



FEDERAL RESERVE BANK
OF DALLAS

R. L. VAN ZANDT, GOVERNOR
J. W. HOOPES, DEPUTY GOVERNOR
LYNN P. TALLEY, CASHIER
SAM R. LAWDER, ASST. CASHIER
R. R. GILBERT, ASST. CASHIER

January 10, 1918.

Dear Sir:

The Federal Reserve Bank of Dallas is conducted not only in the interest of its member banks, but also for the benefit of the business and financial interests of the entire Country, in particular the interests of the Eleventh Federal Reserve District.

I am today sending to all of our member banks an itemized statement of the condition of this institution, as shown by our books at the close of business on December 31, 1917, together with an explanatory communication which will enable not only bankers but anyone interested to understand the different items shown in the statement.

The communication referred to contains also some comparative data which is quite interesting, and for your information I am enclosing herewith a copy of the statement and the letter which accompanied it.

Yours very truly,

A handwritten signature in cursive script, reading "R. L. Van Zandt".

Governor.

FEDERAL RESERVE BANK OF DALLAS

January 10, 1918.

TO THE MEMBER BANKS OF THE ELEVENTH FEDERAL RESERVE DISTRICT:

The Board of Directors of this bank held its first meeting for the year 1918 today. At each meeting the Governor makes a report to the Board of the activities of the bank for the preceding month, and as my report today contained some matters which might be of interest to member banks, a synopsis of those matters is presented herewith, in connection with which reference is made to the statement of condition as of December 31, 1917, enclosed herewith.

1. On December 31, 1917 we had on our pay-roll 174 officers and employees as compared with a total of 62 on the same date in 1916, the present force including 75 employees and two officers who give their entire time to the War Loan Department, the expenses of which department, including salaries, are paid by the United States Treasury Department.

2. Rediscounts and loans to member banks during the month of December amounted to only \$3,544,993.10, as compared with \$12,835,695.37 for the month of November, and against this there was a retirement amounting to \$5,873,612.46, reducing our member bank loans in the amount of \$2,328,619.36, or from \$6,279,080.24 on November 30 to \$3,950,460.88 on December 31, the total being distributed as follows:

Rediscounts	\$3,010,460.88
Promissory notes	940,000.00

On December 31 sixty-six member banks were indebted to us as compared with eighty-nine on November 30.

3. During December our open market purchases of bankers acceptances amounted to \$4,799,594.28, as compared with similar purchases during November amounting to \$14,069,012.77, and during the month there was retired the amount of \$5,335,070.69, thereby reducing our holdings in the amount of \$535,476.41, or from \$14,676,026.07 to \$14,140,549.66.

Of the acceptances acquired during December, the amount of \$2,524,594.28 was purchased in New York, the remainder consisting of acceptances of member banks in this district and purchased here.

4. On December 12, we rediscounted for another Federal Reserve Bank bills aggregating \$5,000,036. These bills were secured by Liberty Loan Bonds, signed by individuals, endorsed by member banks in the district of the rediscounting Federal Reserve Bank, and endorsed to us by that Federal Reserve Bank. A part of these rediscounts have already been taken up.

5. The increase in our holdings of municipal warrants, amounting to \$104,193.74, is made up of deficiency warrants of one of the largest cities in the district, which warrants bear the endorsement of a member bank in that city.

6. Our statement of November 30 showed holdings of Treasury Certificates of Indebtedness in the amount of \$1,823,000, all of which matured and were paid off on December 15.

7. Our "Bill of Lading Drafts" account was very active during the month of December and has apparently furnished a highly desirable service to those banks which use our facilities in that connection. Our November 30 statement showed in this account an outstanding total of \$248,000, and on December 31 an outstanding total of \$682,000, the highest point having been reached on December 22 with a total on that date of \$1,320,000.

8. Our Furniture and Equipment account now stands at \$11,000 which is a part of the original cost of our steel vault, all of the remaining items in this account having been charged off on December 31.

9. Our current expenses for the month of December amounted to \$19,439.63, as compared with \$17,810.34 for the month of November, but included the extra expense of Christmas bonus to the employees, amounting to \$5,671.08. This does not include the expenses of the District Clearing House, but in the future our current expense account will include that expense and the service charges collected will be credited up to earnings, the amounts being practically equal.

