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Twelfth Annual Report of
the Federal Reserve Bank
of Boston for the year ended
☪ December 31, 1926 ☪

Boston, Massachusetts

TWELFTH ANNUAL REPORT

— OF THE —

Federal Reserve Bank
of Boston

*For the year ended
December 31, 1926*



BOSTON, MASSACHUSETTS

FEDERAL RESERVE BANK OF BOSTON

OFFICERS AND DIRECTORS

December 31, 1926

OFFICERS

W. P. G. HARDING, Governor.	FREDERIC H. CURTISS, Federal Reserve Agent.
WILLIAM W. PADDOCK, Deputy Governor.	CHARLES F. GETTEMY, Assistant Federal Reserve Agent.
WILLIAM WILLETT, Cashier.	HARRY F. CURRIER, Auditor.
KRICKEL K. CARRICK, Secretary.	
ELLIS G. HULT, Assistant Cashier.	
ERNEST M. LEAVITT, Assistant Cashier.	
L. WALLACE SWEETSER, Assistant Cashier.	

DIRECTORS

Class and Group		Term Expires December 31
A 1	ALFRED L. RIPLEY, President, Merchants National Bank, Boston, Mass.	1929
A 2	F. S. CHAMBERLAIN, Vice-President and Cashier, New Britain National Bank, New Britain, Ct.	1928
A 3	EDWARD S. KENNARD, Vice-President and Cashier, Rumford National Bank, Rumford, Me.	1927
B 1	PHILIP R. ALLEN, Vice-President, Bird & Sons, E. Walpole, Mass.	1929
B 2	ALBERT C. BOWMAN, President, The John T. Slack Corporation, Springfield, Vt.	1928
B 3	CHAS. G. WASHBURN, President, The Washburn Co., Worcester, Mass.	1927
C	FREDERIC H. CURTISS, Chairman, Boston, Mass.	1929
C	ALLEN HOLLIS, Deputy-Chairman, Lawyer, Concord, N. H.	1927
C	CHAS. H. MANCHESTER, President, Providence Gas Co., Providence, R. I.	1928

GENERAL COUNSEL

ARTHUR H. WEED, Boston, Mass.

MEMBER OF FEDERAL ADVISORY COUNCIL

CHARLES A. MORSS,
Vice-President, Simplex Wire & Cable Co.,
Boston, Mass.

LETTER OF TRANSMITTAL

BOSTON, MASS., January 25, 1927.

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

SIR:

I have the honor to submit herewith the Twelfth Annual Report of the Federal Reserve Bank of Boston, covering industrial conditions and credit conditions in New England, and the operations of the bank for the period January 1, 1926, to December 31, 1926.

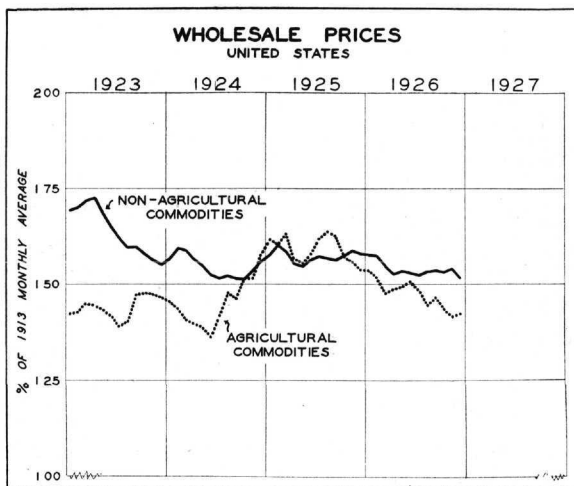
Respectfully yours,

FREDERIC H. CURTISS,
Chairman and Federal Reserve Agent.

TWELFTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF BOSTON

BUSINESS AND CREDIT CONDITIONS IN NEW ENGLAND DURING 1926

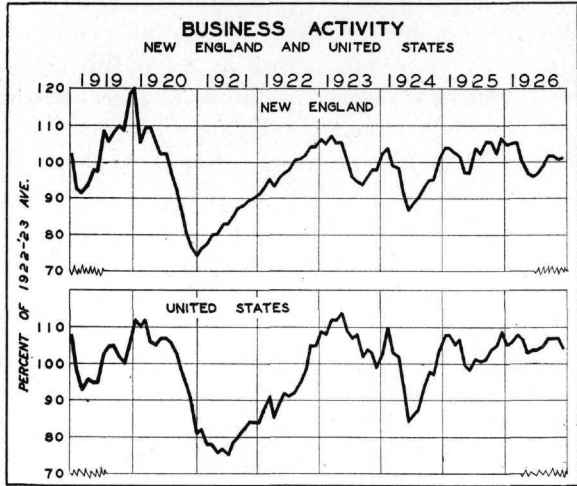
One of the outstanding factors influencing the banking situation of New England during the past year has been the decline in commodity prices, affecting, as it has, both agricultural and non-agricultural commodities. In 1924 there were extraordinarily large imports of gold into this country, and this factor was unquestionably the most important influence on the general credit situation in that year. In 1925 the outstanding factor was undoubtedly the improvement in business activity, as compared with the previous year, in which New England shared. In 1926 it seems clear that the decline in commodity prices was the most important single factor affecting either the country-wide or the New England banking situation. The fall in cotton prices, for example, has been especially marked, and has materially reduced the amount of credit required by cotton dealers and cotton mills in New England. The declining price level became evident in the latter part of 1925, and has been virtually world-wide in its scope.



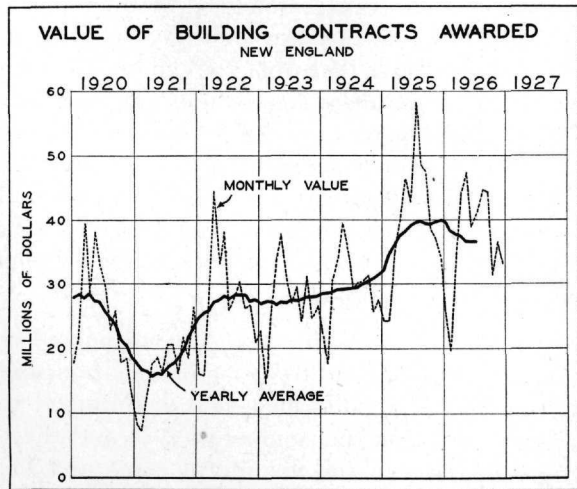
The New England banking situation during 1926 was also affected by the lower rate of local industrial activity which prevailed in that year by comparison with 1925. The decline, however, was not proportionately as large as the fall in commodity prices. New England manufacturing activity during the year was relatively lower than country-wide activity, which was somewhat greater than in 1925. Business activity in this district began

1926 at a fairly high level, but there was a recession during the summer, followed by only a partial recovery in the autumn and early winter.

The railroads of New England have increased their efficiency to an extraordinary extent during the past two years, and the cumulative effect of more reliable and rapid service has been to permit both the manufacturers and merchants of New England to operate with lower inventories of raw materials and finished merchandise. This has, of course, reduced the requirements for bank credit on their part.

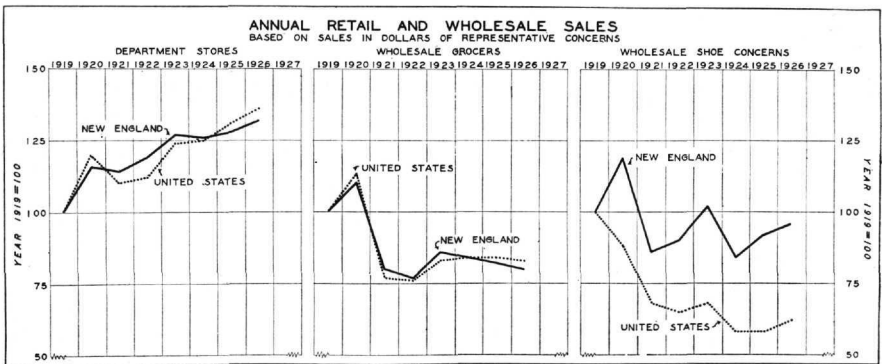


The building industry requires large amounts of credit, and is always an important factor in the banking situation. Contracts awarded during 1926 for construction projects in New England were relatively large, even though they were over seven per cent less than in 1925, which was a record-breaking year for the building industry. Residential, business and industrial building declined in activity, as compared with the previous year.



The income of New England factory employees was not far different in 1926 than in 1925, but the cash income of the New England farmers declined. Data are not available on factory employee income in all New England cities, but in Massachusetts, for example,

