

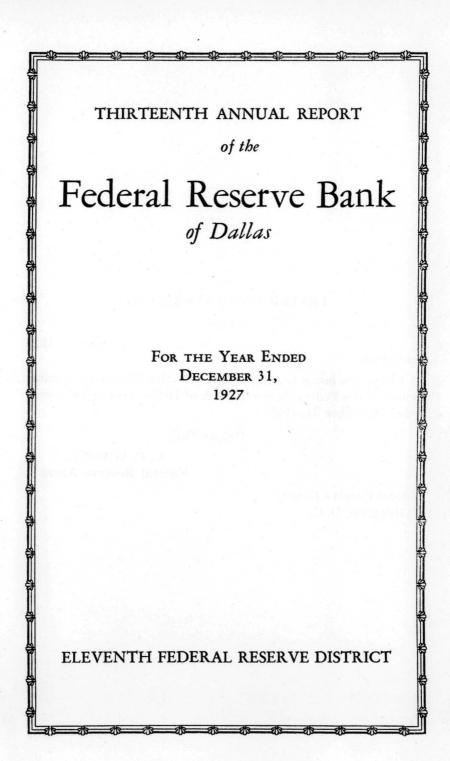
of the

Federal Reserve Bank

of Dallas

For the Year Ended December 31, 1927

ELEVENTH FEDERAL RESERVE DISTRICT



LETTER OF TRANSMITTAL

February 4, 1928

Gentlemen:

I have the honor to submit herewith the Thirteenth Annual Report of the Federal Reserve Bank of Dallas covering the year ended December 31, 1927.

Respectfully,

C. C. WALSH, Federal Reserve Agent

Federal Reserve Board, Washington, D. C.

DIRECTORS AND OFFICERS OF THE FEDERAL RESERVE BANK OF DALLAS 1928

DIRECTORS

CLASS A

CLASS B

J. H. FROST, San Antonio, Texas HOWELL E. SMITH, McKinney, Texas W. H. PATRICK, Clarendon, Texas J. H. NAIL, Fort Worth, Texas J. R. MILAM, Waco, Texas J. J. CULBERTSON, Paris, Texas

CLASS C

C. C. WALSH, Dallas, Texas S. B. PERKINS, Dallas, Texas CLARENCE E. LINZ, Dallas, Texas

MEMBER FEDERAL ADVISORY COUNCIL B. A. McKINNEY, Dallas, Texas

OFFICERS

C. C. WALSH, Chairman and Federal Reserve Agent
CLARENCE E. LINZ, Deputy Chairman
CHAS. C. HALL, Assistant Federal Reserve Agent and Secretary
W. J. EVANS, Assistant Federal Reserve
Agent
W. P. CLARKE, General Auditor
C. C. TRUE, Assistant Auditor

LYNN P. TALLEY, Governor
R. R. GILBERT, Deputy Governor
R. B. COLEMAN, Deputy Governor
FRED HARRIS, Cashier
W. D. GENTRY, Ass't. Deputy Governor
J. L. HERMANN, Assistant Cashier
E. B. AUSTIN, Assistant Cashier
R. O. WEBB, Assistant Cashier

CHAS. C. HUFF, General Counsel LOCKE, LOCKE, STROUD & RANDOLPH, Counsel

EL PASO BRANCH DIRECTORS

C. M. NEWMAN, El Paso, Texas, Chairman

E. A. CAHOON, Roswell, N. M. A. P. COLES, El Paso, Texas A. J. CRAWFORD, Carlsbad, N. M. W. O. FORD, El Paso, Texas G. D. FLORY, El Paso, Texas E M. HURD, El Paso, Texas

OFFICERS

W. O. FORD, Managing Director ALLEN SAYLES, Cashier

HOUSTON BRANCH DIRECTORS

R. M. FARRAR, Houston, Texas, Chairman
GUY M. BRYAN, Houston, Texas
FRED W. CATTERALL, Galveston, Texas
E. F. GOSSETT, Houston, Texas
J. C. WILSON, Beaumont, Texas

OFFICERS

DWIGHT P. REORDAN, Managing Director L. G. PONDROM, Cashier H. R. DeMOSS, Assistant Cashier

SAN ANTONIO BRANCH DIRECTORS

REAGAN HOUSTON, San Antonio, Texas, Chairman

M. CRUMP, San Antonio, Texas FRANZ C. GROOS, San Antonio, Texas R. T. HUNNICUTT, Del Rio, Texas H. H. ROGERS, San Antonio, Texas F. E. SCOBEY, San Antonio, Texas ERNEST STEVES, San Antonio, Texas

