

CONTROLLER'S REPORT  
FEDERAL RESERVE BANK OF MINNEAPOLIS  
FOR THE YEAR  
1933.

To the Directors:-

During the past year much has happened to affect our earnings, expenses, surplus, and most functions of the bank. We believe the year 1934 is certain to produce even greater activity in our Fiscal operations as well as further services performed for present and new member banks.

With a greater income for 1933 than in the previous year, we were unable to make any additions to surplus because of a 20 per cent increase in expenses and the necessity of providing nearly \$200,000 for depreciation in our bond holdings. Because of a change in the Law we are not now required to make Franchise tax payments. However, the Banking Act of 1933 requires us to pay one-half of our surplus as of January 1, 1933 to the Federal Deposit Insurance Corporation. Our portion of this payment was withdrawn from surplus on January 5 and 50% of this amount or \$1,754,733.82 paid by check on the same date. The remainder is to be paid on April 15.

During the months of February and March we had heavy cash withdrawals followed by the banking holiday. The calling of a part of the Liberty Loan issues and heavy increase in Government warrants, required many additional employees. All functions have been efficiently conducted and the audits of the year disclose no irregularities.

Statements showing our condition and the operating results for the year, are attached for your information.

Respectfully submitted,

  
Controller

January 1, 1934.

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## COMPARATIVE STATEMENT OF RESOURCES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH.

	<u>DECEMBER 31, 1933</u>	<u>DECEMBER 31, 1932</u>
Gold with F. R. Agent.....	\$ 76,254,000.00	\$ 41,540,000.00
Gold Redemption Fund F. R. Notes.....	1,612,357.76	2,213,507.13
Gold Settlement Fund.....	19,517,798.41	7,797,422.76
Gold and Gold Certificates.....	549,960.45	2,340,163.92
Total Gold Reserves.....	97,934,116.62	53,891,093.81
Other Cash.....	8,321,586.79	7,250,218.45
Total Gold Reserves and Other Cash.....	106,255,703.41	61,141,312.26
Redemption Fund F. R. Bank Notes.....	593,250.00	None
Bills and Securities:		
Bills Discounted Sec. by U. S. Securities.....	49,450.00	325,260.44
Other Bills Discounted.....	1,822,559.44	9,278,555.19
Bills Bought in Open Market.....	3,189,208.96	611,649.63
U. S. Government Securities.....	65,668,505.68	54,850,654.20
Other Securities.....	79,968.19	410,563.94
Total Bills and Securities.....	70,809,692.27	65,476,683.40
Due from Foreign Banks.....	9,418.36	10,558.23
F. R. Notes of other Federal Reserve Banks.....	657,500.00	716,500.00
Uncollected Items:		
Transit Items.....	9,800,860.92	10,108,367.98
Exchanges for Clearing House.....	347,479.26	221,645.46
Other Cash Items.....	492,902.94	487,920.26
Total Uncollected Items.....	10,641,243.12	10,817,933.70
Bank Premises.....	1,747,677.60	1,835,882.58
Premium on Securities.....	12,925.65	15,183.57
Interest Accrued.....	60,686.19	60,787.54
Reimbursable Expenditures.....	21,886.23	10,770.85
Deferred Charges.....	12,573.49	18,960.89
Claims Recoverable.....	1,338,996.02	1,590,989.31
All other Resources.....	27,336.14	26,433.27
Total Miscellaneous Assets.....	1,474,403.72	1,723,125.43
TOTAL RESOURCES.....	\$192,188,888.48	\$141,721,995.60

## COMPARATIVE STATEMENT OF LIABILITIES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH.

	DECEMBER 31, 1933.	DECEMBER 31, 1932.
F. R. Notes in actual Circulation.....	\$ 92,895,885.00	\$ 80,966,415.00
F. R. Bank Notes in actual Circulation.....	7,718,250.00	None
U. S. Treasurer-General Account.....	90,953.17	380,768.45
Member Bank-Reserve Accounts, Spl. Trust Accts....	64,330,674.53	37,780,538.40
Due to Foreign Banks.....	95,756.95	460,726.07
Officers' Checks, F. R. Drafts, Other Deposits..	1,777,959.15	328,039.57
Total Deposits.....	66,295,343.80	38,950,072.49
Deferred Availability Items:		
Government Transit Items.....	699,242.10	224,850.72
All other Transit Items.....	10,428,690.53	10,513,011.03
Total Deferred Availability Items.....	11,127,932.63	10,737,861.75
Miscellaneous Liabilities:.		
Accrued Taxes other than Franchise Tax.....	66,253.98	64,190.40
Reserved for Sundry Expenses.....	11,175.50	7,289.49
Depreciation Reserve U. S. Securities.....	3,444.00	3,444.00
Discount on Securities.....	6,504.07	7,677.79
Unearned Discount.....	10,494.93	60,747.14
All Other Liabilities.....	3,134,099.12	48,779.26
Total Miscellaneous Liabilities.....	3,231,971.60	192,128.08
Capital Stock Paid In.....	2, 876,450.00	2,885,300.00
Surplus Fund.....	7,018,935.30	7,009,251.02
Reserve for Self Insurance.....	515,379.97	500,000.00
Special Reserve.....	272,989.28	78,247.16
Earnings, Expenses and Dividends:		
Discount Earned.....	259,336.44	483,886.01
Interest Earned.....	1,179,975.18	921,077.03
Penalties on Deficient Reserve.....	8,016.57	17,219.16
Miscellaneous Earnings.....	50,340.99	12,930.88
Total Gross Earnings.....	1,497,669.18	1,435,093.08
Expense Current.....	1,114,093.70	926,668.26
Furniture and Equipment.....	19,548.00	11,986.00
Dividends Accrued.....	171,568.89	175,494.80
Total Charges to Current Earnings.....	1,305,210.59	1,114,149.06
Current Net Earnings.....	192,458.59	320,944.02
Profit and Loss.....	43,292.31	81,776.08
Net Earnings Available for Depreciation		
Allowances, Surplus (& Franchise Tax 1932)	235,750.90	402,720.10
TOTAL LIABILITIES.....	\$192,188,888.48	\$141,721,995.60

FEDERAL RESERVE BANK OF MINNEAPOLIS  
STATEMENT OF PROFIT AND LOSS ACCOUNT FOR 1933

Discount earned on bills discounted - Minneapolis . . . . .	\$	\$ 200,315.75
Discount earned on bills discounted - Helena Branch . . . . .		21,424.74
Discount earned on bills purchased . . . . .		37,595.95
Interest earned on U. S. Government securities . . . . .		1,179,975.18
Interest earned on Municipal Warrants . . . . .		2,226.60
Deficient reserve penalties - Minneapolis . . . . .		6,936.90
Deficient reserve penalties - Helena . . . . .		1,079.67
Participation in transactions with foreign banks . . . . .		11.96
Interest earned on past due paper of closed banks . . . . .		40,150.65
Sale of waste paper . . . . .		135.59
Service charges on collection items returned - Minneapolis . . . . .		128.57
Clearing House fines . . . . .		29.00
Income from Banking House . . . . .		7,658.62
Expense - Cost of Federal Reserve Currency . . . . .	90,397.44	
Other current expense - Minneapolis . . . . .	938,336.86	
Expense current - Helena Branch . . . . .	85,359.40	
Furniture and Equipment . . . . .	19,547.00	
Reserve for depreciation on building - Minneapolis . . . . .	25,665.63	
Reserve for depreciation on building - Helena Branch . . . . .	2,700.00	
Reserve for depreciation on fixed machinery and equipment - Minneapolis . . . . .	62,005.35	
General difference - Minneapolis . . . . .		13.27
Tellers' differences - Minneapolis . . . . .	177.22	
Transit and clearing differences - Minneapolis . . . . .	144.66	
Tellers' differences - Helena Branch . . . . .		18.74
Transit differences - Helena Branch . . . . .		15.47
Recovery of expense in connection with closed banks . . . . .		9,987.60
Recovery of transit items previously charged off . . . . .		92.83
Adjustment of earnings during the year 1932 . . . . .		4.71
Proceeds of coin accumulated by Helena Branch and held as worthless which was redeemed by the Treasury Depart- ment at bullion value . . . . .		26.55
Profit from sale of U. S. securities from Temporary Invest- ment Account . . . . .		5.64
To reverse entry of Feb. 10, 1932 by charge to Reserve for losses on account of advance made to John Milligan debtor of First National Bank, Marion, N. D. . . . .		495.85
Our pro rata share of exchange profit in connection with payment of interest on Austrian credit . . . . .		8,362.87
Our pro rata share of exchange profit in connection with payment of interest on Hungarian credit . . . . .		982.53
Profit on sale of U. S. securities through F. R. System Special Investment account . . . . .		26,302.09
Loss incurred in connection with sale of Federal Land Bank bonds for account of Receiver of U. S. National Bank, Deer Lodge, Mont. . . . .	10.00	
Counterfeits, and discount on foreign currency . . . . .	1,686.11	
Abrasion on gold coin . . . . .	1,251.25	
Loss on transit items . . . . .	11.00	
Loss incurred in connection with sale of U. S. securities for account of a Member Bank . . . . .	10.00	
Reserve for depreciation on U. S. Government securities: Held in F. R. System account . . . . .	107,392.61	
Held in our own Portfolio . . . . .	92,359.42	
Reserve for losses on past due acceptances in process of collection - Foreign account . . . . .	338.12	
Reserve for losses on Investments through Foreign Banks . . . . .	34,500.00	
Dividends accrued . . . . .	171,568.89	
Deduction from Surplus - (net loss for 1933). . . . .		89,483.63
	<u>\$1,633,460.96</u>	<u>\$1,633,460.96</u>

FEDERAL RESERVE BANK OF MINNEAPOLIS

SUMMARY OF  
PROFIT AND LOSS STATEMENT FOR 1933.

