

FEDERAL RESERVE BANK  
OF CHICAGO

---

FIRST ANNUAL REPORT  
TO THE  
FEDERAL  
RESERVE BOARD



DECEMBER 31, 1915



OFFICERS AND DIRECTORS  
FEDERAL RESERVE BANK  
OF CHICAGO

DISTRICT NO. 7

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DIRECTORS

CLASS "A"

Term Expires

\*George M. Reynolds, Chicago, Ill.....December 31, 1918  
Jas. B. Forgan.....Chicago, Ill.....December 31, 1916  
E. L. Johnson.....Waterloo, Ia.....December 31, 1917

CLASS "B"

\*A. H. Vogel.....Milwaukee, Wis...December 31, 1918  
Henry B. Joy.....Detroit, Mich.....December 31, 1916  
M. B. Hutchison....Ottumwa, Ia.....December 31, 1917

CLASS "C"

†E. T. Meredith.....Des Moines, Ia...December 31, 1918  
C. H. Bosworth.....Chicago, Ill.....December 31, 1916  
W. F. McLallen.....Columbia City, Ind.. " 31, 1917  
(\*Re-elected for three years.)  
(†Reappointed for three years.)

OFFICERS

C. H. BOSWORTH, Chairman of the Board and Federal Reserve Agent  
W. F. McLALLEN, Deputy Chairman, etc., and Secretary  
JAS. B. McDOUGAL, Governor  
C. R. McKAY, Deputy Governor  
B. G. McCLOUD, Cashier  
S. B. CRAMER, Acting Auditor

MEMBER ADVISORY COUNCIL

JAS. B. FORGAN



# FEDERAL RESERVE BOARD

WASHINGTON

Ex-Officio Members

WILLIAM G. McADDOO  
Secretary of the Treasury  
Chairman

JOHN SKELTON WILLIAMS  
Comptroller of the Currency

CHARLES S. HAMLIN, Governor  
FREDERIC A. DELANO,  
Vice-Governor  
PAUL M. WARBURG  
W. P. G. HARDING  
ADOLPH C. MILLER

H. PARKER WILLIS, Secretary  
SHERMAN ALLEN, Asst. Secretary

Address Reply to  
FEDERAL RESERVE BOARD

October 15, 1915.

Sir:

*Some months ago the Federal Reserve Board voted to ask each Federal Reserve Agent to present to it an annual report on the operations of his office. \* \* \**

*\* \* \* The main content of the report should be a review from your standpoint as the Chairman of the board of directors of your bank and the official representative of the Federal Reserve Board, of the bank's policies and the scope of its operations for the year, the banking and credit conditions and needs of your Federal Reserve district and the extent to which these have been met by your bank, and a description in general terms of the results of the year's operations, progress made, prospects for the future, and the problems presenting themselves for solution in your bank or in your district. Attention should also be given to any difficulties encountered in the administration of the Federal Reserve Act or the Board's regulations, and to any amendments either to the Federal Reserve Act or to the National Bank Act which in your judgment or in the judgment of your board of directors seem advisable. \* \* \**

*Respectfully,*

*H. PARKER WILLIS,  
Secretary.*

*Mr. C. H. Bosworth,  
Chairman, Board of Directors,  
Federal Reserve Bank of Chicago.*



**FIRST ANNUAL REPORT**  
**TO THE**  
**FEDERAL RESERVE BOARD**

**T**HE Federal Reserve Act was approved by the President, December 23, 1913.

The Organization Committee proceeded promptly to divide the country into districts and to conduct the election of Class "A" and Class "B" directors. In its circular of May 11, 1914, the hope was expressed that the banks "may be organized in ample time to elect officers and secure banking quarters and be in actual operation by August 1, 1914."

It was very unfortunate that this hope was not realized, so that the new system could have been ready to take care of the emergency resulting from the declaration of war in Europe. There was unavoidable delay in the appointment of the Federal Reserve Board and, again, in the appointment by the Board of the Class "C" directors of the banks.

The announcement of Class "C" directors of the Federal Reserve Bank of Chicago was not made until October 7 and they were immediately summoned to Washington. The first meeting of directors was held at the rooms of the Chicago Clearing House Association on October 13, 1914.

A meeting at Washington of all the directors of all of the banks with the Federal Reserve Board was called for October 20, and at that meeting it was agreed that all the banks could open for business on November 16, although the time for organization was necessarily short.

