

THIRD ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK
OF CLEVELAND

FOR THE YEAR ENDED DECEMBER 31, 1917



WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

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LETTER OF TRANSMITTAL.

FEDERAL RESERVE BANK,
Cleveland, Ohio, January 15, 1918.

SIR: I have the honor to submit herewith the third annual report of the Federal Reserve Bank of Cleveland, covering the year 1917.

Respectfully,

D. C. WILLS,
Chairman and Federal Reserve Agent.

Hon. W. P. G. HARDING,
Governor, Federal Reserve Board,
Washington, D. C.

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THIRD ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF CLEVELAND.

It has been frequently urged that the primary function of the Federal Reserve Bank is that of service—first, in mobilizing reserves; second, in rediscounting; and third, in providing an elastic currency; and that it did not greatly matter whether or not the Federal Reserve Banks might be money-making institutions. With vastly increased opportunities for service during the past year, however, the Federal Reserve Banks have demonstrated their capacity to earn a very comfortable margin over their expenses. The Federal Reserve Bank of Cleveland has made net earnings during the year sufficient to pay its entire arrearage of accrued dividends; but as a matter of banking prudence, it has been deemed wise to provide an ample reserve against depreciation, and accumulated dividends have therefore been paid to July 1, 1917. All furniture and equipment have been charged off the books. The expenses at the same time have naturally increased markedly with the rapidly expanding activities.

Chart No. 1, appended hereto, shows graphically the gross earnings, both in total and divided into the three chief classes of revenue, together with the expenses and net earnings, and Exhibit A gives the data in tabular form. Chart No. 2 shows the relation of revenue-producing assets to capital stock. Exhibit B contains the daily average of invested funds, and the average rate of earnings on each class of investments, for each month of the year, compared with each month of 1916, and summary of investment operations is also shown in this exhibit.

Exhibit C is a comparative balance sheet as at the close of business December 30, 1916, and December 31, 1917.

Exhibit D is the comparative profit and loss account for the years 1916 and 1917.

The extraordinary history of the United States during the year has tended toward a uniformity of experience in business and banking conditions throughout the country. District No. 4 is very largely a manufacturing district, and its record for the year as such is quite similar to that of the other industrial districts. It is the leading dis-

district in the production of primary iron and steel products, and its industries of this character have of course been taxed to capacity throughout most of the year, together with industries in most other lines, although there has been some slight recession from the peak after the completion of contracts for munitions, etc., from foreign Governments, and pending the placing of orders for our own Government. This district also ranks high in agricultural products; and although the planting season was late and cold, the crops have been large and profitable. Building industries have been checked somewhat by the high cost of materials and labor. Transportation difficulties have been very great, and in many lines have severely retarded production as well as distribution. The district, although containing a very large part of the bituminous coal supply of the country, has suffered a severe coal shortage during the last part of the year, owing in part to transportation difficulties, in part to the situation which arose from the fixing of coal prices, and in part to the necessities of the Northwest for coal, resulting in the priority order for Lake shipments; in some cases, industries have been obliged to close down for short periods because of lack of fuel. In spite of the untoward conditions above referred to, however, the general prosperity has been great, and the record of the district in Liberty loan subscriptions is evidence not only of the patriotism and thrift of our people, but also of surplus wealth produced. Between the first and second Liberty loans, the deposits in the banks of the district showed an actual increase of about 3 per cent. The growth of resources of member banks during the year is shown in Exhibit E.

DISCOUNTS FOR MEMBER BANKS.

The operations of the Federal Reserve Bank of Cleveland in rediscounts have immensely increased during the latter months of the year. This increase has been produced not only by the financing of Liberty loans, but by the demands of industry and commerce, which have required large amounts of working capital for financing current orders and operations, increased notably by high cost of materials and labor and consequent large inventories, and to some extent by the delays in production and deliveries incident to the difficulty of obtaining materials and the inadequate transportation facilities.

Exhibit F shows the year's operations in rediscounts for member banks under the several classes of paper, and classified by maturities, with the same data for 1916.

While the demand for money has increased and the money rates have tended to harden, no general advance in rates of rediscount at this bank was deemed advisable until December 1, when this bank in common with most of the other Federal Reserve Banks announced slight advances.

Exhibit G shows the rates throughout the year for the various classes and maturities of paper.

The growth in the use of trade acceptances has been marked during the latter part of the year. It was to have been expected that the usual reluctance to change would deter banks and business houses from the adoption of this new system until an active demand for money and credit and for the facilities of the Federal Reserve Banks should furnish a practical demonstration of the advantages of this kind of paper. From the inauguration of the Federal Reserve system, the best-informed men have felt that the adoption of the trade-acceptance system was only a matter of time, but that a considerable amount of time would be necessary before it should become the commoner method of closing accounts. It now seems that in less time than was anticipated, the system may come into very general operation. The Federal Reserve Bank of Cleveland has been active in the promotion of the adoption of the system at every opportunity, having been represented at a number of meetings of trade organizations for conferences on the subject, and having furnished information to a very large number of inquirers both by mail and in person. A large number of copies of the booklet, "Why Accept?" have been ordered through this bank during the year by business houses introducing the system among their trade.

BANKERS' ACCEPTANCES.

Transactions in bankers' acceptances have been large, although recently the bank has not been actively in the market for bankers' bills because of the needs of our member banks. District No. 4 being rather more self-contained than some of the other districts, however, there have been occasions when the demands of member banks in other districts were so much greater, proportionately, than in this district, that other Federal Reserve Banks have found it desirable to dispose of some of their investments in bankers' bills, and the Federal Reserve Bank of Cleveland has been glad to be of service to the general situation by making large purchases on these occasions—thus providing the intercommunication and leveling up between the reservoirs which was intended in the establishment of the system of 12 banks, but without the necessity of rediscounting for any other Federal Reserve Bank its member banks' paper. A number of the larger banks in district No. 4 have entered the acceptance field, discounting bills for both foreign and domestic trade during the year, and the Federal Reserve Bank of Cleveland has purchased the bills of its own member banks freely when offered.

The following member banks have, upon application, been granted the right to accept up to 100 per cent of their capital and surplus

during the year: Fifth-Third National Bank, Cincinnati; Cleveland Trust Co.; First National Bank, Cleveland; Union National Bank, Cleveland; Union Trust Co., Pittsburgh.

Exhibit H shows the transactions in bankers' acceptances during the year as compared with 1916.

UNITED STATES BONDS.

Transactions in the older issues of Government securities have of course been practically suspended since the offering of the first Liberty loan. Purchases of small amounts of bonds from member banks have been made as a matter of accommodation. Exhibit I shows the transactions in Government securities.

MUNICIPAL WARRANTS.

As soon as war was declared and it became apparent that the facilities of the Federal Reserve Banks would probably be needed by their member banks, the Federal Reserve Bank of Cleveland, in accordance with the wise suggestion of the Federal Reserve Board and in common with the other Federal Reserve Banks, withdrew entirely from the market for municipal warrants, and has since purchased only small amounts of early maturing municipal bonds for which sinking funds had been provided, merely as an accommodation to member banks desiring to dispose of such bonds. The transactions in municipal warrants are shown in Exhibit J.

RESERVE POSITION.

The reserve position of the bank has remained strong in spite of the demands upon its loaning power. This has been due chiefly to the increased reserve required to be maintained in the Federal Reserve Banks by the amendment of section 19 of the Federal Reserve Act, but also in part to the large increases in capital and reserve deposits on account of the accession of important State banks to our membership, as well as the increase in the capital and surplus of banks already members; and in some degree also to the considerable sums of gold patriotically sent by both member and State banks to strengthen the position of the system, either as excess deposits or in exchange for Federal Reserve notes. Exhibit K shows the changes in reserve position during the year.

STATE BANK MEMBERS.

The movement of the larger and more progressive State banks to join the Federal Reserve system has been marked in this district.

This movement was known to be ultimately inevitable, and has been of course stimulated largely by the amendment of section 9 of the Federal Reserve Act as well as by a recognition of the added strength and prestige given to any bank by voluntary membership in the system, but has been also in large part due to a patriotic response to the forceful appeal of the President and a desire to do everything necessary to fortify the position of our banking system against all possible contingencies arising from the war. Some considerable credit must also be given to the member banks, who have shown in many cases their growing appreciation of the value of membership, thus encouraging nonmembers to join the system.

The following State banks have been admitted to membership during the year:

Date of admission.	Name of bank.	Location of bank.	Capital and surplus.
1917.			
Apr. 11	Cleveland Trust Co.	Cleveland, Ohio.....	\$5,000,000
July 2	Guardian Savings & Trust Co.	do.	6,000,000
Nov. 1	Lawrence Savings & Trust Co.	New Castle, Pa.	600,000
Nov. 8	Citizens Savings & Trust Co.	Cleveland, Ohio.....	8,000,000
Do. . . .	Citizens Trust & Savings Bank.....	Columbus, Ohio.....	850,000
Nov. 21	Ohio Bank & Trust Co.	Massillon, Ohio.....	187,500
Do. . . .	Hillsboro Bank & Savings Co.	Hillsboro, Ohio.....	62,000
Nov. 24	City Trust & Savings Bank.....	Youngstown, Ohio.....	350,000
Nov. 30	Union Trust Co. of Pittsburgh.....	Pittsburgh, Pa.	36,000,000
Dec. 3	Exchange Bank of Kentucky.....	Mount Sterling, Ky.	75,000
Dec. 14	Pittsburgh Trust Co.	Pittsburgh, Pa.	3,000,000
Dec. 28	First Standard Bank & Trust Co.	Maysville, Ky.....	235,000

Exhibit L shows the changes in the membership, in capital stock, and in reserve deposits during the year.