	<u>Total</u>	<u>Head Office</u>	<u>Branch</u>
Earnings . . . . .	\$ 1,497,669.18	\$ 1,475,164.77	\$ 22,504.41
Current Expenses . . . . .	1,114,093.70	1,028,734.30	85,359.40
Current net earnings . . . . .	<u>\$ 383,575.48</u>	<u>\$ 446,430.47</u>	<u>\$ 62,854.99</u>
Additions to current net earnings:			
Withdrawn from reserve for probable losses . . . . .	-	-	-
Profit on United States Govern- ment securities sold - Net . . . . .	26,307.73	26,307.73	-
All other (Schedule "A") . . . . .	19,952.94	19,926.39	26.55
Total additions . . . . .	<u>\$ 46,260.67</u>	<u>\$ 46,234.12</u>	<u>\$ 26.55</u>
Deductions from current net earnings:			
Bank premises - depreciation \$ . . . . .	90,370.98	\$ 87,670.98	\$ 2,700.00
Furniture and equipment . . . . .	19,547.00	18,152.56	1,394.44
Reserve for probable losses . . . . .	234,590.15	234,590.15	-
Reserve for self-insurance . . . . .	-	-	-
All other (Schedule "B") . . . . .	3,242.76	826.39	2,416.37
Total deductions . . . . .	<u>\$ 347,750.89</u>	<u>\$ 341,240.08</u>	<u>\$ 6,510.81</u>
Net deductions from current net earnings . . . . .	<u>\$ 301,490.22</u>	<u>\$ 295,005.96</u>	<u>\$ 6,484.26</u>
Net earnings . . . . .	<u>\$ 82,085.26</u>	<u>\$ 151,424.51</u>	<u>\$ 69,339.25</u>
Dividends paid . . . . .	\$ 171,568.89		
Transferred from Surplus . . . . .	89,483.63		
	<u>\$ 82,085.26</u>		

See following page for detail of Schedules "A" and "B"

FEDERAL RESERVE BANK OF MINNEAPOLIS

PROFIT AND LOSS STATEMENT FOR 1933.

Schedule "A" - "All other" additions to current net earnings"

	Total	Head Office	Branch
Recovery of expense in connection with closed banks	\$ 9,987.60	\$ 9,987.60	\$ -
Adjustment of earnings during 1932	4.71	4.71	-
To reverse entry of February 10 1932 by charge to Reserve for losses on account of advance to John Milligan debtor of First National Bank, Marion, N. D.	495.85	495.85	-
Our pro rata share of exchange profit in connection with payment of interest on Austrian credit	8,362.87	8,362.87	-
Our pro rata share of exchange profit in connection with payment of interest on Hungarian credit	982.53	982.53	-
Recovery of transit items previously charged off	92.83	92.83	
Proceeds of coin accumulated by Helena Branch and held as worthless which was redeemed by the Treasury Department at bullion value	26.55	-	26.55
	<u>\$ 19,952.94</u>	<u>\$ 19,926.39</u>	<u>\$ 26.55</u>

Schedule "B" - "All other" Deductions from Current Net Earnings

	Total	Head Office	Branch
Loss incurred in connection with sale of Federal Land Bank bonds for account of Receiver of U. S. National Bank Deer Lodge, Mont.	\$ 10.00	\$ 10.00	\$ -
Loss incurred in connection with sale of U. S. securities for account of a member bank	10.00	10.00	-
Counterfeits and discount on foreign currency	1,686.11	483.39	1,197.72
Abrasion on gold coin	1,251.25	* 1.61	1,252.86
Loss on Transit items	11.00	11.00	-
Difference accounts	274.40	308.61	* 34.21
	<u>\$ 3,242.76</u>	<u>\$ 826.39</u>	<u>\$ 2,416.37</u>

\* Credit

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

STATEMENT OF EARNINGS, EXPENSES AND DISPOSITION OF EARNINGS

SINCE ORGANIZATION

December 31, 1933.

Earnings . . . . .	\$ 34,877,835	
Expenses . . . . .	<u>16,031,105</u>	
Net earnings before charge-offs . . . . .		\$ 18,846,730
Additions to net earnings . . . . .		<u>750,666</u>
		\$ 19,597,396
Deductions from net earnings:		
Furniture and equipment . . . . .	\$ 540,599	
Bank premises depreciation . . . . .	2,062,596	
Reserve for self-insurance . . . . .	515,380	
Reserve for possible losses (Net) . . . . .	690,034	
All other . . . . .	<u>210,579</u>	\$ 4,019,188
Net earnings . . . . .		<u>\$ 15,578,208</u>
Distribution of net earnings:		
Dividends paid . . . . .		\$ 3,445,857
Transferred to surplus (Net) . . . . .		6,929,452
Franchise tax paid to U. S. Government . . . . .		<u>5,202,899</u>
		<u>\$ 15,578,208</u>

DIVIDENDS PAID SINCE ORGANIZATION - BY YEARS

1916	-	\$ 57,719.87
1917	-	363,894.19
1918	-	168,102.97
1919	-	180,186.21
1920	-	195,870.65
1921	-	211,657.03
1922	-	213,774.01
1923	-	212,732.68
1924	-	202,827.98
1925	-	193,559.46
1926	-	187,609.25
1927	-	180,726.51
1928	-	181,202.86
1929	-	184,029.92
1930	-	184,445.39
1931	-	180,454.53
1932	-	175,494.80
1933	-	171,568.89

\$ 3,445,857.20

STATEMENT OF TOTAL FRANCHISE TAX PAID SINCE ORGANIZATION

December 31, 1918	Transferred from Profit and Loss	\$ 37,500.00
December 31, 1920	" " "	524,233.58
June 30, 1921	" " "	1,284,497.62
December 31, 1921	" " "	1,166,468.98
December 31, 1922	" on account of underpayment years 1920 and 1921	52,423.36
December 31, 1922	" from Profit and Loss	512,028.98
December 31, 1923	" " "	101,450.25
December 31, 1924	" " "	113,646.58
December 31, 1925	" " "	37,255.04
December 31, 1926	" " "	234,380.91
December 31, 1927	" " "	103,815.90
December 31, 1928	" " "	390,150.58
December 31, 1929	" " "	549,658.58
December 31, 1930	" " "	8,229.60
December 31, 1931	" " "	None
December 31, 1932	" " "	87,158.54

\$ 5,202,898.50

DETAIL STATEMENT OF SURPLUS ACCOUNT SINCE ORGANIZATION

January 4, 1918	Transferred to Surplus from Profit and Loss	\$ 37,500.00
December 31, 1918	" " " "	688,871.82
March 4, 1919	" from Reserve for Franchise Tax	688,871.82
June 30, 1919	" to Surplus from Profit and Loss	904,357.40
December 31, 1919	" " " "	1,249,399.04
June 30, 1920	" " " "	1,609,241.56
December 31, 1920	" " " "	1,801,706.54
June 30, 1921	" " " "	323,121.95
December 31, 1921	" " " "	165,407.67
December 31, 1922	" " " "	56,892.10
December 31, 1923	" " " "	11,272.25
December 31, 1924	" " " "	12,627.39
December 31, 1925	" " " "	4,139.45
December 31, 1926	" " " "	26,042.32
December 31, 1927	" " " "	11,535.10
December 31, 1928	" " " "	43,350.06
December 31, 1929	" " " "	61,073.18
December 31, 1930	" " " "	914.40
December 31, 1931	" " " "	None
December 31, 1932	" " " "	9,684.28
December 31, 1932	" to Surplus from Reserve for depreciation on U. S. Securities	653,000.85
		<u>\$ 8,359,009.18</u>

Less:

December 31, 1922	Additional franchise tax paid for the years 1920 and 1921 . . . . .	\$52,423.36	
December 31, 1927	Withdrawn from Surplus to reduce book value of building . . . . .	500,000.00	
December 31, 1931	Transferred from Surplus for depreciation on U. S. Securities . . .	653,000.85	
December 31, 1931	Transferred from Surplus - net loss for 1931 . . . . .	134,649.67	
December 31, 1933	Transferred from Surplus - net loss for 1933 . . . . .	89,483.63	<u>1,429,557.51</u>

Balance in surplus account January 1, 1934 . .	\$ 6,929,451.67
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## PROFIT AND LOSS

Our total income for 1933 amounted to \$1,543,929.85 or \$24,000 more than we obtained from all sources in 1932. This income was more than sufficient to care for all our normal requirements even allowing for the increase of \$187,000 in our current expenses, but was not sufficient to provide reserves for possible losses and the normal building depreciation allowances. The particulars of our earnings are shown elsewhere in the report, the information on the immediately following pages being confined to the credits and debits made direct to Profit and Loss and the disposition of our income.

The direct cause of our greater income in 1933 not being sufficient for all purposes, was the rapid expansion in our operating costs by reason of the banking crisis requiring the absorption of much direct and indirect expense for Fiscal operations and one of the heaviest printing schedules for notes we have yet had. The various expense items with particulars and comparisons are covered under the appropriate headings.

At the close of 1932 we were able to return to Surplus all of the \$653,000.85 set up as a depreciation reserve for United States securities at the end of the previous year. However, there are many more Governments outstanding at the present time and the big increase in longer time maturities held in the Special Investment Account may work against a rapid return to par of many issues. The drop in market value of our Government holdings came in the closing months of the year as our calculations in September showed a substantial increase in market over purchase prices.

On the basis of 1933 expenditures, we would be required to earn \$117,000 monthly during 1934 to cover operating costs and the normal depreciation allowed on bank premises. We should show a saving over 1933 of at least \$70,000 in note printing costs and some decrease in a number of other items but the addition of state banks to our membership and the evident intention of the Treasury

## PROFIT AND LOSS (Contd)

Department to reimburse us for as little as possible, makes it apparent that 1934 expense will be higher than for any previous year with the possible exception of 1921.

Items credited direct to Profit and Loss because of their character, are shown in the preceding statement of Profit and Loss. Some of these items are more fully described herein when deemed necessary.

Recoveries of amounts expended at closed bank amounted to \$9,987.60. This refers only to recoveries of expense incurred prior to 1933. Recoveries of expense created during the current year are credited direct to expense. In connection with Foreign credits we received an additional profit besides the normal interest participation. These credits were repaid in French francs and a premium was obtained in converting the francs into dollars. In this way we were credited \$8,362.87 as profit on Austrian credit and \$982.53 on Hungarian credit. On the various sales of securities held in Special Investment Account in New York, a net profit was made and our share of this profit for 1933 was \$26,302.09 credited to us by New York at the close of the year.

Direct charges made to Profit and Loss during the year amounted to \$2,968.36. In May the Branch was instructed to dispose of \$9,200 in Canadian currency which had been held for a number of months. No record was available covering particulars from whom received so that the discount loss of \$1,162.22 was absorbed by the bank. At Head Office we charged off \$488.39 representing counterfeits, and a small amount of discount on currency. The counterfeits were nearly all \$10 gold certificates passed by the inexperienced tellers we were forced to use during and after the banking holiday. In order to reduce the supply of cash at Helena we obtained permission of the Treasury Department to ship to the Mint \$500,000 in gold coin most of which was taken in last March and April. The abrasion on this coin amounted to \$1,251.25 which we were requested to assume. In the Profit and Loss items of 1932 was a charge of \$495.85 covering a loss on a direct loan made to a closed bank debtor named John Milligan at Marion, N. D. Exception was taken to this charge by the Federal reserve examiners

## PROFIT AND LOSS (Contd)

so we have credited this amount to Profit and Loss and charged Reserve for Losses on Discounted paper.

