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Eleventh Annual Report of
the Federal Reserve Bank
of Boston for the year ended
December 31, 1925

Boston, Massachusetts

ELEVENTH ANNUAL REPORT

— OF THE —

Federal Reserve Bank
of Boston

*For the year ended
December 31, 1925*



BOSTON, MASSACHUSETTS

LETTER OF TRANSMITTAL

BOSTON, MASS., January 31, 1926.

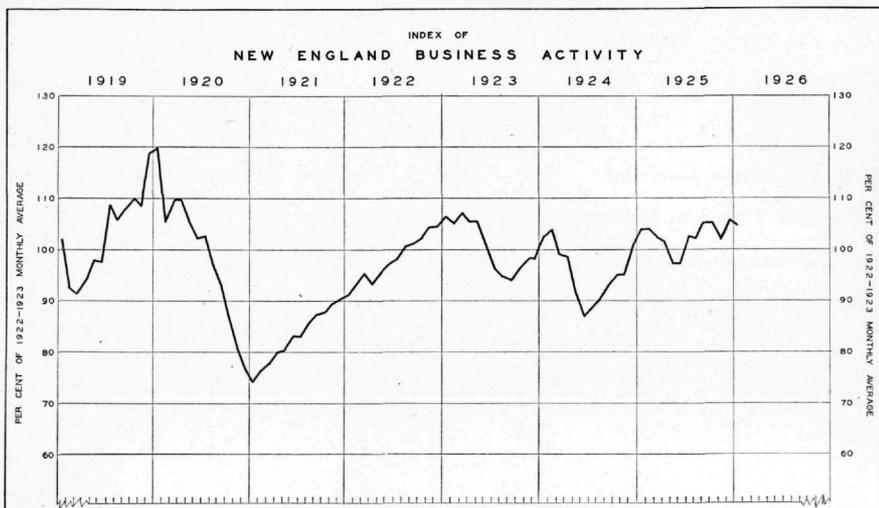
HON. D. R. CRISSINGER,
Governor, Federal Reserve Board,
Washington, D. C.

SIR:

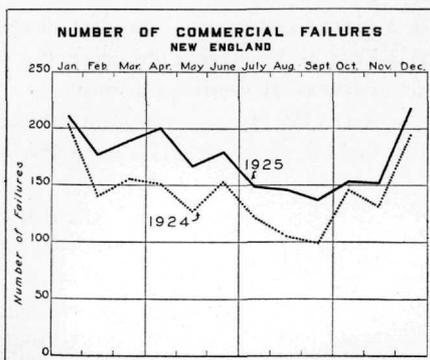
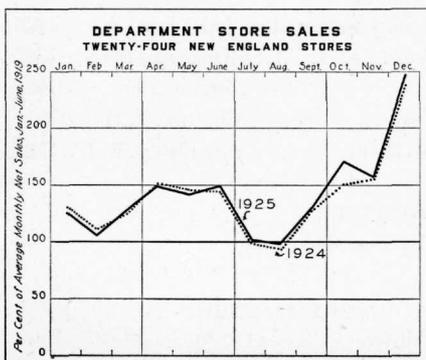
I have the honor to submit herewith the Eleventh Annual Report of the Federal Reserve Bank of Boston, covering industrial conditions and credit conditions in New England, and the operations of that bank for the period January 1, 1925, to December 31, 1925.

Respectfully yours,

FREDERIC H. CURTISS,
Chairman and Federal Reserve Agent.



Business activity in New England during 1925 was at a much higher average level than in 1924. Activity was higher in December than in any other month of the year. There was a closer approach to stabilization than at any time since before the War. The index was compiled by the Federal Reserve Bank of Boston, and represents activity in terms of amounts rather than of values.



Department store sales were larger in 1925 than in 1924, especially during the latter part of the year. Christmas trade was the largest on record. Notwithstanding the high rate of business activity, there were more commercial failures in New England during 1925 than in 1924. The number of failures in each month of the year, in fact, was larger than in the corresponding month of 1924. The number of failures is computed from an average of the statistics reported by R. G. Dun & Co. and Bradstreet's.

ELEVENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

BUSINESS AND CREDIT CONDITIONS IN NEW ENGLAND DURING 1925

Business activity in New England was much greater in 1925 than in 1924 and conditions on the whole were probably better than in any period during the past five years, except possibly in the year 1923, although it would appear that activity was steadier than in that year, not reaching excessive stages in any month or, on the other hand, falling appreciably below the average. While the textile and shoe industries, both important in the New England district, had been going through trying reorganization of selling methods and change of output, even in those lines many concerns have shown increased production and earnings and probably all have experienced improvement in one form or another. Business profits for the most part were fairly good. Efficiency of labor was relatively high and, while there was little unemployment, the aggregate labor turnover was small. Building construction throughout the year was maintained at a much higher level than in 1924 and new contracts awarded were in larger volume at the end than at the beginning of the year.