RELATIONS WITH MEMBERS AND THE PUBLIC.

Exhibit M shows the accommodation which has been extended to member banks through rediscounts and purchase of acceptances during the year compared with 1916.

Overdrafts have been small in volume, and of those which have appeared a number have been due to delays in the mail service.

The required reserve deposits of member banks have been quite generally maintained unimpaired, and although it has been necessary to assess penalties for deficient reserves upon a small number of banks each month, the disposition to maintain reserves in conformity with the law, or beyond requirements, has been apparent on the part of most banks. Weekly reports of required reserve are made by banks in the reserve cities and semimonthly reports by all other banks.

One member bank has been closed by the comptroller during the year. The Federal Reserve Bank of Cleveland has had no losses and has no past-due paper on its books.

Through its Liberty loan transactions the bank has come into touch with the general public to a far greater degree than would have been thought possible at the beginning of the year. Arising out of this relation has come a realization of the functions played by the Federal Reserve Banks, not only as fiscal agents of the Government, but in steadying the money market and in providing for the distribution of the immense amounts of money and credit which have been moving throughout the country. This practical experience has confirmed the impression which the public very generally entertained even in advance of many banks, that the Federal Reserve system is a tremendously useful and practically indispensable servant of the public welfare; and undoubtedly great good is already resulting from the strengthening of this conviction.

RELATIONS WITH THE GOVERNMENT.

The relation of the Federal Reserve Bank to the Government is of course the outstanding feature of the year's history. In the Federal Reserve Bank of Cleveland a fiscal agency department, with a staff of 60 persons, has been created in a few months, occupying almost half of the entire floor space required by the bank. This department does not include members of the Liberty loan committees, but is occupied in the distribution of bonds and certificates, the collection of and accounting for payments, the arrangements with depository banks, tabulation of data, and in general the handling of the business produced by the great success of the "sales force," the Liberty loan committee, which has rendered such conspicuous voluntary service.

THE FIRST LIBERTY LOAN.

The call of the Secretary of the Treasury for organization to obtain subscriptions to the first Liberty loan was received by the Federal Reserve Bank of Cleveland on May 3, 1917, and at an informal conference the immediate formation of a central Liberty loan committee to represent the entire district was deemed advisable. This was accomplished by requesting the clearing house associations in the 13 more important centers of population and banking resources to send one delegate each to the Federal Reserve Bank for a discussion of program and the formation of a permanent organization. These delegates met on May 12, 1917, and after a thorough discussion of the problem, in so far as its details could be foreseen at that time, effected the organization of a central Liberty loan committee.

The committee thereupon appointed an executive committee.

The members of the central Liberty loan committee were thereupon constituted chairmen of the local organizations in their respec-

tive counties. The rural territory not directly covered by these committees appointed representatives who thereupon organized a separate county organization committee with subcommittees directed from Cleveland, Toledo, Columbus, Cincinnati, Pittsburgh, and Lexington. The 168 county areas within the Fourth Federal Reserve District were completely organized, the various security houses within the district contributing from their sales force members who were assigned to separate counties, and proceeded at once to organize county organizations.

The district Liberty loan organization, as such, was compelled under force of circumstances to use the Federal Reserve Bank as headquarters, and under the stress of conditions, this produced some confusion which in some degree hampered the committees, as well as the operating staff of the Federal Reserve Bank.

By June 1, 1917, there was thorough organization in every one of the 168 counties of the district, and the effect of this organization, entirely voluntary, became at once apparent. The organization was, of course, more highly developed in the larger centers, although the work of the rural county chairmen can not be spoken of with too high praise.

The closing of subscriptions June 15, 1917, showed in possession of the Federal Reserve Bank, qualified subscriptions in excess of \$286,000,000 from 514,000 subscribers. The several areas reported as follows:

	Quota.	Subscription.		Quota.	Subscription.
Pittsburgh.....	\$80,858,000	\$111,047,350	Columbus.....	\$9,279,000	\$10,751,550
Toledo.....	17,121,100	16,008,050	Cincinnati.....	33,368,500	44,659,450
Cleveland.....	71,756,000	96,998,850	Lexington.....	8,025,000	6,819,750

Exhibit N shows the subscriptions and allotments classified.

SECOND LIBERTY LOAN OF 1917.

Experiences of the first Liberty loan indicated clearly the wisdom and necessity of a separate location for the headquarters of the central Liberty loan committee and a more comprehensive staff in its organization. The executive committee appointed on the first Liberty loan campaign immediately held sessions with a view of perfecting such an organization. The personnel of the central Liberty loan committee, as well as the personnel of the executive committee, was largely unchanged. There were a few changes in the chairmanships of the various county committees, owing to illness, other activities, etc., but in the main the skeleton organization developed in the first campaign was retained, although extended in detail in many respects.

The executive committee determined upon the policy of making a practical requisition upon each bank for its proportionate share of the amount of the second loan which the Secretary of the Treasury expected the fourth district to raise. With this end in view, the executive office of the committee carefully studied methods and means to establish just quotas of the banking resources of the district. In August, 1917, all banks within the district were asked to report the condition of their deposits as of June 15 and August 15, and also the amount of Liberty loan bonds of the first loan still in their possession. The response to this questionnaire was liberal and enabled the committee to establish the interesting fact that only a small percentage of bonds of the first Liberty loan was still in the hands of the banks, and, furthermore, that the deposits of institutions so reporting had increased from June 15 to August 15 between $3\frac{1}{2}$ and 4 per cent. The banks that did not report were considered as possessing the deposits given in the Rand-McNally Bankers' Directory of July 1, 1917, plus $3\frac{1}{2}$ per cent, the average increase shown by the reporting banks. Upon this basis, a quota of so many dollars was fixed upon every banking institution in the district; and each bank was advised by special letter, received on October 1, of their proportion of the \$300,000,000 of bonds which was the total minimum subscription asked of the Fourth Federal Reserve district by the Secretary of the Treasury. The effectiveness of the more comprehensive organization and the value of the well-learned lessons of the first loan campaign became quickly apparent as the second loan campaign gathered headway. Every bank in the district was requested to report the subscriptions obtained for each day upon "keyed" cards furnished them for the purpose. This rather burdensome task was faithfully performed by about 80 per cent of the banks, and the committee was able to judge of the progress with more than ordinary accuracy from day to day.

The entire 168 counties within the Fourth Federal Reserve district in the second campaign were divided into six "areas," administered from Cleveland, Cincinnati, Columbus, Pittsburgh, Toledo, and Lexington. The Liberty loan organizations in these six central points took upon themselves cheerfully, and performed with the greatest skill, the task of coordinating the campaign between each center and the counties assigned to it. Each area organization made every effort to exceed the minimum quota of every county within its area. The rivalry between the areas was healthful and helpful; the work of the county chairmen was most noteworthy in its zeal and efficiency. The organizations in each of the six area centers were highly developed, and were made up of an extremely skillful and high-powered personnel.

The distribution of publicity and its choice and preparation were excellent and far-reaching in their effect. The publicity bureau, which undertook to supply advertising and editorial matter for 912 papers within the district, prepared and distributed a large amount of extraordinary copy, and it is interesting to note that 850 newspapers out of the 912 whose cooperation was so requested, complied in the fullest degree.

The result was a total subscription to the second Liberty loan in the Fourth Federal Reserve district in excess of \$486,000,000, reported from 867,000 subscribers. The several areas reported as follows:

	Quota.	Subscription.		Quota.	Subscription.
Cleveland.....	\$92,725,200	\$151,377,200	Columbus.....	\$12,511,900	\$19,502,800
Pittsburgh.....	127,819,500	205,541,100	Toledo.....	21,054,200	22,648,500
Cincinnati.....	36,701,100	74,776,450	Lexington.....	8,732,950	11,385,400

Exhibit O shows the number and amounts of subscriptions and allotments of the second Liberty loan, divided according to size of subscriptions in the classes fixed by the Secretary of the Treasury for the purpose of allotment.

TREASURY CERTIFICATES OF INDEBTEDNESS.

With each issue of Treasury certificates of indebtedness, an effort has been made not only to secure more than the district's proportion of the total issue, but also to assure as wide a distribution as possible. The earlier issues were brought particularly to the attention of banks throughout the district which had experience as distributors of high-grade bonds and note issues, and their hearty cooperation was uniformly secured. Exhibit P shows the total amount of each issue and the amounts allotted to the fourth district.

The Federal Reserve Bank of Cleveland purchased varying amounts of each issue, chiefly for the purpose of having some of the certificates on hand for distribution to intending purchasers who had not subscribed before the subscriptions were closed; and in every case the amount held by the Federal Reserve Bank found lodgment in the hands of purchasers within a very short time after the date of issue.

FINANCING THE CARRYING OF WAR LOANS.