After all current earnings had been transferred to Profit and Loss on December 31, the following charges were provided for:

<u>CURRENT EXPENSES</u>		
Minneapolis	\$1,028,734.30	
Helena	<u>85,359.40</u>	\$ 1,114,093.70

Operating costs of the past year were heavier than for any other year since 1921. Due to the fact that all note printing costs are borne by Head Office and most Fiscal services are performed here, the increase at Minneapolis over 1932 was \$181,519.35 with the Helena expense this year \$5,906.09 in excess of 1932 costs. The banking crisis upset all budget figures with the result that Minneapolis exceeded the 1933 budget by \$148,700 and Helena exceeded Branch estimates by \$7,100. It is quite likely our actual disbursements in 1934 will exceed the total for 1933 by \$100,000. Under the expense classification the changes in our costs will be explained.

<u>FURNITURE AND EQUIPMENT</u>		
Minneapolis	\$18,152.56	
Helena	<u>1,394.44</u>	\$ 19,547.00

Although we had expected our purchases of machinery and equipment to be less than normal in 1933, the rapid expansion in a number of functions required added equipment. All purchases may be charged off at the close of each year. Under Furniture and Equipment purchases of 1933 are classified with amount expended on each type of article. Further adding machines will be required in 1934 but the total expense should be lower.

<u>RESERVE FOR DEPRECIATION</u> <u>ON BANK BUILDING</u>		
Minneapolis	\$ 25,665.63	
Helena	<u>2,700.00</u>	\$ 28,365.63

There is no change in the amounts set aside for depreciation on our properties at Minneapolis and Helena. The various amounts by which the Building Account has been reduced and the particulars covering amounts reserved each year since we

PROFIT AND LOSS (Contd )

owned property are adequately explained under Provision of Space in this report. We have been making charges to earnings for nine years in accumulating the reserve of \$230,990.67 on Minneapolis building and fourteen years in setting aside \$89,418.74 for depreciation on Helena building. All property accounts and depreciation reserves are carried on books at Head Office.

RESERVE FOR DEPRECIATION ON  
FIXED MACHINERY AND EQUIPMENT

Minneapolis	\$62,005.35	
Helena	<u>0</u>	\$ 62,005.35

Reserves equal to full amount of original cost had been provided for Helena at the close of 1931 and the full requirement at Minneapolis will be reached on December 31, 1934. The elevator maintenance contract requiring \$2,166 yearly is the only charge now being made against the reserve at Minneapolis. During 1934 we anticipate no further charge except for the replacement of a water heater costing less than \$500. Reserves approved each year by the Federal Reserve Board have been at the rate of 10 per cent of original cost.

RESERVE FOR DEPRECIATION ON  
UNITED STATES SECURITIES

For securities held in System Account	\$107,392.61	
For securities held in Permanent Account	<u>92,359.42</u>	\$199,752.03

Under instructions from the Federal Reserve Board we set aside the sum of \$107,392.61 representing the difference between market and purchase price of Governments held in Special Account which have maturities beyond 1934. The market prices were furnished all Federal reserve banks by New York on December 29. The reserve set up for depreciation in our own Permanent Account and Self-Insurance Fund was based on market prices supplied by the Board on December 30. The depreciation covers maturities after 1934 with allowance made for the amount of premium we will amortize during the present year.

PROFIT AND LOSS (Contd)

RESERVE FOR LOSSES IN CONNECTION WITH  
DEALINGS THROUGH OR FOR FOREIGN BANKS

Reserved for loss on Acceptances	\$ 338.12
Reserved for loss on Foreign Credits	34,500.00

The first item is estimated sufficient to cover the small loss on bills bought for Foreign banks and taken back into System holdings under repurchase agreement. The second amount reserved is the estimate of the New York Federal Reserve Bank, approved by the Federal Reserve Board, covering expected losses in investments made through Foreign banks. All reserves for losses are combined in the reports now furnished and in our case aggregate \$511,023.43.

DIFFERENCE ACCOUNTS

Minneapolis debit	\$ 308.61
Helena credit	34.21 Debit \$ 274.40

This net charge represents a loss on all the cash, coupon and check transactions handled during the year. There are many small differences especially in the transit work because many large banks make no attempt to prove out differences under \$1.00. At Minneapolis the net charge for transit department differences was \$144.66. At Helena the transit differences showed a net credit of \$15.47. Tellers' differences which could not be allocated to member banks resulted in a net debit of \$177.22 at Minneapolis and a credit of \$18.74 at the branch. This showing is quite satisfactory, volume considered, and below the amount normally expected.

<u>DIVIDENDS PAID</u>	\$ 171,568.89
-----------------------	---------------

Making allowance for banks closing or withdrawing from membership and the recent State bank additions to our membership, the net change in Capital stock holdings since December 31, 1932, has been a reduction of \$8,850. The amount paid in dividends during 1933 was less than for any other year since 1918 and is \$3,925.91 less than the 1932 payment. Total dividends

PROFIT AND LOSS      (Contd)

paid since organization \$3,445,857.20. On December 31, 1933 our membership consisted of 491 National banks and 60 State banks. One year ago we had 514 National members and 42 State bank members.

DEDUCTIONS FROM SURPLUS      \$ 89,483.63

After paying all expenses, setting aside the reserves authorized and paying the annual dividend, it was necessary to reduce our Surplus Account the above amount. All funds withdrawn from earnings and surplus to cover possible losses, are retained on our books and the total of Capital, Surplus and Reserve Accounts on December 31 was \$10,832,305.07 compared to \$10,701,306.43 one year ago.

It should be noted that under the Law one-half of our Surplus as of January 1, 1933 is to be paid to the Federal Deposit Insurance Corporation. We had assumed this payment would be made at the close of 1933. However, the Federal Reserve Board advised that our Surplus should not be reduced until this payment was called. Consequently, we are showing \$3,509,467.65\* in our Surplus Account which may be withdrawn at any time.

\*Our subscription was set aside on January 5, 1934 and we forwarded our cashier's check for one-half of this amount to the Federal Deposit Insurance Corporation, the remainder held subject to call.

COMPARATIVE STATEMENT OF GROSS EARNINGS

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

EARNINGS FROM	Minneapolis 1933	Helena Branch 1933	Combined 1933	Combined 1932	Combined 1931
Discounted bills . . . . .	\$ 200,315.75	\$ 21,424.74	\$ 221,740.49	\$ 418,530.72	\$ 168,589.07
Purchased bills . . . . .	37,595.95		37,595.95	65,335.29	132,998.95
United States securities . . . . .	1,179,975.18		1,179,975.18	921,077.03	597,518.08
Federal Intermediate Credit Bank debentures . . . . .				1,910.71	4,122.15
Municipal Warrants . . . . .	2,226.60		2,226.60	5,326.06	3,423.46
Foreign loans on gold . . . . .					111.63
Deficient reserve penalties . . . . .	6,936.90	1,079.67	8,016.57	17,219.16	7,725.76
Interest received on past due paper of closed banks . . .	40,150.65		40,150.65	4,146.70	14,396.79
Participation in transactions with foreign banks . . . .	11.96		11.96	1,329.13	7,512.69
Sale of waste paper, money bags, etc. . . . .	135.59		135.59	70.17	72.19
Service charges on collection items returned unpaid . . .	128.57		128.57	135.11	109.42
Clearing house fines . . . . .	29.00		29.00	13.00	24.00
Income from banking house . . . . .	7,658.62		7,658.62		
Total Earnings . . . . .	\$ 1,475,164.77	\$ 22,504.41	\$ 1,497,669.18	\$ 1,435,093.08	\$ 936,604.19

GROSS EARNINGS AND  
AVERAGE RATE OF EARNINGS ON EARNING ASSETS  
FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELMNA BRANCH

	<u>1933</u>	<u>1932</u>	<u>Monthly Average 1933</u>	<u>Monthly Average 1932</u>
Earnings from:				
Discounted bills	\$ 221,740.49	\$ 418,530.72	\$ 18,478.38	\$ 34,877.56
Purchased bills	37,595.95	65,335.29	3,132.96	5,444.61
United States securities	1,179,975.18	921,077.03	98,331.27	76,756.42
Fed. Int. Credit Bank Deb.		1,910.71		159.22
Municipal Warrants	2,226.60	5,326.06	185.56	443.84
Foreign Loans on Gold				
Deficient reserve penalties	8,016.57	17,219.16	668.05	1,434.93
Miscellaneous	<u>48,114.33</u>	<u>5,694.11</u>	<u>4,009.54</u>	<u>474.51</u>
Total	\$1,497,669.18	\$1,435,093.08	\$124,805.76	\$119,591.09
Expenses:				
Cost of F.R. Currency	\$ 90,397.44	\$ 19,470.23	\$ 7,533.12	\$ 1,622.52
Salaries	592,777.27	552,448.51	49,398.11	46,037.38
Taxes	68,318.67	66,412.50	5,693.22	5,534.38
All other	<u>362,600.32</u>	<u>288,337.02</u>	<u>30,216.69</u>	<u>24,028.08</u>
	\$1,114,093.70	\$ 926,668.26	\$ 92,841.14	\$ 77,222.36
Dividends paid	\$ 171,568.89	\$ 175,494.80	\$ 14,297.41	\$ 14,624.57

DAILY AVERAGE HOLDINGS OF EARNING ASSETS

	<u>Bills Dis- counted</u>	<u>Bills Purchased</u>	<u>U. S. Se- curities</u>	<u>Federal Int. Credit Bank Debentures</u>	<u>Municipal Warrants</u>	<u>Foreign Loans on Gold</u>	<u>Total</u>
1933	\$ 6,267,577	\$ 2,936,456	\$58,209,321	\$ 0	\$64,520	\$ 0	\$67,477,874
1932	\$11,933,801	1,649,414	43,724,651	68,904	152,197	0	57,528,967
1931	4,818,935	7,607,324	26,761,330	158,671	97,671	6,275	39,450,206
1930	4,042,859	7,870,007	22,786,786	0	34,220	0	34,733,872
1929	21,624,673	6,328,387	9,812,359	2,579,658	140,326	28,340	40,513,743
1928	11,199,882	15,354,918	13,701,741	686,803	8,784	0	40,952,128