A call for the payment on November 2 of the first installment of subscriptions to the capital stock of the Federal Reserve Banks was issued by the Federal Reserve Board, and on October 25 the Secretary of the Treasury stated that he had determined to announce on November 16, 1914, the establishment of the Federal Reserve Banks in all the Federal Reserve Districts, and on October 28

the Federal Reserve Board advised the member banks to arrange to transfer the required reserves to the new banks on that date. All the national banks in this district except two became members.

Mr. F. A. Delano, Vice-Governor of the Federal Reserve Board, was present at the first meeting of the Board of Directors of the Federal Reserve Bank of Chicago. At this meeting the directors classified themselves into one, two and three year terms and took up the selection of quarters and the election of officers.

The full Board—with one exception—attended the joint conference at Washington on October 20; on their return, the second meeting was held on October 23, at which meeting a seal was selected, by-laws adopted, an Executive Committee named, the Governor appointed, and the Executive Committee ordered to canvass all available sites for quarters for the bank.

Up to and including November 16, 1914, four directors' meetings and eight executive committee meetings were held, all officers appointed, quarters selected and on the last-named date the Federal Reserve Bank of Chicago opened for business at Clark and Monroe streets.

The following telegrams were exchanged between the Secretary of the Treasury and the bank:

"Washington, D. C., Nov. 16, 1914.

"C. H. Bosworth,  
"Federal Reserve Agent,  
"Chicago, Ill.

"Please accept my cordial congratulations upon the opening of the Federal Reserve Bank of your district and my sincere commendation upon the effective work you have done in preparing the bank for business in the short time allowed for the opening. I am sure that the Federal Reserve Banks will serve a great and beneficent purpose in the future of our country and I am sure that this department and the Federal Reserve Board may count upon your loyal co-operation in the important work and duties which have been confided to you. My hearty good wishes for your success.

"(Signed) W. G. McADOO."

"Chicago, Nov. 16, 1914.

"Hon. W. G. McAdoo,  
"Chairman Federal Reserve Board,  
"Washington, D. C.

"Allow us to extend our congratulations to you and your associates on the Federal Reserve Board

upon the successful opening of the district banks. We are pleased to announce that the Federal Reserve Bank of Chicago opened on time at ten o'clock this morning fully prepared to perform the functions required of it. On behalf of ourselves and all the directors of this institution we have to say that you may count upon our loyal co-operation in this important work.

"(Signed) J. B. McDUGAL, Governor.  
"C. H. BOSWORTH, Chairman."

#### ACTIVITIES OF THE BOARD OF DIRECTORS

When the bank was organizing, directors' meetings were frequent and held upon call of the chairman. During 1915, however, the regular monthly meeting has been found satisfactory, as a very full report of executive committee proceedings is sent out to all directors every week. Since organization, there have been seventeen directors' meetings and eighty executive committee meetings.

Upon different occasions members of the Federal Reserve Board have visited the bank, and a number of them have attended directors' meetings.

Four directors, residents of Chicago, with the Governor as Chairman, constitute the Executive Committee. At the beginning this committee met from three to four times a week. After January 8, 1915, two, and since June 25, 1915, one meeting a week has been sufficient. Occasionally one or more of the out-of-town directors have met with the committee.

The committee reviews the acts of the officers in the matter of rediscounts for member banks and the purchase of acceptances and other investments and passes upon all current questions of policy, methods and procedure, subject to ratification by the Board of Directors. The directors approve or disapprove of the acts of the Executive Committee, receive reports from the officers, determine interest and discount rates and, in general, perform the functions ordinarily exercised by boards of directors.

#### BUSINESS AND BANKING CONDITIONS DURING THIS PERIOD

The Federal Reserve Bank of Chicago was opened just as business was beginning to recover from the shock occasioned by the declaration of

war in Europe. After November 16, 1914, the steadying and quieting influence of the Federal Reserve System began to be felt and a quick reduction began in the high rates of interest then prevailing.

Early in August, Aldrich-Vreeland currency had been applied for by the currency associations located in this district to the amount of \$38,198,490. About the same time Detroit, Des Moines and Chicago banks had issued clearing house certificates. About the time this bank was organized the banks began to redeem their Aldrich-Vreeland currency and to retire their clearing house certificates.

By January 1, 1915, a better tone was apparent. At this time member banks were discounting with the Reserve Bank to the extent of \$3,000,000, almost all of which was from large city banks. This amount gradually dwindled to \$760,000 on the first of May, practically all being from smaller country banks. There was a plethora of money in the banks, but business was still timid and sensitive to war scares, and weather conditions all over the United States were unusually unfavorable to growing crops.