For the first Liberty loan and the issues of certificates leading up to it, a rather remarkably small volume of rediscounting by the

Federal Reserve Bank was required, and the reports received from the banks under date of August 15 indicated that at that time practically all of the loan had been absorbed by the public, only a small amount of bonds being held by the banks themselves. For the second Liberty loan and the Treasury certificates issued in connection with it, a considerably larger volume of discounting has been done, and the indications are that a considerably larger volume of bonds is still in the hands of banks, although the proportion is not in the least a matter of concern.

The total volume of member banks' collateral notes secured by Liberty loan bonds or certificates of indebtedness on July 15 was \$1,050,000; on December 15, \$10,885,550. The total volume of member banks' customers' paper, similarly secured, on our books on December 15 was \$10,201,672.94. The exact corresponding figure for July 15 is not ascertainable, the records not being kept at that time to show this amount; but the amount was less than \$1,000,000.

Exhibit Q shows the total volume of rediscounts, both of member banks' notes secured by Government securities as collateral and of paper of customers of the banks secured by Government securities, for each month of the year.

EXPENSE OF LIBERTY LOAN AGENCY.

For the first Liberty loan the sum of \$75,000 was named as the amount of expense in the fourth district which the Treasury Department would reimburse, upon presentation of vouchers in due form, without question. The attempt was made to keep the expenditure within this sum, but the actual expense chargeable to the first Liberty loan to the date hereof is \$104,593.05. For the second Liberty loan \$200,000 was named as the available amount, and there has been expended to date \$131,404.60.

With considerable difficulty and gradually a capable office force has been built up for the clerical work of the Liberty loan committee, for the receiving of subscriptions and payments and accounting therefor, for issuing and exchanging certificates and bonds, for handling applications for designation as depository for war-loan funds and conducting the business incident to such deposits, and for the other necessary work involved in our functions as fiscal agent; and a total of \$49,192.08 has been paid in salaries to date of this report.

No fees or commissions have been paid; the banks of the district have performed their arduous duties in handling large numbers of small subscriptions and in many cases very small payments, and in distributing the bonds, without reimbursement of any sort. The expense of all newspaper advertising done in connection with the loans was contributed by public-spirited banks and business houses. The

actual out-of-pocket expenses of representatives of the Liberty loan committees in traveling, purchasing supplies, etc., were refunded, as far as possible.

GENERAL EFFECT OF GOVERNMENT FINANCING.

The effect of the Government financing in district No. 4 has been undoubtedly similar to that in all other districts. There has been, naturally, an expansion in banking resources, a tightening of the rates for money, and the loaning ability of all financial institutions has been quite heavily drawn upon. Without doubt a part of the curtailment of building operations is due to the investment of funds in war loans which might otherwise have gone into such operations, as well as to the high cost of building. Many other forms of enterprise which are dependent upon a free supply of money for investment as fixed capital have been curtailed. The flotations of the loans, together with other influences of the war, has resulted in a decided trend toward the gradual exclusion of the purchase, and consequently the manufacture and distribution, of nonessentials. Manufacturers and dealers in nonessentials are therefore beginning to be quite seriously affected. On the other hand, this tendency toward economy and thrift is undoubtedly having a very beneficial effect on all of the people, and after the pains of adjustment have been passed, the general situation should be sounder than before.

Chart No. 4 shows the fluctuation of Government deposits during the year, and Exhibit R gives the same information in tabular form.

RELATIONS WITH COMPTROLLER'S OFFICE.

The bank has endeavored during the year to keep in close harmony with the office of the Comptroller of the Currency and the chief national bank examiner of the district, whose office is in the same building. Acknowledgment is very gladly made of the cooperation which has been rendered by Chief Examiner S. H. L. Cooper and his staff.

NOTE ISSUE.

In the issue and redemption of Federal Reserve notes, which has been a conspicuous feature of the year's operations, the experience of district No. 4 runs practically parallel with that of all the other districts. A large number of notes have been issued in exchange for gold and gold certificates deposited with the bank, which have strengthened the general national situation very materially. The demands, however, for pay-roll currency have been constant and increasing, and far in excess of the currency deposited with this bank,

so resulting in a large increase in the volume of outstanding Federal Reserve notes. Of course, this currency expansion is in some degree necessary and inevitable at a time of greatly increased volume of business and higher cost of labor and commodities. The gold reserve against Federal Reserve notes, however, has remained strong throughout the year, and there is, in our judgment, little warrant for a fear that undue or unnecessary inflation is taking place.

Chart No. 5 shows the movement of Federal Reserve notes and of gold reserve during the year, and Exhibit S shows the denominations issued, destroyed, and outstanding, as well as those exchanged with other Federal Reserve Banks. The cost of Federal Reserve notes issued, including redemption cost, was \$75,526.78.

BRANCH BANKS.

The officers and directors of the Federal Reserve Bank of Cleveland have always had in mind the certainty that sooner or later it would be desirable to establish branch banks in at least the two other large cities in the district. Upon the enactment by Congress of the amendment to the Federal Reserve Act, facilitating, among other things, the establishment of branches, in June of this year the Federal Reserve Board suggested that in their judgment the time had come when the system would shortly require this additional machinery. The distances in district No. 4 being comparatively short, there is not the same urgent necessity of branches as is evident in some of the districts covering larger areas. However, it was recognized that particularly in the collection of checks and in the payment and receipt of cash, there would be very great conveniences, particularly to the member banks in Cincinnati and Pittsburgh, in the location of branches in those cities. No requests had been made by the banks of either city, however, for the establishment of a branch until July 2, 1917, when the clearing house banks of Cincinnati, through a committee, forwarded to the directors of the Federal Reserve Bank of Cleveland a petition for the establishment of a branch in that city. The clearing house committee was immediately invited to confer with our directors on July 10, and at this and succeeding conferences the situation in Cincinnati was carefully considered. A committee of the board of directors was appointed to meet with Mr. Delano, of the Federal Reserve Board, at Cincinnati about the middle of August, and at the meeting of the directors on September 7 the committee reported, suggesting the establishment of a branch for the handling and collection of checks and drafts and the receipt and payment of cash.

After further conference with the Cincinnati representatives, and exhaustive consideration of the by-laws and the probable operation

of the branch on the part of the Federal Reserve Board and representatives of our directors, involving several conferences, the directors, at the meeting of October 5, recommended to the Federal Reserve Board that they be permitted to establish a branch at Cincinnati.

In view of the probability that the plan of operation of this branch would constitute a desirable precedent for branches in other districts, the Federal Reserve Board at once devoted itself and its counsel to thorough and careful deliberation upon the form and content of the by-laws.

The Federal Reserve Board having approved our recommendation on October 29, at the meeting of November 7 the directors of the Federal Reserve Bank of Cleveland formally, by resolution, established the branch and named Mr. W. S. Rowe, president of the First National Bank; Mr. W. C. Procter, president of The Procter & Gamble Co., and Mr. L. W. Manning, secretary of the Federal Reserve Bank of Cleveland, as their three appointees for directors of the Cincinnati branch, subject to the approval of the Federal Reserve Board. The Federal Reserve Board approved these appointments and itself appointed Mr. Charles A. Hinsch, president of the Fifth-Third National Bank of Cincinnati, and Hon. Judson Harmon, former governor of Ohio, as its appointees. Since that time the plans for opening the branch have gone forward as rapidly as possible; quarters have been secured, part of the staff has been employed, vault and other equipment has been ordered, the accounting forms and procedure have been very carefully worked out, and the beginning of the bank's operations is expected to occur early in January.

Under date of October 17 a petition from the member banks of Pittsburgh for the establishment of a branch in that city was transmitted to our directors, some informal discussion having occurred prior to that time. With the experience and the plan adopted at Cincinnati as a guide, somewhat more rapid progress was possible than in the case of Cincinnati, and after conference with the committee representing the Pittsburgh Clearing House Association, at the regular meeting of November 7 a resolution was adopted recommending to the Federal Reserve Board that permission be granted to establish a branch in Pittsburgh with powers similar to those of the Cincinnati branch. A committee was appointed to confer with the representatives of the clearing house association in Pittsburgh on November 14, and at the meeting of our board on December 8 the report of the committee was received and Messrs. R. B. Mellon, vice president of the Mellon National Bank; Charles W. Brown, president of the Pittsburgh Plate Glass Co., and George De Camp, national bank examiner, were named as the appointees of the Federal Re-

serve Bank of Cleveland on the directorate of the Pittsburgh branch. The Federal Reserve Board approved these appointments and named Messrs. T. H. Given, president of the Farmers Deposit National Bank, and J. D. Callery, chairman of the board of directors of the Pittsburgh Railways Co., as its appointees. Mr. De Camp, designated as manager of the branch, was unable to secure release by the Comptroller of the Currency until January 1, but on that date will assume his duties, and the opening of the Pittsburgh branch should follow closely after that of the Cincinnati branch.

INTERNAL MANAGEMENT.

The board of directors has met 13 times during the year with an average attendance of eight. Fifty-three meetings of the executive committee have been held. Mr. R. P. Wright, secretary and treasurer of the Reed Manufacturing Co., of Erie, Pa., succeeded Mr. C. H. Bagley, of Corry, Pa., as a class B director on January 1, 1917, Mr. Bagley having been unable to stand for reelection because of poor health; and this has been the only change in the personnel of the board. Mr. W. S. Rowe has remained the member of the advisory council.

