

**FEDERAL RESERVE BANK
OF NEW YORK**

NEW YORK 45, N. Y.

May 21, 1951.

Mr. 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:

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 same five non-bank dealers qualified at the end of 1949.

Apparently as a result of the generally lower trend of prices of United States Government securities, dealer operations during 1950 were not as profitable as in 1949. A report to stockholders furnished by First Boston Corporation showed the following earnings picture, which included the results of their general securities business:

	<u>1949</u>	<u>1950</u>
Net income before dividends	\$3,304,000	\$2,848,000
Dividends	- 1,851,000	- 1,989,000
Net income after dividends	+ 1,453,000	+ 859,000
Redemption of 3 1/2% cumulative preferred stock on 2/15/50	<u>-</u>	<u>4,678,000</u>
Change in net worth	<u>+ \$1,453,000</u>	<u>-\$3,819,000</u>

The report to stockholders states that the corporation's dealings in United States Government securities were conducted at a profit notwithstanding difficult conditions throughout the year.

We were informed that C. J. Devine and Co. made a small profit in 1950, losing about \$100,000 on United States Government

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securities and making about \$250,000 on their dealings in municipal bonds. The reduction of \$291,000 in net worth represents extra income taxes paid by the firm's partners on capital gains incurred in connection with the change from a corporation to a partnership at the end of 1949.

Discount Corporation reported net profits for 1950 of \$302,000 after taxes and paid dividends of \$300,000, as compared with net profits of \$756,000 for 1949 before dividends of \$600,000.

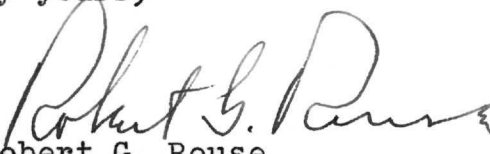
The only information we have concerning C. F. Childs & Co. is that they incurred a sizeable loss from operations during 1950, (probably \$400,000 - \$500,000).

Salomon Brothers and Hutzler submitted no earnings figures but it appears from the increase in their net worth that their operations, as a whole, for the year were conducted at a profit, their dealings in United States Government securities resulting in only a modest gross profit. A later statement as of April 1, 1951 shows a reduction of \$1,417,000 in net worth. We are informed this change reflects the setting aside of the interest of a senior partner, Mr. Herbert Salomon, upon his death early this year; this capital was subsequently paid out to the estate on April 6, 1951.

Despite the decline in the net worth of three of the dealers, the capital positions still appear entirely adequate in relation to the risks of the business. Holdings of Government securities due or callable after one year were relatively small at the year end and have been reduced to nominal figures since that time.

The dealer statements and other available data relating to operations in United States Government securities contain nothing else worthy of 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)

	<u>Balance Sheet Data</u>	<u>Net Worth</u>	<u>Change in Net Worth during year</u>	<u>U. S. Government Securities</u>			<u>Other Securities owned</u>	<u>Collateral Loans Payable</u>	
				<u>Total Portfolio</u>	<u>Due or Callable 1 to 5 years</u>	<u>Due or Callable over 5 years</u>		<u>Amount</u>	<u>Number of Times Net Worth</u>
The First Boston Corporation	12/31/50	\$21,238	-\$ 3,819(a)	\$ 98,900(b)	\$ 13,300	\$ 8,800	\$ 39,500	\$115,868	5.4
C. J. Devine & Company	12/31/50	7,290	- 291	71,609(c)	23,741	5,382	4,552	81,166	11.1
Discount Corporation of New York	12/31/50	6,630	+ 3	144,700	24,500	1,500	-	131,891	19.9
C. F. Childs & Company, Inc.	12/31/50	6,070	- 312	29,200(c)	6,200	16,800	(d)	39,008	6.4
Salomon Bros. & Hutzler	1/ 2/51	5,910	+ 406	61,396(b)	24,614	15,758	39,835	98,163	16.1

NOTES: (a) Reflects redemption of \$4,678,000 3 1/2% Cumulative Preferred Stock on 2/15/50.
(b) Also general dealers in securities other than U. S. Government.
(c) Also dealers in municipal bonds.
(d) Not segregated, but relatively small.

May 15, 1951