

First Annual Report
Ninth Federal Reserve Bank

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FIRST ANNUAL REPORT NINTH FEDERAL RESERVE BANK.

Introductory.

SINCE the Ninth Federal Reserve Bank was founded, there has been no stress or emergency within its district, to give it opportunity to demonstrate what it might do in support of agriculture, commerce and industry, if it were to fully employ its resources and the authority given it by law. The outbreak of war in Europe retarded business in all parts of the Ninth District, putting a stop to new enterprises and slowing down all commercial activities for a considerable period. The year 1915 has witnessed very slow, but steady, progress back to normal. It opened with loans and rates for money at the lowest level in many years, but closed with business in a highly prosperous condition, and with expressions of hopefulness for 1916 on every hand.

Had it been possible to open the Ninth Federal Reserve Bank in July, 1914, instead of November, it would have had opportunity to add to its earnings from \$250,000 to \$340,000 as an incident to the issue of a large volume of emergency currency, which, because of the lack of a Federal reserve bank, was put out by the currency associations authorized by the Aldrich-Vreeland Act. This bank was handicapped through opening its doors just after the only heavy demand that this district has known for several years had been fully satisfied. This disadvantage is, however, wholly confined to the question of profits, and, even at that, has not prevented the bank from arriving, well before the close of 1915, at the point of earning enough to meet its expenses, and a reasonable profit besides.

To engage in its first operations during a period of business quiet and readjustment, has given every incentive to diligently seek opportunities to meet the needs of member banks and to gradually perfect its methods in such a manner as to render the best, and most efficient service.

The Ninth Federal Reserve Bank is functioning properly, It has had opportunity during the year to meet various emergencies confined to localities and districts, and has promptly extended the support needed by its member banks. While there has been no wide-spread call for the rediscount of paper, it has provided facilities which numerous member banks have been glad to utilize. Its rediscounts have been very well scattered over territory embracing, in whole or in part, six states. The business thus done, together with active efforts to have the Federal Reserve Act better understood, have laid a foundation which will be extremely valuable in future periods of heavy demand. It is notable that where there has been opportunity to come closely into touch with member banks, the result has invariably been a high degree of appreciation by member institutions, of the serviceability of this bank and the simplicity of its methods. Its management and its operation have had the entire approval of its membership. The only criticism it has received, has been from outside sources and has resulted from an imperfect understanding of what it is permitted by law to do.

The Ninth Federal Reserve Bank has sought to make the Federal Reserve Act fully operative within its district. During the Spring of 1915 it had opportunity to render valuable service in meeting the requirements of agriculture during the planting season, and rediscounted much paper for member banks that desired to better satisfy the requirements of farmers. It cared for local pressure at a number of points where manufacturing enterprises and general business were depressed because of war conditions, and had opportunity to show that it can efficiently meet the demands of industry. Again, in the Fall of the year, when an adverse season had created large amounts of immature corn, it was able to perform an important service in assisting member banks to meet the requirements of farmers who were compelled to loan in order to utilize the resulting forage crop. During the prevalence of the foot and mouth disease it was able to come to the assistance of many banks in the western part of its territory, which had

applications for loans from numerous stockmen who had cattle ready for market, but were unable to ship on account of quarantine conditions. The service above indicated, represents, in the aggregate, a new and valuable degree of assistance, which would not have been available except for the Federal Reserve Bank, and without which portions of the district would have encountered considerable hardships.

Immediately upon receipt of authority, this bank instituted a system for the clearing of checks, which has been in successful operation since June 1st, and which has made continuous progress toward making the checks of member banks par within this district.

During the Fall crop moving period, it announced a special commodity rate for the assistance of grain growers, enabling member banks to rediscount farmers' notes, collateraled by elevator tickets, at 3%, with the understanding that the rate to the maker of the paper should be limited to 6%.

Practically all the currency required for crop moving purposes during the Fall period, was furnished by this reserve bank, at a cost to member banks that was appreciably less than in former years. Shipments of currency from points outside the district were reduced to about \$1,000,000, or a merely nominal figure. Currency for this purpose has usually been shipped from Chicago, and the East. In 1915, for the first time, it was possible to obtain at home, the currency needed by country banks. The added convenience of the service afforded by the reserve banks ranks second only to the saving in cost. From October 1 to December 31, the issue of Federal reserve notes for this purpose was approximately \$8,000,000, in addition to \$6,000,000 previously issued and available, in part, for crop-moving purposes.

The rates of discount on agricultural, industrial and commercial paper established at the opening of this bank, have shown a downward tendency throughout the year. They have offered a very favorable basis for the rediscount of paper of member banks as compared with prevailing interest rates.

Member banks have had the double advantage of being

able to discount direct with this reserve bank at these rates, or of going to their correspondents with their paper, and there discounting it upon a better basis than has prevailed in previous years. The rates made by the larger city banks to their country correspondents have shown a tendency to seek the same level as the discount rates of the Ninth Federal Reserve Bank. This is an indirect influence of the reserve bank rates.

The influence of the discount policy of this bank upon rates paid by bank customers is not so easily traced, but in many instances the right to rediscount has resulted in the extension of credit which member banks would otherwise have been obliged to curtail or refuse. Especially in the stock and agricultural districts, it is found that the facilities afforded by the reserve bank have enabled member banks to continue to extend credit at reasonable rates, where, without such facilities to fall back upon, member banks would have been compelled to restrict their loans. The steadying influence of the reserve bank has been very valuable to the agricultural and business interests of the district, because it has prevented uneasy financial conditions, and sharp fluctuations of rates, that might easily have been possible if the reserve bank had not been in existence.

It is worthy of note that out of approximately 4,000 notes and bills offered for rediscount, only a very few have come from the member banks in the large cities. These banks, with only four exceptions, have had no occasion to rediscount since this reserve bank was founded. Practically all of these rediscounts have been made for institutions located in the country districts, i.e.—for member banks doing the bulk of their business with the agricultural class and with stockmen. It is, therefore, apparent that the service thus rendered has been a service which has been extended, in a very large part, to farmers and to producers of stock, and that the support afforded by this bank has been to those engaged in production, rather than to those engaged in the handling and marketing of farm and range products.