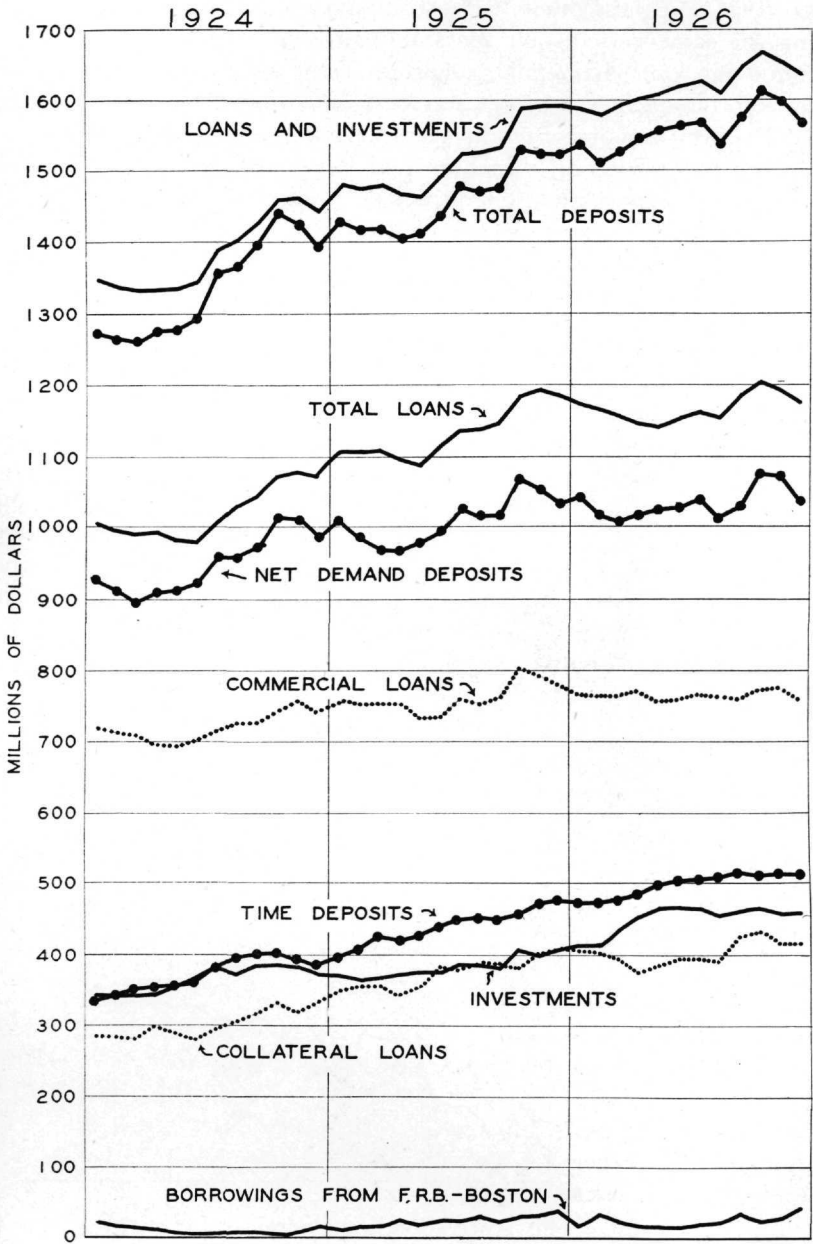
the number of employees was approximately the same in both years, with wage rates on the average a little higher than in 1925, but total hours employed slightly less. Farm income declined in all New England states except Vermont. The decrease was due primarily to lower prices brought about by large production in the entire country of locally important crops, such as apples, potatoes and cranberries. A marked improvement in the Connecticut Valley tobacco situation developed during the year, with higher prices resulting from sharp curtailment in production and general improvement in quality.



The volume of retail trade in New England during 1926 was larger than in the previous year, as indicated by the reports from department stores, which showed an increase for the year of about three per cent. This is about the increase that would be expected as a result of usual year-to-year growth of department store trade. The improvement in the total sales of New England department stores was due to larger sales on regular charge accounts and on instalment accounts; cash sales during 1926 were no larger than in 1925, when in turn they were no larger than in 1924. The increase in department store trade, therefore, has had a direct effect on the credit situation. The ratio of collections on outstanding accounts was somewhat better than in 1925.

One of the net results on the New England credit situation, of all the various industrial and trade factors mentioned above, has been a decided change in the trend of loans and discounts of the member banks in this district. Between the summer of 1924 and the close of 1925 there was a rapid increase in the volume of loans and discounts. This trend was changed in 1926 from a rapidly rising one to a virtually horizontal one. Total loans and discounts of member banks in nine large New England cities were practically the same at the close of 1926 as at the beginning.