Retail trade was in such large volume that manufacturing output was readily distributed to consumers, and therefore manufacturers' and jobbers' inventories of finished material were not built up to a noticeable extent. The retail merchants maintained a relatively small volume of goods on hand, which, coupled with the large volume of sales, resulted in a high rate of turnover. Retail trade was not only good during most of the year, being maintained at about the volume in 1924, but the year ended with an unprecedented holiday trade in December which brought the average above that of 1924.

Instalment sales in the department stores in the larger cities increased rapidly in 1925, although the total amount of such sales apparently amounted to less than five per cent of total business. The rate of collections in instalment accounts improved throughout the year, with the result that at the close of the year only about five months were required in which to collect the average instalment account. On the other hand, there is little doubt that the easy terms of payment encouraged the buying of

unnecessary goods or of unnecessarily expensive goods. That the payments on instalments have thus far been so satisfactory is, no doubt, due to the large purchasing power of the wage earner brought about by the great business activity and, should this activity fall off, the real test of the soundness of instalment selling will come.

Wholesale commodity prices duplicated the record of business activity by remaining relatively constant throughout the year. In fact, during the early months they were higher than at any time since the period after the post-war business boom. The relative stability of commodity prices was an important factor in making 1925 a prosperous business year. An interesting phase of the commodity price situation is that, while production was increasing the latter part of the year, commodity prices showed an actual decline.

While agriculture cannot be considered as an outstanding feature of New England industry, nevertheless it is an important factor in certain sections of the district. Crop production, with the conspicuous exception of potatoes, was larger in volume in 1925 than in 1924, though the value of some crops was less, due to lower prices. The potato crop in 1925 was approximately 25% less than in 1924, but because of high prices the total value was over three times as great.

The increase in total deposits of member banks in the New England Federal Reserve District which had been so prominent a feature of the banking situation of 1924 was even more pronounced in 1925, the weekly average deposits being approximately equal to the absolute peak of 1924. Although demand deposits of these banks were higher, more than one-half of the total increase was in time or savings deposits. With the larger volume of production, naturally there was an increase in the average volume of commercial loans, but the greater part of the gain in total resources of member banks was the result of the increase in collateral loans. Investments in securities also were larger. The general improvement in commercial business has been reflected in the business of the member banks, and the year for most member banks has been a profitable one.

