tabulating equipment and to accounting and management problems.

BANK EXAMINATION DEPARTMENT

There were on December 31, 1944, one hundred eleven State member banks. Each State member bank in this District was examined once by examiners for the Federal Reserve Bank of Minneapolis during the calendar year 1944.

As of the end of the year, ten State member banks were exercising trust powers, and the trust department of each of those member banks was examined during the year. Five other State member banks having trust powers have restricted their activities to the handling of escrow, custodianship and safekeeping accounts; in each of these cases their activities were checked by our examiners and a brief report written.

Application in behalf of one national bank for full trust powers was received during the year and approved by the Board at Washington. During the year, three national banks surrendered their trust powers and a similar application on the part of one other national bank has been submitted to the Board at Washington for appropriate action.

The examinations by this Department in the various States were as follows:

	<u>State Banks</u>	<u>Holding Company Affiliates</u>	<u>Trust Departments</u>
Michigan	15		1
Minnesota	26		2
Montana	35		9
North Dakota	-	1	-
South Dakota	24		2
Wisconsin	14		2
	<u>114</u>	<u>1</u>	<u>16</u>

Examination of Holding Company Affiliates

None of the three holding company affiliates which are residents of this District were examined during the year, all three having been examined in 1943.

In December, an application was received from a company for a voting permit. An examination was made in this connection and the application is in process of review, following which it will be submitted to the Board of Governors accompanied by a memorandum containing our recommendation.

State Bank Applications for Membership - 1944

Applications of two banks which were received in 1943 were approved during 1944 and membership completed. Seventeen applications for membership in the Federal Reserve System were received from State banks during 1944. The applications of fourteen of these banks were approved and the banks admitted to membership. One other application was approved but membership was not completed at the close of the year. Two other applications for membership were pending.

Reports of Earnings and Dividends, Reports of Condition & Related Reports

During the year three calls for a report of condition of each member bank were issued. All member banks were also required to submit semi-annual reports of earnings and dividends. The condition and related reports, together with reports of earnings and dividends, were received, checked and recorded.

Applications for Adjustment of Holdings, etc. of Federal Reserve Bank Stock

During the year three hundred twenty-one applications for adjustment of holdings of Federal Reserve Bank stock were received from member banks. One application involved a State member bank which was converted into a national banking association with an increased amount of capital. Stock was issued to

sixteen new members. Four applications for total surrender of stock by member banks were received, the national banks having been placed in voluntary liquidation. The Examination Department handles applications for adjustment, for new stock, and for cancellation of stock.

Bank Changes in 1944
(Per Stock Book Records)

Total number of member banks in the District January 1, 1944	455
National banks organized	1
State banks admitted	<u>16</u>
	472
National banks succeeded by nonmember State banks	1
National banks absorbed by nonmember State banks	1
National banks liquidated	2
State member banks converted to national banks	<u>1</u>
	<u>5</u>
Total number of member banks holding stock in the Federal Reserve Bank of Minneapolis at the end of the year	467

Membership

At the close of the year there were 467 member banks in this District as compared with 455 member banks at the beginning of the year. There was a net loss of three national banks and a net gain of fifteen State member banks. The total membership at the close of the year was divided into 356 national banks and 111 State banks.

Stock in the Federal Reserve Bank Issued to New Member Banks

<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Subscribed</u>
First State Bank of Meriden	Meriden, Minnesota	20
Liberty State Bank	St. Paul, Minnesota	84
The Merchants National Bank of Winona	Winona, Minnesota	300-
Exchange State Bank of Glendive	Glendive, Montana	42
Miles City Bank, Miles City, Montana	Miles City, Montana	66
Flint Creek Valley Bank	Philipsburg, Montana	21
The First State Bank of Thompson Falls	Thompson Falls, Montana	23
Kootenai Valley State Bank	Troy, Montana	15
Miners and Merchants Savings Bank	Lead, South Dakota	44
Peoples State Bank of Bloomer	Bloomer, Wisconsin	77
State Bank of Boyd	Boyd, Wisconsin	24
Citizens State Bank	Cadott, Wisconsin	60
State Bank of Florence	Florence, Wisconsin	23
Iron Exchange Bank	Hurley, Wisconsin	69
Laona State Bank	Laona, Wisconsin	30
Farmers & Merchants State Bank	Stanley, Wisconsin	42
Union State Bank of West Salem	West Salem, Wisconsin	60