OFFICERS

M. CRUMP, Managing Director C. B. MENDEL, Cashier

FEDERAL RESERVE BANK OF DALLAS

COMPARATIVE STATEMENT OF CONDITION

(In Thousands of Dollars)

RESOURCES

RESOURCES	Dec. 31, 1927	Dec. 31, 1926	Dec. 31, 1925
Gold with Federal Reserve Agent	35,804	38,488	24,259
Gold redemption fund with U. S. Treasury	1,839	2,609	2,351
Gold held exclusively against F. R. Notes	37,643	41,097	26,620
Gold settlement fund with F. R. Board	14,742	19,090	12,102
Gold and gold certificates held by bank	7,427	8,448	11,398
Total gold reserves	59,812	68,635	50,120
Reserves other than gold	9,391	8,137	5,749
Total reserves	69,203	76,772	55,869
Non-reserve cash	3,189	2,548	2,593
Bills discounted:			
Sec. by U. S. Government obligations	611	1,594	1,924
Other bills discounted.	267	3,178	2,083
Total bills discounted	878	4,772	4,007
Bills bought in open market	22,811	15,927	28,871
Bonds	18,107	3,738	6,949
Treasury Notes	2,671	3,813	17,236
Certificates of indebtedness	11,211	15,788	7,644
		3	
Total U. S. Government securities	31,989	23,339	31,829
Foreign loans on gold			273
Total bills and securities	55,678	44,038	64,980
Due from Foreign Banks	17		
Uncollected items	29,964	28,215	27,906
Bank premises.	1,785	1,755	1,793
All other resources.	501	358	1,192
Total resources	160,337	153,686	154,333
LIABILITIES			
F. R. notes in actual circulation	47,472	48,803	47,437
Deposits:	50.050	60.000	
Member bank—reserve account	70,970	62,898	66,203
Government	774	1,257	776
Foreign banks	162 103	985 61	289 95
Total deposits	72,009	65,201	67,363
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Deferred availability items	27,798	26,781	26,616
Capital paid in	4,263	4,302	4,267
SurplusAll other liabilities	8,527 268	8,215 384	7,615
			1,035
Total liabilities	160,337	153,686	154,333
Ratio of total reserves to deposit and Federal reserve note			
liabilities combined (per cent)	57.9	67.3	48.7
Contingent liability on bills purchased for foreign correspondents	8,007	1,976	2,462

THIRTEENTH ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF DALLAS

Business activity in the Eleventh Federal Reserve District during the first eight months of 1927 fell considerably below that during the corresponding period of 1926, but as soon as fairly accurate information became available regarding the outturn of crops, business became more active and showed a steady improvement during the remainder of the year. While the volume of business during the fall months of the year was not so large as was generally expected, it must be borne in mind that early returns from crops were reflected in the heavy liquidation of indebtedness rather than in greatly increased buying. At the close of the year, business was in a much stronger position than a year earlier and prospects point toward a gradually expanding volume of trade during the early part of 1928. Building operations reflected a substantial reduction from the previous year, showing the natural reaction to the heavy building programs carried out during the previous years. The production of petroleum reached a new high record, yet operations in this industry were generally unprofitable, due to the sharp decline in the price of crude oil.

The volume of agricultural production, due to adverse weather conditions at the critical periods of growth, was smaller than a year earlier, yet the value of crops was considerably larger than in the previous year. Furthermore, the increase in the gross value of crops does not fully measure the gain in the farmer's net return, as the cost of production of principal crops in 1927 was the lowest in several years. Due to the fact that farmers generally raised their living at home, practiced greater diversification, and did a substantial portion of their own work, the demand for agricultural credit was on a much smaller scale than usual. The heavy production of feed crops will again serve to lighten the costs of 1928 crops and tend to hold down

the demand for agricultural credit.

The livestock industry witnessed a further improvement during the year. The physical condition of the ranges and livestock, with few exceptions, were generally good during the greater portion of the year. The calf and lamb crops were large and due to the favorable weather during the late spring, losses were light. Cattle prices reflected a steady improvement throughout the year, and during the closing weeks, reached the highest level in several years.

The volume of transactions handled by the Federal Reserve Bank of Dallas during 1927 again exceeded that of the previous year, yet, due to a further increase in the efficiency of the personnel, the departments of the bank as a whole functioned with practically the same number of employees as during 1926.