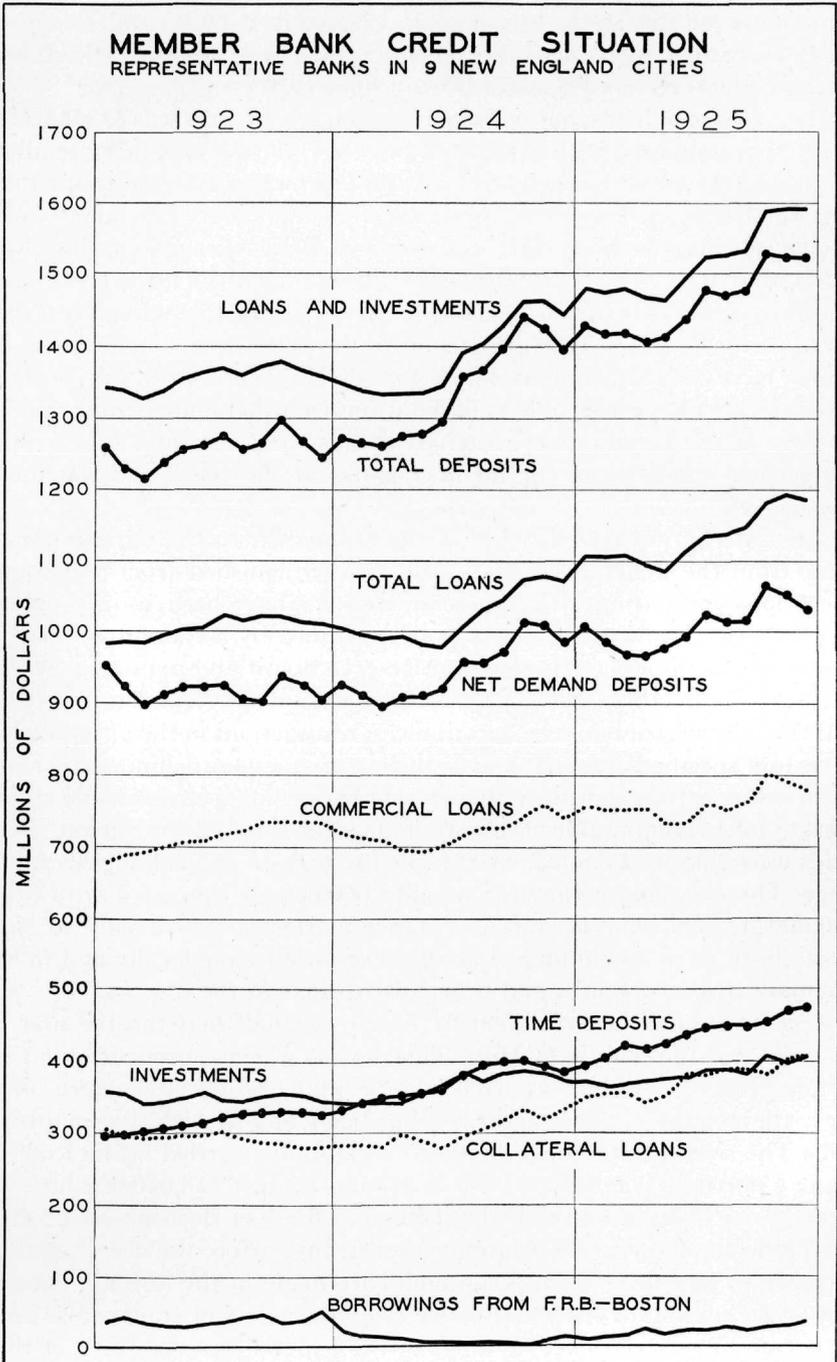
A comparison of the condition of the Federal Reserve Bank of Boston on the last day of the calendar year 1924 and the last day of the calendar year 1925 (see p. 12) shows that during the year 1925 the cash reserves of the Federal Reserve Bank were reduced by approximately \$55,000,000. This was chiefly due to the retirement of \$30,000,000 of Federal Reserve notes presented for redemption and to an increase of \$22,000,000 in loans to member banks and investments in bankers' acceptances. While the total reserve deposits of the member banks in the Federal Reserve Bank were substantially the same on the above dates compared, the average of these deposits for the year was slightly higher in 1925 than in 1924. The reserve

ratio, however, due to the loss of gold, declined from 66.5% on December 31, 1924, to 56.2% on December 31, 1925, the lowest reserve ratio shown by the Federal Reserve Bank of Boston since 1920.

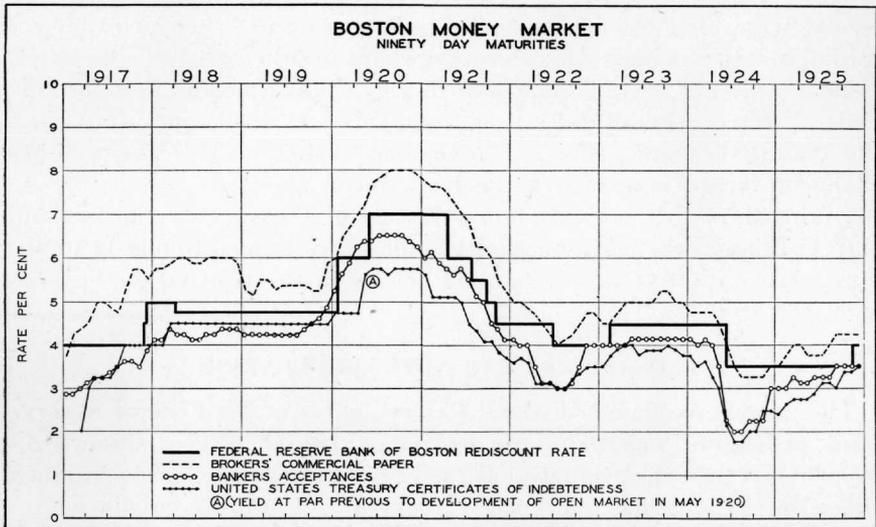
The average of loans and rediscounts to member banks was \$33,000,000 in 1925, as compared with \$18,000,000 in 1924, the increase being gradual to the end of the year, about 60% of the borrowings coming from banks outside of Boston. There have been very few instances of member banks having continuous loans with the Reserve Bank throughout the year, banks that have rediscounted usually liquidating their loans and rediscounting again as occasion demanded. In certain of the agricultural districts, owing to the successful outcome of the potato crop, member banks which have had continuous loans for several years with the Federal Reserve Bank have been able to liquidate entirely their indebtedness to the Reserve Bank. From reports received at this bank, it would appear that the general condition of the member banks at the year's end was most satisfactory.