AVERAGE RATE OF EARNINGS ON EARNING ASSETS

	<u>Bills Dis- counted</u>	<u>Bills Purchased</u>	<u>U. S. Se- curities</u>	<u>Federal Int. Credit Bank Debentures</u>	<u>Municipal Warrants</u>	<u>Foreign Loans on Gold</u>	<u>Total</u>
1933	3.538%	1.280%	2.027%	0	3.500%	0	2.219%
1932	3.507	3.961	2.107	2.773	3.500	0	2.455
1931	3.500	1.748	2.233	2.598	3.500	1.779	2.299
1930	4.265	2.904	3.280	0	3.877	0	3.310
1929	4.845	4.902	3.960	4.783	4.989	5.031	4.636
1928	4.382	3.970	3.740	3.885	4.253	0	4.004

Discount rate effective	January 1, 1922	5½%
Discount rate lowered	January 11, 1922 to	5%
Discount rate lowered	August 15, 1922 to	4½%
Discount rate lowered	October 14, 1924 to	4%
Discount rate lowered	September 13, 1927 to	3½%
Discount rate raised	February 8, 1928 to	4%
Discount rate raised	April 25, 1928 to	4½%
Discount rate raised	May 14, 1929 to	5%
Discount rate lowered	February 8, 1930 to	4½%
Discount rate lowered	April 15, 1930 to	4%
Discount rate lowered	September 12, 1930 to	3½%

### EARNINGS

Earned at Minneapolis	\$1,475,164.77	
Earned at Helena	<u>22,504.41</u>	\$1,497,669.18

A comparison of the various classes of earnings in 1933 with similar revenue in 1932 indicates a sharp reduction in the income from discounted paper during the past year which was more than offset by the greater earnings from our holdings of United States securities. The net changes in our earning assets resulted in Minneapolis showing \$108,473.40 more of current income than in 1932 with Helena earnings \$45,897.30 less than one year ago. During the past three years the earning rate has worked against any great excess of profits although the volume of earning assets has been ample with normal rates. For instance, total earning assets in 1930 averaged \$4,700,000 less than in 1931 but the total earnings were \$300,000 greater in 1930. The average earning rate of 2.299 per cent in 1931 was the lowest we had ever experienced until this year. The very large volume of Governments carried during 1933 brought down the average earning rate for the year to 2.219 per cent.

Throughout 1933 there has been no month in which the earning rate has exceeded the rate for the corresponding month of 1932. Each month until July the 1933 earnings exceeded the same months in 1932. Since July the normal income has been less each month than in 1932. For the past eight months there has been a steady reduction in the average earning rate with the low mark of 1.962 per cent reached in December. This is the natural result of the liquidation of discounted paper and the expansion of our holdings of Governments in Special Participation Account. It does not necessarily mean that the average rate will continue downward because there was an improvement in the rate obtained from United States securities in December and exchanges in holdings already made indicate further improvement for January.

After adding \$110,789.74 in December to the earnings from United States securities we had a total for the year of \$1,179,975.18. This was the greatest amount ever received in one

## EARNINGS (Contd)

month from this source while the total for the year was \$259,000 in excess of the amount received from Governments in 1932. In January we held \$53,504,000 of the above securities on which the return was \$82,057.69 at a 1.806 per cent rate. This rate gradually improved until June and then decreased monthly through November during which month the rate averaged 1.935 per cent. For December the average rate was 1.988 per cent.

Beginning with 1930 United States securities have furnished the major portion of our income. During 1932 the interest of \$921,077.03 from this source produced 64.2 per cent of our total income. For the past year 79 per cent of our earnings are the result of carrying an average of \$58,209,000 Governments. The 1932 average held was \$43,725,000. At the close of December 1933 we held in our Permanent Account \$7,011,650, in the Self-Insurance Reserve \$500,000 and \$58,053,500 in Special Participation Account or a total of \$65,565,150 par value in United States securities. To cover loss based on market prices at the close of the year a reserve of \$203,196.03 has been set aside. During 1933 the net addition to System Account was \$583,542,000 of which our proportion was \$10,966,500. At the close of 1932 System holdings contained securities 62 per cent of which matured during 1933. At the present time securities falling due in 1934 make up 52 per cent of the total. The character of System holdings and maturities for each year are given on an accompanying page. We also show the classification of our own holdings in Permanent Account and Self-Insurance Fund giving the par value and indicating the market value of each issue at the close of 1933. One of the direct credits to Profit and Loss was \$26,302.09 obtained as our share of the profit on sales of Governments from Special Participation Account during the year. In 1932 we had \$83,376.49 profit from the same source.

Paper under discount for member banks averaged around \$10,000,000 in January and February. After reaching an average of \$13,150,000 in March due to the unusual conditions the average

## EARNINGS (Contd)

has fallen each month. In December the average for members accommodated at Minneapolis was \$2,210,000 with \$115,000 at Helena. From an earning standpoint the discounts carried do not reflect the true income because we made refunds to banks going into the hands of receivers. We calculated the interest on the reserve balance maintained on our books while each bank was in the hands of a conservator and allowed interest on this balance at the regular discount rate. In addition we reverse the interest accrued on past due paper when a bank closes. Such adjustments have been more frequent during the last four months of 1933 with a total of \$8,321.38 withdrawn from earnings.

The greater volume of paper under discount during the first six months resulted in a daily average for bills discounted of \$6,268,000 and the total earnings were \$221,740.49 obtained on an average discount rate of 3.538 per cent. Our normal rate to member banks has been  $3\frac{1}{2}\%$  without change since September 12, 1930. The fact that the average rate is in excess of the normal rate is due to some 5% paper loaned under Section 10(b). On December 31 we had \$48,900 of such paper.

From February to June, inclusive, we had some acceptances with the greatest amount in March when average of bills was \$14,258,000. From July to the end of October no bills were held. Some allotments were made during November and in December we received sufficient to bring the daily average for the month up to \$3,100,000. The earnings in December from bills were \$1,456.73 and the total for the year was \$37,595.95. Although the daily average of bills in 1933 was \$2,936,000 compared to \$1,649,000 in 1932, the income was \$28,000 greater in 1933. While rates on American bills were low both years, the greater amount of Foreign bills owned in 1932, bearing higher rates, made more favorable earnings possible. All of the bills taken in November and December were discounted at  $1\frac{1}{2}$  per cent. American bills in our holdings

### EARNINGS (Contd)

amounted to \$3,080,000 on December 31, 1933 and our investment in Foreign bills on the same date was \$109,000.

Our earnings from municipal warrants, never large, have been less in 1933 than for the previous two years. On an average daily holding of \$64,520 in 1933 we obtained \$2,226.60 profit. On December 31 we held \$80,000 in warrants received from the First National Bank, Wakefield, Michigan, and the Bessemer National Bank, Bessemer, Michigan.

Reserve deficiency penalties of \$8,016.57 were less than one-half the amount obtained in 1932 but exceeded the penalties assessed in 1930 or 1931. Although penalties have ceased to be any important part in our revenue, it is gratifying to note the improvement made in the last six months. Out of a total of \$6,936.90 in penalties imposed by Head Office in 1933, \$1,988.45 only was obtained during the last half year. At Helena only \$56.46 was assessed since June 30 with \$1,023.21, the amount of penalties during the first six months. With eliminations of many weak banks and help from the R. F. C. and the Regional Agricultural Credit Corporation extended others, the penalties in 1934 should be quite moderate.

The profit from miscellaneous sources in 1933 exceeded some of the current profit items and reached a total of \$48,114.39 compared to \$5,694.11 in 1932. Through the final settlements made with us by a number of closed banks we obtained \$40,150.65 in interest on past due paper. This is the most past due interest collected in any year since 1930. The one other item making up the major portion of the miscellaneous earnings was the payment of \$7,658.62 by the Reconstruction Finance Corporation as rental from February 15, 1932 until December 31, 1933 on the yearly basis of \$1.00 per square foot for space occupied by the Agency Division.

From an earning standpoint March was the best month of 1933 with \$144,113.78 profit on total earning assets of \$82,860,000. The daily average of all earning assets during 1933 was \$67,478,000 compared to an average of \$57,529,000 in 1932. At the present time we are receiving \$3,643.93 daily from our Government holdings.

# EARNINGS (Contd)

This basis held throughout 1934 should cover practically all our normal requirements and the other sources of income should provide sufficient additional income to cover all needs.

In the following table it will be observed that a relatively small proportion of our total income is derived from direct accommodations made to our member banks. During the past year income which originates outside our District has been greater than ever before, representing 81.3 per cent of our total income. In 1932 this percentage was 69.

## INCOME FROM DISTRICT

	1933	1932	1931
Discount for members	\$ 221,740.49	\$ 418,530.72	\$ 168,589.07
Warrants	2,226.60	5,326.06	3,423.46
Penalties for deficient reserves	8,016.57	17,219.16	7,725.76
Interest on past due paper of closed banks	40,150.65	4,146.70	14,396.79
Interest on Fed. Intermediate Credit Bank Debentures	0	444.35	960.58
Income from Banking House	7,658.62	0	0
Miscellaneous	293.16	218.28	205.61
	\$ 280,086.09	\$ 445,885.27	\$ 195,301.27

## INCOME FROM WITHOUT DISTRICT

Discount from Purchased Bills	\$ 37,595.95	\$ 65,335.29	\$ 132,998.95*
Interest on U.S. Securities	1,179,975.18	921,077.03	597,518.08
Interest on Fed. Intermediate Credit Bank Debentures	0	1,466.36	3,161.57
Foreign Loans on Gold	0	0	111.63
Participation in transactions with Foreign Banks	11.96	1,329.13	7,512.69
	\$ 1,217,583.09	\$ 989,207.81	\$ 741,302.92

\*Of this income \$6,755 originated in our District.