FEATURES OF OPERATIONS, YEARS 1927 AND 1926

	1927		1926	
Loans, Rediscounts, and Investments: Notes discounted and rediscounted for member banks Bills bought for our own account Bills bought for other than our own account Purchase and sale of securities for own account Purchase and sale of securities other than own account		Amount \$281,580,673 119,970,775 29,521,278 171,555,550 30,107,791	Number of Items 39,201 7,464 1,215 965 704	Amount \$223,653,238 75,979,251 9,494,827 168,129,450 32,904,219
Currency and Coin: Bills received and counted		215,433,525 7,067,104	43,952,161 33,981,452	201,982,801 9,419,690
Check Collections: Checks collected Collection items handled Return items U. S. Government checks paid U. S. Government coupons paid	122,814 995,146 901,015	7,751,047,967 194,864,160 38,998,296 100,412,540 4,750,750	34,804,452 116,357 960,835 795,795 603,544	7,443,727,908 205,246,296 39,752,432 86,807,218 5,017,339
Transfers: Transfer of funds other than five per cent fund of national banks Transfer of funds for five per cent fund of national banks	93,380 16,334	4,191,300,603 40,430,472	86,356 17,773	3,863,928,544 38,936,039
Fiscal Agency: U. S. Securities issued, converted, redeemed, canceled, and exchanged	118,831	221,513,174	57,534	96,042,089
Custody of Securities: Number of pieces received from outside sources	26,757 32,364	Not available Not available Not available Not available	30,048 28,555 33,820 28,950	Not available Not available Not available Not available

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EARNINGS AND EXPENSES

The gross earnings of the bank in 1927 were \$1,741,921, as compared with \$2,127,049 in 1926, a decrease of \$385,128 or 18.1 per cent. Of this amount \$430,353 or 24.7 per cent, resulted from the purchase of bills, as compared with \$462,841 or 21.7 per cent in 1926; \$254,984 or 14.6 per cent resulted from the discount and rediscount of paper, as compared with \$525,993 or 24.7 per cent in 1926.

Current net earnings in 1927 were \$474,584, as compared with \$948,318 in 1926, a decrease of \$473,734 or approximately 50 per cent. The average rate on bills discounted was 3.8 per cent, compared with 4 per cent in 1926; and on purchased paper 3.5 per cent, as compared with 3.55 per cent in 1926. The annual rate of net earnings to paid-in capital was 11.1 per cent in 1927, compared with 22 per cent in 1926.

Current expenses in 1927 were \$1,267,337, as compared with \$1,178,730 in 1926, an increase of \$88,607 or 7.5 per cent.

On December 31, 1926, after adjustments necessary in closing the books for the year had been made, the bank's capital was \$4,302,000 and surplus \$8,215,000. Semi-annual dividends were paid to member banks on June 30 and December 31, 1927, at the rate of 6 per cent per annum. After making provision for the usual depreciation allowances and sundry adjustments, the balance in current net earnings of \$311,899 was transferred to surplus, making that account \$8,526,900 on December 31, 1927.

OPEN MARKET OPERATIONS

At the beginning of the year 1927 holdings of United States Government securities were \$23,339,350, of which \$19,603,000 consisted of participation in purchases made by the Open Market Investment Committee.

During the year United States Government securities amounting to \$152,640,000 were purchased in the open market, or from other Federal Reserve Banks and member banks, while securities aggregating \$143,990,000 matured or were sold, representing an increase in holdings of securities of \$8,650,000, and leaving total holdings of \$31,989,000 on December 31, 1927.

Of the increase in holdings \$3,356,500 is represented by participation in purchases of the Open Market Investment Committee, while \$5,293,150 represents independent purchases.

The yield on Government securities averaged about $3\frac{1}{2}$ per cent for the year.

At the beginning of the year holdings of bankers acceptances amounted to \$15,926,500. This amount was gradually reduced to the minimum of \$5,109,683 on August 15, due to maturities during that period regularly exceeding purchases. From this figure holdings were increased to \$23,427,935 on December 3, which was the maximum for the year.

Bankers' acceptances amounting to \$120,785,758 were purchased in the Open Market, from other Federal Reserve Banks and member banks during the year, while bills amounting to \$113,901,493 matured or were sold. Holdings amounted to \$22,810,773, on December 31, 1927.