Open market operations, that is, operations where the initiative may come from the Federal Reserve Bank, as distinguished from rediscount operations originating with the member banks, have been, as in previous years, of two kinds and follow a policy outlined by a committee of governors and members of the Federal Reserve Board and approved by the Boards of Directors,—the purchase and sale of Government securities and the purchase of bankers' acceptances, transactions in the former being in certain specified amounts and in the latter in amounts limited by rates adjusted from time to time with a view of maintaining a reasonably stable market fairly comparable with current market rates. Government securities were sold to the market or allowed to mature and holdings were not large. The average for the year was \$13,000,000, as compared with \$28,000,000 in 1924. The Boston acceptance market is second only to New York, both as to the volume of acceptances originating locally and in the volume carried by banks and other institutions in the district.

Acceptance holdings declined by nearly one-half between the first of the year and the middle of May. This decline was not brought about by selling acceptances, but occurred from a falling off of satisfactory offerings, the volume of new purchases thus being less than that of maturing bills. The average volume of bankers' acceptances carried in the Reserve Bank's portfolio was \$46,000,000 in 1925 as against \$18,000,000 in 1924. Acceptance holdings of the Federal Reserve Bank of Boston were at their minimum for the year 1925 late in August, just before the usual seasonal increase in business. More acceptances are made in the autumn than at any other season, in order to finance the movements of staple crops such as cotton. The acceptance holdings of the Federal Reserve Bank of Bos-



ton increased rapidly between the first of September and the end of November to the largest amount held at any time in a number of years. The higher ratio of acceptance holdings to member banks' discounts in District 1 was in direct contrast to the situation in the reserve system as a whole, for in other districts, excepting for a few weeks at the beginning of 1925, discounts for member banks exceeded acceptance holdings of reserve banks by a wide margin.



During the year 1925 there was a steady advance in money rates in the New England market, due in part to the increased demands on the banks for commercial accommodation on account of greater activity in production. Brokers' commercial paper rates, which stood at $3\frac{1}{2}\%$ at the opening of the year, stiffened to $4\frac{1}{2}\%$ at the close. Rates for unendorsed 90-day bankers' acceptances rose from 3% to $3\frac{1}{2}\%$ and short-time United States Certificates of Indebtedness from $2\frac{5}{8}\%$ to $3\frac{1}{2}\%$ during the year. Call money ranged in the Boston market from 4% to 6% . The rate on prime bankers' acceptances at the beginning of the year was 3% , gradually increasing to $3\frac{1}{2}\%$ in September, a rate which continued during the remainder of the year. While New England is largely an industrial section, its close proximity to New York makes the local money market sensitive to the influence of that money center in the matter of rates. It will be recalled that, although the New York Federal Reserve Bank reduced its discount rate to 3% on August 8, 1924, the Boston Reserve Bank continued to maintain its rate at $3\frac{1}{2}\%$. On February 27, 1925, the New York Reserve Bank increased its discount rate to $3\frac{1}{2}\%$, but at that

time there was apparently nothing in the Boston credit situation that warranted any change in the Boston Bank's rate; in fact, local business activity was declining. A $3\frac{1}{2}\%$ discount rate was, therefore, maintained throughout a good part of the year. Early in the summer business activity began to increase and showed a steady increase well towards the end of the year, with a corresponding augmented demand for credit on the Reserve Bank. By September 23 the directors of the Federal Reserve Bank of Boston felt that the situation, so far as New England was concerned, warranted an increase in the discount rate to 4% , which they accordingly voted. Credit conditions elsewhere in other districts, however, evidently did not warrant such an increase at that time and therefore the Federal Reserve Board did not approve this rate until some time later, the 4% rate becoming effective November 10, 1925. There was no other change in the discount rate by this bank during the year.

During the year there were four (4) issues of Treasury Certificates and one (1) Bond Issue (additional offering of 4% Treasury Bonds at 100.50 plus accrued interest); total value of new securities allotted to this District, \$89,350,900.