In passing I will state that during the year 1917 the District Clearing House handled over 3,717,000 items, aggregating over \$990,000,000 at a total cost of \$51,262.80, or a fraction over five cents per thousand dollars.

10. The items remaining in our expense column on December 31 are as follows: (a) Cost of un-issued Federal Reserve Notes \$10,161.62, which will be charged to current expense as the notes are issued to us. (b) Other deferred charges \$266.04, which is the value of revenue stamps on hand for sale to those member banks which inadvertently omit affixing stamps to notes sent to us for discount, and (c) the remaining three items, aggregating \$66,005.99, consisting of expenses in connection with the War Loans, which will be reimbursed to us by the Treasury Department.

11. Our account Non-reserve Cash, amounting to \$4,899,534.21, consists of Federal Reserve Notes on hand, both of this bank and other Federal Reserve Banks, National bank notes, mutilated currency forwarded for redemption, unassorted currency in Tellers' Department, nickles and coppers.

12. The item of Federal Reserve Bank Notes, \$2,732,400, is the entire amount of our bond secured circulation, corresponding to the circulation issued by National banks, and is held by us, to avoid payment of the circulation tax, until an actual necessity for its issuance arises.

13. Our gold and lawful money account, amounting to \$41,070,668.91, consists of the reserve money which we have on hand and with the Federal Reserve Agent.

14. Our credit balance in the Gold Settlement Fund is our portion of that fund of actual gold held for the Federal Reserve Banks by the Treasury Department in Washington, by means of which fund the credit and debit balances between the twelve Federal Reserve Banks are cleared weekly.

15. The item "Transfers Bought"—\$3,619,774.36, is made up of drafts forwarded for our credit to other Federal Reserve Banks which have not yet reached their destination, in other words "Float."

16. "Treasury Certificates Deposit Account, Series November 30," \$638,332.64, is a part of the amount left on deposit with the qualified depositories which subscribed for the Certificates of Indebtedness dated November 30, 1917.

17. "Depositary Banks, Liberty Loan," \$7,413,447.23, is the amount paid by credit by qualified depositories on the Liberty Loan installment of December 15, 1917, and not yet called for by the U. S. Treasurer.

18. Increases and decreases in our paid-in capital stock during the month resulted in a net increase of \$3,650. Applications for membership have been received from several State banks and the next few months should show a substantial increase in this account.

19. The following are the increases in our gross earnings for the month of December:

Interest and discount earned—increase.....	\$ 89,675.30
Transfers bought and sold—increase.....	8,875.97
Penalties on deficient reserves—increase.....	1,619.21
Total profit increases.....	\$100,170.48
Deducting from this the expenses paid during the month of December amounting to	19,439.62
gives us the amount of.....	\$ 80,730.86

as actually earned net profits for the month of December, as compared with \$70,699.98 for the month of November.

In detail, our earnings for the six months ending December 31, 1917, were derived from the following sources:

From discounts and rediscounts of members.....	\$150,376.36
“ acceptances bought in open market.....	116,481.74
“ rediscounts for other Federal Reserve Banks.....	10,493.44
“ U. S. Bonds and Certificates of Indebtedness.....	80,743.84
“ Municipal Warrants	1,068.29
“ transfers bought and sold.....	32,476.91
“ Penalties on deficient reserves.....	8,356.35
“ sundry sources not enumerated.....	3,798.94
Total	\$403,795.87

On December 31, after carrying these items into our Profit & Loss account and adding thereto the balance brought forward in that account of \$52,322.75, we had a total in that account of \$456,118.62 against which we made the following charges:

**STATEMENT OF CONDITION OF THE
FEDERAL RESERVE BANK OF DALLAS**

At the close of business December 31, 1917.

Resources.