Between May and September crop prospects improved until there was a practical certainty of a record production; so-called war orders began to make themselves felt; railroads began necessary betterment work and the buying of additional equipment, and lumber and the building trades began to take on life, except in Chicago, where the strikes caused a complete tie-up in building operations until July. During this third quarter of the year bank deposits continued abnormally high and interest rates unusually low.

The marketing of crops was delayed until well into the last quarter of the year. A considerable per cent of the corn crop was damaged by early frosts and is now being fed to stock, resulting in increased loans to farmers by country banks and in the member banks rediscounting with the Federal Reserve Bank to the extent, at this date, of a little over \$3,000,000.

Illustrating the solid character of commercial and manufacturing activities, advices from the steel and iron trade show increasing demands and

the output is almost all for domestic requirements. Railroads are showing heavy increases in earnings. General business conditions and seasonable weather are favorable to a much greater volume of merchandising, both wholesale and retail, than a year ago. Deposits in Chicago banks increased over \$40,000,000 between the Comptroller's calls of September 2 and November 10, 1915.

Confidence in the immediate future is evidenced by the large expenditures being undertaken for the purpose of enlarging outputs and the steady buying of retailers to replace or enlarge depleted stocks. Money rates are low and bank deposits are still increasing.

#### CHARACTER OF DISCOUNTING

The first discounting with the Federal Reserve Bank of Chicago by member banks was done by several of the large Chicago banks and was largely complimentary and for the purpose of blazing the way and setting an example.

Later on, some discounting was for the purpose of enabling the members borrowing to retire Aldrich-Vreeland currency. From the latter part of December, 1914, to March, 1915, much of the discounting was from Iowa, Illinois and Indiana banks and was due to local emergencies caused by the hoof and mouth disease. Latterly, in 1915, some discounting has been occasioned by the poor and unmarketable quality of the corn crop in certain sections of the district. In addition to this there has been more or less continuous discounting in a small way, due to the individual requirements of a number of the country banks.

#### MEETINGS AND ORGANIZATION OF FEDERAL RESERVE AGENTS

A conference of all the twelve Federal Reserve Agents was called by the Board and was held in the Treasury Building, Washington, February 1 to 6, 1915, at which many subjects were discussed.

A second conference was called and held at Washington, November 4 to 6, 1915. At both conferences joint sessions with the Federal Reserve Board were held.

At the November conference a permanent organ-

ization was effected and an executive committee appointed.

The Executive Committee met in joint conference with the Executive Committee of the Governors at Washington, November 17, 1915.

#### FEDERAL RESERVE NOTE-ISSUING CAPACITY AND POLICY OF THE BANK

Taking the statement of the bank of December 1, 1915, and after setting aside the required 35 per cent reserve against deposits, the bank had left \$27,697,106 gold reserve applicable to a Federal Reserve note issue. The gold reserve required by the Act against a note issue is 40 per cent. This \$27,697,106 would, therefore, sustain a Federal Reserve note issue of \$69,242,765.

The Federal Reserve Board is authorized to suspend this reserve requirement, and if the occasion demanded it, undoubtedly would do so, and the note-issuing capacity of the bank could readily be extended to in excess of \$100,000,000.

It is the policy of the bank to issue Federal Reserve notes freely where conditions and circumstances make it necessary. Up to the present time it has had no occasion to issue Federal Reserve notes except for the purpose of familiarizing member banks and the public with the new form of currency. While \$4,380,000 in notes has been issued the issue was quickly covered with gold of equal amount deposited with the Federal Reserve Agent, thus producing no expansion.

If an amendment to the Federal Reserve Act can be secured, under which the Federal Reserve Banks will be permitted to issue notes directly against deposits of gold and under which the government will assume the responsibility of the expense involved, it will then be the policy to issue notes freely with a view to accumulating gold, which will stand available in case of need.

#### U. S. BOND-SECURED CURRENCY

Under the Act the Federal Reserve Banks are authorized to deposit U. S. government bonds having the circulating privilege, and to receive from the Comptroller of the Currency circulating notes, which shall be issued and redeemed under the same terms and conditions as national bank

notes, except that they are not limited to the amount of the capital stock of the bank issuing them.

This bank has had printed \$2,560,000 of such bond-secured notes, ready for issue. None has been issued up to date.