On January 1, 1917, Mr. Horace G. Davis, then assistant to the Federal Reserve agent, was made an assistant cashier; and on September 1, Mr. F. J. Zurlinden, who had been head of the discount and investment department, was made an assistant cashier, as was also Mr. W. F. Taylor, who had been auditor; and Mr. G. H. Wagner, who had been assistant auditor, was made auditor. At this time a readjustment of the work of the bank, made necessary in large part by the establishment of the fiscal agency department, was effected, and Mr. M. J. Fleming, assistant cashier since January 1, 1916, took charge of the new department, the remainder of the operating departments being distributed under the supervision of the other three assistant cashiers. Owing to the increase in the work of all departments, many additions to the staff have been necessary, and there are now 64 employees in the banking department proper, 75 in the transit department, and 58 in the fiscal agency department. Of the bank employees, six are serving exclusively in the department of the Federal Reserve agent, which has required an increasing organization.

On November 27 Mr. L. W. Manning, who had been with the bank since its organization, and had served since January 1 as secretary of the bank and assistant to the Federal Reserve agent, took office as manager of the Cincinnati branch.

To accommodate the fiscal agency department it has been necessary to secure additional space, adjoining the quarters on the first floor of

the Williamson Building which have been occupied by the bank since January 1, 1917; and this space has had to be built, covering a court between the two wings of the building. Our rapidly expanding functions have made it increasingly difficult to provide and arrange working facilities rapidly enough. An additional supply of vault equipment has been necessary, and the vault is now fully occupied with high-grade modern chests, in units which will be available in the event of any necessity of change in location.

EXAMINATIONS.

One complete examination of the bank has been made during the year by the Federal Reserve Board examiner and his staff; also a brief examination of the methods of the fiscal agency department while the first Liberty loan was being handled.

CHECK COLLECTION AND CLEARING.

The check clearing and collection system has grown with the other work of the bank during the year, and as a result of frequent invitations, 70 nonmember banks have been added to the par list, which now includes 565 of the 1,170 nonmember banks in the district.

Exhibit T shows the volume of clearing operations.

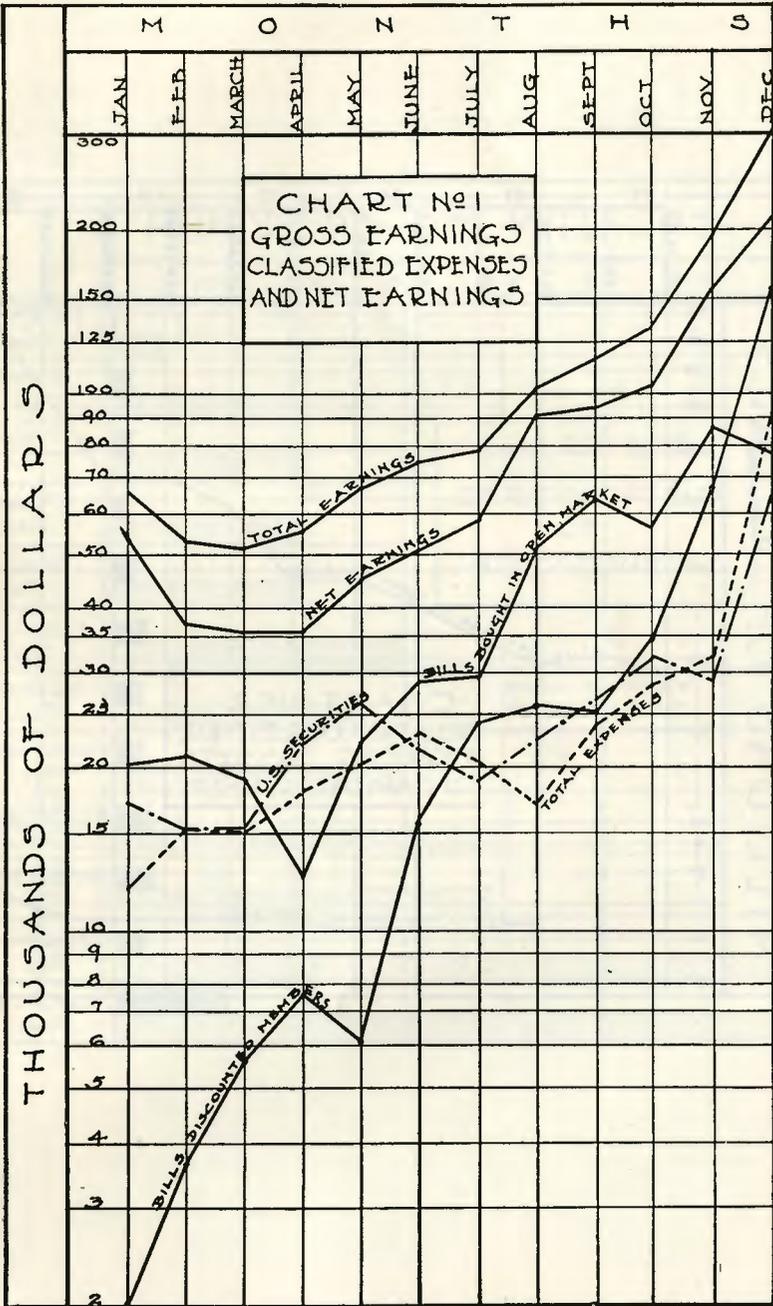
The operations of the gold settlement fund during the year are fully covered in the report of the Federal Reserve Board. The immense usefulness and actual indispensability of this facility has been many times demonstrated in the shiftings of funds incident to the Government financing. Exhibit U shows the monthly totals of debits and credits to the Federal Reserve Bank of Cleveland in the gold settlement fund.

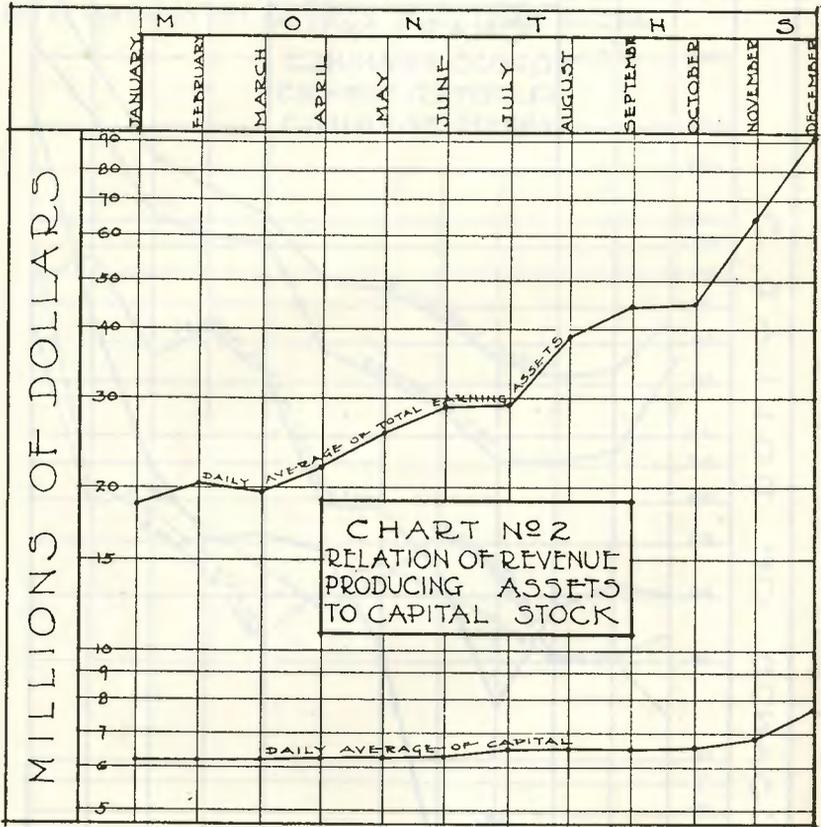
Exhibit V is a tabular statement of the applications for fiduciary powers granted under the provisions of section 11k of the Federal Reserve Act.

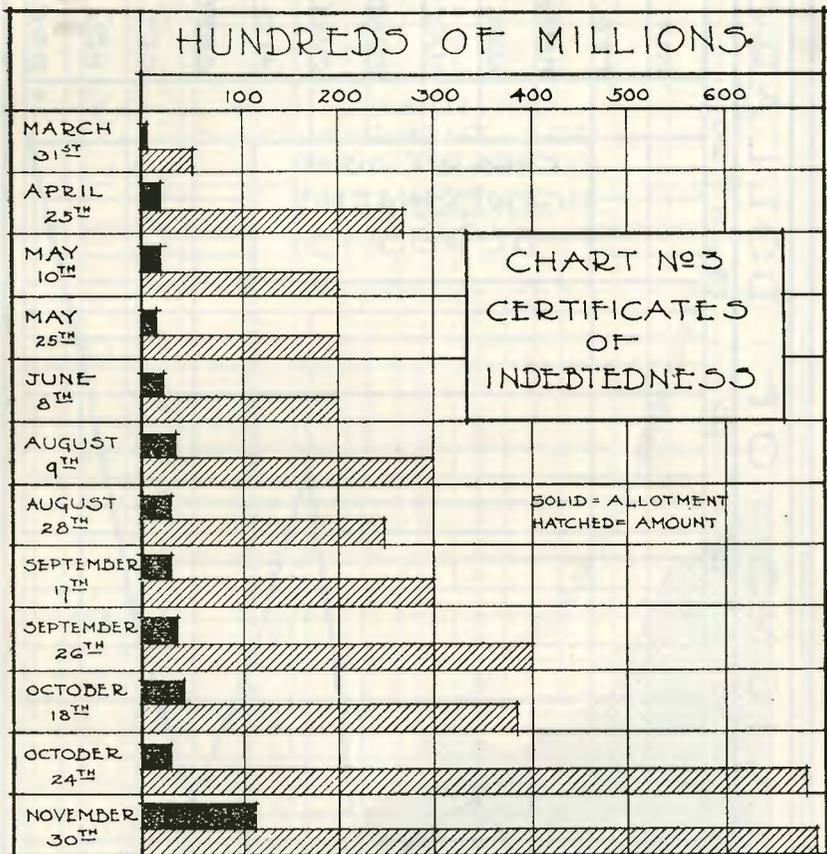
THE OUTLOOK.