## SYSTEM HOLDINGS OF UNITED STATES SECURITIES HELD IN SPECIAL INVESTMENT ACCOUNT

Treasury Bills maturing in 1934		\$ 412,335,000
Certificates of Indebtedness maturing in 1934		470,337,000
Treasury Notes due May 2, 1934 3%		118,587,000
" " " Aug. 1, 1934 2-1/8		156,317,000
" " " June 15, 1935 3		115,748,700
" " " Aug. 1, 1935 1-5/8		93,753,300
" " " Apr. 15, 1936 2-7/8		179,350,500
" " " Aug. 1, 1936 3-1/4		51,092,000
" " " Dec. 15, 1936 2-3/4		96,468,000
" " " Apr. 15, 1937 3		68,125,000
" " " Sept. 15, 1937 3-1/4		80,100,000
" " " Feb. 1, 1938 2-5/8		25,570,000
" " " June 15, 1938 2-7/8		19,750,000
First Liberty Loan 1932-47 3 1/2		25,025,000
" " " 1932-47 4 1/4		29,000,000
Fourth " " 1933-38 4 1/4		58,941,200*
" " " 1933-38 4 1/4		197,649,800**
Treasury Bonds, due Oct. 15, 1943-45		25,000,000
		\$ 2,223,149,500

\*Called

\*\*Uncalled

# INVESTMENTS HELD DECEMBER 31, 1933.

## U. S. Government Securities Held in Investment Account:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Value</u>	<u>Market Value</u>
Fourth Liberty Loan Bonds	1933-1938	4 $\frac{1}{2}$ %	\$ 1,626,000	\$ 1,655,471.25
U. S. Treasury Bonds	1944-1954	4	165,900	171,602.81
" " " "	1941-1943	3 $\frac{3}{8}$	2,452,700	2,435,837.69
" " " "	1946-1949	3 $\frac{1}{8}$	1,706,000	1,631,895.62
" " " "	1940-1943	3 $\frac{3}{8}$	9,450	9,402.75
" " " "	1951-1955	3	335,300	316,229.81
" " " "	1943-1945	4 $\frac{1}{2}$ -3 $\frac{1}{2}$	601,000	596,304.69
U. S. Conversion Bonds	1946	3	3,200	3,200.00
" " " "	1947	3	111,600	111,600.00
U. S. Panama Bonds	1961	3	500	500.00
Total . . . . .			\$ 7,011,650	\$ 6,932,044.62
Add - Discount . . . . .				6,504.07
				\$ 6,938,548.69
Deduct Premium - Less amount to be amortized during 1934				10,451.88
Net Market Value . . . . .				\$ 6,928,096.81

## Investment for Self-Insurance Reserve:

Fourth Liberty Loan Bonds	1933-1938	4 $\frac{1}{2}$ %	\$ 70,000	\$ 71,268.75
U. S. Treasury Bonds	1941-1943	3 $\frac{3}{8}$	200,000	198,625.00
" " " "	1946-1949	3 $\frac{1}{8}$	60,000	57,393.75
" " " "	1951-1955	3	140,000	132,037.50
" " " "	1943-1945	4 $\frac{1}{2}$ -3 $\frac{1}{2}$	30,000	29,765.62
Total . . . . .			\$ 500,000	\$ 489,090.62
Deduct Premium less amount to be amortized during 1934				1,340.85
Net Market Value . . . . .				\$ 487,749.77
U. S. Securities Sold and Held Pending Final Payment			\$ 103,500	\$ 103,500.00
Participation in Federal Reserve System Special Investment Account . . . . .			\$58,053,500	\$57,946,107.39
Grand Total U. S. Securities . . . . .			\$65,668,650	\$65,465,453.97
Municipal Warrants . . . . .			\$ 79,968.19	

## MEMO

A reserve for depreciation on U. S. Government securities amounting to \$203,196.03, representing the difference between Par Value and Market Value in accordance with above statement, is included in amount carried as "Reserve for probable losses."

COMPARATIVE STATEMENT

CURRENT EXPENSES OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	Minneapolis 1933	Helena Branch 1933	Combined 1933	Combined 1932	Combined 1931
Salaries					
Officers . . . . .	\$ 98,022.23	\$ 7,346.60	\$ 105,368.83	\$ 110,300.13	\$ 118,135.23
Clerical . . . . .	337,843.46	29,822.76	367,666.22	328,047.41	330,399.32
Other employees . . . . .	109,344.80	10,397.42	119,742.22	114,100.97	102,520.40
Governors' conferences . . . . .	806.12		806.12	995.39	611.52
Federal Reserve Agents' conferences . . . . .	193.86		193.86	188.13	
Federal Advisory Council . . . . .	1,298.76		1,298.76	1,539.82	1,315.66
Directors' meetings . . . . .	8,059.52	1,473.40	9,532.92	9,750.26	7,061.87
*Traveling expenses . . . . .	29,348.96	1,957.79	31,306.75	21,809.73	17,565.00
Assessment for Federal Reserve Board expenses . . . . .	18,472.73		18,472.73	16,243.16	16,481.72
Legal Fees . . . . .	13,855.50	600.00	14,455.50	14,103.81	14,865.42
Insurance on currency and security shipments . . . . .	9,927.97	1,272.13	11,200.10	9,232.68	12,410.23
Other insurance . . . . .	28,562.38	3,778.04	32,340.42	32,056.49	31,671.51
Taxes on banking house . . . . .	66,263.00	2,055.67	68,318.67	66,412.50	69,504.85
Light, heat, power and water . . . . .	17,568.31	1,226.35	18,794.66	17,568.29	16,207.92
Repairs and alterations . . . . .	1,722.50	217.31	1,939.81	1,730.93	5,437.59
Office and other supplies . . . . .	15,693.12	1,323.95	17,017.07	13,027.99	13,280.15
Printing and stationery . . . . .	17,266.47	1,726.81	18,993.28	16,897.77	14,784.02
Telephone . . . . .	8,455.74	1,330.13	9,785.87	5,960.01	5,583.92
Telegraph . . . . .	11,651.81	5,411.59	17,063.40	15,869.71	17,663.61
Postage . . . . .	98,204.03	11,465.75	109,669.78	72,819.71	52,522.95
Expressage . . . . .	10,432.82	1,339.97	11,772.79	8,055.34	11,778.79
Miscellaneous . . . . .	35,342.77	2,613.73	37,956.50	30,487.80	32,686.58
Total Exclusive of Cost of Currency . . . . .	\$ 938,336.86	\$ 85,359.40	\$ 1,023,696.26	\$ 407,198.03	\$ 892,488.26
Federal Reserve currency:					
Original cost, including shipping charges . . . . .	77,959.50		77,959.50	16,978.71	23,386.59
Cost of redemption, including shipping charges . . . . .	4,245.37		4,245.37	2,491.52	3,067.62
Tax on F. R. Bank note circulation . . . . .	8,192.57		8,192.57		
Total Current Expenses	\$ 1,028,734.30	\$ 85,359.40	\$ 1,114,093.70	\$ 926,668.26	\$ 918,942.47

\*Other than those connected with Governors' and Agents' conferences and meetings of Directors and Advisory Council.

ITEMIZED STATEMENT SHOWING AMOUNTS INCLUDED IN MISCELLANEOUS EXPENSES

	Minneapolis 1933	Helena Branch 1933	Combined 1933	Combined 1932	Combined 1931
Rental of furniture and equipment	\$ 195.74	\$ 70.80	\$ 266.54	\$ 154.80	\$ 166.80
Repairs and maintenance of furniture and equipment	1,198.02	772.05	1,970.07	1,762.93	1,705.21
Outside protection, vault inspection, etc.	266.06	56.14	322.20	543.08	528.30
Outside laundry and cleaning charges, etc.	2,358.70	135.24	2,493.94	2,214.72	2,038.42
Licenses and permits	19.25	1.00	20.25	37.00	27.25
Local transportation-car fare and taxi hire	635.65		635.65	757.10	916.60
Post office box and postage-meter rental	281.20	123.00	404.20	503.00	687.00
Newspapers, periodicals, books, binding, etc.	3,462.48	223.42	3,685.90	3,431.34	3,604.11
Collection charges and protest fees absorbed	261.34	.50	261.84	253.50	283.11
Clearing house membership dues		20.00	20.00	30.00	106.10
Supplies furnished member banks	2,214.39		2,214.39	478.88	512.36
Copies of bank examination reports	8,621.43	432.00	9,053.43	5,896.50	5,867.75
Commercial agency credit reports and services	520.75	36.00	556.75	425.00	254.50
Photographs	74.00		74.00	29.00	13.00
Medical service, supplies and physical examinations	514.27		514.27	263.93	84.95
Cafeteria net expense	4,472.83		4,472.83	4,138.41	4,232.15
Entertainment of bankers and others not in bank's employ	180.73	293.58	474.31	475.29	291.85
Employees' education: American Institute of Banking	1,738.00	60.00	1,798.00	1,184.00	897.00
All other	15.00		15.00	10.00	
Federal Reserve Club	2,550.00	300.00	2,850.00	3,070.00	3,420.00
Membership dues and donations:					
American Bankers' Association	250.00		250.00	265.00	315.00
State and other bankers' associations	250.00	90.00	340.00	380.00	290.00
Credit Men's Association	165.00		165.00	187.00	194.00
American Acceptance Council	300.00		300.00	300.00	300.00
American Society of Agricultural Engineers	15.00		15.00	15.00	15.00
Twin City Bank Auditors' Conference	30.00		30.00	30.00	30.00
Tax Payers' Association	641.90		641.90	672.30	675.00
Minneapolis Police Benevolent Association	100.00		100.00	100.00	100.00
National Industrial Conference Board, Inc.	100.00		100.00	100.00	100.00
Police Officers' Federation	25.00		25.00	25.00	25.00
Christmas donations	58.00		58.00	57.50	57.50
Counterfeits and discount on foreign currency, etc.					220.27
Miscellaneous expense in connection with closed banks	1,410.60		1,410.60	1,345.49	1,626.53
Pension Committee	564.25		564.25		568.98
Committee on Bank Reserves				24.44	494.06
Committee on Branch, Group and Chain Banking	174.44		174.44	1,249.84	2,001.39
Excess expense over commissions in handling foreign business	1,689.76		1,689.76		
All other	11.02		11.02	37.75	37.39
<b>TOTAL MISCELLANEOUS EXPENSES</b>	<b>\$ 35,342.77</b>	<b>\$ 2,613.73</b>	<b>\$ 37,956.50</b>	<b>\$ 30,487.80</b>	<b>\$ 32,686.58</b>

<u>EXPENSES</u>		\$ 1,114,093.70
Minneapolis	\$ 1,028,734.30	
Helena	<u>85,359.40</u>	

As a result of the abnormal conditions which have prevailed for the greater part of 1933, we have had the highest total for operating costs since 1931. Changes in the banking laws and vast expansion of fiscal operations affect some of our functions more than others but practically every expense item has been increased over 1932. In making up the 1933 budget we provided for an increased expense at Minneapolis of \$33,000 with a reduction of approximately \$1,200 at Helena. The Minneapolis costs exceeded this estimate by \$148,000 and the branch estimate was \$7,000 less than the actual expense.