This currency is available, however, in case of emergency. It would also be available in case of rediscounting with us by another Federal Reserve Bank, where currency shipment to the other bank was necessary, as Federal Reserve notes could not be used for this purpose, the law not allowing one Federal Reserve Bank to pay out the Federal Reserve notes issued by another bank, except under a heavy penalty.

#### FEDERAL RESERVE BANK AS FISCAL AGENT OF THE U. S. GOVERNMENT

On November 23, 1915, the Secretary of the Treasury announced that he had determined to appoint the Federal Reserve Banks to be depositaries and fiscal agents of the United States on January 1, 1916.

The deposits of all officers of the government in the City of Chicago, now made with the national banks of that city at present designated as United States depositaries, will be made with the Federal Reserve Bank, with the exception of post office funds and the deposits to the credit of a United States Court and its officers, and the Federal Reserve Bank will be required to cash all government warrants and checks drawn on the Treasurer of the United States which may be presented to it in the same manner and to the same extent as the national bank depositaries are now required to honor such checks.

The amount held by the national bank depositaries in Chicago to the credit of the Treasurer of the United States at the close of business December 31, 1915, will be transferred to the Federal Reserve Bank; that amount is approximately \$1,000,000 at present.

#### ELECTION OF DIRECTORS

The terms of one Class "A" and one Class "B" director expired on December 31, 1915. An election to choose their successors was held in Novem-

ber, resulting in the re-election of both of the old directors.

#### TRUSTEE POWERS TO NATIONAL BANKS

Up to December 1, 1915, special permits have been granted by the Federal Reserve Board to national banks in the Seventh District to act as trustee, executor, etc., when not in contravention of state laws, as follows:

- To 20 national banks in Indiana.
- To 8 national banks in Illinois.
- To 11 national banks in Iowa.
- To 8 national banks in Michigan.
- To 4 national banks in Wisconsin.

#### MEMBERSHIP OF STATE BANKS

Recognizing that a unified banking system, embracing in its membership the well-managed banks of the country, small and large, state and national, is the aim of the Federal Reserve Act, the Federal Reserve Board issued on June 7, 1915, its Circular No. 14, providing for membership of state banks in the system.

The regulations were made as liberal as possible and even provided a method by which state banks that joined might withdraw, a privilege not accorded by the Act to the national banks.

Two state banks—the Bank of Wisconsin, Madison, Wis., and the Central Trust Company of Illinois, Chicago, Ill., joined the system at its inception.

- Since then the following state banks have joined:
- Commercial and Savings Bank, Albion, Mich.
  - Elmhurst State Bank, Elmhurst, Ill.
  - Commercial Trust and Savings Bank, Joliet, Ill.
  - Badger State Bank, Milwaukee, Wis.
  - Fruit Growers' State Bank, Saugatuck, Mich.

#### THE INTERNAL ORGANIZATION AND PERSONNEL OF THE BANK

The three classes of directors, being men of wide experience, from the small as well as the large cities, compose an able and efficient board, fairly representing all interests, including banking, commercial, industrial and agricultural.

The executive officers of the bank were taken from the banking activities of the community,

where each has had years of practical experience. The heads of the various departments and other employes came from active positions in various banks, where they received the practical training essential to the best service. The various departments are now fully organized and equipped and in readiness for increasing activities, whatever they may be.

#### RATES OF DISCOUNT

Discount rates naturally are influenced by prevailing conditions and in naming rates it is the policy of the bank to carefully consider the general business situation. Should the demands be sufficient to absorb a considerable amount of the bank's resources it is the policy of the Board of Directors to immediately reconsider the established rates with a view to advancing them if advisable. On the other hand, should conditions be such as to indicate that the established rates are excessive due consideration will be given to a readjustment downward.

#### DISCOUNTING

It is the policy of the bank to lend liberal assistance to deserving banks for seasonal or emergency purposes, and on the other hand to discourage any tendency toward over-expansion.

From the outset, the officers have undertaken by correspondence and by personal interview to familiarize member banks with the procedure in discounting, which has been made as simple and expeditious as possible, all unnecessary formality being eliminated.

#### OPEN-MARKET OPERATIONS TO DECEMBER 1, 1915

Open-market transactions to date have been confined to the purchase of government bonds, short-time municipal warrants and bankers' acceptances. The total of bankers' acceptances purchased is \$4,773,465.72, represented by bills drawn against exports or imports and accepted by banking institutions of known responsibility.

The total of municipal obligations purchased is \$7,108,748.76, represented by warrants and bonds issued by municipalities in various states, of maturities ranging from 16 days to 6 months.