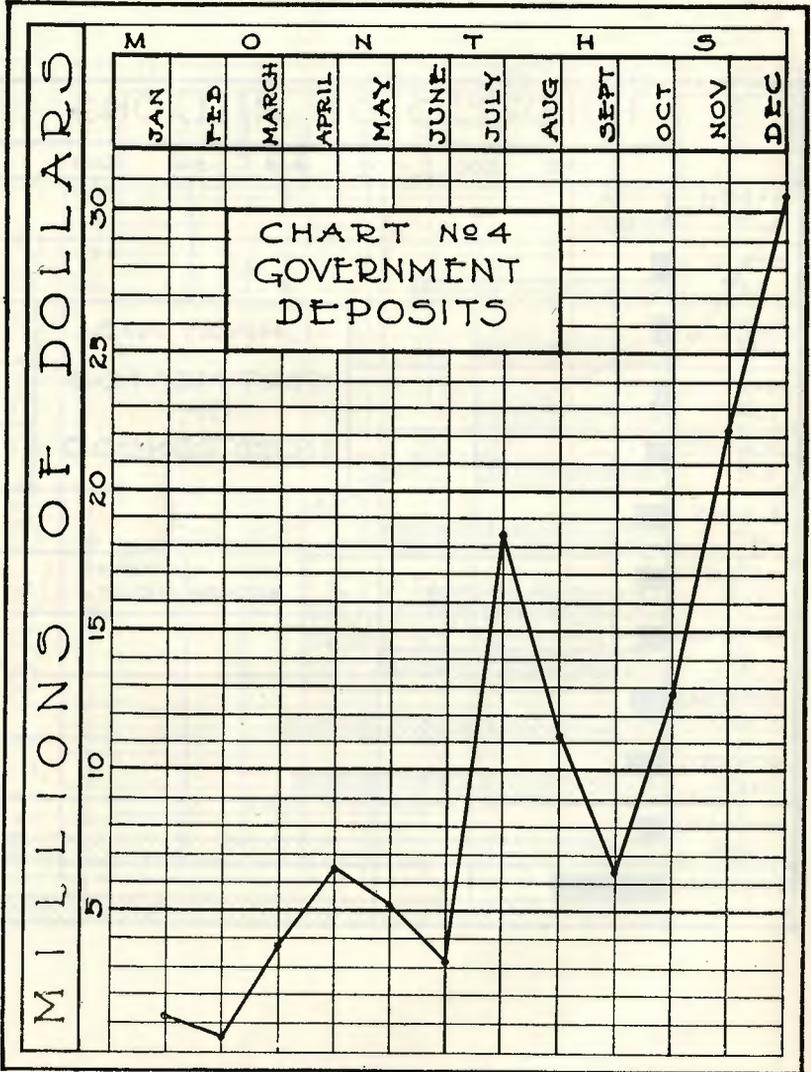
The conditions at the close of the year in district No. 4 are somewhat uncertain and difficult, by reason of the many complex problems awaiting satisfactory solution throughout the Nation, and the inevitable adjustments consequent upon the necessary emphasis on economy, and the concentration of effort upon only those enterprises which are essential to the winning of the war. The outlook can not be said to be wholly favorable to the continuance of unbridled prosperity therefore; but there is no pessimism as to the outcome, and no disposition to withhold any ounce of energy or sacrifice that may be called upon. It is evident that the power of service of

the Federal Reserve Bank of Cleveland may receive a severer test than any it has yet had; it is also evident that the confidence in the strength of this institution, as an integral part of the Federal Reserve system under the wise leadership that has been so evident during the past year, is unshakable and well founded. The officers and directors of the bank welcome the opportunity of service to the utmost, confidently counting upon the continually increasing cooperation of the banks and the people of the fourth district.









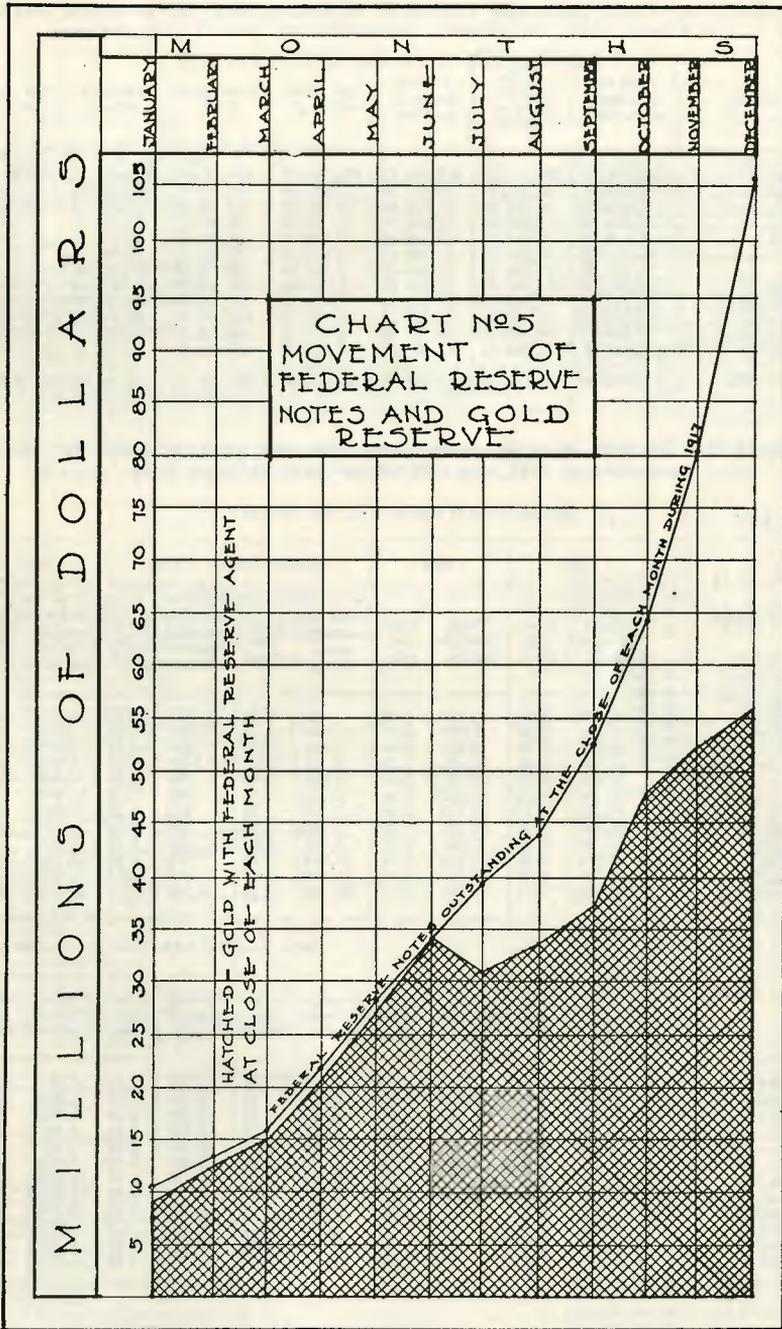


EXHIBIT A.—Gross earnings, classified, expenses, and net earnings, 1917.

Month.	Bills discounted, members.	Bills bought in open market.	United States securities.	All other earnings.	Total earnings.	Total expenses.	Net earnings.
January.....	\$2,093.53	\$20,558.76	\$17,693.35	\$24,768.00	\$65,113.64	\$12,104.12	\$53,009.52
February.....	3,633.21	22,425.74	15,167.09	11,486.90	52,712.94	15,152.89	37,560.05
March.....	5,630.09	19,764.36	15,048.93	10,707.17	51,150.55	15,207.13	35,943.42
April.....	7,587.62	12,773.94	22,494.73	11,159.49	54,015.78	18,177.89	35,837.89
May.....	6,145.43	23,655.19	26,516.28	9,902.67	66,219.57	20,214.55	46,005.02
June.....	16,118.35	28,267.88	22,653.47	6,042.67	73,082.37	23,006.16	50,076.21
July.....	24,740.22	29,094.26	19,804.09	5,103.09	78,741.66	20,731.55	58,010.11
August.....	26,261.09	51,709.62	22,979.42	6,139.90	107,090.03	17,048.01	90,042.02
September.....	25,779.67	63,765.62	26,105.75	2,079.48	117,730.52	24,933.76	92,796.76
October.....	34,794.80	56,421.88	33,351.16	6,827.76	131,395.60	28,244.19	139,151.41
November.....	67,360.98	88,619.75	29,306.82	8,438.52	193,726.07	33,250.99	160,475.08
December.....	155,023.91	79,654.58	66,803.33	4,598.59	306,080.41	91,233.07	214,847.34
Total.....	375,168.90	496,711.58	317,924.42	107,254.24	1,297,059.14	319,304.31	977,754.83

EXHIBIT B.—Average earning assets classified, and average rates for the 12 months of 1917 and corresponding months of 1916.