At the close of the year, it is evident that there are oppor-

tunities for business open to the Ninth Federal Reserve Bank, sufficient to more than provide for its expenses, and in a year of general business activity, probably sufficient to meet its dividend requirements. This would be fully guaranteed, even in normal times, should Congress see fit to reduce the amount of paid-in capital, allowing the proportion so reduced to stand subject to call. Should such reduction be made, there should be a compensating deposit of government funds, to guard against a contraction of the resources of reserve banks, and loss of issue power.

Minor adjustments and amendments would inevitably suggest themselves, but the first fourteen months' operation have revealed no important defects in the Federal Reserve Act, nor has there been any difficulty in making the purposes of the Act effective, through application of the regulations of the Federal Reserve Board and by adjustments of business policy as determined by the Board of Directors and the executive officers of the bank.

Summary of the Year's Work.

The results obtained since organization are told in detail in the sub-joined portions of this report, but may be briefly summarized as follows:

When instructions to open on November 16, 1914, were received, this bank was without organization or staff. Such organization was provided and the bank was opened on the date set by the Secretary of the Treasury.

The changes and adjustments incident to obtaining a permanent staff have been accomplished and the work of such staff has been reduced to an efficient operating basis, with a reduction, rather than an increase, in the number of employees.

Permanent quarters, of such a character as to reflect credit upon this bank and upon the reserve system, have been obtained and occupied under a long lease, the terms of which are very favorable.

The necessary equipment, for the operation of the bank upon a permanent basis, has been obtained and installed.

To meet the requirements of this bank, and for the accom-

modation of member banks desiring to place deposits here, a new money vault, which is the safest and strongest in the Western United States, has been completed and is in use. It embodies the best principles of modern vault construction and is electrically protected by the best available systems. Provision was made in this vault for the segregation of space for the Federal Reserve Agent, to which he alone has access.

By active correspondence and personal consultation, the membership of state banks has been encouraged, with the result that twenty such institutions have taken membership by conversion, and one by entry as a state bank. Nineteen have membership under active consideration.

Important service has been extended to the agricultural and stock raising interests of this district, the rediscounts of this bank having been almost entirely with members doing the bulk of their business with such interests.

State and municipal financing has been facilitated through purchases, under the authority of the Act, of state warrants issued in anticipation of assured revenues and the warrants of various cities, aggregating \$3,073,172.32.

Purchases of United States bonds have been made with the view of effective participation in the eventual retirement of national bank circulation.

There has been a growth in membership of 26 banks, bringing the total membership up to 735, and increases sufficient to create a paid-in capital of \$2,546,850.

Federal reserve note circulation has been expanded to meet all the demands of the district, eliminating in 1915, for the first time, the necessity of shipping in more than nominal amounts in currency, for the purpose of moving the north-western crops.

Continuous effort has been directed towards broadening the information of member banks with respect to the Act and their rights under it, with the result that such banks have obtained a clear understanding, on the basis of which their requirements can be readily and expeditiously met.

Discount rates have been maintained at levels which are

favorable to member banks, and have created, as well, a more favorable basis than previously existed, for the discount of paper by members with their city correspondents. These discount rates have also influenced current rates of interest to commercial enterprises in the large cities of the district, which were more favorable in 1915 than in any previous year.

A system of check clearing, to which there have been 76 additions and only two withdrawals, has been established, with 68 new additions to Minneapolis and St. Paul par lists. Progress has been made toward making checks of member banks par within this district.

Personal contact with member banks has been sought by the Federal Reserve Agent, Governor and other officers, who have appeared at and addressed 47 gatherings of bankers and business men, and who have continuously encouraged the representatives of member banks to visit this reserve bank, for the purpose of inspecting it and consulting with respect to its operations and policy, and their rights under the Act.

Through personal contact and co-operation, general and substantial support of the newspaper press within the district has been obtained, together with the support and co-operation of numerous business organizations.

The regulations of the Federal Reserve Board have been promptly applied and made effective within this district, the policy of this bank being to extend to its member banks every advantage authorized by the Act, or permitted through interpretation by the Federal Reserve Board.

Through the assistance of correspondents, representing agriculture and the principal lines of commercial business, as well as banking, a crop and business reporting system has been created, which has permitted the establishment of a series of monthly crop and business reports, which are forwarded to the Federal Reserve Board, and which have been much in demand from those desiring unbiased and impartial information.

As a result of the general policy of this bank, as expressed in this summary of the year's work, a substantial public confidence has been built up, and there has been impressed upon

those engaged in agriculture and business within this district, the purpose of its officers and Board of Directors to render at all times the broadest degree of public service permitted by law, and compatible with sound banking principles. Its relations with its members have been of the most satisfactory character and have given ample evidence of the keen appreciation of such members of the new facilities afforded them, and the protection rendered by the reserve system.

Organization of the Ninth Bank.

Pursuant to the authority conferred in Section 2 of the Federal Reserve Act, the Reserve Bank Organization Committee created the Ninth Federal Reserve District, embracing the following territory:

The state of Montana	146,997 Sq. Mi.
The state of North Dakota	70,837 " "
The state of South Dakota	77,615 " "
The state of Minnesota	84,682 " "
The north two-thirds of Wisconsin.....	41,000 " "
The Northern Peninsula of Michigan.....	15,000 " "
A total of.....	436,131 " "

The territory thus determined, extends from the northern end of Lake Michigan to the Montana-Idaho line, a distance of approximately 1,500 miles east and west. Its greatest distance north and south is from the southern boundary of South Dakota to the Canadian line, or approximately 600 miles. Minneapolis was designated as the location of the Ninth Federal Reserve Bank.