The total of U. S. bonds purchased is \$4,090,000, all carrying the circulation privilege as follows: \$2,525,000 U. S. 2 per cent bonds and \$1,565,000 3 per cent, the threes being due and payable in 1918.

#### THE CHECK-COLLECTION SYSTEM

On November 16, 1914, the date this bank opened for business, it installed a collection system by taking from member banks for immediate credit checks drawn by member banks on member banks located in Chicago and the seven reserve cities of this district.

On December 3, 1914, the collection service was enlarged to include *all* items drawn on member banks located in Chicago and the seven reserve cities in this district.

On December 16, 1914, the bank began taking checks drawn upon all of the Federal Reserve Banks for immediate credit. This was a temporary arrangement and subject to revision at such time as a permanent plan for clearing between Federal Reserve Banks could be agreed upon.

On April 7, 1915, the member banks were advised that a voluntary intra-district collection system would be established and that items would be received for immediate credit at par from such banks as joined the collection system, provided they were drawn upon banks which were members of the collection system.

On June 10, 1915, the voluntary intra-district collection system was put into effect.

On June 15, 1915, the bank began receiving items on all the Chicago Clearing House banks from member banks, whether they had joined the collection system or not, and in addition checks and drafts on Federal Reserve Banks located in Boston, New York, Philadelphia and St. Louis for immediate credit at par except when the amounts exceeded \$10,000, in which case it reserved the right at its option to receive the items at the market rate for exchange on the cities mentioned. Checks on other Federal Reserve Banks which were previously received for immediate credit at par were then received on a deferred credit basis of from one to four days, in accordance with the schedule of deferred credits ap-

proved by the Federal Reserve Board. Besides receiving the above items from member banks, whether they had joined the collection system or not, it began, on June 14, 1915, receiving from member banks that are members of the collection system checks and drafts on member banks located in Boston, New York, Philadelphia and St. Louis for immediate credit at par, reserving the right at its option to receive these items at the market rate for exchange on these cities when the amounts exceeded \$10,000.

No further changes in the collection system have been made up to date. The development of the check-collecting function has proved the most difficult problem confronting the management of the bank.

OPERATION OF CHECK-COLLECTION SYSTEM

From November 16, 1914, to December 3, 1914, drafts drawn by member banks on Reserve and Central Reserve city banks in District No. 7 were cleared as shown below:

AVERAGE PER DAY

Number of Items			Amount		
City	Country	Total	City	Country	Total
7	89	96	\$125,000	\$63,000	\$188,000

From December 3 to December 16 all checks drawn on member banks in Reserve and Central Reserve Cities of District No. 7 were cleared as shown below:

AVERAGE PER DAY

Number of Items			Amount		
City	Country	Total	City	Country	Total
793	2,262	3,055	\$820,000	\$650,000	\$1,470,000

From December 16, 1914, to June 10, 1915, all checks drawn on member banks in Reserve and Central Reserve Cities of District No. 7 and checks drawn on all other Federal Reserve Banks were cleared as follows:

**AVERAGE PER DAY**

Number of Items				
	City	Country	Other Federal Reserve Banks	Total
December 16-30....	893	2,463	10	3,363
January.....	911	3,256	25	4,192
February.....	715	3,289	33	4,017
March.....	763	3,202	39	4,004
April.....	704	3,262	48	4,014
May.....	730	3,198	43	3,971
June 1-10.....	768	3,305	49	4,122

  

Amount				
	City	Country	Other Federal Reserve Banks	Total
December 16-30....	\$ 982,000	\$ 700,000	\$ 525,000	\$2,217,000
January.....	1,004,000	1,315,000	730,000	3,049,000
February.....	1,243,000	1,144,000	734,000	3,121,000
March.....	1,675,000	1,430,000	849,000	3,754,000
April.....	1,436,000	1,064,000	686,000	3,186,000
May.....	1,377,000	962,000	735,000	3,074,000
June 1-10.....	1,454,000	1,395,000	1,434,000	4,283,000

From June 10 to December 31 all checks drawn on member banks of District No. 7 which have joined the collection system, checks on members of Chicago Clearing House Association, checks on all other Federal Reserve Banks and checks on member banks in Boston, New York, Philadelphia and St. Louis were cleared as follows:

