

**FEDERAL RESERVE BANK  
OF NEW YORK**

NEW YORK 45, N.Y.

April 22, 1949

Honorable M. 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:

We are enclosing for your information a "Comparative Schedule of Balance Sheet Data of United States Government Securities Dealers." This material has been compiled from recent financial statements of each of the five dealers (excluding the five dealer-banks) with which we transact business for the System Open Market Account. The number of qualified non-bank dealers was reduced to five during the year 1948 as Blair & Company, Inc. was dropped from the list.

Dealer operating results for 1948 showed improvement over 1947 in some cases, due primarily to larger positions in U. S. Government securities and rising prices during the last two months of the year. First Boston Corporation submitted a detailed earning report which included the results of their general securities business and showed:

	<u>1948</u>	<u>1947</u>
Net income before dividends	\$1,413,000	\$1,636,000
Dividends	1,851,000	2,413,000

The enclosed schedule shows an increase of \$428,000 in the net worth of C. J. Devine and Company as compared with a decrease of \$448,000 in 1947. This gain was after the re-payment of \$250,000 of the company's outstanding debentures so that the increase from other causes was actually \$698,000. Higher prices for bonds, particularly state and municipal issues, at the year end undoubtedly accounted for part of this increase.

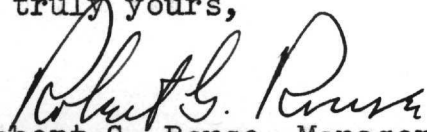
Discount Corporation reported net profits for the year of \$309,000 after taxes and paid dividends of \$300,000, as compared with a net loss of \$324,000 for 1947 before dividends of \$300,000.

The decrease of \$499,000 in the net worth of Salomon Brothers and Hutzler represents primarily the withdrawal of capital by one partner, an estate, at the year end. We understand that, exclusive of this item, the net worth showed a small decline for the year.

At the end of 1948 dealer holdings of U. S. Government bonds due or callable after one year were considerably larger than at the previous year end when positions were generally held to nominal amounts. However, the increased risks thus assumed by the dealers appear adequately covered in each case by the amount of capital held at the risk of the business.

The dealers' statements contained nothing else relating to their U. S. Government securities business which calls for comment.

Very truly yours,

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

Enclosure

**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	Change in Net Worth during year	U. S. Government Securities			Other Securities Owned	Collateral Loans Payable	
				Total Portfolio	Due or Callable 1 to 5 years	Due or Call- able over 5 years		Amount	Number of Times Net Worth
The First Boston Corporation	12/31/48	\$21,354	-\$ 438	\$105,600(b)	\$ 7,600	\$10,100	\$ 10,034	\$124,566	5.8
C. J. Devine & Company, Inc.	12/31/48	8,568(a)	+ 428	144,500(c)	34,500	60,300	2,654	148,368	17.3
Discount Corporation of New York	12/31/48	6,471	+ 9	128,100(d)	50,800	42,300(d)	None	127,100(e)	19.7
C. F. Childs & Company, Inc.	12/31/48	6,074	+ 44	102,000(e)	7,100	31,600	14,700	123,768	20.4
Salomon Bros. & Hutzler	1/ 1/49	5,201	- 499	75,863(b)	9,962	22,459	23,723	96,472	18.5

**Notes:**

- (a) Includes \$1,600,000 earnings appropriated for retirement of subordinated debentures outstanding in amount of \$3,750,000. Net worth figure shown in our schedule for December 31, 1947 excluded a similar item of \$800,000.
- (b) Also general dealers in securities other than U. S. Governments.
- (c) Also dealers in Municipal bonds.
- (d) Does not include \$5,022,000 bought under resale agreement.
- (e) Does not include \$5,029,000 liability in connection with (d) purchase under resale agreement.