It is a territory of peculiarly diversified interests. Northern Michigan is a heavy producer of copper, iron and lumber. Wisconsin is one of the leading states of the Union in the dairy industry and agriculture, and has important lumber interests in its northern portion and an important shipping business at its Lake Michigan and Lake Superior ports. Northern Minnesota is a heavy producer of iron and lumber, while the remainder of the state is largely agricultural. North and South Dakota are mainly agricultural. Eastern Montana is an agricultural and stock country. Central Montana is first

in the United States in the production of copper and western Montana is a very important producer of lumber, with large areas devoted to fruit and agriculture. These are the principal interests which the Ninth Federal Reserve Bank was established to support and serve. The territory had, at the time of the organization of the Ninth Bank, a population of 5,724,895 and member (national) banks to the number of 709.

Under the authority conferred by the Act, the Reserve Bank Organization Committee took appropriate steps for the election of a Board of Directors, with the co-operation of an informal committee within the district. On October 1, 1914, the Federal Reserve Board appointed John H. Rich, manufacturer, Red Wing, Minn., as Federal Reserve Agent; P. M. Kerst, clearing house examiner, St. Paul, Minn., Deputy Federal Reserve Agent, and John W. Black, wholesale coal merchant, Houghton, Mich., as Director, the three serving as Class C Directors. The election of Directors, as provided by the Act, resulted in the choice of the following Class A Directors: E. W. Decker, banker, Minneapolis, Minn.; J. C. Bassett, banker, Aberdeen, So. Dak.; Hon. L. B. Hanna, Governor and banker, Fargo, No. Dak. The following were elected as Class B Directors: F. P. Hixon, lumberman, La Crosse, Wis.; F. R. Bigelow, insurance, St. Paul, Minn., and Norman B. Holter, wholesale hardware, Helena, Mont.

The Directors met and organized on October 14, 1914, electing Theodore Wold, President of the Scandinavian-American National Bank, as Governor and C. T. Jaffray, Vice President of the First National Bank of Minneapolis, as member of the Advisory Council. The session was continued through the following day. A committee on permanent quarters was named, by-laws were adopted, provision was made for an official seal of the bank, and an Executive Committee, consisting of the Federal Reserve Agent, the Governor and Director Decker, was elected. S. S. Cook of Minneapolis was elected as Cashier, and Frank C. Dunlop as Auditor.

Hon. A. Ueland of Minneapolis was elected Counsel on Feb. 1, and on July 21, Curtis L. Mosher was appointed as Assistant to the Federal Reserve Agent.

On October 28th temporary offices were opened in the Directors' Room of the Minnesota Loan & Trust Company in Minneapolis, and arrangements were made for the receipt of the initial reserve and capital payments. Immediately thereafter temporary quarters were obtained in the Lumber Exchange Building, which were occupied until the permanent quarters in the New York Life Building were ready for occupancy on January 1, 1915.

Telegraph notification was received from the Comptroller of the Currency on November 14, 1914, that the organization certificate had been executed in Washington and upon November 16 the Ninth Federal Reserve Bank was formally opened for business.

The official and clerical staff of the bank is numerically less at the end of the year than at the beginning.

The membership of the Federal Reserve Bank of Minneapolis, at the time of organization, consisted of 709 banks. Since that date membership has been acquired by 26 banks, bringing the total up to 735. One of these is the largest state bank in Minnesota, which has entered the system as a state bank. Twenty are conversions of state banks into national banks. The remainder are new national banks. In addition to these changes, there were in process of conversion upon December 31st, 19 state banks, which will take membership, with prospective additional increase through the organization of 8 new national banks.

Executive Committee and Board of Directors.

Pursuant to the authority of the by-laws, copy of which is attached, the Executive Committee has exercised the powers indicated in Section 2 thereof, and has carried on the work assigned by the Board of Directors, and acted in an advisory capacity to the officers of the bank, during the intervals between Directors' meetings. The Executive Committee has consisted, since the organization of the bank, of the Governor, the Federal Reserve Agent and one Director, and, being small in size, has been able to meet frequently. The practice of the committee has been to meet at 11 o'clock in the bank on each

business day of the year, there to pass upon all paper submitted for rediscount and conduct other business authorized by the by-laws. It has maintained its daily sessions with remarkable success and has been a highly efficient agency in supervising and facilitating the business of this bank.

The Board of Directors, being scattered, in point of residence, all the way from the central part of Montana to the Northern Peninsula of Michigan, has not been able to meet frequently, but in accordance with the by-laws, has held regular sessions on the first Monday of every month at 11 o'clock a. m. in the Directors' room of this bank. The continuing service of the Executive Committee has made it possible to avoid special meetings of the full Board. The sessions of the Directors have been thorough and searching, and each member has shown a willingness to devote all the time required to a proper handling of the business in hand. Careful analysis and discussion of business and financial conditions throughout the District, changes in currents of trade and industry, developments in agriculture, and consideration of discount rates have become regular features of the Board's sessions, and have been a means of harmonizing opinion as to the proper course and policies for this bank to pursue. The Directors have called at the bank frequently, between regular meetings, and have kept in close touch with its affairs. The weekly statements of the bank, together with other current information of value, are regularly mailed to each director.

Operating Difficulties.

The Ninth Federal Reserve Bank was opened almost immediately after \$13,000,000 of Aldrich-Vreeland emergency currency had been issued in this district. The opportunity to supply the needs of its members had therefore been curtailed in advance of its coming into the field. During the last half of November and the month of December, 1914, such rediscounts as were afforded members, were largely courtesy transactions, the greater part representing the efforts of larger banks to acquaint the public with the new Federal reserve cur-

rency. After January 1, 1915, the Ninth District entered a period when all credit demands had been satisfied, and loans dropped to the lowest ebb in many years. Rates on commercial paper took new low levels. The demand at country points was light and banks in larger centers experienced much difficulty in employing their funds to advantage. There was no change in this condition until spring farm activities began to provoke some demand in early May. The Ninth Bank then enjoyed a period during which there was a moderately active demand from its members, which continued during June, July and August. This demand held during the first week of September, and then moderated to some extent. From September to the end of the year, the figures show comparatively small changes.