At the beginning of the year discount rates on banker's acceptances ranged from $3\frac{1}{2}$ per cent to 4 per cent, changing slightly from time to time, the range at the close of the year being from 3 per cent to $3\frac{3}{4}$ per cent. The average yield on banker's acceptances for the year was 3.51 per cent.

DISCOUNT OPERATIONS

The volume of paper discounted and rediscounted for member banks in 1927 was \$281,580,000, compared with \$223,653,000 in 1926, an increase of \$57,927,000 or 26 per cent.

Of the total advances to member banks in 1927, 96 per cent was to National bank members and 4 per cent was to State bank members, as compared with 94 per cent to National bank members and 6 per cent to State bank members in 1926.

The maximum borrowings for the year of \$16,079,000 was reached on September 2 and the minimum borrowings was \$877,792 on December 31.

Of the total paper discounted in 1927, \$201,782,000 or 71 per cent consisted of notes secured by United States Government obligations, as compared with \$96,053,000 or 43 per cent in 1926.

The accompanying schedule shows classification and disposition of notes submitted by member banks in 1927, reasons for return of paper, average daily borrowings from the Federal Reserve Bank of Dallas, contribution of member banks to the bank's capital stock and percentage of total average daily borrowings from the bank by member banks, by groups.

CLASSIFICATION AND DISPOSITION OF NOTES SUB-MITTED BY MEMBER BANKS DURING 1927

			oe r	Amount
Number and amount of item	mber and amount of items received 31,442		\$66,932,943.76	
	LASSIFICAT			
Farming		\$26,699,89	3.73	
Commercial		39,561,34	1.60	
Miscellaneous		671,70	8.43 \$	66,932,943.76
REASONS FOR RETURN	N OF PAPER ED TO TOTA	R SHOWING	G PERC	CENTAGE
	Amount	Percentage	Items	Percentage
Ineligibility\$	676,479.15	1.01	199	.63
Technical Defects	880,066.96	1.31	583	1.85
Insufficient Cr. Information	846,749.35	1.26	589	1.87
Credit Showing	4,110,216.59	6.14	5,217	16.59
Ineligibility Technical Defects Insufficient Cr. Information Credit Showing Miscellaneous	114,019.70	.21	205	.65
Total Returned \$	6.657.531.75	9.93	6.793	21.59
Total Returned\$ Total Accepted\$	60,275,412.01	90.07	24,649	78.41
Total	66,932,943.76	100.00	31,442	100.00
ERAL RESERVE BA TO BANK	NK DURING S IN GROUP	PS 1, 2 AND	REGAT	ED AS
ERAL RESERVE BATO BANK	NK DURING S IN GROUP	1927, SEGI PS 1, 2 AND	REGAT	ED AS
### RESERVE BATO BANK M. B. C. Notes by Gov't Sec Group 1 \$1,447,7 Group 2 665,6 Group 3 126,7	NK DURING S IN GROUP	1927, SEGI PS 1, 2 AND B. C. Notes ants Otherwi \$1,590,8 1,384,8 1,143,7	REGAT 3 and Red ise Secur 308 331 703	ED AS lis- red Total \$3,038,596 2,050,377 1,270,488
### CONTRIBUTION OF MEM OF THE FEDD TO BANK M. B. C. Notes by Gov't Sec \$1,447,7 665,8 126,7 \$2,240,1 ###################################	NK DURING S IN GROUP Secured M. curities con 788 446 785 119 MBER BANK ERAL BANK S IN GROUP	1927, SEGIPS 1, 2 AND B. C. Notes ants Otherwire \$1,590,8 1,384,8 1,143,7 \$4,119,8 IS TO THE C., SEGREGAPS 1, 2 AND	and Red se Secur 308 331 703 342 CAPITATED A	ED AS dis- red Total \$3,038,596 2,050,377 1,270,488 \$6,359,461 FAL STOCK S 2,051,650 1,496,350
### CONTRIBUTION OF MEM OF THE FED! Group 1	NK DURING S IN GROUP Secured M. Surities course 188 146 1785 119 MBER BANK S IN GROUP	1927, SEGIPS 1, 2 AND B. C. Notes ants Otherwis \$1,590,8 1,384,8 1,143,7 \$4,119,8 ES TO THE SEGREGAPS 1, 2 ANI	and Red se Securion 103 and Red se Securion 108 and Red se Securion 108 and 10	ED AS dis- red Total \$3,038,596 2,050,377 1,270,488 \$6,359,463 FAL STOCK S 2,051,650 1,496,350 715,450
### Contribution of Memory 1 Contribution of Memory 2 Group 3 Contribution of Memory 3 Group 1 Group 2 Group 3 Total Group 3 Total	NK DURING S IN GROUP Secured M. Surities courses 188 146 1785 119 MBER BANK S IN GROUP	1927, SEGIPS 1, 2 AND B. C. Notes ants Otherwis 1,590,8 1,384,8 1,143,7 \$4,119,8 S. TO THE C., SEGREGAPS 1, 2 ANI	and Red se Securion 103 and Re	ED AS dis- red Total \$3,038,594 2,050,37' 1,270,486 \$6,359,460 FAL STOCK S 2,051,650 1,496,350 715,450 4,263,450
ERAL RESERVE BATO BANK M. B. C. Notes by Gov't Sec	NK DURING S IN GROUP Secured M. curities courses 785 119 IBER BANK ERAL BANK S IN GROUP	1927, SEGIPS 1, 2 AND B. C. Notes ants Otherwire \$1,590,8 1,384,8 1,143,7 \$4,119,8 ES TO THE SEGREGAPS 1, 2 AND ERAGE DAN BANK OF	and Red se Securion Securion Securion Securion Securion Securior S	is- red Total \$3,038,596 2,050,377 1,270,488 \$6,359,461 FAL STOCK S 2,051,650 1,496,350 715,450 4,263,450 RROWINGS
ERAL RESERVE BATO BANK M. B. C. Notes by Gov't Sec Group 1 \$1,447,7 Group 2 665,6 T26,7 \$2,240,1 Group 3 126,7 \$2,240,1 Group 1 TO BANK Group 1 Group 2 Group 3 Total PERCENTAGES OF THE FROM THE FEDERAL TO ITS CA	NK DURING S IN GROUP Secured M. curities course 788 146 785 119 MBER BANK ERAL BANK S IN GROUP TOTAL AVE L RESERVE APITAL STO	1927, SEGIPS 1, 2 AND B. C. Notes ants Otherwis \$1,590,8 1,384,8 1,143,7 \$4,119,8 S. TO THE SEGREGAPS 1, 2 AND ERAGE DAN BANK OF CK PAYME	and Red se Securion Securior Securion Securior Securion Securior Securion S	ED AS dis- red Total \$3,038,596 2,050,377 1,270,488 \$6,359,461 FAL STOCK AS 2,051,650 1,496,350 715,450 4,263,450 RROWINGS GROUP 148%
ERAL RESERVE BATO BANK M. B. C. Notes by Gov't Sec	NK DURING S IN GROUP Secured M. curities course 788 446 785 119 MBER BANK ERAL BANK S IN GROUP TOTAL AVE	PS 1, 2 AND B. C. Notes ants Otherwi \$1,590,8 1,384,8 1,143,7 \$4,119,8 S. TO THE , SEGREGA PS 1, 2 ANI ERAGE DAI BANK OF CK PAYME	and Red se Securion Securion Securion Securion Securion Securior S	ED AS dis- red Total \$3,038,596 2,050,377 1,270,488 \$6,359,461 FAL STOCK AS 2,051,650 1,496,350 715,450 4,263,450 BROWINGS GROUP 148% 137%

RESERVE POSITION

The reserve position of the bank during 1927 reflected the usual seasonal changes in demand for credit, volume of earning assets, circulation of Federal Reserve notes, extent of participation in the open market and fluctuations in deposits.

For the first six months of the year the ratio ranged between a maximum of 76.4 per cent on March 16 (the highest of the year as of weekly reporting periods) when total cash reserves were \$79,071,000, to a minimum of 59.8 per cent on June 8, when total cash reserves were \$56,307,000.

During the latter half of the year the ratio fluctuated between a maximum of 66.4 per cent on October 5, when total cash reserves were \$74,882,000, to a minimum of 53.5 per cent on November 2, when total cash reserves were \$63,132,000.

CLEARING OPERATIONS

The volume of checks handled during the year 1927 totaled 36,998,000, amounting to \$7,851,460,000, an increase of 1,398,000 in number and value of \$320,925,000 over 1926. The volume during the last three months of 1927 was exceptionally heavy which is the seasonal trend due to utilization of funds realized through the marketing of fall crops. The daily average number of checks handled during this period was 139,000 as compared with 125,000 during 1926 and 123,000 during 1925. The maximum number of items handled at the Head Office in any one day was 141,383 on June 6, 1927.

