

**FEDERAL RESERVE BANK OF CHICAGO**

**PRESIDENT'S REPORT TO THE DIRECTORS**



**ACTIVITIES**

**FOR THE YEAR 1942**







PRESIDENT'S REPORT TO DIRECTORS

ACTIVITIES OF THE HEAD OFFICE AND DETROIT BRANCH

During the Year 1942

STATEMENT OF EARNINGS AND EXPENSES

and

STATEMENT OF CONDITION



STATEMENT OF WORKS

STATEMENT OF WORKS

STATEMENT OF WORKS

STATEMENT OF WORKS

and

STATEMENT OF WORKS



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ACCOUNTING DEPARTMENT:

Bookkeeping Division

Functioned 2,379,000 entries during the year 1942 to the accounts of our member banks, as compared with 2,372,000 entries during the year 1941 - an increase of .3%. The number of active accounts at the end of the year 1942 stood at 733 as against 706 at the end of 1941.

Federal Reserve Books Division

Effected 2,082,000 entries during the year 1942 in maintaining accounts with other Federal Reserve Banks and Branches, and with our Detroit Branch. This compared with 2,122,000 entries effected during 1941, and represented a decrease of 2% over that year.

Other phases of the work of this Division, such as the investigation of differences and preparation of adjusting entries, particularly in connection with direct sent letters, reflected a substantial increase, however, and more than offset the decrease in the actual number of entries functioned.

General Books Division

Effected 278,900 entries during the year 1942 compared with 262,400 entries during 1941 - an increase of 6%.

BANK EXAMINATION DEPARTMENT:

Record of Examinations

|  | <u>Number<br/>of Banks</u> | <u>Total Resources<br/>of Banks</u> |
|--|----------------------------|-------------------------------------|
| Regular - State member banks -<br>Joint with State Examiners           | 366                        | \$2,325,069,000.                    |
| Regular - State member banks - Independent                             | 1                          | 891,000.                            |
| Membership - Joint with State Examiners                                | 17                         | 70,469,000.                         |
| Membership - Independent   | 16                         | 15,631,000.                         |
| Follow-Up Investigations - Joint with<br>State Examiners               | 1                          | 242,000.                            |
| Follow-Up Investigations - Independent                                 | 22                         | 66,953,000.                         |
| Total  | 423                        | \$2,479,255,000.                    |
| Trust Departments - State member banks -<br>Joint with State Examiners | 110                        |                                     |
| Trust Departments - Membership - Joint with<br>State Examiners         | 5                          |                                     |
| Trust Departments - Membership - Independent                           | 4                          |                                     |
| Total  | 119                        | \$ 962,298,000.                     |



BANK EXAMINATION  
DEPARTMENT:  
(Continued)

All State member banks and their trust departments were examined during the calendar year of 1942 with the exception of six banks. Failure to examine them was due to the fact that the State Departments were unable to complete their schedules and we felt it more practical to defer examining those banks until after January 1, 1943, when joint examinations could be made.

Applications for State Bank Membership  
Acted Upon or in Process

|  |           |
|--|-----------|
| Applications approved - Admitted to Membership       | 29        |
| Applications approved - Incomplete                   | 3         |
| Applications withdrawn                               | 3         |
| Applications indefinitely deferred                   | 4         |
| Applications pending in Chicago on December 31, 1942 | <u>2</u>  |
|  | <u>41</u> |

Two of the applications "approved - incomplete" were completed on January 2, 1943, and we have been advised that the third will accept conditions of membership on January 12, 1943.

There should be no difficulty in completing the two applications now pending in Chicago.

Changes in State Bank Membership During the Year

|  |            |
|--|------------|
| Number of State member banks as of December 31, 1941 | 364        |
| Withdrawn  | 1          |
| New State Members                                    | <u>29</u>  |
| Number of State member banks as of December 31, 1942 | <u>392</u> |

The total resources of the 29 new State member banks, on the date of examination, amounted to \$101,325,561.41.



BANK EXAMINATION  
DEPARTMENT:  
(Continued)

NATIONAL BANKS  
SEVENTH FEDERAL RESERVE DISTRICT

Total Resources on June 30, 1942 - \$7,833,750,000.

Total number of National banks as of December 31, 1941 535

Additions during the year 2

Farmers-Merchants National Bank of Paxton,  
Paxton, Illinois - A conversion of a State  
non-member bank.

First National Bank, Marshall, Illinois -  
A conversion of a State non-member bank.

Withdrawals during the year 4

National Bank of Flint, Flint, Michigan -  
Absorbed by Michigan National Bank,  
Lansing, Michigan.

First National Bank of Nora Springs,  
Nora Springs, Iowa. Voluntary liquidation.

The National Bank of Adrian, Adrian, Michigan.  
Absorbed by Lenawee County Savings Bank,  
Flint, Michigan.

The First National Bank of Humboldt,  
Humboldt, Illinois. Absorbed by The National  
Bank of Mattoon, Illinois.

Total number of National banks as of December 31, 1942 533

BANK RELATIONS  
DEPARTMENT:

During the calendar year 1942 calls, other than  
scheduled examinations, were made on national banks,  
State member banks, State non-member banks, and  
group meetings by the Bank Relations Department,  
Mr. A. J. Mulrone, Vice President, and staff of  
examiners and assistant examiners, as follows:



|                |                        |            |
|----------------|------------------------|------------|
| BANK RELATIONS | National banks         | 167        |
| DEPARTMENT:    | State member banks     | 77         |
| (Continued)    | State non-member banks | 249        |
|                | Group meetings         | 27         |
|                | Conferences            | 4          |
|                | Special investigations | <u>2</u>   |
|                |                        | <u>526</u> |

During the year addresses were made before trade associations, credit associations, bankers associations, credit union associations, finance companies, clubs, and various other organizations as follows:

|  |            |
|--|------------|
| Credit Department - Regulation V                           |            |
| Mr. A. L. Olson, Assistant Vice President and assistants   | 6          |
| Consumer Credit Department - Regulation W                  |            |
| Mr. C. T. Laibly, Manager, and assistants                  | 70         |
| Research and Statistics Department                         |            |
| Mr. J. K. Langum, Assistant Vice President, and assistants | <u>75</u>  |
|  | <u>151</u> |

BINDERY AND  
OLD RECORDS:

This Division bound 12,300 books of bank records during the year 1942, compared with 11,000 in 1941. On account of increases in the volume of old records created out of government financing, as well as expected constantly increasing quantity of these records, the force has been increased from two to four men, with the probability that more men will have to be added.