This year, in brief, has been a year of cheap money rates and ample money in the Ninth District. The excess reserve of member banks is significant of this condition, and is shown by the following figures issued by the Comptroller of the Currency:

As of	Reserve Required	Reserve Held	Excess
Dec. 31, 1914	\$44,781,908	\$80,113,119	\$35,332,010
Mar. 4, 1915	47,909,124	111,069,784	63,160,660
May 1, 1915	47,027,161	106,262,875	59,235,714
June 23, 1915	45,826,686	94,462,540	48,635,854
Sept. 2, 1915	47,024,900	101,210,407	54,185,506

The volume of rediscounts has been depressed in proportion to the lack of normal activities in commercial and industrial business, and throughout the year, has been below what might reasonably be expected under the usual crop and business conditions. The one hope of active rediscounting of the year hinged upon the marketing of an unusually large grain crop in the Northwest. A production of 100,000,000 bushels of wheat over and above the usual crop, indicated that there would be a sharp and continuing demand during the last quarter of the year. Very unusual weather conditions slowed down the marketing of the new crop immediately after harvest. Rain, wet roads, the demand of fall plowing, and a disposition to hold grain for better prices, combined to in-

fluence farmers to market only as they needed funds. The receipts at terminal markets were extremely light during September and October, and the slow movement made it possible to finance the marketing of the crop very largely on the farmers' money. The demand upon banks was light, and the large elevator concerns, which usually begin issuing terminal grain paper by mid-October, had put out only very small amounts at the close of the year. In response to higher prices, the December movement of grain was very active. There is a very large amount of small grain still held on farms, which will come gradually into the markets.

These conditions resulted in the peculiar situation, that during a period when country banks and the grain trade are usually heavy borrowers, the large elevator concerns were satisfying their requirements with their straight paper and country banks were paying up.

The volume of current rediscounts, acceptances and investments of the Ninth Federal Reserve Bank, by fifteen day periods since organization, is shown in Table A, attached hereto. There is shown, in Table B, the total rediscounts and bills payable of member banks, by states, their deposits and their rediscounts with this bank, as of the date of the Comptroller's call on November 10. Table C gives the amount of rediscounts by states, and statistics of rediscounts.

Discount Rates—Characteristics of 1915 Business.

The Directors and Executive Committee of this bank have endeavored to hold rates of discount at a level low enough to fully and amply accommodate any member bank and at the same time avoid a rate so low as to encourage rediscount for the sake of the intermediate profit. Within certain narrow limits it is probably true that these rates could have been varied during the year without any appreciable effect on the amount of business coming to this bank. In other words, member banks have not used this bank except where necessity existed and under such necessity the rate has not been a material factor in determining whether they would or would not make use of our facilities. While it is possible that a slightly

higher rate might have been charged in some cases, with additional profit to the bank, it has been the opinion of the Directors and Executive Committee that rediscount should not be taxed with all the traffic could bear, but that the policy should be that of making a fair, moderate and reasonable rate for all business offered.

The course of the discount rates of this bank, and all changes therein, with the dates on which such changes were made, is shown in Table I.

The prevailing interest rates over the district must be borne in mind in order to appreciate the very attractive basis afforded for the rediscount of the paper of member banks. Throughout the well-settled and well-developed farming districts of central Wisconsin and southern Minnesota, farmers of established credit are customarily able to borrow at 6 and $6\frac{1}{2}\%$. Throughout the less developed sections of northern Wisconsin and northern Minnesota current rates are $7\frac{1}{2}$ to 8% to customers of good credit. In South Dakota, rates vary from 7 to 8% in the well developed eastern portion and from 8 to 12% in the thinly settled western portion. Approximately the same rates (except that the legal rate is 10%) apply in North Dakota, the eastern portion of which is a well developed and prosperous farming country, while the western part is undergoing rapid development and is practically a new country. The rates in Montana, which is a state of immense extent, undergoing settlement and development, and thinly populated, range from 8 to 12%, with an average of 10%.

The Ninth Federal Reserve District has been prosperous since the founding of the bank. It cannot be said that an emergency has existed in the district at any time since this bank has opened on November 16, and there has, therefore, been no opportunity to make a practical test or demonstration of the efficiency of this bank during a period of stress.

In the Ninth District, as elsewhere, the Federal reserve bank was an entirely new element in banking. The readjustment of the customary practices of member banks, sufficient to give it a satisfactory volume of rediscounts, was slow. Business and agriculture were placing no burdens upon local banks

greater than they could satisfactorily carry. The average member bank has had less occasion, during 1915 than in former years, to borrow in order to satisfy current demands.

The influences of the year have been such as to encourage those in business to exercise caution and prudence, and bank depositors generally have shown hesitation in drawing down their balances or in embarking, with the usual freedom, in new enterprises.

It was evidence of a sound and progressive policy, that during a period when bank deposits have been high and the demand for loans less than normal, this bank has gradually increased the volume of its rediscounts for its members and brought its earnings up to a point sufficient to cover all expenses and create a profit. This would not have been possible, had not the bank functioned perfectly and as was intended by the law. It is also significant of the persistent and continuous effort of the officers, to have member banks and the public clearly understand its purposes.

A gradual spread of a practical understanding of the workings of the Federal reserve system has undoubtedly had a beneficial influence upon the amount of business done during the year. Such pressure as has occurred within the district has been largely local. Where local strain has appeared this bank has been quick to extend assistance as required by its members, and the active efforts of the officers of the bank have been directed throughout the year toward acquainting member banks with the degree of support this bank stands ready to extend.

As an incidental, but important part of the work of creating a proper understanding of the Act and the Ninth Federal Reserve Bank, the Federal Reserve Agent and Governor have taken special pains throughout the past fourteen months to meet with bankers at their group meetings and conventions and engage in a practical discussion of the subject. The Federal Reserve Agent has made twenty such addresses during this period. The Governor has addressed sixteen state and district conventions, while other officers of the bank have done similar work when opportunity afforded. This bank has been

represented at forty-seven such gatherings. It has been found that personal contact with member bankers, and the public, especially when there has been opportunity to answer questions and engage in informal discussion, has been valuable in giving member banks a working knowledge of the law and informing them as to the details of rediscount and currency issue.