RECONSTRUCTION FINANCE CORPORATION
(Head Office only)

During 1944 we continued to handle transactions for the Reconstruction Finance Corporation and its several subsidiary corporations, Disaster Loan Corporation, Defense Plant Corporation, Defense Supplies Corporation, Federal National Mortgage Association, Metals Reserve Company, the R.F.C. Mortgage Company, Rubber Reserve Company and War Damage Corporation. We also handled Smaller War Plants Corporation transactions, for which the Defense Plant Corporation, one of the R.F.C. subsidiaries, acts as agent.

The R.F.C. is now disposing of surplus war properties, but this activity has not much more than begun in this District. Until January 1, 1945 Minneapolis handled sales of these properties for the entire State of Wisconsin, when that portion of the State in the Chicago District was turned over to the Chicago Agency. For this program, all of Michigan, except that portion handled by Chicago, is handled by Detroit; Montana is handled by the Portland Agency.

We began paying meat subsidies for the Defense Supplies Corporation, an R. F. C. subsidiary, during 1943 and this still continues; in January 1944, we began disbursement of flour subsidies also. Disbursements of these for 1944 were \$14,092,310.13 and \$38,645,400.91, respectively.

For the War Damage Corporation we have had some over 1,500 new coverages; renewals were mostly on an automatic basis without payment of additional premiums.

We have had a considerable volume of purchases of rationed articles, such as automobiles, tires, gas and oil burners, etc. This phase of our work is practically closed out, most of such articles having been resold; purchases during 1944 amounted to approximately \$158,000 and re-sales approximately \$118,000.

On September 1, 1944 the R.F.C. ceased to act as fiscal agent for the Commodity Credit Corporation and we became the direct agent for it.

For the Commodity Credit Corporation, during the entire year, we paid about 1,665,000 dairy production sight drafts, totaling about \$35,500,000. Our disbursements for loans were only a little over \$1,000,000, but other disbursements, mostly for purchases of grain, totaled over \$120,000,000.

During the year our activities for Commodity Credit Corporation have been lessened so that now we function only as follows: disburse funds, clear remittances, handle collections and have custody of its notes and warehouse receipts.

We entered into a contract with the Federal Works Agency in January 1942, but had no transactions thereunder until August of this year, and that included only one project involving the purchase of a bond issue.

For the Federal Public Housing Authority we handled a small number of deals involving housing projects at Superior, Wisconsin, Anaconda, Butte, Great Falls, and Helena, in Montana. These deals include purchases and sales of note and bond issues, the receipt of certain certificates, etc. The deals include considerable detail, which requires careful examination and checking to see that they conform with instructions.

FISCAL AGENCY DEPARTMENT
(Head Office only)

During 1944 one of the important functions of the Fiscal Agency Department was to handle all the details incident to the issuance of twenty-five offerings of marketable government securities for cash or exchange, excluding Treasury Bills; eleven of the issues being offered during the Fourth, Fifth and Sixth War Loan Drives. The total number of subscribers for all such issues for the year was 47,814 of which 6,482 were banks. The total subscriptions received and allotted aggregated \$1,433,476,900.

Four thousand one hundred and four tenders were received for Treasury Bills in 1944 aggregating \$735,478,000 of which \$555,609,000 was accepted. The total tenders received represent 4,454 subscribers as compared with 4,846 tenders in 1943, covering 5,746 subscribers.

During the year this bank issued United States Savings Bonds of Series E, F and G in the amount of \$213,059,325 (maturity value) involving 1,046,344 pieces, while the issuing agents in this Head Office portion of the district issued 5,280,869 Series E Savings Bonds amounting to \$421,163,165.

The amount of F and G Savings Bonds issued by this bank during the period amounted to \$180,748,300 involving 199,139 individual pieces compared

to \$118,153,575 and 166,886 pieces in 1943. The increase in sales of F and G Savings Bonds can be attributed to the fact that commercial banks during the Fourth, Fifth and Sixth Drives were permitted to subscribe for these bonds on a limited basis.