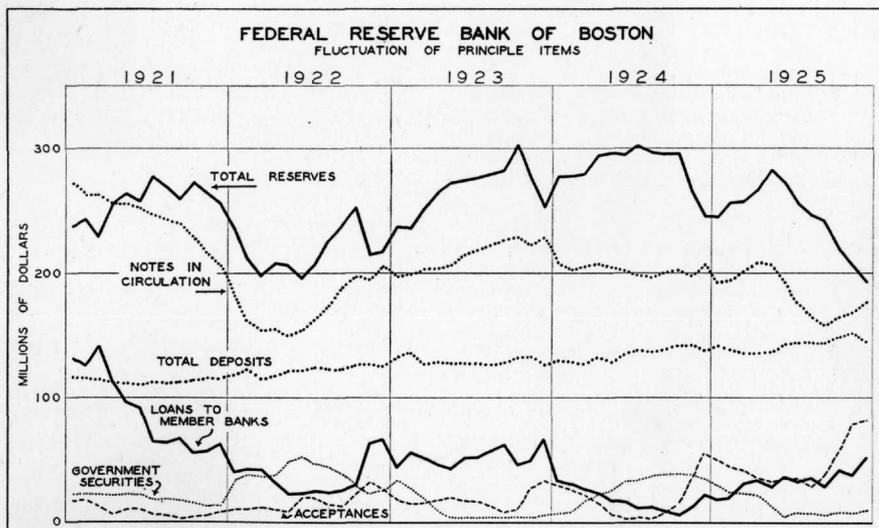
FEDERAL RESERVE NOTE CIRCULATION

The average volume of Federal Reserve notes of the Federal Reserve Bank of Boston in circulation in 1925 was \$184,000,000, or about \$18,000,000 less than the average of 1924. The volume of notes showed much wider fluctuations than last year. The amount of notes in circulation increased rather rapidly from late in January until early in May, during the period of active retail trade which occurs each Spring, but the increase was accentuated probably by the reduction of National Bank note circulation of from six to seven million dollars in this district and by the continued high rate of production. From the first of June to the end of the year the volume of notes in circulation was affected by the bank's policy in paying out gold certificates. With the high volume of production shown during the year, with trade in New England more active in 1925 than in 1924, it might have been expected that the volume of Federal Reserve notes in circulation would have increased, while the reverse is true. The additional amount of gold and gold certificates put into circulation must therefore be regarded as the chief factor in the reduction.

The volume of gold circulation in any one Federal reserve district cannot be directly determined, but indirect calculation shows that, as far as New England is concerned, gold circulation is large. At the close of 1925, gold reserves of the Federal Reserve Bank of Boston had declined until they were about 10 per cent lower than the notes in circulation, whereas at the same time the gold reserves of the entire system were 47 per cent

higher than the notes in circulation. In fact, throughout 1925 there was a smaller excess of gold reserves over notes in circulation in the First Federal Reserve District than in other districts.

The reserve ratio, sometimes considered a good single index of the banking situation, in the case of a Federal Reserve Bank is really the net result of three variable factors, namely, the total gold or cash reserve of the bank, the volume of its Federal Reserve notes in circulation, and the amount of its deposit liability. The Federal Reserve Act requires a Federal Reserve bank to carry gold or cash reserves of at least 35% of its deposit liability plus 40% of its Federal reserve notes in circulation. At the close of 1924 the reserve ratio of the Federal Reserve Bank of Boston was 66.5% or at its lowest point for that entire year. During 1925 this ratio was 81% in midsummer, but declined gradually during the last quarter of the year, with the result that the reserve ratio at the end of December was 56%. This decline was brought about by a reduction in the gold reserves, due to the policy of paying out gold certificates in lieu of Federal Reserve notes, the increased volume of earning assets, and a slight increase in deposit liability.



The following statement presents a summary of the resources and liabilities of the Federal Reserve Bank of Boston on December 31 of the past three years:—

COMPARATIVE STATEMENT OF CONDITION

(000 omitted)