The service extended by the press of the Ninth District in spreading information should have proper acknowledgment. The attitude of the newspapers has been extremely friendly and editors have shown a keen interest in furthering the new banking system wherever opportunity has afforded.

The earnings and expenses of the Ninth Federal Reserve Bank since organization are shown in Table D.

Check Clearing.

Pursuant to the authority of the Federal Reserve Board, a system of check clearing was established in the Ninth Federal Reserve District on June first. Participation in check clearing was purely voluntary on the part of member banks, but the system was established with 110 banks participating and from June first to November first there were 76 additions and only two withdrawals to the system. The check clearing system was operated without overdrafts and without deficiencies in reserve. Of the 186 members in the collection system, 68 are new additions to Minneapolis and St. Paul par lists and this benefit has been passed on to their customers. The objective sought, has been that of making checks of member banks par, within this district. Progress has been made toward this end and the clearing system has shown a slow but steady growth. The average number of items daily, and the average amount of items daily, by months, is shown in Table E.

Exchange Charges in the Ninth District.

The customary charges made by the country banks on checks sent them by their city correspondents vary from 10 cents per

\$100, based on the total included in remittance letters, up to 15 cents per \$100, based on each separate item. In the last few years the tendency has been for the city banks to pay a constantly increasing amount on the same volume of business to their country correspondents for exchange charges, as more and more banks are basing their charges on each separate item instead of on total of letters. Since the establishment of the Federal reserve banks and their collection system there has been no change in the basis on which such charges are made. A number of banks that formerly charged exchange have joined the Federal reserve bank collection system, and now remit for their checks at par to their city correspondents. The remainder of the 186 banks that are members of the Federal reserve bank collection system were not charging exchange prior to joining the system. It seems to be the purpose of the banks of the Ninth District to await the development of the collection system of the Federal reserve bank before any action is taken or changes are made relative to exchange charges. Member banks of this district appear to believe that eventually they will be compelled to cease charging exchange, to the endorsers of checks sent them for collection or credit, but owing to the loss of profit they will not give up these charges until the situation is such that they can no longer be made. A total of 960 banks (state and national) in the Ninth District, do not charge exchange on checks drawn upon them.

Applications for Fiduciary Powers.

Observation of conditions in this district has gradually brought the officers of this bank to the conviction that the granting of fiduciary powers, to small banks, under certain restrictions, is of great advantage to their communities. It has been noted that many towns, where sound and well managed banks are successfully operated, are without the advantage of trust company service. With the reservation that such powers should not be granted except where member banks are under management that is above criticism, and where the character and integrity of their officers is thoroughly established, it has been the policy of the officers of this bank to recom-

mend the granting of fiduciary powers to some banks that are not of commanding size. It is believed that it is safe to trust such powers to a small bank, if well managed, as well as to a large bank, and that the favorable action of the Federal Reserve Board in such cases confers valuable benefits upon the community. Especially in the administration of estates, it has been the view of the officers of this bank, that it is better to trust to the judgment and integrity of a sound and well managed member bank than to an individual approved by the court, and that, having more at stake and having better facilities than an individual, a properly managed member bank is in better position to render this necessary service.

On February 18 the counsel of this bank rendered an opinion upon Clause K, Section 11 of the Act, with reference to the granting of fiduciary powers, in which he expresses the following conclusion: "It follows * * * that national banks cannot lawfully act as trustees, executors, administrators and registrars of stocks and bonds unless there is state legislation expressly conferring upon them the power to do so. At present there is no such legislation in any of the six states comprising the Ninth Federal Reserve District."

Since writing this opinion, favorable legislation has been adopted in South Dakota, but in Michigan, Wisconsin, Minnesota, North Dakota and Montana the situation remains as then outlined, and counsel has refused to favorably certify applications from those states.

This suggests the desirability of state legislation expressly conferring the right to exercise the powers granted under the Federal Reserve Act, without which favorable action on such applications as come from the states of the Ninth District, with the exception of South Dakota, will still be subject to question as to the legal right of the applicant to exercise the powers granted.

Relations With Member and Other Banks.

The attitude of the Ninth Bank toward the national banks of its district has been that of an organization receptive to the suggestions and comments of its stockholders. Visiting

representatives of member banks have been reminded that, while this bank has the obligation of rendering them effective service, the obligation rests upon them as stockholders to maintain an active interest in it, and assist it through friendly criticism. Every effort has been made to encourage representatives of member banks to visit the bank, and, since its organization, a large amount of correspondence has been carried on for the purpose of creating and maintaining personal contact between the officers of this bank and the official heads of member banks. The attitude of the members towards the Federal reserve bank has been at all times friendly. Some few institutions have been apprehensive of competition that might result from the operations of the Ninth Bank, but even under this condition, have not hesitated to say that their membership constitutes a very valuable insurance and that this bank is a very necessary and important safeguard. The larger banks voluntarily state that the question of receiving dividends on their stock is unimportant as compared with the advantages they receive through the holding of stock, and their comments upon the management of the bank, so far as they have reached the officers of this institution, have been commendatory, friendly and helpful.

Much the same attitude has been maintained toward the numerous state banks of this district and, through personal contact and correspondence, a continuous effort has been made to interest them in the facilities offered by the Federal reserve system and encourage them to take membership. These activities have resulted in the membership of the largest state bank in Minnesota. A number of other strong institutions have been brought to a point where they are giving the subject serious consideration. The attitude of state banks in general has been friendly, but they have demonstrated a desire to wait and observe the operations of the Federal reserve system for a period long enough to enable them to estimate the use they might make of it. This bank has had the helpful co-operation of the State Superintendent of Banks of Minnesota and the Commissioner of Banking of Wisconsin, and there has been no

opposition on the part of state officials toward the acquisition of membership in the reserve system by banks operating under the laws of their states.

Credit Needs of the District.