BUILDING DEPARTMENT:

In the year 1942 a total of 38,800 square feet of office space and 6,000 square feet of storage space was rented in three local buildings. Further, the RFC Agency vacated 19,836 square feet at the end of August. With the exception of small enlargements of a few departments, the increased space thus becoming available was assigned to the Fiscal Agency operation. The Fiscal Agency was using 19,000 square feet on January 1, 1942, compared with 63,000 square feet at the beginning of 1943. Included in the renting operations above referred to, is the leasing for three years (fourth year optional) of 30,000 square feet of space on the second and third



**BUILDING DEPARTMENT:**  
(Continued)

floors, and vault space in the basement, of the 120 South LaSalle Street Building.

Due to governmental restrictions on new construction, only necessary renovations have been undertaken this past year. However, we completed in early 1942 the renovation of the 14th floor, which included the removal of the gymnasium, which not only converted 5,000 square feet of floor space into suitable condition for office use, but rendered the other 11,300 square feet on the floor more serviceable through presenting an open area for economical work flow.

More than eight tons of scrap were contributed during the year to the Scrap Metal Drive.

A number of projects like improved lighting, extension of sound reduction and floor covering, brighter decorations, and new furniture, which have been recognized as desirable, have been necessarily suspended for the duration.

**CAFETERIA:**

The average number of meals served daily in our Cafeteria and Dining Rooms during the year 1942 was 1,336, against 1,049 for the year 1941. The average Cafeteria check in December 1942 was 23.5 cents, against 23.1 cents in the previous December. We still serve for 25 cents, meat and potatoes or other vegetable, bread and butter, dessert and beverage. This year we inaugurated a late afternoon light lunch service for evening workers, which has met with excellent response. Better to handle the crowds at noon, we installed a second cafeteria service counter, built of non-critical and used materials. We absorbed \$20,887.52 of the expenses, or 17.8% in 1942, against \$15,639.45 or 17.4% in 1941. We served 401,000 meals last year, against 308,000 in the previous year.

**CASH DEPARTMENT:**

There was a very substantial increase in receipts and payments of currency and coin during the year 1942 over the preceding year, due to the increase in payrolls of industries engaged in war production, and also to the large amount of currency shipped to the armed forces.

The dollar value of currency paid out during the year 1942 amounted to \$1,933,365,000 as compared \$1,647,332,000 during the year 1941 - an increase of 17%.



CASH DEPARTMENT:  
(Continued)

The number of pieces of currency paid out during the year 1942 amounted to 385,375,493 as compared with 348,588,200 during 1941 - an increase of 11%.

The dollar value of currency received and counted during the year 1942 amounted to \$1,544,616,013 as compared with \$1,368,922,844 during 1941 - an increase of 13%.

The number of pieces of currency received and counted during the year 1942 amounted to 354,038,174 as compared with 334,997,526 during 1941 - an increase of 6%.

The dollar value of coin paid out during the year 1942 amounted to \$41,052,411 as compared with \$35,998,495 during 1941 - an increase of 14%.

The number of pieces of coin paid out during the year 1942 amounted to 512,136,484 as compared with 492,631,121 during 1941 - an increase of 4%.

The dollar value of coin received and counted during the year 1942 amounted to \$30,729,690 as compared with \$23,302,968 during 1941 - an increase of 32%.

The number of pieces of coin received and counted during the year 1942 amounted to 361,731,294 as compared with 204,103,253 during 1941 - an increase of 77%.

CHECK DEPARTMENT:

This department handled 29,910,793 City Checks during the year 1942, with a dollar value amounting to \$24,542,730,000, which is an increase of 9.17% in City Checks handled and 21.60% in the dollar value of City Checks handled compared with the year 1941.

The number of Country Checks handled was 122,485,097, with a dollar value of \$15,502,741,000, which is an increase of 2.89% in Country Checks handled and 19.71% in the dollar value of Country Checks handled, compared with the year 1941.

12,421,740 Government Checks were handled, with a dollar value of \$7,676,736,000, which is an increase of 45.55% in Government Checks handled and 206.68% in the dollar value of Government Checks handled compared with the year 1941.

Total number of checks handled for the year 1942 was 164,817,630, with a dollar value of \$47,722,207,000,



CHECK DEPARTMENT:  
(Continued)

which is an increase of 6.35% in total checks handled and 33.92% in dollar value of total checks handled compared with the year 1941.

CODES and  
TELEGRAMS DIVISION:

During 1942 there were handled through the Chicago relay station a total of 765,154 telegrams, an increase of 14.2% over 1941 (670,159).

On April 1st of 1942 there was put into operation in the Chicago relay office a "turret" switchboard for transmission of these telegrams, the principal benefit of which is the ability to relay a "book" message (intended for several or all offices) at one and the same time, which transmission can be handled by one operator by means of the "turret" switching arrangement.

This "book" feature alone formerly required the services of as many operators as there were stations involved, and has enabled us to handle the increased volume with actually less operators and operating detail.

During 1942, 146,755 telegrams were handled by the Codes and Telegrams Division of the Federal Reserve Bank of Chicago, of which 83,488 were incoming telegrams and 63,267 were outgoing telegrams, as against a total of 140,067 in 1941, of which 81,422 were incoming and 58,625 were outgoing, showing an increase for 1942 of 4.8% for the total; 2.5% for the incoming, and 7.9% for the outgoing telegrams.

COLLECTION DEPARTMENT:

The number of City transactions handled during the year 1942 was 49,816, compared with 52,156 during 1941 - a decrease of 4%.

The number of Country transactions handled during the year 1942 was 305,377, compared with 341,810 during the year 1941 - a decrease of 11%.

The number of Coupon and Security transactions handled during the year 1942 was 147,832, compared with 162,218 during the year 1941 - a decrease of 9%.