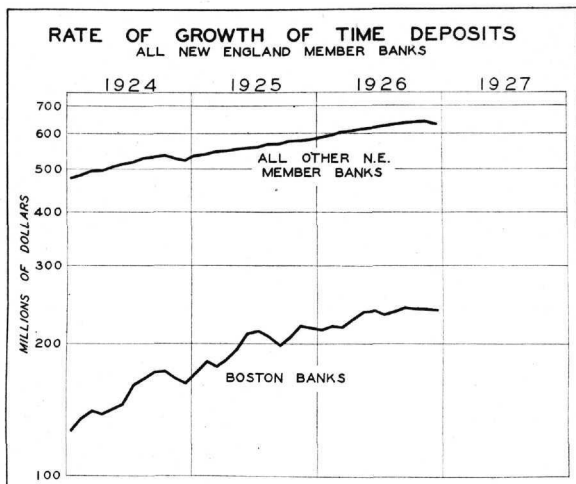
MEMBER BANK CREDIT SITUATION
 REPRESENTATIVE BANKS IN 9 NEW ENGLAND CITIES



So-called "commercial" loans were actually lower; but loans secured by stocks and bonds increased slightly. The rise in total loans in the latter part of 1924 and throughout 1925 accompanied a rise in business activity during the same period, and the stabilizing tendency during 1926 is a reflection of a somewhat similar condition in the industries of this district. Then, too, the decline in prices previously mentioned has had the effect of reducing the amount of credit necessary to finance a given volume of merchandise. Textile cities, such as Fall River and New Bedford, were among those to report a marked decline in "commercial" loans during the year, reflecting the severe decline in cotton prices.

Changes in the amounts of deposits in New England member banks during 1924 and 1925 corresponded closely to the changes in the volume of total loans and discounts. Deposits also increased rapidly between the summer of 1924 and the close of 1925. During 1926, however, deposits increased, whereas loans and discounts were no larger at the end of the year than at the beginning. In other words, during the year the supply of funds in New England member banks increased, while the demand did not, and therefore the position of member banks in this district became "easier." In fact, the average condition for the entire year was easier than in 1925. The rise in deposits was due to a growth in time deposits, a large proportion of which are no doubt savings deposits. Net demand deposits were approximately the same at the end of the year as at the beginning, although the Boston banks reported a decline in net demand deposits.

The rise in time deposits in 1926 was a continuation of an upward movement which has been very rapid during recent years, not only in this district, but throughout the country. Between the latter part of 1923 and the close of 1926 time deposits in Boston member banks increased approximately 90 per cent and in all other New England banks



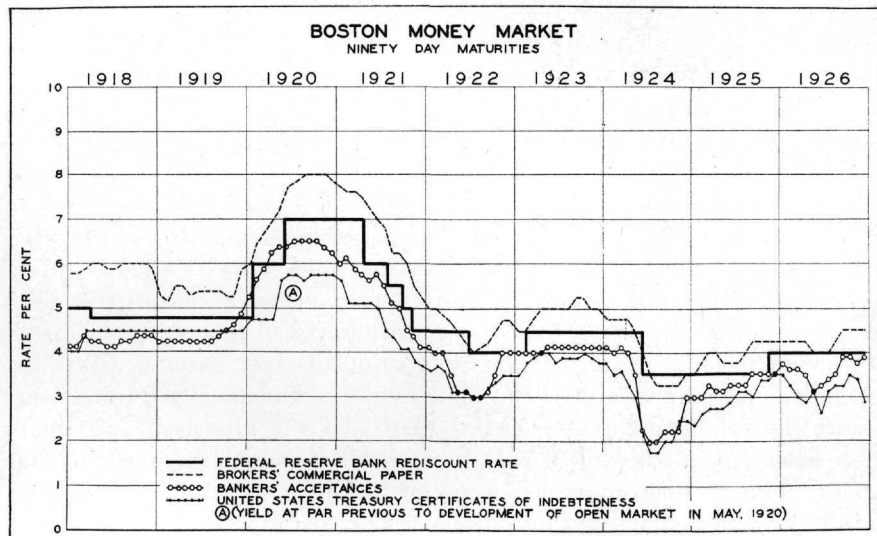
about 35 per cent. The corresponding increase for member banks throughout the country was about 35 per cent. In fact, during the

latter part of 1926 time deposits in all New England member banks were about 60 per cent as large as the net demand deposits.