Our 1934 budget has not been finished but should be ready for presentation to our Board on January 15. Many items entering into our calculations should show a decreased cost in 1934 but the very evident expansion to come in some functions will likely more than offset any reductions obtained elsewhere. The Federal Reserve Board has also requested that our budget estimates be based on two periods of six months. For the convenience of our own Board we are presenting these estimates covering the period of a year the same as previously. There are quite a number of expenses which show seasonal fluctuations, but there are also others such as note costs which we cannot regulate as to the time when bills will be submitted. We believe budget comparisons on the basis of a full year will give our Directors a better idea of comparative costs.

While other items contributed to the increased 1933 costs, salaries, postage and note costs furnished the larger amounts making up the expense total. Our analysis shows there was an average monthly increase over 1932 of \$5,900 in cost of Federal reserve currency, \$3,361 in salary payments, \$3,070 in postage and \$3,380 in all other classes of expense. The one item in which we may reasonably expect a reduction for 1934 is note

EXPENSES (Contd)

costs. Some of this reduction will be offset by the increase in our tax on bank note circulation. Each class of expense will be discussed in the order in which it appears on the Expense Statement with this report. The amounts shown are the actual payments made by the bank.

	<u>SALARIES</u>	<u>\$592,777.27</u>
Minneapolis	\$545,210.49	
Helena	<u>47,566.78</u>	

Net changes from 1932

Payments to Officers, net decrease	<u>\$4,931.30</u>
" " Clerical Staff, net increase	39,618.81
Payments to Guards, building employees and other non-clerical employees, net increase	<u>5,641.25</u>
	<u>\$45,260.06</u>

Net increase over 1932	40,328.76
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One year ago when we made up the budget there was an indicated pay-roll of \$560,000 for 1933 or an approximate increase of \$8,000 over the actual 1932 payments. We have accordingly exceeded our estimate by nearly \$33,000. On the basis of December payments, which included 24 extra help as well as supper money, the yearly salary expense would be in excess of \$630,000. With salary adjustments already approved as of January 1, 1934 and additions to our employees indicated rather than deletions we should expect a pay-roll for 1934 approximately \$100,000 greater than was indicated at the beginning of 1933.

Our total personnel on January 1 was 413 at Minneapolis and 39 at Helena. This is an increase of 112 persons at Head Office and 5 at Helena during 1933. While the greater number of temporary employees helps to swell the total over one year ago, we may need to keep these extra workers or replace them with others. Out of the increased number employed at Minneapolis during the past year 44 are on reimbursable pay-roll, mostly for the Custody division of the R. F. C. The general work of the office required additions of 31 persons and transit employees were increased from 56 to 84. Most of the transit increase has come recently caused by the larger number of Government checks now

EXPENSES      (Contd)

being handled. At Helena similar expansion has taken place in transit work requiring several additional employees. Some help has been added through our observance of the N. R. A. but we have been advised that such observance is not compulsory for Federal Reserve Banks.

During a good part of 1932 and 1933 the Branch was reimbursed for substantial portions of the officers' salaries and from September 15, 1932 to the end of July 1933 all of Mr. Towle's salary was paid by the Spokane office of the Regional Agricultural Credit Corporation. The officers' payments at Helena for 1934 will be approximately \$3,500 greater than for the past year. At Minneapolis reimbursement of \$9,000 in officers' salaries is received from the Treasury Department or the R. F. C.

GOVERNORS' CONFERENCES	\$ 806.12
FEDERAL RESERVE AGENTS' CONFERENCES	193.86
FEDERAL ADVISORY CONFERENCES	1,298.76

The expenses above recorded are contingent on the number of calls sent out by the Federal Reserve Board for meetings at Washington. Governors' conferences and meetings of the Federal Advisory Council cost less than in 1932 because of fewer meetings in 1933. During the past year the Governors met five times and the Advisory Council members four times. An additional meeting was held by each in 1932.

	<u>DIRECTORS MEETINGS</u>	\$9,532.92
Minneapolis	\$8,059.52	
Helena	<u>1,473.40</u>	

The total expense of Directors meetings is \$318. less than in 1932 because of fewer Executive Committee meetings at Helena. Branch Directors are now meeting regularly each month but there has been no need for frequent meetings of the Executive Committee. Meetings of Branch Directors in 1932 cost \$2,499.74. At Minneapolis this year's expense was \$809 greater than last year. The same number of meetings was held each year but the second meeting in December 1933 was prolonged and the cost of entertaining Directors is now charged under the above heading.

EXPENSES (Contd)

TRAVELING EXPENSES

\$ 31,306.75

Minneapolis	\$29,348.96
Helena	<u>1,957.79</u>

This type of expense has been showing increases each year for a number of years and reflects the increased activities of our field representatives as well as the additional bank examination work now being done. Of the Minneapolis total \$17,296.44 represents closed bank expense less recoveries with \$12,052.52 allocated to other functions. Bank examinations cost \$6,600.24; obtaining credit information \$1,103.63 and maintaining bank relations \$3,374.98. The balance was spread over the various other functions. Seventy-five per cent of the bank relations and bank examination expense has come during the last six months. At Helena the increase over 1932 is caused through the making of two examinations by Head Office instead of one as in 1932. The cost of these examinations was \$1,442.51 leaving \$515.28 for the expense of Branch officers attending group meetings, etc.

ASSESSMENT FOR FEDERAL  
RESERVE BOARD EXPENSES

\$18,472.73

The Board levies an assessment for its expenses each six months and with our knowledge of what this assessment would be for the first half of 1933 we estimated a total of \$18,500 for the year. It has been customary to use the Capital Stock and Surplus as of the first of the year in determining the basis for the assessment covering the first six months of the year, but our payment for this period of 1934 is based on Capital Stock and Surplus as of November 30, 1933. No doubt the Board had not appropriated enough for expenses during the last half of 1933 because the present assessment is the heaviest we have ever received. We are required to pay \$15,425.96 as our share of the Board expenses for the first six months of 1934. In our budget it will be necessary to provide a like amount for the second six months making the total payment over \$12,000 greater than in 1933. No portion of the Board expense is charged to Helena.

EXPENSES (Contd)

	<u>LEGAL FEES</u>	\$ 14,455.50
Minneapolis	\$13,855.50	
Helena	<u>600.00</u>	

Retainers at Minneapolis and Helena remained the same as in 1931 and 1932. Sigurd Ueland, Counsel, and Rolf Ueland, Assistant Counsel, receive the same fee their father was allowed, \$9,000 per year with extra paid for matters taken into Court. At Helena Mr. Weir receives a retainer of \$100 per month, one-half of which is charged to Minneapolis. There were quite a number of small payments made various attorneys at closed bank points. Only five bills for services exceeded \$200, the largest being \$350 paid H. W. King for legal services and expenses rendered at Sisseton, South Dakota.

	<u>INSURANCE ON CURRENCY AND SECURITY SHIPMENTS</u>	\$ 11,200.10
Minneapolis	\$ 9,927.97	
Helena	<u>1,272.13</u>	

Although there was some natural increase in this class of expense over 1932, the most of the increased payment of \$1,967.42 was the result of absorbing the cost of the gold certificates shipped in during March and forwarding other kinds of money in replacement. There appears to be no good reason why this insurance expense and the greater item of postage should not be reimbursed by the Treasury Department but we were informed only such expense created after April 5 could be reimbursed. None of the cost of shipping Federal reserve currency from Washington or for notes sent Helena by Minneapolis is included in the above total.

	<u>INSURANCE</u>	\$ 32,340.42
	(Other than on currency and security shipments)	
Minneapolis	\$ 28,562.38	
Helena	<u>3,778.04</u>	

The above total is \$283.93 more than the 1932 total but requires further explanation. On August 1 our \$1,000,000 blanket bond was renewed with the yearly premium \$14,000 or a reduction of \$3,500. The savings effected for five months in 1933 was \$1,455.85. Increases in the amounts paid monthly on our Group Life policies and for Workmen's Compensation have added materially to our insurance costs. The Group Life which also covers our employees on Fiscal work has added \$3,100 to

EXPENSES (Contd)

1932 costs. In this connection we requested the Reconstruction Finance Corporation to give us their views in providing this cover for employees on custody work and whose salaries were reimbursed. They asked us to submit bills for this expense. Although we did so we have not yet received their check. If payment is refused we must add approximately \$1,600 to 1934 insurance costs and give further consideration to the covering of temporary employees. Other insurance costs show little change from 1932.

<u>TAXES ON BANK PREMISES</u>		\$ 68,318.67
Minneapolis	66,263.00	
Helena	<u>2,055.67</u>	

For eleven months we reserved \$5,350 monthly at Minneapolis with \$7,413 set aside in December to provide the 1933 tax payable in 1934. The additional amount charged in December was on account of the increased rate. Our valuation for 1934 will be reduced \$100,000 so that our tax should be reduced unless there is another increase in the tax rate.

At Helena the increased payment was \$209.17 with no change in valuation but an increase in the tax rate.

<u>LIGHT, HEAT AND POWER</u>		\$ 18,794.66
Minneapolis	\$17,568.31	
Helena	<u>1,226.35</u>	

Less oil was actually consumed in 1933 than in the previous year. In October we lost approximately 20,000 gallons of fuel oil through a break in the connecting pipe, the oil being replaced at a cost of \$1104.45. The amount of oil paid for in 1933 was 144,725 gallons compared to 141,118 gallons in 1932. Deliveries up to October 1, 1933 were at a price of 4.69 cents per gallon. In October we paid 5 cents per gallon and since the rate has been 5.25 per gallon. On this basis we may expect an increase in oil cost for 1934.

Light and power expense at Minneapolis cost \$9,395.11 in 1932 and \$10,050.33 for 1933. Our contract rates were the same as in 1932 but more frequent use of elevators and electric

EXPENSES      (Contd)

equipment as well as many more employees contributed to the increase. We may expect approximately the same total expense for these services in 1934. City water furnished cost \$452.11 and \$113.26 less than one year ago.

At Helena there was a net reduction of \$30 in the above costs. Coal is used as fuel and the price of slack coal at \$4.50 per ton has not changed for several years. Changing to gas heat is being considered which would mean some increase in the cost but be more satisfactory in other ways. Light and power costs run quite uniform with previous years.

<u>REPAIRS AND ALTERATIONS</u>		\$ 1,939.81
Minneapolis	\$1,722.50	
Helena	<u>217.31</u>	

The up-keep of our property at Minneapolis and the changes which are frequently necessary required an average outlay of \$144 monthly in 1933. Most repairs were minor while alterations were few, the principal change being in cage work to provide additional space for the Agents' department costing approximately \$400 and \$407 expended for new steel bins for storing silver in sacks on the lower vault level.