The decrease in Security transactions handled during 1942 was partly due to the fact that the special service of receiving against payment securities purchased by member banks from banks or brokers, which payments had been made by the Collection Department,



COLLECTION DEPARTMENT:  
(Continued)

was transferred to the Safekeeping Department because practically all securities so received are eventually lodged in the Safekeeping Department for the accounts of the purchasing banks.

CONSUMER CREDIT  
DEPARTMENT:

The activities of the Consumer Credit Department during the year of 1942 included the licensing of some 21,000 Registrants under Regulation W, the answering of about 28,000 inquiries regarding particular phases of the Regulation (through correspondence, telephone and personal interviews), addressing groups of Registrants on the subject of the Regulation, and conducting investigations of the books and records of over 1,600 dealers and vendors, in order to determine the extent of their compliance with the provisions of the Regulation.

This work is now handled by sixteen employees at the Head Office and three employees at the Branch in Detroit. At the beginning of the year twenty-five employees were engaged in this work at the Head Office but, as the type of activity changed, thirteen of that number were transferred (or resigned) and four investigators were added to the staff.

CORRESPONDENCE: During the year over 9,800 letters were received requiring a dictated reply involving an interpretation of the Regulation or an application of interpretations to specific instances. Over 6,500 other written inquiries were received which were answered with form letters in most instances. In addition approximately 400 letters were received conforming with requests of investigators that this Bank be advised when corrections of non-conforming transactions disclosed in the respective investigations had been effected.

SPEAKERS FURNISHED: During the year the Consumer Credit Department conducted seventy talks on Regulation W. In every case speakers were furnished in answer to specific requests; the majority of such requests were received from retail credit groups. The total attendance at these meetings was 11,480. From remarks passed following these meetings, correspondence which has come to our attention, and merchants' comments incorporated in our Investigators' reports, these meetings have had a great educational value.

INVESTIGATIONS: The first investigation of the books and records of a Registrant under Regulation W con-



CONSUMER CREDIT  
DEPARTMENT:  
(Continued)

ducted in this Federal Reserve District occurred on June 22, 1942. Between that date and the end of the year a total of 1,665 investigations were made, 553 of which disclosed a total of 1,744 violations.

There are at the present time seven men actively engaged in conducting investigations in this District, five working out of the Head Office and two from the Detroit Branch. An average of two to three hours has been spent in each investigation, but it is expected that this average time will increase, inasmuch as the early investigations were confined to the smaller Registrants, involving less investigation time.

Investigations have been confined, with the exception of 42 finance companies, to vendors, of which there were some 27,000 registered with this bank as of December 31, 1942. Certain of the investigations have involved Registrants extending charge account credit only, who have not filed a Registration Statement. An attempt has been made, however, to apportion the investigations of various classifications of Registrants in order that a representative percentage of each classification might be reflected over a given period.

During the period of June 22 to September 1, most of the investigations made were within the metropolitan Chicago area and were made by assignment from the Registration Statements. After the latter date, however, investigators were placed in the field outside the metropolitan Chicago area and investigations were conducted without the benefit of prior reference to a Registration Statement. This change of practice resulted in a total of 187 calls (not included in the above figure) on merchants selling listed articles on a cash basis only. In each such case the investigator satisfied himself that the merchant was not extending any credit subject to Regulation W.

For the most part, very little opposition to the Regulation has been encountered. In many cases the Registrants were not only willing to make all records available to the investigator, but regarded the investigator's visit as a "privilege" in that they were thus enabled to discuss their problems arising under the Regulation with a representative of the Federal Reserve Bank. Most Registrants investigated have indicated voluntarily their approv-



CONSUMER CREDIT  
DEPARTMENT:  
(Continued)

al of the Regulation and a great many have expressed their conviction that the Regulation should be continued after the present emergency as a permanent regulatory measure.

DISBURSING DEPARTMENT:

Due to increasing activities throughout the bank, especially in the Fiscal Agency units, which directly affects the volume of work handled by this department, operations increased approximately 33% in 1942 over 1941.

DISCOUNT AND CREDIT  
DEPARTMENTS:

Guarantees under Regulation V.

The principal activity during the year centered around the functioning of guarantees on behalf of the War Department, Navy Department, and the Maritime Commission under the provisions of Regulation V of the Board of Governors of the Federal Reserve System. 617 applications for guarantees were received at the Head Office in connection with loans aggregating \$437,158,130. These applications were in connection with guarantees on behalf of the three branches of the armed services. Each application required a separate analysis and preparation of recommendations to the Board of Governors of the Federal Reserve System. 419 guarantees were issued during the year in connection with loans aggregating \$267,693,834. Approximately 78 of the guarantees were terminated during the year as the result of payment of the loans guaranteed. Guarantee fees collected during the year aggregated \$187,514.12 and our expenses incident to the handling of the Regulation V activities aggregated \$48,187.87, which amount is reimbursed to us by the respective branches of the armed services on whose behalf guarantees have been entered into.

Advances under Section 13b of the Federal Reserve Act.

36 applications for loans and commitments aggregating \$1,542,194.90 were received. 26 applications were approved and loans disbursed in the amount of \$452,043.80; three commitment agreements were entered into under which we agreed to purchase from financing institutions loans aggregating \$351,250. The major portion of the applications related to financing of Government contracts.



DISCOUNT AND CREDIT  
DEPARTMENTS:

(Continued)

Advances to Member Banks

Only 4 member banks were accommodated during the year. Advances were made to these banks in an amount aggregating \$528,000 on their notes secured by United States Government obligations.

Miscellaneous

It is our practice to require monthly progress reports in connection with guarantees outstanding, as well as in connection with loans made under Section 13b. Interim balance sheets and operating figures are also requested when available. The servicing of the guaranteed loans, as well as loans under Section 13b, requires the maintenance of credit files on each individual name. All reports received are carefully analyzed with a view to detecting any unfavorable trends and taking whatever steps appear advisable. Credit files are also maintained on approximately 100 firms to which our Collection Department has occasion to deliver securities from time to time. In some instances it is necessary to deliver securities under trust receipt or on payment against uncertified checks. Delivery under such circumstances is authorized by the Credit Department if warranted.