[In thousands of dollars; i. e., 000 omitted.]

Month.	1917		1916		1917		1916		1917	
	Total invested funds.	Average rate.	Total invested funds.	Average rate.	Bills discounted, members.	Average rate.	Bills discounted, members.	Average rate.	Bills bought in open market.	Average rate.
January.....	19,079	2.84	6,713	2.26	566	4.14	415	4.59	8,718	2.78
February.....	20,633	3.00	7,593	2.71	1,264	3.77	272	4.68	9,877	2.96
March.....	19,356	2.98	9,222	2.62	1,816	3.65	254	4.31	7,578	3.07
April.....	21,958	2.81	11,175	2.53	2,519	3.67	436	4.10	5,025	3.09
May.....	25,904	2.92	14,551	2.44	1,967	3.68	284	4.35	8,945	3.11
June.....	28,780	3.03	15,802	2.48	5,245	3.74	277	4.42	10,987	3.13
July.....	28,719	3.18	18,450	2.55	7,769	3.75	420	4.26	10,935	3.13
August.....	38,649	3.18	18,306	2.60	8,248	3.74	282	4.56	19,505	3.12
September.....	43,720	3.22	17,461	2.63	8,695	3.61	598	4.19	23,976	3.23
October.....	44,611	3.29	18,163	2.74	10,978	3.73	371	4.49	20,147	3.29
November.....	65,010	3.47	17,576	2.72	21,200	3.87	272	4.16	31,790	3.39
December.....	93,554	3.79	21,468	2.75	43,105	4.24	1,206	3.84	26,175	3.58

Month.	1916		1917		1916		1917		1916	
	Bills bought in open market.	Average rate.	Municipal warrants.	Average rate.	Municipal warrants.	Average rate.	United States bonds.	Average rate.	United States bonds.	Average rate.
January.....	981	1.94	1,973	3.40	2,816	2.97	7,792	2.66	2,501	2.57
February.....	976	1.93	2,670	3.05	2,955	2.93	6,822	2.90	3,390	2.65
March.....	1,122	1.92	3,112	3.20	3,853	2.78	6,850	2.59	3,994	2.54
April.....	1,689	1.95	2,987	3.21	4,869	2.55	11,427	2.48	4,181	2.56
May.....	2,613	1.99	2,891	3.20	5,486	2.59	12,101	2.58	6,167	2.39
June.....	4,401	2.06	1,554	3.58	4,510	2.90	10,995	2.50	6,614	2.38
July.....	6,596	2.14	1,237	3.63	4,781	2.85	8,778	2.66	6,653	2.63
August.....	7,052	2.25	1,075	3.70	4,597	3.06	9,821	2.75	6,375	2.60
September.....	7,285	2.33	33	3.44	2,780	3.10	11,015	2.88	6,799	2.62
October.....	6,695	2.41	12	4.62	4,219	3.27	13,475	2.91	6,878	2.65
November.....	6,884	2.41	12	4.44	3,680	3.40	12,009	2.97	6,739	2.53
December.....	9,590	2.58	11	4.00	2,713	3.93	24,263	3.24	7,960	2.40

EXHIBIT B.—Average earning assets classified, and average rates for the 12 months of 1917 and corresponding months of 1916—Continued.

SUMMARY OF INVESTMENT OPERATIONS.

	1917	1916
Daily average of funds employed during year:		
Bills discounted, members.....	\$9,531,458.45	\$425,175.75
Bills discounted, bought.....	15,348,152.44	4,672,647.68
Municipal warrants.....	1,457,325.80	3,943,462.52
United States securities.....	11,314,574.40	5,692,548.42
Total.....	37,651,511.09	14,733,834.37
Total volume of business handled:		
Bills discounted, members.....	211,176,105.36	6,792,429.30
Bills discounted, bought.....	91,109,193.06	27,542,002.24
Municipal warrants.....	2,949,074.30	10,660,237.45
United States securities.....	69,707,100.00	11,721,160.00
Total.....	374,941,472.72	56,715,828.99
Average capital.....	6,433,207.00	5,982,695.00
Rate of gross earnings on capital..... per cent..	20	7.17

EXHIBIT C.—Statement of condition of the Federal Reserve Bank of Cleveland at the close of business, Dec. 31, 1917, compared with Dec. 30, 1916.

	1917	1916
RESOURCES.		
Bills discounted, members.....	\$37,163,027.27	\$1,006,773.50
Advances to members on eligible collateral.....	33,733,150.00	.....
Acceptances bought.....	21,111,990.95	10,153,694.75
Investments, short-time municipal obligations.....	7,233.38	2,684,589.64
United States bonds and securities:		
2 per cent bonds (consols and Panamas).....	473,800.00	2,403,900.00
3 per cent bonds, 1918.....	2,653,600.00	2,586,560.00
4 per cent bonds, 1925.....	2,378,200.00	2,369,200.00
3 per cent one-year Treasury notes.....	3,221,000.00	618,000.00
3 per cent conversion bonds.....	414,800.00	1,800.00
3½ per cent first Liberty loan bonds.....	2,027,000.00	.....
4 per cent second Liberty loan bonds.....	320,750.00	.....
4 per cent United States Treasury certificates of indebtedness due June 25, 1918.....	50,000.00	.....
Total funds employed.....	103,554,411.60	21,824,517.89
Accrued interest on United States securities.....	62,878.48	297,660.08
Cost of unissued Federal Reserve notes.....	.....	39,544.25
Furniture and equipment.....	.....	20,163.92
Expense paid in advance.....	.....	934.76
Due from other Federal Reserve banks.....	45,176,685.19	14,921,032.18
Due from banks and bankers.....	11,792.01	129,610.22
Deferred debits.....	23,162,771.93	10,417,595.49
Gold coin and certificates on hand.....	29,153,275.00	15,761,382.50
Gold settlement fund.....	37,664,000.00	16,953,000.00
Gold redemption fund.....	98,800.00	42,250.00
Gold with Federal Reserve agent.....	55,369,700.00	10,832,305.00
Gold with foreign agencies.....	4,725,000.00	.....
1 equal tender notes and silver certificates.....	238,369.00	484,417.00
Federal Reserve notes on hand.....	3,666,525.00	588,935.00
Other cash and coin.....	1,081,302.20	91,816.77
Mutilated currency forwarded for redemption.....	866,265.00	140,000.00
Due from depository banks and trust companies ¹	68,051,154.98	.....
Other resources.....	139,247.83	28,554.65
Total resources.....	373,022,178.22	92,573,719.71
LIABILITIES.		
Capital paid in.....	8,026,100.00	6,021,800.00
Profit and loss.....	132,311.58	94,797.44
Unearned interest and discount.....	190,643.23	37,978.59
United States Government deposits.....	30,578,247.23	974,809.73
Due to member banks (reserve account).....	109,724,561.05	54,586,226.61
Due to nonmember banks (clearing account).....	94,160.59	.....
Due to other Federal Reserve banks.....	33,970,479.80	11,263,136.20
Deferred credits.....	16,553,514.19	8,759,174.62
Federal Reserve notes outstanding.....	105,669,700.00	10,832,305.00
Treasurer of the United States (special deposit account).....	34,242,100.00	.....
Treasurer of the United States (Liberty loan deposit account).....	33,809,054.98	.....
Other liabilities.....	31,305.57	3,491.52
Total liabilities.....	373,022,178.22	92,573,719.71

¹ War loan deposits.

EXHIBIT D.—Profit and loss account.

	1917	1916
Profit and loss balance Dec. 30, 1916.....	\$94,797.44	
Earnings from—		
Bills discounted, members.....	375,169.00	\$18,064.41
Bills discounted, bankers' acceptances.....	496,711.58	106,993.11
Municipal warrants.....	48,131.73	116,925.13
Interest earned on United States securities.....	317,924.42	144,843.65
Profits realized on United States securities.....	24,260.69	37,228.53
Sundry earnings, including service charge transit department, and exchange bought and sold.....	63,145.30	5,101.50
Total.....	1,420,140.16	429,156.33
Expenses:		
Assessment for expenses of Federal Reserve Board.....	25,783.40	
Cost of Federal Reserve notes issued.....	72,280.77	5,870.44
Cost of unissued Federal Reserve notes.....	18,975.62	
Premium on United States bonds and securities charged off.....	209,469.52	
Operating expenses, including amortization of furniture, vault and equipment and other accounts.....	245,150.97	185,251.94
Dividend paid.....	716,168.30	143,236.51
Profit and loss credit balance.....	132,311.58	94,797.44
Total.....	1,420,140.16	429,156.33

Percentage of net earnings to average capital:

1916.....	3.98
1917.....	15.2

EXHIBIT E.—Resources of member banks.