Member bank collateral loans.....	\$ 940,000.00	
Rediscounts for member banks.....	3,010,460.88	
Bankers acceptances purchased.....	14,140,549.66	
Rediscounts for other Federal Reserve Banks.....	4,789,536.00	
Total bills discounted and bought.....		\$22,880,546.54
U. S. Bonds to secure circulation.....	2,732,400.00	
U. S. Bonds on hand.....	1,758,600.00	
One year gold Treasury notes.....	1,430,000.00	
Municipal warrants.....	150,458.74	
Bill of Lading drafts outstanding.....	682,058.19	
Liberty Loan Bonds for employees.....	5,100.00	
Total.....		6,758,616.93
Total earning assets.....		\$29,639,163.47
Interest accrued on U. S. bonds.....		28,188.78
Banking House.....		136,736.31
Furniture and Equipment.....		11,000.00
Cost of unused Federal Reserve Notes.....	10,161.62	
Other deferred charges (revenue stamps).....	266.04	
Expense First Liberty Loan.....	9,795.22	
Expense Second Liberty Loan.....	54,153.44	
Expense War Savings Committee.....	1,057.33	
Total.....		75,433.65
Non-reserve cash.....		4,899,534.21
Federal Reserve Bank Notes on hand.....		2,732,400.00
Gold and lawful money.....		41,070,668.91
Gold Settlement Fund—credit balance.....		24,520,700.00
Collection Items—Transfers bought.....		3,619,774.36
Treas. Cert. Deposit Account, Series November 30.....		638,332.64
Depository Banks—Second Liberty Loan.....		7,413,447.23
Total Resources.....		\$114,785,379.56

Liabilities.

Capital paid in.....		\$ 2,794,900.00
Profit and Loss.....	205,353.08	
Unearned interest and discount.....	87,603.61	
Service charges (net).....	383.02	293,339.71
Federal Reserve Notes issued.....		\$ 47,716,950.00
Federal Reserve Bank notes.....		2,732,400.00
U. S. Treasurer—Certificates of Deposit Account.....		638,332.64
U. S. Treasurer—Liberty Loan Account.....		7,413,447.23
U. S. Treasurer—General Account.....		6,608,640.55
Member bank reserve deposits.....		45,071,398.94
Due to other Federal Reserve Banks (net).....		1,515,970.49
Total Liabilities.....		\$114,785,379.56

Current expenses for the six months.....	\$109,502.80
Interest paid on surrendered stock.....	210.72
Expenses paid in advance.....	8,319.07
Entire furniture and equipment, except vault.....	22,976.33
Charge off on cost of vault.....	1,848.44
Dividend No. 5 in full from November 1, 1916 to June 30, 1917, inclusive.....	107,908.18
Total charge	<u>\$250,765.54</u>

which left us a credit balance to carry forward in our Profit & Loss account for the year 1918 of \$205,-353.08.

The current expenses for the six months were distributed as follows:

Assessment for expenses of Federal Reserve Board.....	\$ 6,043.18
Cost of Federal Reserve Notes issued.....	30,678.47
Salaries	48,632.12
Governors' Conferences	116.05
Federal Reserve Agents' Conferences.....	207.64
Directors' Fees and expenses.....	1,678.09
Officers' and Clerks' traveling expenses.....	754.86
Legal fees	1,200.00
Taxes, insurance and premium on fidelity bonds.....	1,505.82
Light, heat and power.....	707.89
Printing and stationery.....	3,283.99
Telephones	470.25
Telegraph	216.84
Postage	1,761.08
Expressage	6,934.67
Repairs and alterations.....	1,557.92
Miscellaneous items not classified.....	3,753.93
Total.....	<u>\$109,502.80</u>

The total expenses for the first six months of 1917 amounted to only \$58,308.94, but the cost of Federal Reserve Notes during the last six months, amounting to \$30,678.47, as compared with \$232.35 for the first six months, and the Christmas bonus to our employees, amounting to \$5,671.08, accounts for a large part of the difference, the remainder being accounted for by the increased number of employees and the very great increase in the volume of business transacted.

For the first six months of 1917 our expenses amounted to \$58,308.94 against gross earnings of \$165,199.21, the expenses amounting to 35% of the gross earnings, while for the last six months our expenses amounted to \$109,502.80 against gross earnings of \$403,795.87, the expenses being only 27% of the gross earnings.

The ratio of expenses to gross earnings for the entire year 1917 was approximately 30%, and the net earnings for the year amounted to \$401,183.34, or about 14½% of our average paid-in capital.