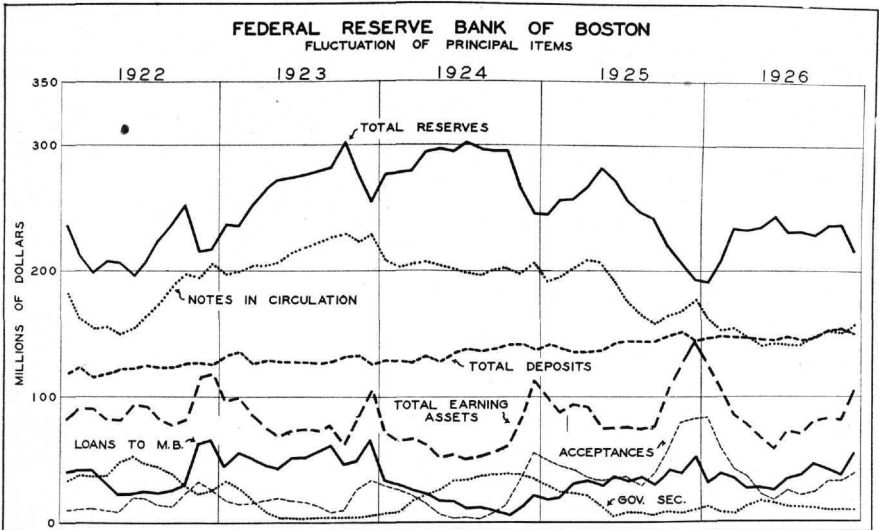
There are several reasons for this growth in time deposits. Some of them are business causes and some are banking causes. Both merchants and manufacturers have improved their control of inventories so that a smaller stock of merchandise is required now than formerly for a given volume of business. This releases working capital and it appears that some, at least, of this unused capital has been deposited in the banks as time deposits. Member banks are required to maintain a reserve of only 3 per cent on time deposits, contrasted with a required reserve of 7 or 10 per cent (depending upon the location of the bank) on net demand deposits, and this too may have a bearing on the rapid growth of time deposits. This phase of the credit situation should be considered.

Money rates rose in 1926, continuing a movement which started late in 1924 just after the beginning of the rise in loans and discounts previously mentioned. In 1924 the rate on prime commercial paper in Boston was as low as $3\frac{1}{4}$ per cent. In New York it declined to a range of $3-3\frac{1}{4}$ per cent. From this low level the rate rose rather steadily until in October, 1926, it was $4\frac{1}{2}-4\frac{3}{4}$ per cent. In November and December the rate was slightly lower, following the usual seasonal tendency.

The fluctuation of commercial paper rates in the Boston money market during 1926 might appear to be inconsistent with the local banking situation. As has been pointed out previously, the position of the member



banks of this district was somewhat easier than in 1925. On the other hand, local commercial paper rates are determined primarily by rates existing in New York—the financial center—rather than by local conditions. New York rates in turn reflect the composite condition of all member banks throughout the country. The ratio of total loans and discounts to total deposits of member banks in the country as a whole was higher in 1926 than in the previous year, indicating a firmer condition as contrasted with the easier position of the New England banks.



The volume of credit extended by the Federal Reserve Bank of Boston, that is, the aggregate of rediscounts for member banks and bills purchased in the market, averaged less in 1926 than in 1925, directly reflecting the correspondingly easier position of the New England member banks. The average volume of rediscounts for all member banks was somewhat higher than in 1925 but this was due to larger rediscounts for member banks in Boston and the member banks outside of Boston slightly reducing their rediscounts. Boston member banks showed a lower ratio of loans and discounts to total deposits, signifying an easier position but during the year they were investing more largely in securities, such investments forming a much larger proportion of their earning assets in 1926 than was the case in 1925. The banks in Boston pay interest on practically all their deposits and as their deposits increased and their interest payments became larger, it was their policy, because of the smaller demand for commercial accommodation, to avoid a deficiency in earnings by increasing their investments in securities. In the year 1925,

the Boston banks showed a comparatively small excess of total loans and investments over total deposits, but in 1926, this excess was somewhat larger. With so large a proportion of the deposits in the banks bearing interest, the resultant need for earnings no doubt induces them to invest more largely in securities than would otherwise be the case.

The increase in rediscounts just mentioned was more than offset by a 23 per cent decline in the average amount of holdings of acceptances by the Federal Reserve Bank of Boston. Holdings of United States securities were not large, the average for the year being the lowest since 1923.

The reserve ratio of the Federal Reserve Bank of Boston was slightly higher on the average in 1926 than in the previous year, due primarily to a decline in Federal Reserve note liability. Total cash reserves averaged about \$18,000,000 lower than in 1925. Inasmuch as the volume of all kinds of money in circulation throughout the United States was only fractionally higher than in 1925, the coincidental decline in the reserves and Federal Reserve note circulation of the Boston bank is largely a reflection of the policy of paying out gold certificates instead of Federal Reserve notes.