EMERGENCY RELIEF  
CHECKS DEPARTMENT:

During the year 1942 this department handled 2,967,686 checks, which is a reduction of 32.30% compared with the number of checks handled during the year 1941.

The dollar value of the checks handled in the year 1942 was \$100,402,373, which is a decrease of 52.64% compared with the dollar value of checks handled in the year 1941.

FEDERAL RESERVE  
NOTE ISSUE DEPARTMENT:

Federal Reserve Notes received from Washington by the Federal Reserve Agent amounted to \$845,000,000.

Federal Reserve Notes issued to the Federal Reserve Bank of Chicago by the Federal Reserve Agent amounted to \$830,695,000.

Federal Reserve Bank Notes on hand January 1, 1942, amounted to \$32,315,000.

Federal Reserve Bank Notes received from Washington by the Federal Reserve Agent during the year 1942 amounted to \$47,000,000.



FEDERAL RESERVE  
NOTE ISSUE DEPARTMENT:  
(Continued)

Federal Reserve Bank Notes issued to the Federal Reserve Bank of Chicago by the Federal Reserve Agent amounted to \$58,395,000.

CAPITAL STOCK

|                   | <u>Paid-In<br/>Capital</u> | <u>No. of<br/>Members</u> |
|-------------------|----------------------------|---------------------------|
| December 31, 1942 | \$16,305,950               | 925                       |
| December 31, 1941 | <u>15,612,900</u>          | <u>899</u>                |
| Increase          | <u>\$ 693,050</u>          | <u>26</u>                 |

Number of adjustments  
in stock holdings due  
to increases in capital  
and surplus 541

Number of adjustments  
due to decrease in  
capital and surplus 24

FILES DEPARTMENT:

The full impact of government financing has been felt in the volume offered the General Files Division during 1942. As against 1,353,000 pieces in 1941, close to 2,900,000 pieces were filed in 1942, and this volume is expanding at a rapid rate.

Against a personnel of eight at the end of last year, we now are employing twenty people.

FOREIGN FUNDS  
CONTROL DIVISION:

The Foreign Funds Control Division for the year 1942 received 7,730 applications for licenses, of which 6,161, or approximately 80%, were acted on by this bank without reference to the Treasury Department, and 1,569 were forwarded to the Treasury Department for consideration. The falling off in the number of applications was occasioned largely by the issuance of a number of General Licenses by the Treasury Department, together with the drying up of import and export transactions with Europe and the Far East subsequent to the outbreak of war.



FOREIGN FUNDS  
CONTROL DIVISION:  
(Continued)

The Foreign Funds Control Division also received, examined and forwarded to the Treasury 5,132 census reports of foreign property on Form TFR-300.

At the end of the year there were six employees engaged full time in Foreign Funds Control activities and three part time, against eleven full time and four part time at the beginning of the year.

GOVERNMENT BOND  
DEPARTMENT:

The operations of the Bond Department during the year 1942, continued to show considerable expansion and the largest portion of this increase in activity is represented in the handling of War Savings Bonds. Beginning September 1, 1942, the Federal Reserve Bank took over the handling of sales analysis, formerly handled by the Treasury Department. This activity consists of furnishing reports to State Administrators and other Federal Reserve Banks of geographical break-down of sales by city, county, and state.

With the exception of the month of March, 1942, the Treasury Department had monthly offerings of new issue and during December this was represented by three different series of securities with the total offering being of substantial proportion. The following comparative figures for 1942 with 1941 gives some idea of the increased activities of the Fiscal Agency Department.

|   | <u>1942</u> | <u>1941</u> | <u>% of Increase</u> |
|---|-------------|-------------|----------------------|
| <u>Bond Custodian</u>                   |             |             |                      |
| Pieces received from Treasury           | 19,596,000  | 2,096,000   | 644.0%               |
| Pieces prepared for delivery            | 16,900,000  | 1,224,000   | 1280.7%              |
| <u>Denominational Exchange</u>          |             |             |                      |
| Pieces handled                          | 268,000     | 204,000     | 31.4%                |
| <u>Issuance of New Securities</u>       |             |             |                      |
| Subscriptions and applications received | 1,073,000   | 313,000     | 242.8%               |
| <u>Bonds Redeemed</u>                   |             |             |                      |
| Coupon bonds                            | 113,000     | 91,000      | 24.2%                |
| Registered bonds                        | 1,498,000   | 259,000     | 478.4%               |
| <u>Incoming Registered Mail</u>         |             |             |                      |
| Number of transactions                  | 849,000     | 169,000     | 402.4%               |
| <u>Shipping and Delivery</u>            |             |             |                      |
| Number of pieces shipped                | 18,166,000  | 1,800,000   | 909.2%               |



GOVERNMENT BOND  
DEPARTMENT:  
(Continued)

Due to the increases indicated above, plans were consummated as of January 4, 1943, transferring the Registered Surrender Division to our Annex at Number 120 South La Salle Street.

INVESTMENT DEPARTMENT:

The transactions in Treasury bills under repurchase agreement amounted to \$751,620,000 purchased, and \$633,455,000 sold. This reflects transactions only for the period September 30 to December 31, 1942.

The arrangement for the purchase of Treasury bills under repurchase agreement instituted in the latter part of 1942 has proven extremely popular with banks in Chicago and the Seventh Federal Reserve district, and total transactions would undoubtedly have been much larger had the arrangement been in effect throughout the year.

Trading in outstanding Government securities by member banks was relatively quiet during the year as the interest of member banks was largely in new Treasury issues, which were offered in every month but one of 1942, while individual customers of member banks were to a large extent purchasing savings bonds rather than outstanding Treasury obligations.

LEGAL DEPARTMENT:

The Legal Department prepared 460 written Guarantee Agreements involving \$250,740,495 for this bank as Fiscal Agent for the War Department, Navy Department, and Maritime Commission, pursuant to Executive Order No. 9112 and Regulation V.

Extensive correspondence with member banks concerning regulations and rulings of the Board of Governors and sundry matters were also carried on.

Examination of law and preparation of written opinions on various legal questions submitted by the Board of Governors and its staff, and practically all of the legal work for the Detroit Branch was handled by this department.