20. The amount of Federal Reserve notes shown as \$47,716,950 is the total amount of reserve notes issued by this bank and now outstanding, which notes are secured by eligible paper and gold deposited by us with the Federal Reserve Agent.

21. Our item of "Federal Reserve Bank Notes," \$2,732,400, is our liability on bond secured circulation, explained in Item No. 12 above, none of which notes are now outstanding.

22. The U. S. Treasury Certificate Deposit account of \$638,332.64, is the amount due by us to the Government as an offset to the amount due to us by the qualified depositaries, as explained in Item No. 16 above, and the U. S. Treasury Liberty Loan Deposit account of \$7,413,447.23, is the amount due by us to the Government, and due to us by the qualified depositaries, as explained in Item No. 17 above.

23. "U. S. Treasurer, General Account," of \$6,608,640.55, is the working balance of the Government on our books and is about \$6,800,000 less than as shown on our statement of November 30.

24. Reserve deposits of \$45,071,398.94, consists of the actual collected balances of member banks on our books and constitutes their reserves as provided for by law. This amount is about \$500,000 less than was shown on our statement of November 30.

25. The amount of \$1,515,970.49, shown as due to other Federal Reserve Banks, is the difference between amounts due by us to some of the other Federal Reserve Banks and the amounts due to us by the remainder. These balances are cleared through the gold settlement fund each week.

It is hoped that with the above explanations of the different items an intelligent analysis of our monthly statements may be made by our members.

In summarizing our transactions for the past year we find that our discount operations, exclusive of the discount of bills of lading drafts, were as follows:

Total rediscounts and loans to member banks.....	\$52,052,599.99
Bankers acceptances purchased.....	35,028,001.36
Rediscounts for other Federal Reserve Banks.....	5,000,036.00

making a total of.....\$92,080,637.35

as compared with a total for the year 1916 of..... 22,055,589.56
the total last year having consisted of

Member bank rediscounts and loans.....	\$18,512,542.85
Bankers acceptances purchased.....	3,543,046.71

During the year 1917 we accommodated through our Loan Department 258 of our member banks, 29 of which have never before borrowed from us.

The Christmas bonus to the employees was voted by our Board of Directors and approved by the Federal Reserve Board as an adjustment of salaries for the year 1917. Individually, it amounted to ten percent of the amount which each employee had received during the year as salary from this bank and is summarized as follows:

To 5 officers below the grade of Cashier.....	\$1,108.35
To 38 employees of bank proper.....	2,769.09
To 44 employees of District Clearing House.....	1,385.59
To 8 watchmen, porters, etc.....	408.05
Total to 95 employees.....	\$5,671.08

Acting under the authority of the Treasury Department, a similar bonus was paid to the employees of the War Loan Department.

On December 31, 1917, our bills discounted and purchased, aggregating \$22,880,546.54, were distributed, according to their maturities, as follows:

Amount due within 15 days.....	\$ 4,011,409.59
Due 16 to 30 days, inclusive.....	7,434,229.00
Due 31 to 60 days, inclusive.....	10,010,685.90
Due 61 to 90 days, inclusive.....	494,544.85
Due 91 days to six months.....	929,677.20

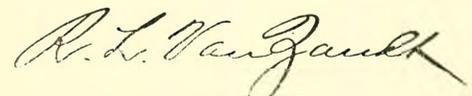
From this schedule you will see that while our loans are being maintained at a figure sufficiently large to enable us to earn our expenses and dividends, the short maturities of our purchased paper will keep us prepared to meet the seasonal demands of our member banks.

The activities of our War Loans Department have been so great that it is not possible to give even a brief outline of them in this report.

In closing, I wish to apologize to our member banks for any and all errors and delays which have been occasioned them since our entrance into the Great War, and to express the hope that from this report they may, to some extent, be able to realize the severe strain under which our entire force has been faithfully working and, therefore, grant us a reasonable amount of indulgence.

We also wish to thank each of you for the hearty co-operation which we have received from you, and to assure you of our appreciation of that co-operation and assistance, without which our efforts to make a success of this institution would have been in vain.

Yours very truly,


Governor.