Notwithstanding the lower volume of reserve bank credit in use, the total income of the Federal Reserve Bank of Boston during 1926 was greater than in the previous year, due primarily to a higher rate of return on rediscounts for member banks. The rediscount rate was changed in November, 1925, from $3\frac{1}{2}$ to 4 per cent, a rate which prevailed throughout 1926. Although the proximity of the Federal Reserve Bank of Boston to the Federal Reserve Bank of New York is such that a change in the rediscount rate of the New York bank is felt at once in this district, the directors of the Federal Reserve Bank of Boston did not feel that the effect of the reduction of the rate of the New York bank on April 23, 1926, to $3\frac{1}{2}$ per cent was sufficient to warrant any change in the 4 per cent rediscount rate of the Boston bank. The question of a change in the rediscount rate was discussed at each fortnightly meeting of the Board of Directors and it was deemed advisable to maintain the 4 per cent rate throughout 1926. It will be recalled that the New York Federal Reserve Bank increased its rate to 4 per cent on August 13, 1926. This was the first year since the organization of the Federal Reserve Bank of Boston during which the rediscount rate on all classes of paper remained unchanged for the entire twelve months.

COMPARATIVE STATEMENT OF CONDITION

(000 omitted)

RESOURCES

	1926	1925
I. EARNING ASSETS:—		
1. <i>Loans to Member Banks:—</i>		
(a) On the security of obligations of the United States.....	\$32,294	\$21,541
(b) By the discount of commercial or agricultural paper or acceptances.....	33,808	31,573
Total loans to member banks.....	<u>66,102</u>	<u>53,114</u>
2. <i>Acceptances bought in the open market.....</i>	<u>47,201</u>	<u>84,714</u>
3. <i>United States Government securities bought in the open market:—</i>		
(a) Bonds.....	530	553
(b) Treasury Notes.....	2,141	1,846
(c) Certificates of Indebtedness.....	7,493	10,336
Total U. S. Government Securities Bought....	<u>10,164</u>	<u>12,735</u>
4. <i>Foreign loans on gold.....</i>	577
TOTAL EARNING ASSETS.....	<u><u>123,467</u></u>	<u><u>151,140</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>		
	96,738	78,505
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>		
	6,351	6,289
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>		
	39,336	32,809
4. <i>Gold and Gold Certificates in the bank's own vault....</i>		
	<u>35,487</u>	<u>40,402</u>
Total gold reserves.....	177,912	158,005
5. <i>Legal tender notes, silver, and silver certificates in the vaults of the bank, and available as reserves only against deposits.....</i>		
	<u>15,326</u>	<u>20,698</u>
TOTAL CASH RESERVES.....	<u><u>193,238</u></u>	<u><u>178,703</u></u>
III. NON-RESERVE CASH (National Bank Notes, Federal Reserve Bank Notes and minor coin).....		
	<u>7,902</u>	<u>6,733</u>
IV. MISCELLANEOUS:—		
Checks and other items in process of collection....	65,525	71,770
Bank premises.....	3,946	4,068
All other resources.....	75	102
TOTAL MISCELLANEOUS.....	<u>69,546</u>	<u>75,940</u>
TOTAL RESOURCES.....	<u>394,153</u>	<u>412,516</u>

COMPARATIVE STATEMENT OF CONDITION

(000 omitted)

LIABILITIES

	<i>1926</i>	<i>1925</i>
I. CAPITAL AND SURPLUS:—		
1. Capital paid in, equal to 3 per cent of the capital and surplus of member banks	\$8,800	\$8,611
2. Surplus—that portion of accumulated net earnings which the bank is legally permitted to retain	17,606	17,020
Total Capital and Surplus	<u>26,406</u>	<u>25,631</u>
II. DEPOSITS:—		
1. Deposits maintained by member banks as legal reserves against the deposits of their customers	147,016	141,802
2. U. S. Government deposits carried at the Reserve bank for current requirements of the U. S. Treasury	1,951	895
3. All other deposits (including foreign deposits, deposits of non-member banks, etc.)	2,268	809
Total Deposits	<u>151,235</u>	<u>143,506</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	<u>154,363</u>	<u>174,559</u>
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	61,867	68,373
2. All other liabilities	282	447
Total Miscellaneous Liabilities	<u>62,149</u>	<u>68,820</u>
TOTAL LIABILITIES	394,153	412,516

The principal changes as between December 31 of 1926, compared with December 31, 1925, reflected by this statement of condition, are as follows:—

1. An increase of loans to member banks of \$13,000,000.
2. A decrease in the holdings of acceptances bought in the open market of \$37,500,000.
3. A decrease of \$2,500,000 in holdings of government securities.
4. An increase of \$19,900,000 in the gold reserve.
5. An increase of \$775,000 in capital and surplus.
6. An increase of \$5,200,000 in reserve deposits of member banks.
7. A decrease of \$20,000,000 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 1926 and 1925:—