**AVERAGE PER DAY**

Number of Items				
	City	Country	Other Federal Reserve Banks	Total
June 10-30.....	944	4,953	50	5,947
July.....	1,669	5,715	61	7,445
August.....	1,699	5,695	64	7,458
September.....	1,981	6,477	82	8,540
October.....	2,212	7,752	94	10,058
November.....	2,248	7,916	95	10,304
December.....	2,472	8,384	108	10,964

  

Amount				
	City	Country	Other Federal Reserve Banks	Total
June 10-30.....	\$1,616,000	\$ 987,000	\$ 958,000	\$3,561,000
July.....	1,843,000	1,125,000	721,000	3,689,000
August.....	1,793,000	1,155,000	515,000	3,463,000
September.....	2,121,000	1,353,000	1,225,000	4,699,000
October.....	2,964,000	1,752,000	1,212,000	5,928,000
November.....	3,462,000	1,952,000	1,509,000	6,923,000
December.....	3,725,000	1,983,000	2,037,000	7,745,000

**ITEMS AND AMOUNT HANDLED**

From November 16, 1914, to December 31, 1915, the check-collection department has handled—without charge to the member banks—2,122,405 items, the sum total amount of which is \$1,303,629,-563.43.

## EXCHANGE AND COLLECTION CHARGES ON CHECKS IN THIS DISTRICT

Exchange charges in this district are not excessive, being rarely over \$1 per \$1,000. In Illinois about 50 per cent of the member banks remit at par. The rates of the banks which charge run from 25 cents to \$1 per \$1,000.

In Indiana possibly 15 per cent of the banks remit to their Chicago correspondents at par. The rates of the banks which charge run from about 50 cents to \$1 per \$1,000, and in some instances as high as \$1.25 per \$1,000.

In Iowa, about 25 per cent remit at par, the remainder charging about \$1 per \$1,000

In Michigan and Wisconsin there are very few par points, as nearly all the banks charge \$1 per \$1,000.

Outside of the banks which have joined the collection system, very few reductions in exchange charges have been made. There are a few banks, however, that are agreeing to remit at the rate of 10 cents per letter regardless of the amount, but there has been no reduction to any extent of exchange charges by non-members of the collection system.

## IMPORTANCE OF THE BANK TO THE COMMUNITY

Notwithstanding the almost negligible demands on most of them for either credit or currency, the Federal Reserve Banks have performed an important function in the creating of confidence and in stabilizing the financial structure of the country. During the several very critical periods this year the system fully demonstrated its worth, inspiring confidence and banishing fear, and forestalling panic from the mere fact of its existence.

## ATTITUDE TOWARD MEMBER BANKS

The Federal Reserve Bank of Chicago belongs to its members. They have furnished the entire capitalization and are the sole depositors, they have elected six of the nine directors and the directors in turn have elected all the officers of the bank except the chairman of the Board. Furthermore, the Federal Reserve Board has stated its policy to be that it does not desire to interfere with the management of the banks except to see

that the law is observed. Therefore, the attitude toward member banks is one of cordial co-operation for the purpose of securing for them and through them for the business community and the public every advantage intended and possible under the Act.

#### CO-OPERATION BETWEEN FEDERAL RESERVE BANKS

Co-operation between the Federal Reserve Banks has been evidenced by the organization of a conference of Governors for the purpose of considering problems and questions that have arisen, and exchanging views in order that all may have the benefit of the views of each. The full conference has held five meetings, each meeting lasting several days, in addition to which the Executive Committee of the Conference of Governors has transacted such business as has been delegated to it by the full conference. Also a number of joint meetings have been held between the Federal Reserve Board and the full Conference of Governors, and between the Board and the Governors' Executive Committee.

Respectfully submitted,

C. H. BOSWORTH,

Chairman of the Board.

Chicago, Ill., December 31, 1915.

### FEDERAL RESERVE NOTES

Figures at Close of Business December 31, 1915

Total Federal Reserve Notes printed for this bank.....	\$60,000,000
Held in Washington ready for shipment.....	\$50,620,000
Held by Federal Reserve Agent (New Notes)....	4,660,000
Issued to bank.....	4,720,000
Outstanding in circulation, secured by deposit of gold with Federal Reserve Agent.....	4,380,000
Returned by bank for cancellation and destruction.....	340,000
Notes of other Federal Reserve Banks redeemed and returned to issuing bank.....	884,875
Our notes returned to us by other Federal Reserve Banks....	148,460

### RECORD OF DISCOUNT RATES

Effective	Maturities up to 30 Days	Maturities up to 60 Days	Maturities up to 90 Days	Maturities over 90 Days
1914				
Nov. 14.....	6 %	6 %	6 %	6 %
Dec. 1.....	5½ %	6 %	6 %	6 %
Dec. 16.....	5 %	5½ %	6 %	6 %
1915				
Jan. 1.....	4½ %	5 %	5½ %	6 %
Jan. 23.....	4 %	4 %	4½ %	5 %
Dec. 1.....	(No change)			
Dec. 11.....	Special rate of 3½ % on ten-day paper.			