	RESOURCES	1925	1924	1923
I. EARNING ASSETS:—				
1. <i>Loans to Member Banks:—</i>				
(a) On the security of obligations of the United States		\$21,541	\$15,217	\$21,744
(b) By the discount of commercial or agricultural paper or acceptances		31,573	13,777	45,957
Total loans to member banks . . .		<u>53,114</u>	<u>28,994</u>	<u>67,701</u>
2. <i>Acceptances bought in the open market.</i>		<u>84,714</u>	<u>63,889</u>	<u>38,802</u>
3. <i>United States Government securities bought in the open market:—</i>				
(a) Bonds		553	2,472	529
(b) Treasury Notes		1,846	23,727	6,697
(c) Certificates of Indebtedness		10,336	10,461	2,636
Total U. S. Government Securities Bought		<u>12,735</u>	<u>36,660</u>	<u>9,862</u>
4. <i>Foreign loans on gold</i>		<u>577</u>	<u>....</u>	<u>....</u>
TOTAL EARNING ASSETS		<u><u>151,140</u></u>	<u><u>129,543</u></u>	<u><u>116,365</u></u>
II. CASH RESERVES held by this bank against its deposits and circulation:—				
1. <i>Gold held by the Federal Reserve Agent as part of the collateral deposited by the Bank to secure Federal Reserve Notes as issued by the Agent partly in his own vaults at the bank and partly with the Treasurer of the United States at Washington</i>				
		78,505	164,365	168,271
2. <i>Gold Redemption Fund in the hands of the Treasurer of the United States for use in redeeming such Federal Reserve Notes as are presented to the Treasury for redemption</i>				
		<u>6,289</u>	<u>5,038</u>	<u>13,527</u>
Total Gold held exclusively as security for Federal Reserve Notes		84,794	169,403	181,798
3. <i>Gold in the Gold Settlement Fund maintained by the Federal Reserve Board and lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal Reserve districts</i>				
		32,809	32,275	32,882
4. <i>Gold and Gold Certificates in the bank's own vaults</i>				
		<u>40,402</u>	<u>18,422</u>	<u>20,078</u>
Total gold reserves		158,005	220,100	234,758
5. <i>Legal tender notes, silver, and silver certificates in the vaults of the bank, and available as reserves only against deposits</i>				
		<u>20,698</u>	<u>13,740</u>	<u>8,266</u>
TOTAL CASH RESERVES		<u><u>178,703</u></u>	<u><u>233,840</u></u>	<u><u>243,024</u></u>
III. NON-RESERVE CASH (National Bank Notes, Federal Reserve Bank Notes and minor coin)				
		<u>6,733</u>	<u>5,543</u>	<u>3,520</u>
IV. MISCELLANEOUS:—				
Checks and other items in process of collection		71,770	60,635	55,034
Bank premises		4,068	4,190	4,312
All other resources		102	180	131
TOTAL MISCELLANEOUS		<u>75,940</u>	<u>65,005</u>	<u>59,477</u>
TOTAL RESOURCES		<u><u>412,516</u></u>	<u><u>433,931</u></u>	<u><u>422,386</u></u>

COMPARATIVE STATEMENT OF CONDITION

(000 omitted)

LIABILITIES

	1925	1924	1923
I. CAPITAL AND SURPLUS:—			
1. Capital paid in, equal to 3 per cent of the capital and surplus of member banks	\$8,611	\$7,980	\$7,890
2. Surplus—that portion of accumulated net earnings which the bank is legally permitted to retain	17,020	16,382	16,390
Total Capital and Surplus	<u>25,631</u>	<u>24,362</u>	<u>24,280</u>
II. DEPOSITS:—			
1. Deposits maintained by member banks as legal reserves against the deposits of their customers	141,802	140,102	123,637
2. U. S. Government deposits carried at the Reserve bank for current requirements of the U. S. Treasury	895	3,856	2,356
3. All other deposits (including foreign deposits, deposits of non-member banks, etc.)	809	84	117
Total Deposits	<u>143,506</u>	<u>144,042</u>	<u>126,110</u>
III. CURRENCY IN CIRCULATION:—			
Federal Reserve Notes in actual circulation, payable in gold on demand; these notes are secured in full by gold and discounted and purchased commercial paper and acceptances	174,559	207,389	220,115
IV. MISCELLANEOUS LIABILITIES:—			
1. Deferred items, composed mostly of uncollected checks on banks in all parts of the country; such items are credited as deposits after the average time needed to collect them elapses, ranging from 1 to 8 days	68,373	57,905	51,609
2. All other liabilities	447	233	272
Total Miscellaneous Liabilities	<u>68,820</u>	<u>58,138</u>	<u>51,881</u>
TOTAL LIABILITIES	<u>412,516</u>	<u>433,931</u>	<u>422,386</u>

The principal changes as between December 31 of 1925, compared with December 31, 1924, reflected by this statement of condition, are as follows:—

1. An increase of loans to member banks of \$25,000,000.
2. An increase in the holdings of acceptances bought in the open market of \$21,000,000.

3. A decrease of \$24,000,000 in holdings of government securities.
4. A decrease of \$62,000,000 in the gold reserve.
5. An increase of \$1,300,000 in capital and surplus.
6. A decrease of \$33,000,000 in Federal Reserve Notes in actual circulation.