The privilege of routing checks direct to other Federal Reserve Banks for credit on the books of this bank was availed of by 161 member banks in 1927. Notwithstanding the number of banks availing themselves of the direct routing privilege which eliminates the handling of items in our office, and in many instances enables the direct sending member to receive quicker credit, the year just ended witnessed a large increase in the number of checks which actually passed through our Transit Department.

During the year 995,000 checks were returned for various reasons, a ratio of one check returned for every 37 items handled. During 1926 the ratio was also one to 37.

Clearings through the Reserve City Clearing House during the year aggregated \$1,146,943,900 as compared with \$1,131,-641,000 in 1926.

Non-cash collection items handled in 1927 totaled 122,814 amounting to \$194,864,000 as compared with 116,357, amounting to \$205,246,000 in 1926.

The salary expense of the Transit Department was reduced three per cent in 1927 over 1926.

MOVEMENT OF MEMBERSHIP

On January 1, 1927, the total number of national banks in the district was 728. During the year five national banks were chartered; 27 were dropped through liquidation, mergers and other causes, making a net decrease of 22, or a total on December 31, 1927 of 706.

On January 1, 1927, the total state bank membership was 113. During the year one state bank was admitted to membership. The membership of 13 state banks was terminated through liquidation, consolidations and other causes, making a net reduction of 12, or a total state bank membership on December 31, 1927 of 101.

The total membership, by states, on December 31, 1927, was:

N	ational	State	Total
Arizona	5	1	6
Louisiana	15	1	16
New Mexico	20	1	21
Oklahoma	19	1	20
Texas	647	97	744
pali surprisdu cha a capital ad tras-	The state of	- Table 19	
Total	706	101	807

FEDERAL RESERVE NOTES

The amount of Federal reserve notes in circulation during 1927 was only slightly greater than in 1926, the average being \$192,000 more than the previous year.

The following table shows the average, maximum and minimum circulation for 1927, as compared with 1926 and 1925:

	1927	1926	1925
Average	\$42,320,000	\$42,128,000	\$44,698,000
Maximum	51,596,000	51,970,000	54,020,000
Minimum	34,194,000	34,981,000	37,471,000

The minimum circulation in 1927 of \$34,194,000 was reached in June, while the minimum in 1926, \$34,981,000, was reached in May. The maximum circulation in 1927 of \$51,596,000 was reached on November 5, and was \$374,000 less than the maximum in 1926 of \$51,970,000, reached on November 6.

Weather conditions were a contributing factor in the movement of Federal reserve notes during the fall season when the heaviest demand is experienced. The picking of cotton was almost continuous and open weather permitted the crop being gathered with but few interruptions. As a result currency forwarded to those sections where the crop was early served its purpose and was returned for credit in time to be re-forwarded to other sections where the movement of the crop was later. If this condition had not existed the maximum circulation in 1927 would have unquestionably been higher than in 1926.

BANK EXAMINATIONS

In 1927 the Examination Department made 104 credit investigations in conjunction with regular examinations by the State authorities. Two non-member institutions were examined incident to application for membership. Two independent credit investigations were made by our examiners, involving one state and one national bank. A total of 108 visits were made during the year, as compared with 118 in 1926. The falling off in examination work was due in part to a decrease in the district's state bank membership, and, in some degree, to better banking and business conditions.

Cooperative relations with the State Banking Department in this district were maintained, as usual, particularly in Texas, where the most of the state bank members are located. The State Banking Department of this state participates with us each year in a series of continuous examinations which is carried on until all member state banks have been examined. Under this plan the majority of our credit investigations in Texas are made early in the year, in advance of the seasonal peak demand for rediscount accommodations.

BANK RELATIONS

During the past year the Bank Relations Department conducted a total of 1,089 bank visitations, as against 1,117 in 1926. The field work in 1927 consisted of 819 regular visits to member banks, 256 to non-member institutions, and 14 special missions for other departments of the bank.

Speakers were furnished for 32 gatherings during the year, and approximately 1,000 visitors were conducted through the bank building.

All bankers' conventions, group meetings, and a number of formal bank openings in this district were attended either by field representatives or officers of this bank.