MAIL DEPARTMENT:

The Mail Department's activities have been largely increased, not only in the servicing of government securities, but in the circulating of advertising



MAIL DEPARTMENT:  
(Continued)

material for the Victory Fund Committee and for activities like Foreign Funds Control and Regulation W. Incoming mail received during 1942 totaled about 2,200,000 pieces, an increase of 57% over 1941; while outgoing mail dispatched totaled 4,300,000 pieces, an increase of 46%. The outlay for postage was \$165,000 this year, against \$134,000 last year, with reimbursement by the Treasury of about \$84,000 of this year's postage against close to \$34,000 for last year.

Personnel has been increased about 50% to a total of 74.

MEMBER BANK  
ACCOUNTS DIVISION:

Analyses reflected 88 deficiencies in reserves of 65 member banks (head office territory) for computation periods ending in the year 1942. Penalties covering these deficiencies amounted to \$1,067.24, and were assessed in accordance with regulations. Comparative figures for computation periods ending in the year 1941 reflected 55 deficiencies in the accounts of 33 member banks, and the amount involved was \$625.21. The maximum number of penalties assessed against any one bank during 1942 was 5 (in one instance), as against 5 (in two instances) for 1941.

During 1942 the reserve requirements against net demand deposits of Central Reserve City banks were reduced from 26% to 20% - a 2% reduction occurring as of each of the following dates -- August 20, September 14, and October 3. The reserves of all member banks in the 7th District for the year 1942, adjusted on the basis of semi-monthly periods, reflected a maximum excess over requirements of \$527,000,000, or 37.82% for the period January 16-31, and a minimum excess of \$255,000,000 or 16.81% for the period October 16-31.

OFFICE MACHINE  
REPAIRS:

The work of this Division, consisting at the present time of four repairmen, increased substantially during 1942 over the preceding year, due principally to a large increase in the amount of mechanical equipment purchased and rented, and to the necessity of reconditioning and rebuilding used equipment for service here and at our Detroit Branch.

PERSONNEL DEPARTMENT:

During the year 1942, 1855 persons were hired and 1133 persons left our employ, a net increase of 722. The percentage of turnover was 46.1%.



PERSONNEL DEPARTMENT:  
(Continued)

Since September 1, 1940, 202 employees have left to enter military service: Army, 154; Navy, 28; Marines, 5; Coast Guard, 7; Merchant Marine, 2; WAACS, 3; WAVES, 3.

During 1942 loans were granted to 65 employees totaling \$7,909.00. As of December 31, 1942, outstanding loans to 44 employees totaled \$3,711.28.

In the fall of 1942 a school was established for girls who would be graduated from high school the end of January of 1943. Approximately 50 students were enrolled. The majority are taught typing, while others are taught key punching. The classes are held for four hours each Saturday morning. A similar arrangement has been followed whereby 12 page prospects are being developed.

| Employees as of:  | <u>Men</u> | <u>Women</u> | <u>Total</u> | <u>Annual Salaries</u> |
|-------------------|------------|--------------|--------------|------------------------|
| December 31, 1941 | 833        | 902          | 1735         | \$2,593,763.           |
| % of total        | 48.0%      | 52.0%        |              |                        |
| December 31, 1942 | 901        | 1556         | 2457         | 3,959,191.             |
| % of total        | 36.7%      | 63.3%        |              |                        |
| January 1, 1943   | 899        | 1568         | 2467         | 3,983,471.             |
| % of total        | 36.4%      | 63.6%        |              |                        |

PLANNING DEPARTMENT:

During the year 1942 the Planning Department devised and installed the following methods:

Inscribing War Savings Bonds by use of duplicating machines, which enabled us to inscribe bonds at an increased rate of speed of at least 1,000% over our former method of inscribing by use of typewriters. This method has since been adopted by many banks and corporations throughout the country.

A method of handling the Sales Analysis Report of War Savings Bonds by use of tabulating machines.

A method was devised and machinery installed to handle consignment ledger accounts in our Government Bond Department.

A method was devised to handle the 5% Victory Payroll Deduction Plan mechanically by use of our present tabulating equipment.



PLANNING DEPARTMENT:  
(Continued)

The Planning Department, in conjunction with Treasury Department officials, devised a plan which will permit this bank to discontinue the sorting of redeemed War Savings Bonds by serial number, and to allow us to make the necessary records of the redeemed bond numbers by use of tabulating equipment. Since the turn of the year the Treasury Department has agreed to allow all Federal Reserve Banks to make the list of canceled bond numbers by this same method. The saving in expense and manpower to the Federal Reserve Banks, by adoption of this method, will be enormous.

All of the above installations have been a great saving to the bank in expense and manpower.

At the Detroit Branch the installation of handling consignment accounts in connection with the issuance of War Savings Bonds, and the redemption of War Savings Bonds, were put into operation under the supervision of the Planning Department.

PURCHASING DEPARTMENT:

During the year 1942 this Department issued 8,455 purchase orders totaling \$620,000 for building and office supplies, printing and stationery, furniture and equipment, and for such other expenses as were necessary to the conduct of our business. These figures compared with 6,960 orders with a dollar value of \$322,000 during 1941, and represent an increase of 21% in the number of orders and 93% in the dollar value over that year.

The increase in the dollar value in expenditures consisted mostly of the cost of furniture and equipment for use in connection with greatly expanded Fiscal Agency functions. Building alterations, greater activities in various departments of the bank, and a moderate increase in inventories also helped to account for a smaller portion of the increased cost. Prices remained fairly stable throughout the year.

While difficulties, delays, and denials in some instances, have been experienced in the securing or attempted securing of necessary equipment and critical materials, ways and means as a rule have been found to overcome these problems, and our situation in this respect at the moment appears favorable for the immediate months to come.

The expansion described above was reflected in greatly increased activities in the related stockroom and print shop and addressograph sections; the two latter divisions being particularly affected by Treasury financing and the work of the Victory Fund Committee.



R.F.C. CUSTODY  
DIVISION:

In addition to acting as Custodian and Disbursing Agent for the Reconstruction Finance Corporation and through it for the Defense Plant Corporation and Commodity Credit Corporation, there was added during the year the work of making disbursements for scrap rubber for account of the Rubber Reserve Company and the handling of disbursements in connection with the Idle Tire Program of the Defense Supplies Corporation as well as numerous other programs including the purchase of alcohol, aluminum rivets, and various restricted articles and commodities. The handling of premiums submitted by insurance companies in connection with War Damage insurance is another activity causing a considerable increase in the volume of work handled by this division, premiums aggregating \$10,812,000 having been received since July 1942.