Helena costs are moderate, painting and redecoration of the vault requiring most of the amount expended in 1933.

<u>OFFICE AND OTHER SUPPLIES</u>		\$ 17,017.07
Minneapolis	\$15,693.12	
Helena	<u>1,323.95</u>	

We anticipated higher costs in 1933 for office and building supplies but were not prepared for an increase of 35 per cent in excess of 1932. Increased services to the Government and the expansion of 30 per cent in number of persons in our premises made necessary more office supplies, and the increased personnel also required additional service supplies. For several years we had been able to reduce such costs but further expansion seems likely in 1934. Some stocking up at the close of 1933 may make lighter purchases during the first part of 1934.

EXPENSES (Contd)

Helena had carried over from 1932 some additional supplies so that 1933 expenditures were \$113 less than in 1932. The Branch will show an increase for these items in 1934.

	<u>PRINTING AND STATIONERY</u>	\$ 18,993.28
Minneapolis	\$17,266.47	
Helena	<u>1,726.81</u>	

During the past three years printing and stationery costs have increased approximately \$2,000 yearly. For several years we were able to reduce our costs by revising forms and through price concessions. Prices have been higher during the past year but the heavy increase in forms and the necessity for many circulars and instructions to be sent banks of the District, much of it for the Treasury Department, added considerably to our costs. With the additions to our membership our printing expense will no doubt show further increase in 1934. As advised one year ago the increased costs do not indicate more purchases of expensive forms and rulings because we simplified rulings and lowered grades of paper several years ago.

	<u>TELEPHONE</u>	\$ 9,785.87
Minneapolis	\$8,455.74	
Helena	<u>1,330.13</u>	

Telephone costs show an increase of 65% over 1932. Omitting March the average monthly increase at Minneapolis has been \$180. During March costs were three times as heavy as during a normal month. Most of this extra cost was the direct result of services rendered the Treasury Department. We knew it would be difficult to obtain any reimbursement for this expense and made no effort to do so.

Some of the increased expense in 1933 is due to adding of trunk lines and full use of our internal telephone system.

	<u>TELEGRAPH</u>	\$ 17,063.40
Minneapolis	\$11,651.81	
Helena	<u>5,411.59</u>	

Reductions had been made yearly since 1929 principally because of the falling off in volume through decreased membership. Each month until March last showed a falling off in telegraph costs compared to the same month in 1932. During the banking holiday there was a vast amount of wiring done mostly for the

EXPENSES      (Contd.)

Treasury Department. On May 17 we submitted a bill to the Treasury for reimbursement, among other items, of \$3,635.28. We were advised that \$3,626.17 of this amount had been approved for payment. Recently we were written that the bills were being reviewed again. There seems no reason why we should absorb this expense but if unpaid we must add to 1934 costs.

Since March there has been an increase in telegraph expense at Minneapolis and a decrease at Helena compared to the corresponding period of 1932. Allowing for the payment of our bill by the Treasury Department we would still show an excess over 1932 of \$1,316.29 and a decrease of \$122.60 at Helena. Much of the Helena total results from daily wires required by the Board or Head Office.

	<u>POSTAGE</u>	\$109,669.78
Minneapolis	\$98,204.03	
Helena	<u>11,465.75</u>	

In 1932 the postage item forced our total expense over the budget total and in 1933 postage was one of the chief factors in the heavy increase of expense. Although the postage used on our own notes, sent from Washington or shipped to Washington for redemption, is not charged against the Postage Account, there was enough other usage of postage to raise the total expense for this item \$15,000 above our estimate for 1933. This was largely a result of the increased volume of currency shipments coming during and after the banking holiday. The expense of all mail shipments of currency and coin to and from our member banks is included with postage. Another contributing cause was the greater volume of transit items as well as the larger general correspondence. Another item requiring mention because it is hard to estimate, was the surcharge on each shipment of currency and negotiable securities. On the shipments of currency and coin sent to and received from member banks we absorbed over \$15,000 in surcharges. This amount was in addition to the surcharges on shipments of notes from Washington.

EXPENSES (Contd)

Helena postage account shows an increase of 44% over 1932. This was a smaller percentage increase than at Minneapolis due to Head Office absorbing so much more in surcharges and sending out a great deal of information to banks including those situated in Branch territory.

No prediction as to 1934 postage expense may be made with confidence but with no unfavorable situation arising the postage costs should not greatly exceed those of 1933.

	<u>EXPRESSAGE</u>	\$ 11,773.79
Minneapolis	\$10,432.82	
Helena	<u>1,339.97</u>	

During March, April and May the expressage paid on gold, currency and silver coin cost \$4,723.04 or \$3,400 more than was expended during the same months in 1932. Practically all of this increase was due to shipments under instructions from the Treasury Department and replacements of other kinds of money for the gold sent in. In May we submitted vouchers covering \$3,090.94 of expressage paid by the bank but to date have been reimbursed for only \$474.22. The charges absorbed by us for expressage during the last half of 1933 are approximately \$1,000 less than for the same period of 1932. We believe there will be some reduction in the shipping expense of coin during 1934, especially incoming shipments.

Automobile expense and miscellaneous express charges amounting to \$1,791.15 were included in the above Minneapolis total. One year ago this expense was \$604.12.

<u>FEDERAL RESERVE CURRENCY</u> (Original cost and shipping charges)	\$ 77,959.50
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At the beginning of 1933 the Bureau of Engraving had printing orders amounting to \$12,000 for preparing our Federal reserve notes, which with shipping charges from Washington and surcharges, indicated a total expenditure during the year of not in excess of \$18,000. With the banking crisis developing many Federal reserve notes were printed in March followed by the

EXPENSES      (Contd)

printing of \$47,580,000 in bank notes during April. No more Federal reserve notes were printed until September and each month since a part of our order for the present Fiscal year has been printed. Federal reserve notes printed during 1933 have cost \$37,739.75 to which must be added \$17,772 for postage, insurance and surcharges on amount shipped to Minneapolis.

All the bank notes ordered were printed in March and no further orders have been given. The bill for printing bank notes was \$19,497 with \$2,950.75 expended for bringing part of these notes to Minneapolis.

With the Federal reserve notes still to be printed on the order running until June 30, 1934 and the portion of the 1935 Fiscal year order to be printed before the close of 1934, we feel our note printing expenses for 1934 should not exceed \$18,000. Full particulars of our note holdings will be given elsewhere in this report.

<u>FEDERAL RESERVE CURRENCY</u> (Cost of redemption including shipping charges)	\$ 4,245.37
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Under this caption we show the expense of sending our unfit notes to Washington by Minneapolis and Helena and the insurance charges on our fit notes returned to us by other Federal reserve banks.

At the end of 1932 we had \$1,035.60 set aside for the handling of our unfit notes at Washington. By July we felt with the increased circulation of Federal reserve notes and Federal reserve bank notes that additions should be made to the redemption account. Since July we have reserved \$100 monthly and we will continue to do so until we are advised of this expense in July.

<u>TAX ON FEDERAL RESERVE BANK NOTES</u>	\$ 8,192.57
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This represents the tax on the daily amount of our bank note circulation at a rate of 1/4 of 1 per cent for each half yearly period. We calculate the amount of the tax each month and charge to expense. Payment of this tax is made to the

EXPENSES      (Contd)

Treasury Department in January and July. We are estimating a tax of \$40,000 in 1934.

CAFETERIA      (Net Expense)      \$4,472.83

The total cost of food and operating expense of our cafeteria was \$16,932.23 in 1933. Receipts from our employees and those of the Reconstruction Finance Corporation amounted to \$12,459.40 making the net amount absorbed by the bank \$4,472.83. This is \$334 more than the amount absorbed in 1932. However, under Federal Reserve Board instructions we may assume one-third of the total cost so that the cost to the bank was \$1,171.23 less than the amount authorized. Helena has no cafeteria expense or allowance.

<u>MISCELLANEOUS EXPENSES</u>		\$37,956.50
Minneapolis	\$35,342.77	
Helena	<u>2,613.73</u>	

Including the cafeteria expense of \$4,472.83 the items not regularly classified required the expenditures of \$7,500 more than in 1932. Our explanation of each item needing detailed information is offered below: Repairs and maintenance of furniture and equipment cost \$1,198.02 at Minneapolis and \$772.05 at Helena. We have a number of contracts covering special machinery but have our own mechanic for adding machines. At Helena most of the payment goes for the maintenance contract covering adding machines, there being no mechanic at the Branch. Outside laundry charges of \$2,493.94 cover the towel service and any renovating of draperies, etc. Car fare and taxi hire \$635.65 represents the cost of presenting collection items and the taxi hire for women employees when detained late in the evening on special work; news service, books, the binding of our records, ticker service, etc. cost \$3,685.90 in 1933. Supplies furnished member banks cost about five times the amount expended in 1932. The \$2,214.39 expended represented mostly special lists published weekly during and after the banking holiday of banks licensed or permitted to reopen and also banks operating on a restricted basis.

EXPENSES (Contd)

Copies of bank examination reports furnished by National and State Departments cost \$9,053.43 compared to \$5,896.50 in 1932. We received more reports in 1933 with the price of the National reports increased in November 1932 from \$7.50 to \$10.00 and will continue at this rate until July 1, 1934. Helena pays \$5.00 for copies of Montana bank reports; reports from Commercial Agencies and services cost \$556.75; medical examinations for new employees and supplies used in Welfare Department \$514.27. For the entertainment of bankers not in our employ we spent \$474.31. Our payment to the American Institute of Banking for employees' education was \$1,798. Donations to the Federal Reserve Club at Minneapolis were \$2,550 with \$300 donated at Helena. Dues and contributions to various banking associations and others aggregated \$2,024.90. Miscellaneous small amounts expended at closed banks to protect our interests totalled \$1,410.60. Our share of the expense of the Committee acting on pension matters was \$564.25. For the excess of expense over commissions in handling foreign business we paid the New York bank \$1,689.76.