The following table shows the income and disbursements of the Federal Reserve Bank of Boston for the years 1924 and 1925:—

INCOME AND DISBURSEMENTS

	1925	1924	1923
EARNINGS:—			
From loans to member banks and paper discounted for them.....	\$1,197,662	\$783,450	\$2,320,839
From acceptances owned.....	1,493,284	599,172	741,384
From U. S. Government obligations owned	455,055	1,049,841	419,739
Other earnings (including deficient reserve penalties).....	142,545	126,553	24,721
Total earnings.....	<u>3,288,546</u>	<u>2,559,016</u>	<u>3,506,683</u>
Additions to earnings.....	3,207	20,556	25,849
Total applicable to expenses and other deductions.....	<u>3,291,753</u>	<u>2,579,572</u>	<u>3,532,532</u>
DEDUCTIONS:—			
For the expense of current bank operation, including the non-reimbursable expense incurred as Fiscal Agent of the U. S. and for printing of Federal Reserve Notes...	2,025,855	1,973,500	2,134,254
All other deductions, including those on account of depreciation on bank premises, machinery and equipment, cost of new furniture and equipment, and miscellaneous small items.....	125,317	135,650	146,143
Total deductions.....	<u>2,151,172</u>	<u>2,109,150</u>	<u>2,280,397</u>
NET INCOME available for Dividends, Surplus and Franchise Tax to the U. S. Government	1,140,581	470,422	1,252,135
DISTRIBUTION OF NET INCOME:—			
Dividends paid member banks at rate of 6 per cent on paid-in capital.....	502,648	477,798	480,267
Additions to Surplus (the bank is permitted by law to accumulate out of net earnings, after payment of dividends, a surplus amounting to 100 per cent of the subscribed capital; and, after such surplus has been accumulated, to pay into surplus each year 10 per cent of the net income remaining after paying dividends).....	637,933	77,187
Franchise tax paid U. S. Government (representing the entire net income of the bank after paying dividends and making additions to surplus; Federal Reserve notes are not taxed, and this payment is in lieu of taxes on notes and other Federal taxes).....	None	694,681
Deficit of net income after dividend payments charged to Surplus account.....	None	7,376
Total.....	<u>1,140,581</u>	<u>470,422</u>	<u>1,252,135</u>

The earnings in 1925, it will be noted, were \$729,530 more than in 1924, the increase being due to the large volume of earning assets held during the year. While the aggregate expenses of bank operations show an increase of \$52,355 more than last year, this was occasioned entirely by an increase of \$88,752 in so-called uncontrollable expenses (cost of redemption and shipping of currency and coin, postage, etc.); there was therefore a decrease in actual operating costs of \$36,397, notwithstanding the much larger volume of items handled. The six per cent dividend provided for by the Federal Reserve Act was paid to member banks and, after setting aside \$125,317 for depreciation on building and other reserves, \$637,933 was added to the surplus account.

VOLUME OF OPERATIONS

The increase in the volume of operations above referred to is brought out clearly in the appended tabular statement, which shows an increase in 1925 over 1924 in the average number of pieces of currency received and counted of 39,000; of coin received and counted, 7,000; and of checks handled, 8,000.

DAILY AVERAGE VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS

NUMBER OF PIECES HANDLED:—	Increase(+) or Decrease(—) for year			
	1925	1924	Volume	Percentage
<i>Bills discounted:—</i>				
Applications	26	23	+	3 + 13.0%
Notes discounted	154	101	+	53 + 52.5
Bills purchased in open market for own account	91	54	+	37 + 68.5
Currency received and counted	752,000	713,000	+	39,000 + 5.5
Coin received and counted	601,000	594,000	+	7,000 + 1.2
Checks handled	232,000	224,000	+	8,000 + 3.6
<i>Collection Items handled:—</i>				
U. S. Government coupons paid	13,800	14,600	—	1,800 — 12.3
All other	1,400	1,800	—	400 — 22.2
<i>U. S. Securities:—</i>				
Issues, redemptions, and exchanges by Fiscal Agency Department	1,800	3,900	—	2,100 — 53.8
Transfers of funds	174	168	+	6 + 3.6
Envelopes received and dispatched	7,900	7,800	+	100 + 1.3
AMOUNTS HANDLED:—				
	\$	\$	\$	
Bills discounted	6,796,000	2,705,000	+4,091,000	+151.2%
Bills purchased in open market for own account	1,304,000	854,000	+ 450,000	+ 52.7
Currency received and counted	4,620,000	4,352,000	+ 268,000	+ 6.2
Coins received and counted	69,000	67,000	+ 2,000	+ 3.0
Checks handled	59,898,000	54,473,000	+5,425,000	+ 10.0
<i>Collection Items handled:—</i>				
U. S. Government coupons paid	194,000	208,000	— 14,000	— 6.7
All other	2,320,000	1,949,000	+ 371,000	+ 19.0
<i>U. S. Securities:—</i>				
Issues, redemptions, and exchanges by Fiscal Agency Department	1,049,000	1,607,000	— 558,000	— 34.7
Transfers of funds	20,820,000	18,443,000	+2,377,000	+ 12.9

RELATION WITH FOREIGN BANKS OF ISSUE

During 1925 the Federal Reserve Bank of Boston participated in the arrangements made by the Federal Reserve Bank of New York with foreign banks of issue. The Foreign loans on gold shown in the statement of condition of the bank as of December 31, 1925, and "other deposits" represent these foreign transactions.