Total disbursements were approximately 275% higher in 1942 than in 1941, the amount of money disbursed in 1942 being \$1,274,924,000. as compared to the amount of \$341,438,000. in the previous year. The increase in disbursements for 1942 is largely represented by disbursements of over 845 millions of dollars on account of the Lend Lease Program as compared to 232 millions in the previous year and disbursements of 119 millions of dollars in various Commodity Credit Corporation programs as compared to 47 millions in 1941. Defense Plant disbursements aggregated 247 millions in 1942 as compared to 41 millions in 1941, while disbursements for various programs of Defense Supplies Corporation aggregated 34 millions of dollars in 1942, no disbursements for this Corporation having been made during the previous year. There was an increase in the amount of disbursements for the Reconstruction Finance Corporation due to numerous small loans in connection with war activities, the total representing but 13 millions of dollars of the total disbursements made by this division.

Commodity Credit Corporation activities in connection with corn loans continued about the same as in the previous year but loans on and purchases of wheat and the program in connection with soybeans which started in the latter three months of the year and numerous smaller programs accounted for the large increase in disbursements for this Corporation. During the year, receipts in the form of payments on grain and commodities aggregated 187 millions of dollars as compared to receipts in the previous year of 102 millions of dollars.



R.F.C. CUSTODY  
DIVISION:  
(Continued)

While a great deal of detail work was performed in connection with The RFC Mortgage Company and Federal National Mortgage Association, the total disbursements for these corporations aggregate approximately 9 millions as compared to 16 millions of dollars disbursed during the previous year. Payments on mortgages and deposits for taxes and insurance made by mortgagors aggregated \$11,500,000., an amount slightly in excess of the amount received for 1941.

RESEARCH AND  
STATISTICS DEPARTMENT:

During 1942 the Research and Statistics Department emphasized in its studies the impact of war upon Seventh District industry, trade, agriculture, and banking. The personnel of the department was further strengthened through additions to the staff of trained specialists, as well as competent assistants.

Many special studies of a pioneering nature were conducted during 1942. Illustrative of these are the Seventh District currency study, factors of gains and losses in Seventh District reserve balances, the distribution of deposits, the paper and pulp industry, the farm machinery industry, policies of the Commodity Credit Corporation, and bank holdings of revenue bonds.

A new statistical series covering retail furniture trade and credit was developed in 1942. Furniture now represents the most important category of consumer durable goods upon which credit is extended. Because of the vital interest of the Federal Reserve System in consumer credit, many consumer credit studies which had been conducted by the Department of Commerce were taken over and extended. The bank debits series was strengthened thru the addition of new reporting banks and additional cities. Significant additions to the department store reporting group made possible the establishment of a State Street series.

Special emphasis has been placed upon continuing close contacts by the Research staff as representatives of the Federal Reserve Bank of Chicago with leaders in industry, trade, agriculture, and banking. This matter is important for several reasons. (1) Wise and effective central banking and fiscal policy presupposes a thorough understanding of the basic economic activities upon which the banking structure depends for its exis-



RESEARCH AND  
STATISTICS DEPARTMENT:  
(Continued)

tence. No better way exists for obtaining this understanding than establishing personal contacts with leaders of economic activities. (2) Strengthening the work of the Federal Reserve Banks as regional centers of information and leadership, invited in the letter of July 21 from Governor Evans, necessitates that Reserve Banks put their roots down more deeply. (3) Effective contacts by the research staff with leaders of economic activities is essential from the standpoint of public relations alone.

SAFEKEEPING  
DEPARTMENT:

The increased activity in Government financing has resulted in a very substantial increase in the activity of the Safekeeping Department.

The total amount of securities received during 1942 was \$8,099,080,030 as compared with \$3,088,856,658 during 1941, an increase of 162%.

The total amount of securities released during 1942 was \$5,971,081,890 as compared with \$2,962,620,610 during 1941, an increase of 100%.

Total amount of securities held at close of business December 31, 1942, was \$3,096,631,231 as compared with \$968,633,091 as of December 31, 1941, an increase of 219%.

Number of receipts outstanding at close of business December 31, 1942, was 53,627 as compared with 45,926 as of December 31, 1941, an increase of 17%.

Number of pieces held at close of business December 31, 1942, was 346,908 as compared with 296,800 as of December 31, 1941, an increase of 17%.

Number of coupons detached from securities on coupon maturity dates was 611,918 as compared with 537,932 on December 31 of the respective years 1942, and 1941, an increase of 14%.

Total amount of coupons detached and credited as of December 31, 1942, amounted to \$32,063,737 as compared with \$21,145,868 as of December 31, 1941, an increase of 52%.

In addition, there was transferred from the Government Bond Department function the custody of War Savings bonds for individuals, as well as the direct custody of collateral to War Loan account.



SAFEKEEPING  
DEPARTMENT:  
(Continued)

During the year there were received from individuals and non-member banks War Savings bonds in the amount of \$10,700,921, representing 19,763 transactions.

During the year there were released to individuals and non-member banks War Savings bonds in the amount of \$2,120,075, representing 2,617 transactions.

Total amount of War Savings bonds held at close of business December 31, 1942, was - - individuals, \$25,377,826; non-member banks, \$3,565,500; total, \$28,943,326.

Securities held in special custody at close of business December 31, 1942, are as follows:

|   |               |
|---|---------------|
| U. S. Treasurer's Account               | \$ 31,453,050 |
| Other Government Agencies               | 177,007,010   |
| War Savings Collateral<br>for "E" Bonds | 1,488,050     |

TELEPHONE DIVISION:

Local telephone calls increased from 14,000 per month average in 1941, to almost 19,000 average per month in 1942.

WIRE TRANSFER  
DIVISION:

144,250 transfers of funds were made during the year 1942 compared with 138,500 during the year 1941 - an increase of 4.14%.

The dollar value of the Transfers made during the year 1942 amounted to \$27,011,317,000, compared with \$22,140,774,000 during the year 1941 - an increase of 22%.