STOCKHOLDERS MEETING

The first meeting of the bank's stockholders was held at the Baker Hotel on June 15, 1927. It was attended by 416 member bankers, representing 329 member banks. Officers and directors of the bank and its branches were also present. A Stockholders' Association was formed and by-laws were adopted providing for a President, Secretary, and a Stockholders' Advisory Committee, consisting of seven members from Texas and one each from Arizona, New Mexico, Oklahoma and Louisiana. W. W. Woodson, of Waco, Texas, was elected president and A. R. Davis, Garland, Texas, chosen as secretary. by-laws provide for annual meetings of the association. dresses were delivered by C. C. Walsh, Chairman and Federal Reserve Agent, Lynn P. Talley, Governor, and E. B. Stroud of the bank's counsel. The afternoon session was given over to a discussion by the delegates of the operations of the bank and other matters of interest to the stockholders. Resolutions were adopted commending the influence of the Federal Reserve System upon banking and economic conditions, and a special resolution was adopted petitioning Congress to amend Section 13 of the Federal Reserve Act for the purpose of broadening

the present provisions of the Act relating to the eligibility of commodity drafts for rediscount.

INSOLVENT BANKS DEPARTMENT

Nine member banks (seven national and two state) in this district suspended business in 1927, of which three were indebted to this bank. During the year the indebtedness of six was liquidated without any loss to this bank. On December 31, 1927, there were seventeen banks indebted to us still in process of liquidation with a net liability of \$862,177.77, all of which had been previously charged to funds reserved for losses, with the exception of \$20,162.00, which is carried as an asset on our books.

The personnel of the department consists of two regular employees and two field men. The service of the latter is expected to be terminated during the next sixty days as the liquidation will have reached a point where it can be handled from the office without additional expense.

INTERNAL ORGANIZATION AND PERSONNEL

The Board of Directors held twelve meetings in 1927, with an average attendance of eight.

There was no change in the personnel of the Board in 1927.

At its meeting on January 7, 1927, the Board re-elected B. A. McKinney, Vice-President of the American Exchange National Bank of Dallas, as a member of the Federal Advisory Council to represent the Eleventh Federal Reserve district during 1927.

Following the announcement by the Federal Reserve Board on February 25 of the approval of the application of the San Antonio Clearing House Association to establish a branch at San Antonio, Texas, steps were taken to provide a working organization for the branch, and several changes in official personnel necessarily resulted. On March 7 the Board of Directors elected M. Crump, Managing Director of the El Paso Branch, as Managing Director of the San Antonio Branch, C. B. Mendel of San Antonio as Cashier of the San Antonio Branch and W. O. Ford, senior Assistant Cashier at the head

office, as Managing Director of the El Paso Branch, to succeed Mr. Crump. The transfer of Mr. Ford to El Paso resulted in the re-assignment of functions at the head office and R. O. Webb, Manager of the Service Department, was elected Assistant Cashier to fill the vacancy caused by Mr. Ford's transfer. While Messrs. Ford and Webb assumed their new duties May 23, Messrs. Crump and Mendel for several weeks prior to the opening of the San Antonio Branch on July 5 were engaged in providing a working staff and assembling equipment and supplies necessary for the successful operation of the branch.

On September 8, R. L. Foulks tendered his resignation as General Auditor; W. P. Clarke, Assistant Auditor was designated Acting General Auditor to succeed Mr. Foulks, and C. C. True, Manager of the Auditing Department, was designated Acting Assistant Auditor to succeed Mr. Clarke.

The terms of J. H. Frost, Class A director, Group 1, and Frank Kell, Class B director, Group 2, expired on December 31, 1927. The annual election, conducted in November, resulted in the re-election of Mr. Frost, and election of J. R. Milam, of Waco, Texas, as Class B director, Group 2, for three year terms beginning January 1, 1928.

On December 8, the Federal Reserve Board announced the redesignation of C. C. Walsh, as Chairman of the Board and Federal Reserve Agent for 1928.

On December 14, the Federal Reserve Board announced the redesignation of Clarence E. Linz as Deputy Chairman of the Board for 1928, and the re-appointment of S. B. Perkins as Class C director for the three year term beginning January 1, 1928.

On December 31, 1927, the total number of officers and employees at the head office and branches was 438, an increase of 15 from the number on December 31, 1926.

FISCAL AGENCY OPERATIONS

The volume of business handled as fiscal agent of the United States in 1927 showed a substantial increase over the year 1926. During the year eight issues of Government securities were floated, as compared to three issues in 1926, and there

were six maturing issues as compared to five in 1926. The volume of interest coupons handled for payment was slightly less than in 1926, while there was a substantial increase in the number of Government checks and warrants.