The only credit requirements of the Ninth District during the past fourteen months that were of any considerable magnitude, had been satisfied before the Ninth Bank was opened for business on November 1, 1914, as previously noted. From May first, on throughout the year, there was a gradually and very noticeable drift back to normal conditions. The recovery was very slow. Business activities have not yet reached a point, although the closing month of the year showed considerable advance, where they have made greater demands than banks locally have been able to satisfy. The volume of rediscounts carried by the Ninth Bank has increased more in response to steady and persistent effort to create a better understanding of the system and the facilities afforded, than from any sharp demand. Experience gained during the year, through the rediscount for scattered member banks, points conclusively to a gradual growth of this business to proportions that will be satisfactory, even in years of normal business. Where member banks have had the opportunity of utilizing the facilities afforded, we have invariably found them pleased with the direct methods employed and commendatory in their comments.

A marked reluctance to rediscount was manifested by practically all members at the opening of the bank. To use its facilities meant the abandonment, in many cases, of firmly rooted precedents. The task of acquainting more than 700 banks with their rights under the Act, was formidable, but a necessary preliminary to the development of a volume of business. Excellent progress has been made, and as member banks have been brought into intimate touch with their reserve bank, they have invariably been highly pleased with its ability to render them practical support.

The only credit demands which have presented themselves which have not been fully and promptly met have come from

farmers who desire cheap money to enable them to hold grain in the anticipation of a better market. The problem of meeting this demand is extremely difficult. This bank placed in operation the commodity rate authorized by the Federal Reserve Board, as soon as authority was received, and has done some business under it. The application of the commodity rate under the requirement that the grain held as security against the paper rediscounted, be stored in a "warehouse" (country elevator), necessarily involves that the farmer enjoying the 6% rate, must first place his grain in storage, and pay charges thereon. The storage charges, plus interest on the loan at 6%, invariably increases the cost of the accommodation extended far beyond the nominal rate of 6%. The interest paid, plus the elevator charges, ranges all the way from 17 to 21% on the money borrowed.

The farmers in the Ninth District have been accustomed to making some use of elevator tickets as collateral for their paper at the banks, but the process is not highly regarded because of the cost. The method of loaning upon chattel mortgages on grain is also common. Numerous letters have reached this bank from all parts of the grain territory inquiring for Government funds to be loaned on security of grain held on the farm. It is evident that the impression of the inquirers was that this bank could apply the commodity rate to grain on the farm, discounting paper at 3%, the rate to the maker to be 6%, entirely overlooking the provision of the commodity rate regulation requiring that paper discounted under the commodity rate be secured by warehouse receipts. These requests have been supported by the argument that it is unfair to force the farmer to market his grain immediately after harvest when all farmers are selling and the market is glutted. The only method that will afford them proper relief, they argue, is a system that will permit them to hold their own grain in their own storage. Bankers in grain territory have very frequently made such loans, but on account of the risk of the removal of the security, they have been compelled to confine their accommodation to farmers of established credit and men well and favorably known to them.

It should be understood that the Ninth Federal Reserve Bank has stood ready at all times since organization to discount any grain paper complying with its rules, under its discount rates as announced from time to time, when such paper is presented through a member bank, as required by law.

No method of satisfying this demand presents itself unless some condition can be created under which the integrity of the security for the loan can be fully and amply protected. It is possible that through an amendment to the Act, some method might be devised by which a member bank could safely loan on grain stored on the farm and be permitted in such cases to rediscount the note as commodity paper. It is not probable that such a regulation can be worked out, unless it is possible to make it a Federal offense to remove grain stored in such a manner, when the note has been rediscounted at a Federal reserve bank. Farmers' organizations in the Ninth District have been very active in discussing rural credit questions and especially that of affording the farmer more opportunity to loan at low rates upon farm products on his own farm. This agitation will probably become increasingly active. Farmers already show a disposition to turn to the Federal reserve bank, since it is a Government institution, and it is difficult to convince them that no provision, so far incorporated in the Act, affords them this relief.

No comment is made on the question as to whether it is desirable to widen the already liberal provisions of the Act in respect to the credit requirements of agriculture, by extending new and preferential rates to farmers as a class, or as to the question whether such preferential accommodation would not to some extent violate the principle on which the Federal Reserve Act is founded, i. e.—that of fairly and equitably extending to all who are engaged in commerce, industry or agriculture such support, through member banks, as they may reasonably require.

Election of Directors.

Vacancies occurred in Classes A and B on the Board of Directors of this bank, which were filled by election in Novem-

ber. The process of classifying the member banks by groups and carrying the election provisions of the Act into effect, made it possible to observe some points that seem worthy of consideration.

Classification of member banks by groups on the arbitrary basis of the amount of their capital stock and surplus, resulted in the establishment of Groups 2 and 3, both consisting of members scattered over the whole or parts of six different states. Cohesion and unity of action are not possible where a group of 220 banks is divided over a territory extending over 1,500 miles east and west and 600 miles north and south.

As a result of the scattered location of the voting members of the participating groups, the vote in both groups was light and the vacancies on the Board were filled through the balloting of only 25% of the members entitled to vote. It seems unfortunate that after active efforts to interest every member having a right to vote, that a greater interest was not manifested in so important a matter. It is probable that the scattered condition of the member banks alone will always make it difficult to arouse an active interest in the election of directors. As a remedy for this condition, it is suggested that attempts to classify the Board of Directors into three groups be abandoned in favor of a plan under which all member banks will vote at one time, on each of the vacancies occurring among the elected members of the Board. This would involve an amendment to the Act providing for the selection by member banks of five of the nine members of the Board of Directors, such nominees to be either bankers or business men, at the option of the member banks. The remaining four should be appointed by the Federal Reserve Board.

As an incident to the election of directors, a member bank nominated a banker interested in four state banks, but not connected with any member (national) bank. Counsel for this bank ruled that there is nothing in the law to prevent placing the name of the representative of a non-member bank upon the official ballot, if such nominee is regularly nominated. This suggests that there is at least a possibility of the election of a director having no interest in any member bank.