	Nov. 20, 1917.	Nov. 17, 1916.
Member banks, total resources.....	\$1,985,977,000	\$1,498,515,000
Deposits:		
Demand.....	1,172,813,000	930,705,000
Time.....	402,519,000	235,112,000

COMPARISON OF DEPOSITS OF THE MEMBER BANKS IN THE THREE LARGEST CITIES IN DISTRICT NO. 4.

Cincinnati.....	\$108,893,000	\$97,411,000
Cleveland ¹	318,630,000	146,409,000
Pittsburgh.....	411,214,000	315,130,000

¹ Includes three State banks admitted to membership during 1917.

EXHIBIT F.—Operations in discounts and investments department.

	1917	1916
Bills discounted, members:		
Commercial and industrial.....	\$72,948,095.22	\$4,232,244.04
Trade acceptances.....	4,400,589.19	175,185.26
Agricultural and live stock.....	167,575.28	
Rediscounts, secured by United States obligations.....	15,126,195.67	
Member bank collateral notes, secured by United States obligations.....	66,059,550.00	
Member bank collateral notes, secured by eligible paper.....	53,444,100.00	2,385,000.00
Total.....	212,176,105.36	6,792,429.30
Classification by maturities:		
Within 15 days.....	147,846,219.88	2,288,100.00
16 to 30 days.....	26,101,442.96	3,203,600.00
31 to 60 days.....	18,773,616.49	778,100.00
61 to 90 days.....	19,386,835.84	376,000.00
Beyond 90 days.....	67,940.19	146,600.00
Total.....	212,176,105.36	6,792,400.00

Average rate per cent:

1917.....	3.29
1916.....	4.25

EXHIBIT G.—Discount rates.

MEMBER BANK COLLATERAL NOTES.

In force—	1 to 15 days.	
	Secured by eligible paper.	Secured by United States securities.
Jan. 1, 1917.....	3½	3½
May 10, 1917.....	3½	3
Sept. 25, 1917.....	3½	3½
Dec. 1, 1917.....	4	3½

REDISCOUNTS—COMMERCIAL PAPER.

In force—	1 to 15 days.	16 to 30 days.	31 to 60 days.	61 to 90 days.
Jan. 1, 1917.....	3½	4	4½	4½
Apr. 16, 1917.....	3½	4	4	4½
June 8, 1917.....	3½	4	4	4½
Dec. 1, 1917.....	4	4½	4½	4½

TRADE ACCEPTANCES.

In force—	1 to 15 days.	16 to 30 days.	31 to 60 days.	61 to 90 days.
Jan. 1, 1917.....	3	3	3½	4
Apr. 16, 1917.....	3½	3½	3½	4
Dec. 10, 1917.....	4	4	4	4

AGRICULTURAL AND LIVE-STOCK PAPER.

In force—	1 to 15 days.	16 to 30 days.	31 to 60 days.	61 to 90 days.	Beyond 90 days.
Jan. 1, 1917.....	3½	4	4½	4½	5
Apr. 16, 1917.....	3½	4	4	4½	5
June 8, 1917.....	3½	4	4	4½	5
Dec. 1, 1917.....	4	4½	4½	4½	5

COMMODITY PAPER.

In force—	1 to 15 days.	16 to 30 days.	31 to 60 days.	61 to 90 days.
Jan. 1, 1917.....	3½	4	4½	4½
Apr. 16, 1917.....	4	4	4	4

REDISCOUNTS SECURED BY UNITED STATES GOVERNMENT SECURITIES.

In force—	1 to 15 days.	16 to 30 days.	31 to 60 days.	61 to 90 days.
June 15, 1917.....	3½	3½	3½	3½
Sept. 25, 1917.....	4	4	4	4
Dec. 10, 1917.....	3½	4	4	4

Open-market purchases of bankers' acceptances:

In force—	per cent.
Jan. 1, 1917.....	2½ to 4½
Dec. 1, 1917.....	3 to 4

EXHIBIT H.—*Bills bought in open market (acceptances).*

	1917	1916
Bankers, export and import.....	\$73,538,033.79	\$27,237,096.49
Bankers, domestic.....	15,195,883.59	304,905.75
Dollar exchange bills.....	64,675.00	.....
Foreign trade acceptances.....	1,771,711.82	.....
Domestic trade acceptances.....	538,888.86	.....
Total.....	91,109,193.06	27,542,002.24
Classification by maturities:		
Within 15 days.....	3,190,925.72	.....
16 to 30 days.....	11,318,356.10	1,542,425.48
31 to 60 days.....	26,055,907.18	5,788,427.94
61 days to 3 months.....	50,544,004.06	20,211,148.82
Total.....	91,109,193.06	27,542,002.24

Average rate per cent: 1917, 3.23; 1916, 2.29.

EXHIBIT I.—*Operations in United States securities, 1917.*

	On hand Dec. 30, 1916.	Purchased during 1917.	Sold, paid, and converted during 1917.	On hand Dec. 31, 1917.
United States Government 2 per cent consols.....	\$903,900	\$66,400	\$963,900	\$6,400
United States Government 2 per cent Panamas.....	1,500,000	1,230,500	2,263,300	467,200
United States Government 2 per cent certificates of indebtedness.....	.....	3,500,000	3,500,000	.....
United States Government 3 per cent Spanish war loan.....	2,586,560	67,100	.....	2,653,660
United States Government 3 per cent 1-year Treasury notes.....	618,000	4,297,000	1,694,000	3,221,000
United States Government 3 per cent 30-year conversion bonds.....	1,800	1,616,200	1,203,200	414,800
United States Government 3 per cent certificates of indebtedness.....	.....	4,645,000	4,645,000	.....
United States Government 3½ per cent certificates of indebtedness.....	.....	124,000	124,000	.....
United States Government 3½ per cent Liberty loan.....	.....	1,460,000	1,460,000	.....
United States Government 3½ per cent Liberty loan.....	.....	2,280,700	253,700	2,027,000
United States Government 4 per cent bonds of 1925.....	2,369,200	92,700	83,700	2,378,200
United States Government 4 per cent Liberty loan.....	.....	504,000	183,250	320,750
United States Government 4 per cent certificates of indebtedness.....	.....	15,827,500	15,777,500	50,000
United States Government 4 per cent certificates of indebtedness, held under sale and repurchase agree- ment.....	.....	34,000,000	6,000,000	28,000,000
Total.....	7,979,460	69,711,100	38,151,550	39,539,010

EXHIBIT J.—*Municipal warrants purchased.*

	1917	1916
City.....	\$2,846,166.00	\$10,051,988.72
State.....	.....	260,028.02
County.....	51,803.22	172,845.36
Other.....	51,105.08	175,375.35
Total.....	2,949,074.30	10,660,237.45
Classification by maturities:		
16 to 30 days.....	2,562.50	381,633.20
31 to 60 days.....	5,123.16	2,221,525.66
61 to 90 days.....	632,427.16	497,550.02
Beyond 90 days to 6 months.....	2,248,955.48	7,559,488.57
Total.....	2,949,074.30	10,660,237.45

Average rate of earnings, per cent:

1917.....	3.30
1916.....	2.97

EXHIBIT K.—Changes in the reserve position of the bank during the year.

Month.	Required (35 per cent).	Carried.	Per cent.	Excess.	Per cent.
January.....	\$19,883,243.45	\$44,595,102.35	78.5	\$24,711,858.90	43.5
February.....	20,140,947.75	41,875,468.60	72.8	21,734,520.85	37.8
March.....	21,830,493.30	46,497,955.45	74.5	24,667,462.15	39.5
April.....	21,087,821.40	41,690,550.30	67.2	20,002,728.90	32.2
May.....	25,065,025.00	48,165,198.00	67.2	23,100,173.00	32.2
June.....	36,889,015.84	80,637,413.80	76.5	43,748,397.96	41.5
July.....	36,708,766.86	85,612,601.80	51.6	48,903,834.94	46.6
August.....	39,388,127.89	90,415,959.50	80.3	51,027,831.61	45.3
September.....	33,778,156.72	72,264,790.85	74.8	38,486,634.13	39.8
October.....	36,779,019.87	80,024,672.10	76.2	43,245,652.23	41.2
November.....	46,830,071.96	90,934,366.65	67.9	44,104,294.69	32.9
December.....	42,637,220.05	71,780,815.85	58.9	29,143,595.80	23.9

EXHIBIT L.—Member banks, district No. 4.

Number of member banks, Dec. 31, 1916.....	753	
New national banks organized.....	2	
State banks and Trust companies admitted.....	12	767
Closed by Comptroller of the Currency.....	1	
Liquidated.....	2	3
Number of member banks Jan. 1, 1918.....		764
Distribution:		
In reserve cities.....	50	
In other than reserve cities.....	714	
Total.....		764
Total capital stock Dec. 31, 1916.....		\$12,043,600
Stock allotted member banks for quarter ending—		
March 31, 1917.....	\$145,500	
June 30, 1917.....	326,900	
Sept. 30, 1917.....	431,300	
Dec. 31, 1917.....	3,135,900	4,039,600
Total.....		16,083,200
Stock surrendered quarter ending—		
Mar. 31, 1917.....	10,400	
June 30, 1917.....	11,600	
Sept. 30, 1917.....	6,100	
Dec. 31, 1917.....	2,900	31,000
Total.....		16,052,200
Total paid-up capital stock Dec. 31, 1916.....		6,021,800
Subscriptions paid in quarter ending—		
Mar. 31, 1917.....	72,750	
June 30, 1917.....	163,450	
Sept. 30, 1917.....	215,650	
Dec. 31, 1917.....	1,567,950	2,019,800
Total.....		8,041,600
Cash subscriptions refunded for surrender of stock quarter ending—		
Mar. 31, 1917.....	5,200	
June 30, 1917.....	5,800	
Sept. 30, 1917.....	3,050	
Dec. 31, 1917.....	1,450	15,500
Total.....		8,026,100
Total paid-up capital stock Dec. 31, 1917.....		8,026,100

EXHIBIT M.—Accommodation of member banks through discount of paper.