The personnel of the department has remained the same as it was on December 31, 1926, with eighteen employees on that date at an annual salary rate of \$34,620. Increases in salary were granted during the year, bringing the salary rate up to \$35,700.

OPERATION OF BRANCHES

The volume of business handled at the El Paso Branch in 1927, compared with that handled in 1926, is reflected in the following table:

	Number-		Amount	
	1927	1926	1927	1926
Notes discounted and rediscounted	349	1,055	\$ 11,070,937	\$ 25,968,869
Currency and coin shipments received	4,114	4,232	36,733,607	38,621,232
Currency and coin shipments forwarded	3,791	3,820	38,392,805	37,626,971
Transfer of funds	9,294	9,825	188,686,408	164,887,764
Check collections	2,488,592	2,539,076	356,970,038	347,626,720
Treasury Warrants	158,757	152,545	16,878,938	16,432,592
Collection items handled	12,774	14,182	9,353,078	11,525,360
Return items	50,984	47,607	2,766,839	2,983,043

At the beginning of the year 44 member banks (41 national and three state) were attached to the branch. Three national banks were transferred to the San Antonio Branch upon its opening, July 5, and the membership of one national bank was terminated by absorption, leaving total membership of 40 on December 31, 1927.

The expense of operation, excluding furniture and equipment, was \$115,432 as against \$120,486 in 1926.

The personnel of the branch on December 31, 1927, comprised two officers and 35 employees, compared with two officers and 45 employees at the close of 1926.

The volume of business handled at the Houston Branch in 1927, compared with 1926, is shown in the following table:

	Number-		Amount	
	1927	1926	1927	1926
Notes discounted and				
rediscounted	771	2,335	\$ 23,722,299	\$ 27,297,163
Currency and coin shipments received	4,716	4,939	68,557,000	70,655,029
Currency and coin shipments forwarded	5,555	6,285	68,797,063	68,144,678
Transfer of funds	24,638	22,293	1,541,488,267	1,288,539,690
Check collections	6,654,526	7,138,043	1,714,008,937	1,809,802,410
Treasury Warrants	171,991	171,063	18,683,171	17,415,512
Collection items handled	35,442	32,527	71,778,878	79,369,298
Return items	156,113	153,376	6,728,490	8,210,906

At the beginning of the year 143 member banks (123 national and 20 state) were attached to the branch. Two national banks were added by the transfer of Sabine, San Augustine and Shelby counties from the head office; the membership of two state banks was terminated during the year, one being succeeded by a non-member bank and one by withdrawal from the System. Fifty-four members (47 national and 7 state) were transferred to the San Antonio Branch (53 on date of opening, July 5, and one later) leaving total membership of 89 on December 31, 1927.

At the end of the year the branch had three officers and 52 employees, compared with three officers and 60 employees on December 31, 1926.

The San Antonio Branch was authorized by the Federal Reserve Board on February 25, and opened July 5 in quarters in the Frost National Bank building. On May 7, 1927, the Board of Directors of the head office approved the purchase of a lot 100 feet square at the corner of Garden and Villetta streets as a site for permanent quarters for the branch. An architect was employed and plans and specifications prepared. Bids on the building, which will be of two stories and basement, and 80x60 in dimensions, were received and opened by the Building Committee on December 27, after which they were referred to a sub-committee for tabulation and analysis. It is expected that the contract will be let early in 1928, and the building ready for occupancy about August 1.

The territory allocated to the San Antonio Branch embraces 55 counties in Southwest Texas.

The volume of business handled at the San Antonio Branch from date of opening to close of the year is shown in the following table:

	Number	Amount
Notes discounted and rediscounted	313	\$ 7,606,196
Currency and coin shipments received	3,256	29,051,661
Currency and coin shipments forwarded	2,014	23,798,459
Transfer of funds	6,371	190,879,634
Check collections	2,454,855	490,844,269
Treasury Warrants	66,952	12,433,023
Collection items handled	8,236	8,036,090
Return items	51,088	2,748,215

At the date of opening 99 member banks (88 national and 11 state) were attached to the branch. Of this number 43 were transferred from the head office territory, three from the El Paso Branch territory, and 53 from the Houston Branch territory. Since opening one state bank was admitted to membership; one national bank was later transferred from the Houston Branch territory, and one national bank consolidated with another, leaving total membership of 100 on December 31, 1927.

The expense of operation, excluding furniture and equipment, was \$79,019.

At the end of the year the branch had two officers and 46 employees.