	1926	1925
INCOME AND DISBURSEMENTS		
EARNINGS:—		
From loans to member banks and paper discounted for them.....	\$1,463,790	\$1,197,662
From acceptances owned.....	1,278,862	1,493,284
From U. S. Government obligations owned.....	401,552	455,055
Other earnings (including deficient reserve penalties).....	174,873	142,545
	<u>3,319,077</u>	<u>3,288,546</u>
Total earnings.....		8,530
Additions to earnings.....		<u>3,207</u>
	<u>3,327,607</u>	<u>3,291,753</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.....	2,032,412	2,025,855
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.....	138,322	125,317
	<u>2,170,734</u>	<u>2,151,172</u>
Total deductions.....		
NET INCOME available for Dividends, Surplus and Franchise Tax to the U. S. Government.....	1,156,873	1,140,581
DISTRIBUTION OF NET INCOME:—		
Dividends paid member banks at rate of 6 per cent on paid-in capital.....	525,023	502,648
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)....	585,888	637,933
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).....	45,962	None
Deficit of net income after dividend payments charged to Surplus account.....	None	None
	<u>1,156,873</u>	<u>1,140,581</u>
Total.....		

The total earnings for the year 1926 were \$3,319,077, or \$30,531 more than in 1925, due largely to the increase of discount rates from 3½ to 4 per cent and to increased borrowings by member banks. The number of banks borrowing was less than in the previous year. The expense of operation, which includes expenses incurred as Fiscal Agent of the United States and for the printing of Federal reserve notes, was \$6,557 more than

in the year 1925, this increase being due to the cost of handling the increased volume of currency, coin and checks, as will be seen by the table below. After paying the 6 per cent dividend provided for by the Federal Reserve Act to member banks, and setting aside \$138,322 for depreciation of building and other reserves, \$585,888 was added to the surplus and \$45,962 was paid to the United States Government as franchise tax.

VOLUME OF OPERATIONS

The following table, giving the daily average volume of operations in the principal departments of the bank, shows the increased volume of operations referred to above in the currency, coin and check departments, the currency department handling a daily average of 782,000 pieces, or an increase of 30,000; the coin department handled 629,000 pieces, or an increase of 28,000; and the number of checks handled was 253,000, an increase of 21,000.

NUMBER OF PIECES HANDLED:—	1926	1925	Increase(+) or Decrease(—) for year	
			Volume	Percentage
<i>Bills discounted:—</i>				
Applications	28	26	+	2 + 7.7%
Notes discounted	139	154	—	15 — 9.7
<i>Bills purchased in open market for own account</i>				
	128	91	+	37 +40.6
Currency received and counted	782,000	752,000	+	30,000 + 3.9
Coin received and counted	629,000	601,000	+	28,000 + 4.6
Checks handled	253,000	232,000	+	21,000 + 9.1
<i>Collection Items handled:—</i>				
U. S. Government coupons paid	11,000	12,800	—	1,800 —14.1
All other	1,375	1,400	—	25 — 1.8
<i>U. S. Securities:—</i>				
Issues, redemptions, and exchanges by Fiscal Agency Department	1,191	1,800	—	609 —33.8
Transfer of funds	181	174	+	7 + 4.0
AMOUNTS HANDLED:—				
	\$	\$	\$	
Bills discounted	9,104,000	6,796,000	+2,308,000	+33.9
<i>Bills purchased in open market for own account</i>				
	1,773,000	1,304,000	+ 469,000	+36.0
Currency received and counted	4,759,000	4,620,000	+ 139,000	+ 3.0
Coin received and counted	70,000	69,000	+ 1,000	+ 1.4
Checks handled	67,064,000	59,898,000	+7,166,000	+12.0
<i>Collection Items handled:—</i>				
U. S. Government coupons paid	179,000	194,000	— 15,000	— 7.6
All other	2,093,000	2,320,000	— 227,000	— 9.8
<i>U. S. Securities:—</i>				
Issues, redemptions and exchanges by Fiscal Agency Department	1,075,000	1,049,000	+ 26,000	+ 2.5
Transfer of funds	24,406,000	20,820,000	+3,586,000	+17.2

RELATIONS WITH FOREIGN BANKS OF ISSUE

As in previous years, the Federal Reserve Bank of Boston has participated in arrangements made by the Federal Reserve Bank of New York with foreign banks of issue,—additional participations which were taken by this bank during the year 1926 being in agreements with the Swiss National Bank, the National Bank of Belgium, the Bank of France and the Czechoslovak National Bank, the latter being the successor to the Bankovní úrad Ministerstva Financí of Prague with which similar relations existed.