### CAPITAL STOCK SUBSCRIPTIONS AS OF DECEMBER 31, 1915

Central Reserve City Banks.....	\$ 4,488,000.00
Reserve City Banks.....	2,195,700.00
Country Banks.....	6,609,700.00
	\$13,293,400.00

Table showing reserve required to be deposited with Federal Reserve Bank of Chicago December 1, 1915, figured from the Comptroller's call of November 10, 1915, and compared with actual balances as shown by books on December 1, 1915.

	Reserves Carried with Federal Reserve Bank.	Reserves Required to be Carried with Federal Reserve Bank.	Excess Reserves.
Central Reserve City Banks.....	\$34,174,300.00	\$31,777,500.00	\$2,396,800.00
Reserve City Banks..	5,568,700.00	6,031,900.00	*463,200.00
Country Banks.....	12,400,200.00	11,956,500.00	443,700.00
	\$52,143,200.00	\$49,765,900.00	\$2,377,300.00

\*Short of Required Reserves.

Table showing totals for the District of Capital, Surplus, Demand Deposits, Time Deposits, Total Resources, Borrowed Money and Paper Eligible for Rediscount with the Federal Reserve Bank of Chicago as shown by the Reports of the Comptroller of the Currency November 10, 1915.

	Central Reserve Cities	Reserve Cities	Country Banks	Total
Capital.....	\$ 47,300,000.00	\$ 25,000,000.00	\$ 72,202,000.00	\$ 144,502,000.00
Surplus.....	27,560,000.00	11,610,000.00	37,770,000.00	76,940,000.00
*Individual Demand Deposits.....	290,836,000.00	130,438,000.00	309,275,000.00	730,549,000.00
*Individual Time Deposits.....	19,549,000.00	24,852,000.00	177,259,000.00	221,660,000.00
Total Resources.....	698,007,000.00	290,159,000.00	737,363,000.00	1,725,529,000.00
Money Borrowed.....	400,000.00	226,000.00	8,128,000.00	8,754,000.00
Paper Eligible for Rediscount.....	125,847,000.00	40,549,000.00	104,083,000.00	270,479,000.00

The total of "Paper Eligible for Rediscount" does not reflect the true condition, as a great many of the member banks did not report under this heading.

Note: \*Bank Deposits omitted.

COMPARATIVE STATEMENT OF INVESTMENTS—SEMI-MONTHLY

	Bills Discounted Members	Bills Discounted Bought	U. S. Bonds	Investments	Total
<b>1914</b>					
Nov. 18.....	\$1,000,000.00	.....	.....	.....	\$ 1,000,000.00
Dec. 1.....	2,602,108.08	.....	.....	.....	2,602,108.08
15.....	3,161,780.11	.....	.....	.....	3,161,780.11
<b>1915</b>					
Jan. 2.....	2,667,074.44	.....	\$ 555,000.00	.....	3,222,074.44
15.....	2,078,148.58	.....	925,000.00	\$ 1,000,000.00	4,003,148.58
Feb. 1.....	1,572,045.30	.....	2,025,000.00	1,525,000.00	5,122,045.30
15.....	1,089,216.98	.....	2,875,000.00	1,530,000.00	5,494,216.98
March 1.....	787,581.60	\$ 489,864.74	3,375,000.00	2,330,000.00	6,982,446.34
15.....	955,771.23	967,783.60	3,500,000.00	2,330,000.00	7,753,554.83
April 1.....	996,048.62	1,412,589.24	3,525,000.00	2,499,500.00	8,433,137.86
15.....	813,940.71	1,589,849.24	3,525,000.00	2,633,500.00	8,562,289.95
May 1.....	761,534.17	1,537,128.54	3,525,000.00	2,931,500.00	8,755,162.71
15.....	804,180.51	1,094,680.30	3,525,000.00	3,241,500.00	8,665,360.81
June 1.....	902,374.22	678,535.84	3,625,000.00	3,306,500.00	8,512,410.06
15.....	1,063,580.41	617,245.94	3,725,000.00	1,222,500.00	6,628,326.35
July 1.....	1,240,794.93	394,676.50	3,725,000.00	1,437,000.00	6,797,471.43
15.....	1,475,786.28	275,485.60	3,725,000.00	1,690,500.00	7,166,771.88
Aug. 2.....	1,453,923.41	533,499.54	3,725,000.00	2,023,000.00	7,735,422.95
15.....	1,284,777.02	717,380.78	3,826,000.00	2,075,000.00	7,903,157.80
Sept. 1.....	1,161,970.85	1,119,435.92	3,951,000.00	2,922,404.46	9,154,811.23
15.....	1,280,298.23	1,379,196.06	3,959,500.00	2,932,772.09	9,551,766.38
Oct. 1.....	1,576,061.96	1,551,563.30	3,986,000.00	2,984,679.35	10,098,304.61
15.....	1,832,551.39	1,527,493.64	4,006,000.00	2,970,489.35	10,336,534.38
Nov. 1.....	2,379,036.86	1,531,815.86	4,031,000.00	2,664,313.77	10,606,166.49
15.....	2,780,309.36	1,625,302.85	4,062,000.00	2,422,163.77	10,889,775.98
Dec. 1.....	2,973,487.23	1,521,971.13	4,090,000.00	1,001,898.87	9,587,357.23
15.....	3,433,273.29	1,487,119.87	4,206,000.00	1,482,253.37	10,608,646.53