DETROIT BRANCH

The program to expand the operations of the Detroit Branch to include all fiscal agency functions for the Government applicable to the Branch territory, which was started late in 1941, was continued in 1942, and all of the principal services provided at the Head Office are now available at the Branch. Housing these added functions necessitated the leasing of a building containing 20,000 square feet located at Number 735 Griswold Street.

Personnel, which at the beginning of the year numbered 265, including four officers, was increased to 556, including five officers, as of the end of the year, the additional functions established being largely responsible therefor. Women have been assigned to many positions formerly held by men and at the end of the year women represented 73% of the total number of employees, whereas at the beginning of the year they constituted only 53%. More lucrative salaries available in industry for similar positions have been responsible for a large turnover in personnel. 515 clerks were employed during the year while resignations and releases numbered 225.

Loans and commitments to purchase participation in loans outstanding on January 1, 1942 totaled \$1,874,000 which, in addition to loans and commitments aggregating \$425,000 made early in 1942 were liquidated before the end of the year.

The inauguration of Regulation "V" guaranteed loans in April, 1942, eliminated the demand that had existed previously for credit accommodations from the Detroit Branch and during the last eight months of 1942 the Detroit Branch as Fiscal Agent for the United States issued on behalf of the War and Navy Departments 85 guarantees covering loans aggregating \$90,029,000 and 7 additional loans totaling \$6,665,000 were approved for which guarantees were later issued.

The Cash Department paid out 103,125,780 pieces of currency during the year 1942 which is an increase of 10% compared with the number of pieces paid out in the year 1941. The dollar value of currency paid out amounted to \$808,007,774 - an increase of 28% compared with the dollar value of currency paid out in the year 1941.

The dollar value of currency received amounted to \$516,723,881 - an increase of 10% compared with the dollar value of currency received in the year 1941. The number of pieces of currency received in the year 1942 was 85,587,128 which was substantially the same number received in the year 1941.

The number of pieces of coin paid out in the year 1942 was 102,289,732 - an increase of 24% compared with the number paid out in the year 1941. The dollar value of coin paid out amounted to \$8,881,543 - an increase of 29% compared with 1941.

The Check Department handled 9,584,359 city checks during the year 1942 - an increase of 24% compared with the number of checks handled in the year 1941.



DETROIT BRANCH  
(Continued)

14,702,091 country checks were handled during the year 1942 - an increase of 5% and 2,168,288 Government checks were handled - an increase of 70% compared with the number handled in the year 1941.

The dollar value of all checks handled during the year 1942 amounted to \$17,253,480,107.17 - an increase of 137.58% compared to the dollar value of checks handled during the year 1941.

The Government Bond Department shipped to issuing agents in the Detroit territory 4,354,077 War Savings Bonds, the dollar value of which was \$169,475,675 since August of this year when this function was inaugurated at the Detroit Branch.

1,041,544 War Savings Bonds and Tax Notes, with a dollar value amounting to \$256,213,100 were issued during the year 1942.

53,885 War Savings Bonds, with a dollar value of \$1,929,275, were redeemed during the month of December, 1942. This function was inaugurated on November 16 of this year.

228,427 Government coupons were redeemed during the year 1942 - an increase of 18% compared with the number redeemed during the year 1941.

Subscriptions received during the year 1942 for Government securities, excluding War Savings Bonds and Tax Notes, amounted to \$1,405,151,900-- an increase of 141% compared to the amount of subscriptions received during the year 1941.

The Detroit Branch is Custodian, Fiscal Agent and Depository for the Reconstruction Finance Corporation and its affiliates and as of the close of the year 114 employees were assigned to the Division handling the Corporation's activities.

The operating statement of the Detroit Branch discloses a general increase in the volume of transactions of most of the other departments of the bank.

Since May, 1942 the Detroit Branch has provided members of the Detroit Clearing House Association with quarters for exchanging checks and notes and has supervised such exchanges and settlements.

Member bank reserve balances carried with the Detroit Branch as of December 31, 1942 totaled \$406,547,340 as compared to reserve balances in the sum of \$257,057,881 held on December 31, 1941.



Federal Reserve Bank of Chicago

STATEMENT OF EARNINGS AND EXPENSES  
For Years 1942 and 1941

|   | <u>Year 1942</u>       | <u>Year 1941</u>       |
|---|------------------------|------------------------|
| Current Earnings . . . . .  | \$6,590,508.20         | \$5,089,095.08         |
| Current Expenses . . . . .  | <u>5,177,402.95</u>    | <u>4,227,533.76</u>    |
| Current Net Earnings . . . . .  | \$1,413,105.25         | \$ 861,561.32          |
| <u>Additions to Current Net Earnings</u>                                      |                        |                        |
| Net Profit on sales of U.S. Government securities . . . . .                   | \$ 378,310.71          | \$ 147,895.36          |
| Transferred from Reserves for losses on<br>Industrial Advances . . . . .      | -                      | 14,000.00              |
| Refund on real estate tax - Year 1939 . . . . .                               | 4,433.77               | -                      |
| All other additions . . . . .   | <u>4,104.40</u>        | <u>1,008.52</u>        |
| Total Additions to Current Net Earnings . . . . .                             | <u>\$ 386,848.88</u>   | <u>\$ 162,903.88</u>   |
| Total Current Net Earnings and<br>Additions to Current Net Earnings . . . . . | \$1,799,954.13         | \$1,024,465.20         |
| <u>Deductions from Current Net Earnings</u>                                   |                        |                        |
| Reserve for losses on Industrial Advances . . . . .                           | \$ 10,000.00           | -                      |
| Retirement system (Interest base adjustment) . . . . .                        | <u>592,793.00</u>      | <u>-</u>               |
| Total Deductions from Current Net Earnings . . . . .                          | <u>\$ 602,793.00</u>   | <u>-</u>               |
| Net Earnings . . . . .  | <u>\$1,197,161.13</u>  | <u>\$1,024,465.20</u>  |
| <u>Distribution of Net Earnings</u>   |                        |                        |
| Dividends Paid . . . . .  | \$ 955,507.94          | \$ 896,766.37          |
| Payment to United States Treasury (Section 13-b) . . . . .                    | 4,021.06               | 27,214.83              |
| Transferred to Surplus (Section 7) . . . . .                                  | <u>237,632.13*</u>     | <u>100,484.00</u>      |
|   | <u>\$1,197,161.13</u>  | <u>\$1,024,465.20</u>  |
| <u>Capital and Surplus Accounts</u>   |                        |                        |
| Paid-in Capital December 31 . . . . .   | \$16,305,950.00        | \$15,612,900.00        |
| Surplus (Section 7) . . . . .   | 22,924,752.06          | 22,924,752.06          |
| Surplus (Section 13-b) . . . . .  | 1,429,383.78           | 1,429,383.78           |
| Earnings on Average Paid-in Capital . . . . .                                 | 7.5%                   | 6.9%                   |
| Earnings on Average Paid-in Capital and Surplus . . . . .                     | 3.1%                   | 2.7%                   |
| <u>Detail of Current Earnings</u>   |                        |                        |
| U.S. Government Direct Obligations . . . . .                                  | \$ 6,407,271.63        | \$ 4,884,837.35        |
| Discounted Bills . . . . .  | 1,748.51               | 1,236.46               |
| Industrial Advances . . . . .   | 12,609.41              | 17,322.65              |
| Commitments to make Industrial Advances . . . . .                             | 10,299.59              | 4,954.77               |
| Deficient Reserve Penalties . . . . .   | 1,235.90               | 440.14                 |
| Income from Banking Houses . . . . .  | 149,024.56             | 172,940.24             |
| All Other . . . . .   | <u>8,318.60</u>        | <u>7,363.47</u>        |
|   | <u>\$ 6,590,508.20</u> | <u>\$ 5,089,095.08</u> |