Five million five hundred and eight thousand, seven hundred and sixty-five pieces of Series E Savings Bonds were shipped to issuing agents in 1944 as compared to 5,440,153 pieces in 1943.

Effective October 2, 1944, the Treasury Department authorized incorporated banks when properly qualified to redeem certain classes of United States Savings Bonds, Series A thru E. As of December 31, 1944, 1,087 banks in the Head Office portion of the district were qualified to act as paying banks. For services rendered, banks are reimbursed quarterly as follows:

15 cents each for the first 1,000 bonds
12 cents each for the second 1,000 bonds
10 cents each for all over 2,000 bonds

From January 1, 1944 through September 30, 1944 when we were redeeming all United States Savings Bonds direct, the daily average at the Head Office based on working days was 7,752 pieces. Since October 2, 1944 and through December 31, 1944, the daily average has been 11,837 pieces.

At the time of the change-over we had 122 employees in the redemption division; today the force has been reduced to 65.

The reduction, of course, can be chiefly attributed to the method of handling the bonds as we are not required to issue very many individual checks or give them the detailed examination we did when paying them direct.

Because of the Fourth, Fifth and Sixth War Loan Drives considerable increased activity was experienced with respect to the War Loan Deposit Accounts. One thousand, one hundred and forty-two banks in the district are now qualified as special depositories of which 1,032 have active accounts, which number includes 85 accounts handled by the Helena Branch. The amounts deposited in these accounts, exclusive of those accounts handled by the Branch, aggregated \$1,222,360,922.24 for the year. The total War Loan Deposit Accounts as of December 31, 1944 were \$480,725,527.56.

During the year 1944 the number of Savings Bonds received for safe-keeping averaged 9,721 pieces per month as compared with a monthly average of

7,555 pieces for the last four and one-half months of 1943. The monthly average number of these bonds released from safekeeping during 1944 was 1,770 pieces compared to a monthly average of 1,023 pieces in 1943. As of December 31, 1944 this bank held for safekeeping 203,610 Savings Bonds as compared to 106,537 bonds as of December 31, 1943.

We redeemed 437,819 Government Coupons amounting to \$29,084,090.81 as compared to 366,973 coupons totaling \$19,040,032.16 during 1943. We also redeemed 63,906 Governmental Agency Coupons amounting to \$785,018.15 during 1944 as compared to 110,773 totaling \$1,581,426.28 in 1943.

Volume Data
(Head Office only)

	<u>1944</u>		<u>1943</u>	
	<u>Pieces</u>	<u>Amount</u>	<u>Pieces</u>	<u>Amount</u>
Government Issues delivered on Original Issues				
Tax Series	28,399	\$ 146,045,700	26,508	\$ 128,141,325
Direct Government Obligations	122,874	1,904,951,400	106,240	1,788,341,275
U.S. Savings Bonds Delivered on Original Issues				
By Us	1,046,344	213,059,325	1,078,250	156,510,850
By Issuing Agents	5,280,869	421,163,165	4,917,066	353,454,100
Redemptions of Bonds, Stamps, Notes, etc.	2,801,207	1,413,589,105	1,576,065	1,033,825,799
Exchanges Received (coupon & registered) and received against issues by other F.R. Banks-CPD	15,715	265,012,740	10,706	196,998,200
Savings Bonds received a/c Reissues	66,293	7,714,710	46,220	6,764,800
Exchanges delivered (coupon & registered) and issued against receipts by other F.R. Banks	20,687	275,946,950	20,602	237,481,300
Savings Bonds-issued a/c Reissues	66,674	7,714,710	44,671	6,764,800
Delivered to agents on Consignment Series E	5,508,765	443,051,525	5,440,153	405,958,825
Securities handled by Bond Delivery Division in connection with the sale of securities for other than our own account	15,950	252,488,175	13,919	169,292,855
Securities handled by us for U.S. Government Corp. & Credit Agencies	50,117	49,959,250	3,739	7,488,675
Total items handled by Fiscal Agency	<u>15,023,894</u>	<u>\$5,400,696,755</u>	<u>13,284,139</u>	<u>\$4,491,022,804</u>