**EARNINGS OF THE FEDERAL RESERVE BANK OF  
CHICAGO FOR THE PERIOD FROM NOVEMBER  
16, 1914, TO DECEMBER 31, 1915.**

*Earnings:*

Discount.....	\$117,411.56
Interest on Bonds and Investments.....	136,568.11
Sundry Profits.....	14,905.32
	\$268,884.99

*Charged to Earnings:*

Current Expense.....	\$200,306.98
Organization Expense.....	39,947.56
Federal Reserve Notes Issued.....	5,328.88
Equipment.....	3,210.18
	\$248,793.60

Balance carried to Profit and Loss Account..... \$ 20,091.39

**EXPENDITURES OF THE FEDERAL RESERVE BANK OF  
CHICAGO FOR THE PERIOD FROM NOVEMBER 16,  
1914, TO DECEMBER 31, 1915.**

*1. Current Expenses:*

Assessment to defray Expenses of Federal Reserve Board, July 1st to December 31st, 1915.....	\$ 13,226.40
All other Expenses.....	187,080.58
	Total.....\$200,306.98

*2. Organization Expenses:*

Expenses prior to November 16th, 1914.....	\$ 16,640.51
Assessment to defray Expense of Federal Reserve Board prior to June 30th, 1915.....	23,307.05
	Total.....\$ 39,947.56

*3. Cost of Federal Reserve Notes:*

..... \$ 65,708.94

*4. Equipment:*

Furniture and Fixtures.....	\$ 9,351.50
Vaults.....	6,960.00
Machines.....	7,363.53
Other.....	2,535.15
	Total.....\$ 26,210.18

Total Expenditures.....\$332,173.66

**DISCOUNT DEPARTMENT OPERATIONS**

November 16, 1914, to December 31, 1914.

116 applications for discount approved at 4% to 6% from 78 member banks as follows:

RESERVE CITIES			COUNTRY	
Illinois.....	*7 banks	\$4,207,350.00	15 banks	\$142,126.42
Indiana.....	1 bank	108,782.86	17 banks	224,891.09
Iowa.....	1 bank	30,500.00	29 banks	358,169.32
Michigan.....	2 banks	125,000.00	2 banks	150,295.50
Wisconsin.....	.....	.....	4 banks	62,700.00
	11 banks	\$4,471,632.86	67 banks	\$938,182.33

\*Central Reserve City.

**DISCOUNT DEPARTMENT OPERATIONS**

January 1st to December 31st, 1915.

1,049 applications for rediscount approved at 4% to 6% from 139 member banks as follows:

RESERVE CITIES			COUNTRY	
Illinois.....	*3 banks	\$1,442,618.68	33 banks	\$1,631,207.28
Indiana.....	.....	.....	21 banks	1,328,478.32
Iowa.....	2 banks	158,000.00	76 banks	4,260,295.65
Michigan.....	.....	.....	5 banks	208,570.82
Wisconsin.....	.....	.....	3 banks	209,701.96
	5 banks	\$1,600,618.68	139 banks	\$7,638,254.03