BANK ORGANIZATION AND PERSONNEL

Directors:—During the year there was one change in the Board of Directors. Mr. E. R. Morse of Proctor, Vermont, who had been a Class B director of the bank ever since its organization, died on May 26, 1925. A special election was held to choose a director for the remainder of Mr. Morse's term, or until December 31, 1925, polls in that election closing on July 16, 1925, and Mr. Albert C. Bowman, President of the John T. Slack Corporation, Springfield, Vermont, being chosen. On December 31, 1925, the terms of Mr. Frederick S. Chamberlain, Class A, Mr. Albert C. Bowman, Class B, and Mr. Charles H. Manchester, Class C, expired. Mr. Chamberlain and Mr. Bowman were re-elected for three-year terms by the member banks in Group 2—banks having a combined capital and surplus of not less than \$300,000 and not more than \$999,000—and Mr. Manchester was reappointed by the Federal Reserve Board for a similar term of three years. The Federal Reserve Board also redesignated Mr. Frederic H. Curtiss as Chairman and Federal Reserve Agent, and Mr. Allen Hollis as Deputy Chairman, for the year 1926.

Advisory Council:—At a meeting of the Board of Directors held on January 14, 1925, Mr. Charles A. Morss, Vice-President of the Simplex Wire and Cable Company, formerly Governor of the Federal Reserve Bank of Boston, was reappointed as member of the Federal Advisory Council to represent the First Federal Reserve District for the year 1925.

Personnel:—In May, 1925, Mr. William N. Kenyon resigned as Assistant Cashier of the bank in order to become a vice-president of the National Rockland Bank of Boston, his resignation taking effect at the end of the month. Mr. Kenyon had been an assistant cashier of this bank since February 1, 1918, having charge of the Discount and Collateral Departments. The vacancy caused by his resignation from the official staff was not filled, his particular duties being distributed among the other officers of the bank.

The increased volume of items handled daily by the bank during the year has necessitated an increase in the clerical staff from 685 to 697, the increase coming largely in the Transit and Money departments.

CHANGES IN MEMBERSHIP AND STOCKHOLDERS' MEETING

Changes in Membership:—The actual total number of member banks, 420, remained the same at the end of the year as on December 31, 1924, seven having discontinued membership through consolidation or liquidation, while an equal number, namely, three trust companies and four new national banks, became members. The actual capital subscription of the Federal Reserve Bank was increased, since all of the banks that withdrew on account of consolidation consolidated with member banks. There was no withdrawal of State bank members. The three state banks which joined are the B. M. C. Durfee Trust Company of Fall River, Mass., the Quincy Trust Company of Quincy, Mass., and the Carroll County Trust Company of Conway, N. H.; the new national banks are the City National Bank of New Britain, Conn., the Plantsville National Bank of Plantsville, Conn., the Methuen National Bank of Methuen, Mass., and the Massachusetts National Bank of Boston, Mass.

Stockholders' Meeting:—On October 21, 1925, there was held in the banking rooms of the Reserve Bank the third annual meeting of its stockholders. There were in attendance approximately 300 persons, representing over 200 member banks from the district. Addresses were made by the Chairman and the Governor of the bank, the former discussing the reserve requirements of the Federal Reserve Act and the latter analyzing the effect of recent suggestions, if enacted, calling for changes in the powers of national banks and in the note issue powers of Federal Reserve Banks. The remainder of the meeting was given over to an open forum, at which several resolutions were presented and referred to a committee on resolutions appointed by the meeting. In the afternoon the committee on resolutions submitted its report and the meeting adopted several resolutions, one authorizing the creation of a standing committee on nominations for directors of the Federal Reserve Bank, one opposing the repeal of the so-called War Amendments to the Federal Reserve Act, and one approving and advocating the passage of the pending McFadden Bill.

HAVANA AGENCY

The Agency maintained by the Federal Reserve Bank of Boston in Havana has operated efficiently and successfully during the year and reports come to the bank of the satisfactory service which the Agency offers to the banks in Cuba. During the year the volume of cable transfers, the only operations which the Agency performs, was somewhat less than 1924, because of lower prices for sugar,—cable transfers of 1925 being \$43,746,000 as against \$47,601,000 of 1924.