Such an election could not occur except in Class A. While nominees for Class A shall be "chosen by and be representative of the stockholding banks," they might not necessarily be bank officers, directors or stockholders. In cases where such nominees have active bank connections, it is suggested that they be made ineligible except where such connections are with stockholding banks. Such restrictions of nominations in Class A, and a simplification of the process of election will undoubtedly contribute to a greater interest by banks eligible to vote, in the elections which will occur from year to year.

Exchange Operations.

The demand for eastern exchange in this district is so steady that for the greater part of the year a premium is paid. For a period of from two to three months, during crop moving time, Chicago and eastern funds go to a substantial discount. It was, therefore, considered desirable by the officers of this institution to accumulate funds for the use of member banks when the turn came. This was done by the acceptance of eastern exchange at a discount based on the cost of shipping mixed currency to or from the nearest Sub-treasury. These accumulated funds will be sold on the same basis.

It is believed that the policy of establishing a flat rate is sound and desirable and that the building up of balances in the East at a fixed discount rate and the sale of these balances at a fixed premium will do much to prevent violent rate fluctuations.

New Money Vault.

The permanent quarters occupied by the Federal Reserve Bank of Minneapolis contained a vault which, with the installation of modern money chests, has been of value for the safe keeping of tellers' current funds, books and documents. It was not sufficiently strong to house deposits of this bank, and it became necessary to provide new and better facilities. Pending the construction of a new vault, Federal reserve notes and deposits were carried in various vaults of the commercial banks in Minneapolis and comparatively little cash was held by the reserve bank itself.

The new money vault was completed and put in use on October 1st. It was designed by The Hollar Company, of Philadelphia, and constructed by the Mosler Safe Company, of Hamilton, Ohio. Its walls, floor and ceiling are constructed of 5 inches of steel, heavily protected by steel bars and railroad rails laid in concrete. The main door is 7 feet, 7 inches in diameter, and 15 inches thick, exclusive of bolt frames, and is ground into the frame to a steam tight fit. An emergency door is provided to guard against lockouts. Both the main and emergency doors are solid and the form of construction avoids piercing them for the purpose of operating the bolt mechanism. On both doors the locking mechanism is controlled by four-movement time clocks, which operate the bolt motors. The vault is 8 feet, 2 inches high, 18 feet, 8 inches wide, and 9 feet deep inside, and provides 15 steel lockers for the use of the Federal Reserve Bank and 12 similar lockers, within a space segregated for the Federal Reserve Agent, for the use of that department. The space allotted the Federal Reserve Agent is protected by grills and may not be entered except by him or his representative.

The electrical protection of the vault is of the most modern and complete character and is connected with large alarm gongs inside the banking office and outside the building on the street.

The officers and directors of the bank gave much thought and investigation to this subject before contracts were let and the designs of the engineers were not accepted until there had been a most thorough inquiry, for the purpose of providing for this bank a vault of such strength and such high quality as to make it the most modern and the safest in the Western United States. The space provided therein is sufficient for the safeguarding of large deposits from member banks and the attention of such institutions is being called to the additional safety involved in the deposit of their funds here.

APPENDIX A.

BY-LAWS OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS

ARTICLE I.

Directors.

SECTION 1. **Quorum.**—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. **Vacancies.**—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. **Meetings.**—There shall be a regular meeting of the board the first Monday of every month at 11 o'clock a. m., or, if that day be a holiday, on the first succeeding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least five days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall, in writing, waive such notice.

SEC. 4. **Powers.**—The business of this bank shall be conducted under the supervision and control of its Board of Directors, subject to the supervision vested by law in the Federal Reserve Board. The Board of Directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. **Special Committees.**—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. **Order of Business.**—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.

Executive Committee.

SECTION 1. **How Constituted.**—There shall be an Executive Committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from Classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the Executive Committee shall be kept by its secretary, and such minutes shall be read to the members of the board of directors at its next succeeding meeting.

SEC. 2. **Powers.**—Subject to the supervision and control of the Board of Directors, as set forth in Article I, section 4, the Executive Committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for rediscount.
- (b) To initiate and conduct open-market transactions.
- (c) To fix the discount rate from time to time with the approval of a majority of the Board of Directors.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the Board of Directors.

ARTICLE III.

Officers.

SECTION 1. The Board of Directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary,

and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. Federal Reserve Agent.—The Federal Reserve Agent, as chairman of the Board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. Deputy Federal Reserve Agent.—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the Board of Directors not inconsistent with his duties as provided by law.

SEC. 4. The Governor.—Subject to the supervision and control of the Board of Directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the Executive Committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the Board of Directors or by the by-laws.

The governor may suspend or remove any employee of the bank.

SEC. 5. The Deputy Governor.—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more deputy governors, it shall have authority to appoint such deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. The Secretary.—The secretary shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank

to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the Board of Directors, the Executive Committee or the governor.

SEC. 7. The Cashier.—The cashier and at least one other officer designated by the Board of Directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the Executive Committee, the Board of Directors or the governor.

ARTICLE IV.

Certificates of Stock

SECTION 1. Signature.—All certificates of stock or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. Business Hours.—The bank shall open for business from ten o'clock to three o'clock on each day except Sundays, or days or parts of days established as legal holidays, except that on Saturdays, the bank shall close at twelve o'clock noon.

ARTICLE VI.

Amendments.

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: Provided, however, that a copy of such amendment shall have been delivered to each member at least ten days prior to such meeting.

APPENDIX B.

Statistical Information, Nov. 16, 1914—Dec. 31, 1915.

Table A—Rediscounts.

Bills bought, United States Bonds and Investments of the Federal Reserve Bank of Minneapolis, by fifteen day periods since organization.