The deposits with foreign banks increased from \$611,000 in 1925 to \$2,140,000 in 1926.

BANK ORGANIZATION AND PERSONNEL

Directors:—On December 31, 1926, the terms of Mr. Alfred L. Ripley as Class A director, Mr. Philip R. Allen as Class B director, and Mr. Frederic H. Curtiss as Class C director, expired. Mr. Ripley and Mr. Allen were re-elected for three-year terms by the member banks in Group I,—banks having a combined capital and surplus in excess of \$999,000,—and Mr. Curtiss 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 1927.

Advisory Council:—At a meeting of the Board of Directors held on January 13, 1926, 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 1926.

Personnel:—There were no changes in the official staff during the year 1926, while the clerical staff, which stood at 699 on December 31, 1926, compared with 698 on December 31, 1925. Although the volume of items handled in the Currency and Transit Departments had greatly increased, this increased volume was taken care of by clerks transferred from other departments.

CHANGES IN MEMBERSHIP AND STOCKHOLDERS' MEETING

Changes in Membership:—The total number of member banks on December 31, 1926, was 416, or four less than on the same date in 1925. Although the number of banks was less, it will be noted that the outstanding capital stock of the Federal Reserve Bank of Boston was larger. This was due to changes in membership on account of new member

banks or consolidations of member banks with other banks. The new national banks organized during the year were the Rockingham National Bank of Exeter, N. H., First National Bank of Medford, Mass., Phoenix State Bank and Trust Company of Hartford, Conn. The last mentioned was originally the Phoenix National Bank, which converted into the Phoenix Bank, becoming a member bank at the time of conversion, and later, through consolidation with the State Bank & Trust Company of Hartford, became the Phoenix State Bank & Trust Company. Other changes to be noted are the absorption of the Producers National Bank of Woonsocket, R. I., by the Rhode Island Hospital Trust Company of Providence, R. I.; the absorption of the National Exchange Bank of Providence, R. I., by the Industrial Trust Company of Providence, R. I.; the consolidation of the Merchants National Bank of Providence, R. I., with the Providence National Bank of Providence, R. I.; the absorption of the Massachusetts Trust Company of Boston by the Atlantic National Bank of Boston; the absorption of the Bridgton National Bank of Bridgton, Me., by the Casco Mercantile Trust Company of Bridgton, Me.; the consolidation of the National Exchange Bank of Newport, R. I., with the Aquidneck National Bank of Newport, R. I. All of these banks are members with the exception of the Casco Mercantile Trust Company.

Stockholders' Meeting:—On October 29, 1926, the Fourth Annual meeting of the stockholders was held in the banking rooms of the Reserve Bank. Delegates representing 216 member banks and 54 other member bank representatives were in attendance. The principal speakers at the morning session were Mr. A. Lincoln Filene, Chairman of the Research Committee of the New England Council, Hon. Charles S. Hamlin, a member of the Federal Reserve Board, and Hon. Robert Luce, Representative in Congress from Massachusetts, who is a member of the House Committee on Banking and Currency. Some seven resolutions were introduced, all of them dealing with the so-called McFadden Bill (H. R.-2) and one of them being identical in its provisions with the resolution adopted by the American Bankers' Association at its convention in California in October. At the afternoon session the Committee on Resolutions, to which the resolutions were referred in the morning, reported, and the meeting adopted, pursuant to the recommendation of the committee, the resolution which had been adopted by the American Bankers' Association at its October convention.

HAVANA AGENCY

The volume of cable transfers of the Havana Agency of the Federal Reserve Bank of Boston—the only operations which this agency performed and the responsibility for which it shared with the Havana Agency of the Federal Reserve Bank of Atlanta—was larger in 1926 than in 1925, being \$113,000,000, or \$70,000,000 more than in 1925. This increase was due largely to an incident which occurred in Cuba during April, namely, a run started on the suburban branches of one of the foreign banks, followed by withdrawals of deposits from some of the other banks in Havana, the situation being met by the transfer of funds aggregating some \$39,200,000. This episode caused our directors to feel that the plan formulated by the Federal Reserve Board in 1923, under which the Federal Reserve Bank of Boston and the Federal Reserve Bank of Atlanta each had an agency in Havana, could be modified to advantage and that a single agency would be more economical and effective. As a result, therefore, of a vote passed by our board of directors on August 11 and a subsequent hearing by the Federal Reserve Board, it was decided to allow the Boston bank to close its agency on December 31, 1926, when the functions formerly performed by it were transferred to the agency of the Atlanta bank.