\* Transferred from Surplus (Section 7)  
to Reserve for Contingencies.



FEDERAL RESERVE BANK OF CHICAGO  
STATEMENT OF CONDITION  
(In thousands of dollars)

| At the close of business                                       | <u>Dec. 31, 1942</u> | <u>Dec. 31, 1941</u> |
|--|----------------------|----------------------|
| <u>A S S E T S</u>   |                      |                      |
| Gold certificates on hand and due                              |                      |                      |
| from U. S. Treasury . . . . .                                  | \$ 3,570,031         | \$ 3,423,782         |
| Redemption fund - F. R. notes . . . . .                        | 1,475                | 1,122                |
| Other cash . . . . .   | 40,018               | 38,858               |
| <u>Total reserves</u> . . . . .                                | <u>\$ 3,611,524</u>  | <u>\$ 3,463,762</u>  |
| Bills discounted:  |                      |                      |
| Sec. by U. S. Government obligations,                          |                      |                      |
| direct and guaranteed . . . . .                                | -                    | -                    |
| Other bills discounted . . . . .                               | 305                  | 18                   |
| <u>Total bills discounted</u> . . . . .                        | <u>\$ 305</u>        | <u>\$ 18</u>         |
| Industrial advances . . . . .                                  | \$ 110               | \$ 306               |
| U.S. Gov't securities, direct and guaranteed                   |                      |                      |
| Bonds . . . . .  | 342,801              | 198,906              |
| Notes . . . . .  | 165,109              | 105,406              |
| Certificates . . . . .   | 127,787              | -                    |
| Bills . . . . .  | 241,198              | 1,406                |
| <u>Total U.S. Gov't Sec. direct &amp; guaranteed</u> . . . . . | <u>\$ 876,895</u>    | <u>\$ 305,718</u>    |
| <u>Total bills and securities</u> . . . . .                    | <u>\$ 877,310</u>    | <u>\$ 306,042</u>    |
| Due from foreign banks . . . . .                               | \$ 6                 | \$ 6                 |
| Federal Reserve notes of other banks . . . . .                 | 6,415                | 3,449                |
| Uncollected items . . . . .                                    | 244,938              | 180,907              |
| Bank premises . . . . .  | 2,917                | 2,971                |
| Other Assets . . . . .   | 10,859               | 5,466                |
| TOTAL ASSETS . . . . .   | <u>\$ 4,753,969</u>  | <u>\$ 3,962,603</u>  |
| <u>L I A B I L I T I E S</u>                                   |                      |                      |
| F. R. notes in actual circulation . . . . .                    | \$ 2,419,593         | \$ 1,719,536         |
| Deposits:  |                      |                      |
| Member bank -- reserve account . . . . .                       | 1,925,896            | 1,762,132            |
| U. S. Treasurer - General account . . . . .                    | 71,445               | 156,906              |
| Foreign . . . . .  | 85,273               | 91,617               |
| Other deposits . . . . .                                       | 4,310                | 3,496                |
| <u>Total deposits</u> . . . . .                                | <u>\$ 2,086,924</u>  | <u>\$ 2,014,151</u>  |
| Deferred availability items , . . . .                          | 197,776              | 180,340              |
| Other liabilities including accrued                            |                      |                      |
| dividends . . . . .  | 334                  | 155                  |
| TOTAL LIABILITIES . . . . .                                    | <u>\$ 4,704,627</u>  | <u>\$ 3,914,192</u>  |
| <u>C A P I T A L   A C C O U N T S</u>                         |                      |                      |
| Capital paid in . . . . .                                      | \$ 16,306            | \$ 15,613            |
| Surplus (Section 7) . . . . .                                  | 22,925               | 22,925               |
| Surplus (Section 13b) . . . . .                                | 1,429                | 1,429                |
| Other capital accounts . . . . .                               | 8,682                | 8,444                |
| TOTAL LIABILITIES AND CAPITAL ACCOUNTS . . . . .               | <u>\$ 4,753,969</u>  | <u>\$ 3,962,603</u>  |
| Ratio of total reserves to deposit and                         |                      |                      |
| F. R. note liabilities combined . . . . .                      | 80.1%                | 92.7%                |
| Commitments to make industrial advances . . . . .              | -                    | 1,874                |
| *****  |                      |                      |
|  | <u>1942</u>          | <u>1941</u>          |
| Federal Reserve Board Assessment:                              |                      |                      |
| Regular (Year) . . . . .                                       | \$213,773.02         | \$221,802.47         |