		Rediscounts for Member Banks	(Acceptances) Bills bought	Bonds U. S.	Investments
Dec.	1.....	\$29,449.01	.....	.....	.....
Dec.	15.....	58,611.67	.....	.....	.....
Jan.	2.....	424,644.51	.....	.....	684,394.05
Jan.	15.....	194,389.71	.....	.....	676,975.07
Feb.	1.....	229,606.02	.....	.....	1,076,975.07
Feb.	15.....	287,696.05	.....	550,000	1,076,975.07
March	1.....	215,051.93	.....	650,000	400,000.00
March	15.....	365,627.29	250,749.19	950,000	400,000.00
April	1.....	395,327.39	336,870.75	950,000	455,000.00
April	15.....	395,918.91	427,849.82	1,025,000	473,000.00
May	1.....	421,513.84	394,987.11	1,025,000	634,360.85
May	15.....	504,686.52	253,987.79	1,025,000	663,970.85
June	1.....	687,891.95	174,839.11	1,025,000	688,601.93
June	15.....	838,435.60	174,934.16	1,025,000	397,162.27
July	1.....	1,143,169.42	147,758.00	1,025,000	367,806.82
July	15.....	1,472,588.24	107,008.12	1,025,000	444,931.82
Aug.	1.....	1,721,292.02	219,279.08	1,025,000	538,952.26
Aug.	15.....	1,869,828.12	236,447.97	1,025,000	569,325.54
Sept.	1.....	1,937,289.61	279,531.35	1,027,000	891,333.78
Sept.	15.....	1,752,437.65	315,035.23	1,027,000	736,997.67
Oct.	1.....	1,562,731.76	349,600.63	1,027,000	795,498.50
Oct.	15.....	1,562,908.98	297,527.37	1,032,000	770,498.50
Nov.	1.....	1,425,489.63	357,496.69	1,107,000	792,812.28
Nov.	15.....	1,504,260.57	361,275.21	1,159,820	770,621.97
Dec.	1.....	1,555,125.18	402,028.49	1,189,820	890,828.25
Dec.	15.....	1,430,850.05	431,741.75	1,303,820	893,430.68
Jan.	1.....	1,222,161.51	477,806.40	1,328,820	910,513.28

Table B—Rediscounts and Bills Payable.

Showing the deposits and bills payable of member banks in the Ninth District, and their rediscounts with the Federal Reserve Bank, as of the date of the Comptroller's call of November 10, 1915.

Michigan.

Deposits	\$26,020,848.00
Rediscounts and Bills Payable.....	141,338.87
Rediscounts with Federal Reserve Bank.....	14,885.71

Minnesota.

Deposits	313,448,840.00
Rediscounts and Bills Payable.....	2,424,103.02
Rediscounts with Federal Reserve Bank.....	856,329.54

Montana

Deposits	46,025,062.00
Rediscounts and Bills Payable.....	278,176.00
Rediscounts with Federal Reserve Bank.....	102,224.58

North Dakota.

Deposits	49,926,472.00
Rediscounts and Bills Payable.....	589,721.91
Rediscounts with Federal Reserve Bank.....	124,155.61

South Dakota

Deposits	47,669,498.00
Rediscounts and Bills Payable.....	360,390.04
Rediscounts with Federal Reserve Bank.....	284,003.51

Wisconsin.

Deposits	67,237,795.00
Rediscounts and Bills Payable.....	573,502.80
Rediscounts with Federal Reserve Bank.....	173,525.63

Total Deposits of Member Banks.....	\$550,328,515.00
Total Bills Payable.....	4,357,232.64
Total Rediscounts with F. R. Bank.....	1,555,124.58

Table C—Rediscounts.

Showing, by states, the amount of paper rediscounted by the Federal Reserve Bank of Minneapolis, the number of member banks, and the member banks rediscounting, December 31, 1915.

State	Amount of Rediscounts	Number of Member Banks	Number of Banks Re- discounting
Minnesota	\$674,270.31	279	55
North Dakota	93,289.55	152	16
South Dakota	330,802.26	119	22
Wisconsin	70,116.72	88	9
Montana	48,232.14	66	8
Michigan	27,904.73	31	2
	<hr/> \$1,244,615.71	<hr/> 735	<hr/> 112
Total number of pieces—4,054.			

Table C—Continued.

Statistics of rediscounts handled by Federal Reserve Bank of Minneapolis, from November 16, 1914, to December 31, 1915.

	Minnesota	North Dakota	South Dakota	Wis- consin	Montana	Michigan	Totals
No. member banks	279	152	119	88	66	31	735
No. member banks ac- commodated..	78	39	32	20			197
No. applications made for redis- count	292	138	116	138	72	19	775
No. pieces passed upon ..	1,511	837	554	812	281	59	4,054
Average amount of each piece.	\$1,623	\$1,100	\$1,212	\$1,620	\$1,630	\$3,234	\$1,736
Total amounts redis- counted ..	\$2,346,386	\$851,614	\$698,569	\$1,323,480	\$453,037	\$134,813	\$5,817,899

Average amount of each piece discounted \$1.435.

Smallest item \$26.27.

Largest item \$100,000.

Table D—Earnings and Current Expenses.

Showing the earnings of the Federal Reserve Bank of Minneapolis and current expenses, by periods, since organization.

November 16, 1914, to January 1, 1915.

Earnings from	
Bills discounted member banks.....	\$1,322.47
Bills purchased (Acceptances).....	0
Investments	
United States Bonds	0
Warrants	0
Sundry Profits	0
Total Earnings	\$1,322.47
Current Expenses	\$10,356.37

January 1, to July 1, 1915.

Earnings from	
Bills discounted member banks.....	\$10,780.65
Bills purchased (Acceptances)	2,030.17
Investments	
United States Bonds	7,480.56
Warrants	10,643.26
Sundry Profits	75.48
Total Earnings	\$31,010.12
Current Expenses	\$40,443.04

July 1, 1915, to January 1, 1916.

Earnings from	
Bills discounted member banks.....	\$39,708.10
Bills purchased (Acceptances)	3,217.73
Investments	
United States Bonds	11,312.69
Warrants	10,287.56
Sundry Profits	4,073.11
Total Earnings	\$68,599.19
Current Expenses	\$41,215.29
Total Earnings since November 16, 1914.....	\$100,931.78
Total Current Expenses.....	92,014.70
Balance	\$8,917.08
Less Commissions to other F. R. Banks.....	819.48
	\$8,097.60

Note.—Much more favorable Earnings of the last half of 1915 should be noted.