	Banks accommodated.		Applications handled.	
	1917	1916	1917	1916
Kentucky.....	12	8	70	60
Ohio.....	102	32	974	152
Pennsylvania.....	44	9	153	26
West Virginia.....	2	1	9	2
Total.....	160	50	1,206	240

Total pieces handled in 1917, 14,050; in 1916, 1,401.
 Amount of smallest note or bill rediscounted, \$28.85.
 Amount of largest note or bill rediscounted, \$13,500,000.

EXHIBIT N.—First Liberty loan of 1917.

	Subscriptions.	Allotment.
Class A, \$50 to \$10,000.....	\$128,811,700	\$128,811,700
Class B, \$10,050 to \$50,000.....	76,365,950	47,060,450
Class C, \$100,050 to \$250,000.....	23,239,300	10,457,700
Class D, \$250,050 and up.....	57,814,050	16,970,200
Total.....	288,231,000	203,300,050

EXHIBIT O.—Second Liberty loan of 1917.

	Number of subscriptions.	Amount of subscriptions.	Allotment.
Class A, \$50 to \$10,000.....	783,972	\$172,996,050	\$172,996,050
Class B, \$10,050 to \$50,000.....	2,844	79,545,600	79,545,600
Class C, \$50,050 to \$100,000.....	549	48,352,850	43,553,700
Class D, \$100,050 to \$200,000.....	218	35,487,950	26,732,700
Class E, \$200,050 and up.....	199	136,598,800	74,398,850
Cash sales.....	1,265	13,125,550	13,125,550
Total.....	789,047	486,106,800	410,352,450

EXHIBIT P.—Certificates of indebtedness.

Date of issue.	Amount.	Allotment.	Date of issue.	Amount.	Allotment.
Apr. 25.....	\$268,205,000	\$14,000,000	Sept. 17.....	\$300,000,000	\$24,180,000
May 10.....	200,000,000	15,000,000	Sept. 26.....	400,000,000	34,209,000
May 25.....	200,000,000	10,800,000	Oct. 18.....	385,197,000	38,863,000
June 8.....	200,000,000	19,100,000	Oct. 24.....	685,296,000	26,471,000
Aug. 9.....	300,000,000	33,592,000	Nov. 30.....	691,000,000	115,230,500
Aug. 28.....	250,000,000	24,157,000			

EXHIBIT Q.—*Rediscounts of paper secured by Government securities.*

	Rediscounts secured by U. S. bonds and certificates.	Member bank collateral notes secured by U. S. bonds and certificates.		Rediscounts secured by U. S. bonds and certificates.	Member bank collateral notes secured by U. S. bonds and certificates.
May.....		\$550,000.00	October.....	\$7,542.50	\$12,885,000.00
June.....	\$49,250.00	1,957,000.00	November.....	8,594,833.03	13,574,250.00
July.....	858,209.25	2,210,000.00	December.....	5,106,237.14	18,870,300.00
August.....	510,123.75	7,025,000.00	Total.....	15,126,195.67	66,089,550.00
September.....		9,018,000.00			

EXHIBIT R.—*Government deposits, 1917.*

January.....	\$1,216,035.12	July.....	18,272,174.61
February.....	712,815.21	August.....	11,136,745.93
March.....	3,913,251.22	September.....	6,499,959.71
April.....	6,597,627.26	October.....	12,719,069.72
May.....	5,182,731.99	November.....	22,179,485.22
June.....	3,293,614.65	December.....	30,575,641.65

EXHIBIT S.—*Federal Reserve notes.*

COVER OF NOTES ISSUED.

Gold coin and certificates.....	\$5,804,545
United States Treasury gold order certificates.....	9,110,000
Gold redemption fund with United States Treasurer.....	5,455,155
Credit balance with Federal Reserve Board.....	35,000,000
Paper held as collateral for Federal Reserve notes (actual amount, \$51,254,883.29) required.....	50,300,000
Total.....	105,669,700

DENOMINATIONS OF FEDERAL RESERVE NOTES ISSUED, DESTROYED, AND OUTSTANDING, NOVEMBER, 1914, TO DECEMBER 31, 1917.

Denomination.	Issued.	Destroyed.	Outstanding.
Fives.....	\$11,620,000	\$2,672,250	\$8,947,750
Tens.....	26,640,000	2,931,940	23,708,060
Twenties.....	54,800,000	2,934,860	51,865,140
Fifties.....	16,000,000	299,250	15,700,750
Hundreds.....	5,600,000	152,000	5,448,000
Total.....	114,660,000	8,990,300	105,669,700

Returned for destruction by Federal Reserve agent.....	\$720,000
Returned for destruction by other Federal Reserve banks.....	781,955
Returned for destruction by Treasurer of the United States and Federal Reserve Bank of Cleveland.....	8,008,345
Total.....	8,910,300

FEDERAL RESERVE NOTES RECEIVED AND RETURNED.

(Amounts of Federal Reserve notes received from other Federal Reserve Banks for redemption or credit and returned to other Federal Reserve banks for redemption or credit by the Federal Reserve Bank of Cleveland for the period Jan. 1 to Dec. 31, 1917.)

Exchanged with Federal Reserve Bank of—	Received from.	Returned to.	Exchanged with Federal Reserve Bank of—	Received from.	Returned to.
Boston.....	\$352,600	\$36,415	Minneapolis.....	\$51,500	\$116,030
New York.....	1,720,700	1,216,800	Kansas City.....	25,000	66,740
Philadelphia.....	835,000	247,995	Dallas.....	299,640	39,410
Richmond.....	133,950	100,600	San Francisco.....	69,545	36,840
Atlanta.....	282,150	72,180	Total.....	5,175,740	2,534,070
Chicago.....	1,178,650	418,040			
St. Louis.....	226,705	183,020			

EXHIBIT T.—Clearings, 1917.

	Number of items.	Amount.	Daily average.	
			Number of items.	Amount.
January.....	435,384	\$218,777,981.82	16,745	\$8,414,537.76
February.....	377,911	186,342,030.19	16,431	8,101,827.40
March.....	454,580	236,305,813.73	16,836	8,752,178.23
April.....	434,129	248,982,085.96	17,365	9,959,283.83
May.....	471,797	299,213,801.47	18,146	11,508,223.13
June.....	492,316	355,994,450.53	18,935	13,692,094.25
July.....	463,713	379,309,461.52	18,548	15,172,378.46
August.....	469,594	368,449,776.41	17,392	13,646,288.01
September.....	522,431	338,747,136.48	20,897	13,549,885.45
October.....	573,698	412,870,353.88	21,248	15,291,827.92
November.....	585,016	434,818,454.55	22,500	16,723,786.71
December.....	620,591	452,233,367.85	24,824	18,089,334.72

Total number of items handled.....	5,901,160
Total amount handled.....	\$3,932,056,724.39
Disbursements, Transit Department.....	\$83,491.98
Cost per item handled.....	cents. 1.41
Cost per \$1,000.....	do. 2.12
Service charge per item.....	do. 1.5

EXHIBIT U.—Monthly totals of debits and credits to the Federal Reserve Bank of Cleveland in the gold settlement fund.

	Debits, 1917.	Credits, 1917.	Debits, 1916.	Credits, 1916.
January.....	\$77,036,000	\$67,437,000	\$4,868,000	\$5,356,000
February.....	71,849,000	72,001,000	4,163,000	4,346,000
March.....	105,615,000	103,575,000	8,290,000	6,366,000
April.....	96,190,000	101,785,000	6,440,000	1,367,000
May.....	170,168,000	164,707,000	8,418,000	11,919,000
June.....	176,745,000	155,822,000	11,904,000	12,030,000
July.....	203,455,600	206,037,000	12,714,000	13,822,000
August.....	233,538,000	223,541,000	32,241,000	30,773,000
September.....	177,293,000	193,568,000	41,021,000	43,219,000
October.....	206,495,800	199,039,300	50,245,000	49,017,000
November.....	338,084,000	325,077,600	57,217,000	65,162,000
December.....	334,888,500	358,057,000	70,908,000	67,963,000
Total.....	2,191,357,900	2,170,646,900	308,429,000	314,340,000

Balance Dec. 30, 1916.....	\$16,953,000
Balance Dec. 31, 1917.....	37,664,000

EXHIBIT V.—Fiduciary powers granted.

Powers granted.	Ohio.	Pennsylvania.	Kentucky.	West Virginia.	Total.	Total granted since organization.
Trustee only.....				1	1	6
Registrar of stocks and bonds.....	3				3	5
Trustee and registrar of stocks and bonds.....	3				3	11
Trustee, executor, administrator, and registrar of stocks and bonds.....		1			1	7
Total.....	6	1		1	8	29

