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FEDERAL RESERVE BANK
OF NEW YORK

New York 45, N.Y.
April 16, 1948.

Honorable Marriner S. Eccles, Member,
Executive Committee of the Federal
Open Market Committee,
Board of Governors of the Federal
Reserve System,
Washington 25, D. C.

Dear Mr. Eccles:

The enclosed schedule entitled "Comparative Schedule of Balance Sheet Data of United States Government Securities Dealers" has been compiled from recent financial statements of each of the six dealers (excluding the five dealer-banks) with which we transact business for the System Open Market Account.

All six of the dealers showed substantial declines in net worth for the year 1947 which was probably due, at least in part, to the effect of the decline in prices of Government bonds in the latter part of the year on long positions and to lower income from interest accruals on reduced bond portfolios. Detailed earning reports received from First Boston Corporation and Blair and Company, Inc. included the results of their general securities business and showed:

	<u>1947</u>	<u>1946</u>
<u>First Boston Corporation</u>		
Net income before dividends	\$1,636,000	\$4,188,000
Dividends	2,413,000	2,557,000
<u>Blair and Company, Inc.</u>		
Net income before dividends	49,000 (loss)	641,000
Dividends	193,000	193,000

As indicated on the attached schedule, the decline of \$2,865,000 in the net worth of Blair and Company, Inc. reflects primarily

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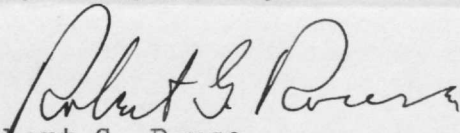
the segregation of their securities business from other affiliated interests. We have been assured that there will be no withdrawal of capital from the new Blair and Company, Inc. without prior notification to us.

Discount Corporation reported an operating loss of \$324,000 for the year and paid dividends of \$300,000; however, this was partially offset by an adjustment of the carrying basis of their United States Government securities to reflect market values rather than cost as formerly, resulting in a credit of \$396,000 to undivided profits and a net decrease of \$228,000 in undivided profits for the year. C. J. Devine and Company informed us that their operations for the year in United States Government securities showed a profit and that the decrease of \$448,000 in net worth was due primarily to lower market values of net long positions in New York State bonds and bonds of the International Bank for Reconstruction and Development. Part of the \$777,000 decline in net worth of First Boston Corporation may also have been due to the lower prices of International Bank bonds.

As a further result of the decline in prices of United States Government securities during the latter part of 1947, the portfolios carried by the dealers at the year end were much smaller than at the end of 1946. C. J. Devine and Company was the only dealer who carried any significant amount of bonds due after one year and these holdings were small in relation to net worth and as compared with former holdings. The balance of holdings of all the dealers was almost entirely in short-term issues.

Aside from the foregoing, the dealers' statements contained very little that was of direct interest to us in the analysis of their Government securities business.

Very truly yours,


Robert G. Rouse,
Manager, System Open
Market Account.

Attachment

COMPARATIVE SCHEDULE OF BALANCE SHEET DATA OF UNITED STATES GOVERNMENT SECURITIES DEALERS
(000 omitted and listed according to size of net worth)

	Balance Sheet Date	Net Worth	Decrease in Net Worth during year	U. S. Government Securities			Other Securities Owned	Collateral Loans Payable	
				Total Portfolio	Due in 1 to 5 years	Due over 5 years		Amount	Ratio to Net Worth
The First Boston Corporation	12/31/47	\$21,792	\$ 777	\$30,200(b) (L)	\$ 400 (L)	\$ 300 (L)	\$ 18,427	\$ 38,882	1.8
C.J. Devine & Company, Inc.	12/31/47	7,340	448	45,383(c) (L)	14,157 (L)	23,308 (L)	8,134	65,620	8.9
Discount Corporation of New York	12/31/47	6,462	228	84,577(d) (S)	8,600 (L)	5,900 (L)	--	53,549(e)	8.3
C.F. Childs & Company, Inc.	12/31/47	6,030	315	23,900(c) (S)	2,800 (S)	1,500 (S)	Nominal	60,609	10.0
Salomon Bros. & Hutzler	1/ 1/48	5,700	115	13,805(b) (S)	1,300 (L)	1,100 (L)	8,506	24,040	4.2
Blair & Company, Inc. (Delaware)	12/31/47	2,227	2,865(a)	1,000(b) (S)	8,100 (L)	700 (L)	1,949	4,017	1.8

NOTES:

- (L) Long Position
- (S) Short Position

- (a) On December 31, 1947 the former Blair & Company, Inc. (a New York Corporation) was dissolved and succeeded by Blair Holdings Corporation, a holding company, and its wholly owned subsidiary Blair & Company, Inc. (a newly organized Delaware Corporation) to which was transferred all the security business of the former Blair & Company, Inc. The indicated reduction in net worth represents largely the value of the other subsidiaries of Blair Holdings Corporation which is no longer at the risk of the securities business.
- (b) Also general dealers in securities other than U. S. Governments.
- (c) Also dealers in municipal bonds.
- (d) Includes \$25,577,000 sold under repurchase agreement.
- (e) Includes \$25,577,000 liability in connection with (d) sale under repurchase agreement - at contract price.