COMPARATIVE FUNCTIONAL EXPENSE REPORT  
(Minneapolis Only)

	1933			1932		
	Average Number Of Officers	Average Number Of Employees	Expense	Average Number Of Officers	Average Number Of Employees	Expense
General Overhead- Controllable	1.90	2.42	\$ 71,746.47	2.15	2.43	\$ 67,676.06
General Overhead- Non-Controllable			176,673.58			79,080.77
Provision of Space		22.20	120,063.79		22.15	122,390.80
Provision of Personnel	.15	9.51	15,958.01	.15	9.22	15,345.15
General Service	.83	73.70	99,451.47	.81	67.45	95,144.08
Postage			48,995.06			34,538.69
Insurance	.07	.05	27,887.98	.10	.06	27,901.31
Failed Banks	1.55	19.63	82,950.86	1.17	14.19	74,008.00
Loans, Rediscounts & Acceptances	1.15	10.37	34,938.05	1.12	8.51	32,631.04
Securities	.42	11.15	26,503.89	.50	8.75	22,846.24
Currency and Coin	.23	21.75	45,978.30	.31	18.50	40,776.78
Check Collection	.28	46.50	72,110.78	.29	38.40	63,996.23
Non-Cash Collection	.22	18.63	28,042.91	.20	17.06	27,385.10
Accounting	.58	14.94	40,319.14	.65	12.18	36,623.48
Fiscal Agency	1.93	53.77	113,571.34	1.53	23.29	68,330.19
Legal			6,089.63			6,424.12
Auditing	.45	8.21	23,015.68	.50	8.59	23,855.06
Bank Relations	.55	1.53	12,294.65	.55	1.33	9,728.37
Foreign Exchange		.18	806.63			
Bank Examination	.94	8.67	47,351.64	.94	3.46	25,733.99
Federal Reserve Note Issues	.21	.95	4,754.67	.21	.73	4,453.71
Statistical and Analytical	.30	4.82	17,709.48	.30	4.34	16,137.64
Grand Total	11.76	328.98	\$1,117,214.01	11.48	260.64	\$895,006.81
Total current expense			1,028,734.30			847,214.95
Income from banking house(Credit)			7,658.62			
Reimbursable expenditures			96,261.53			48,360.71
Stock of Supplies			123.20*			568.85*
			\$1,117,214.01			\$895,006.81

\*Credit balance - Less supplies used than purchased during 1933 and 1932.

## FURNITURE AND EQUIPMENT

With a much larger staff than one year ago and greater volume of items being handled, we were forced to buy many machines and other equipment during the past year. Our purchases had been quite moderate for several years and apart from a few necessary replacements, we had expected such costs in 1933 to be light. As a great many of our employees use machines for at least part of their work, it follows that any increase in personnel means added equipment.

Our transit machines are now getting heavier usage and while we have an excellent mechanic, replacement must be made within a reasonable time. Machines of this character are expensive and it is quite likely that our 1934 purchases of furniture and equipment will be greater than for a normal year. All expense of this nature is written off at the close of the year.

### Description of 1933 purchases

20 Typewriters	\$	1,422.21
15 Adding Machines		5,745.73
1 Bookkeeping Machine		1,190.73
18 Electric Fans		234.25
2 Coin Counting Machines		1,316.73
9 Steel Partitions for coin stacking		407.00
1 Dodge Truck		700.50
1 Typesetting machine		1,242.38
2 Remington Totalizers		120.00
3 Endorsing Machines		1,485.14
5 Transit Units		372.50
40 Steel Lockers		338.00
1 Rug for Officers Quarters		516.48
1 Time Clock for Branch		325.00
1 Manganese Safe for Branch		194.00
22 Desks		1,520.38
28 Chairs		1,121.16
1 Scale		66.92
1 Stamp Unit		47.50
50 Transfer Cases		87.50
1 Vacuum Cleaner		54.50
Shelving		304.99
Filing Equipment and Cabinets		1,011.67
Miscellaneous small purchases		242.96
Lumber, Hardware, etc.		210.27
		<u>\$20,278.50</u>
Less trade in allowances		731.50
		<u>\$19,547.00</u>
Amount expended to close of 1932	\$481,744.74	
Purchased during 1933-Minneapolis	\$ 18,869.06	
Purchased during 1933-Helena	1,409.44	\$502,023.24
Less amounts received for furniture and equipment sold or traded in		23,890.05
Net amount expended		<u>\$478,133.19</u>
Fire Insurance carried at Minneapolis	\$25,000.00	
Fire insurance carried at Helena	10,000.00	
		<u>\$35,000.00</u>

BANK PREMISES REPORT DECEMBER 31, 1933  
FEDERAL RESERVE BANK OF MINNEAPOLIS, MINN.

BUILDING SITE

Original cost of land . . . . .	\$	600,000.00
Incidental expenditures connected with purchase . .		<u>2,468.66</u>
Total . . . . .	\$	602,468.66
Less proceeds from sale of salvaged material . . .		<u>1,948.00</u>
Cost of building site . . . . .	\$	<u>600,520.66</u>

BUILDING

Preliminary expenditures . . . . .	\$	3,000.48
Cost of construction:		
Building exclusive of vaults & fixed machinery and equipment . . . . .		1,730,065.37
Vault construction, including any additional structure or foundation made necessary by vault, and vault equipment . . . . .		323,750.54
Fixed machinery and equipment . . . . \$623,965.55*		
Less sale and charge-off of 2 mechanical coal stokers (Original cost \$1,956 each) . . . . .		<u>3,912.00</u>
		620,053.55
Miscellaneous building construction ex- pense incurred by Federal Reserve Bank:		
Fees & Expenses: Architect's . . . . .		148,027.79
Engineer's . . . . .		15,846.00
Taxes . . . . .		74,350.00
Maintenance . . . . .		<u>21,705.66</u>
Cost of new building . . . . .	\$	<u>2,936,799.39</u>
Cost of building and building site . . . . .	\$	<u>3,537,320.05</u>
Charge-offs:		
Depreciation allowances . . . . .	\$	1,037,408.68
Taxes . . . . .		74,350.00
Maintenance . . . . .		<u>21,705.66</u>
Total . . . . .	\$	<u>1,133,464.34</u>
Book value of property . . . . .	\$	<u>2,403,855.71</u>

MEMORANDA

Reserve against depreciation:		
Building . . . . .	\$	230,990.67
Fixed machinery and equipment . . . . .		<u>566,139.68</u>
Total . . . . .	\$	<u>797,130.35</u>

Floor space:		
(a) Occupied by Federal Reserve Bank . . . . .	119,829 Sq. Ft.	
(b) Rented . . . . .	4,910 Sq. Ft.	
(c) Unoccupied . . . . .	Ø Sq. Ft.	
(d) Total floor area in building . . . . .	124,739 Sq. Ft.	

\* Includes \$100,000 of architect's fees and expenses.

BANK PREMISES REPORT DECEMBER 31, 1933.

Federal Reserve Branch Bank at Helena, Montana.

Original cost of land and building . . . . .	\$ 15,000.00
Cost of remodeling:	
Building, exclusive of vaults and fixed machinery and equipment . . . . .	57,642.93
Vault construction, including any additional structure or foundation made necessary by vault . . . . .	9,266.00
Vault equipment, including doors, lining, and all interior equipment . . . . .	66,580.53
Fixed machinery and equipment . . . . .	16,108.99
Fees:	
Architect's . . . . .	5,433.57
Contractor's Commission . . . . .	<u>7,442.12</u>
Total cost . . . . .	\$ 177,474.14
Less proceeds from sale of salvaged material . . . . .	<u>75.00</u>
Cost of building and building site . . . . .	<u>\$ 177,399.14</u>
Depreciation allowances charged off:	
Charged to current net earnings . . . . .	<u>\$ 21,290.15</u>
Book value of property . . . . .	\$ 156,108.99

MEMORANDA

Reserves against depreciation:

Building . . . . .	\$ 89,418.74
Fixed machinery and equipment . . . . .	<u>16,108.99</u>
Total . . . . .	<u>\$ 105,527.73</u>

Floor Space:

Occupied by F. R. Bank . . . . .	4700 Sq. Ft.
Rented . . . . .	Ø Sq. Ft.
Unoccupied . . . . .	Ø Sq. Ft.
Total Floor area in building . . . . .	4700 Sq. Ft.

FEDERAL RESERVE BANK OF MINNEAPOLIS  
CHARGE-OFFS OF LAND, BUILDING, AND FIXED MACHINERY AND EQUIPMENT

	<u>Land</u>	<u>Building</u>	<u>Fixed Machinery and Equipment</u>	<u>Total</u>
<u>COST</u>	\$600,520.66	\$2,416,745.84	\$ 523,965.55	\$3,541,232.05
1926 Adjustment of Architect's fees, transferred from building to fixed machinery and equipment		100,000.00	100,000.00	
1926 Sale and charge-offs of two mechanical coal stokers			3,912.00	3,912.00
	<u>\$600,520.66</u>	<u>\$2,316,745.84</u>	<u>\$620,053.55</u>	<u>\$3,537,320.05</u>
<u>CHARGED OFF:</u>				
1919	\$100,000.00	\$	\$	\$
1920		100,000.00		
1921		3,381.40		
1922		11,646.87		
1923		37,222.97		
1924		293,310.62		
1925		30,463.84		
1926		57,438.64		
1927		500,000.00		
Total	<u>\$100,000.00</u>	<u>\$1,033,464.34</u>	<u>\$</u>	<u>\$1,133,464.34</u>
Book value gross	\$500,520.66	\$1,283,281.50	\$620,053.55	\$2,403,855.71

DEPRECIATION RESERVE AND NET BOOK VALUE

<u>Depreciation Reserves</u>				
1924	\$	\$	\$ 12,814.73	\$
1925		38,814.40	52,396.55	
1926		32,516.86	71,222.95	
1927		5,665.63	62,005.35	
1928		25,665.63	62,005.35	
1929		25,665.63	62,005.35	
1930		25,665.63	62,005.33	
1931		25,665.63	62,005.37	
1932		25,665.63	59,839.35A	
1933		25,665.63	59,839.35A	
Total Depreciation Reserves	<u>\$</u>	<u>\$ 230,990.67</u>	<u>\$566,139.68</u>	<u>\$ 797,130.35</u>
Net Book Value	\$500,520.66	\$1,052,290.83	\$ 53,913.87	\$1,606,725.36

HELENA BRANCH, FEDERAL RESERVE BANK OF MINNEAPOLIS  
CHARGE-OFFS OF LAND, BUILDING, AND FIXED MACHINERY AND EQUIPMENT

	<u>Land</u>	<u>Building</u>	<u>Fixed Machinery and Equipment</u>	<u>Total</u>
Total Cost	\$ 5,000.00	\$ 156,290.15	\$ 16,108.99	\$ 177,399.14
Charged off 1920	\$	\$ 21,290.15	\$	\$ 21,290.15
Book value gross	<u>5,000.00</u>	<u>135,000.00</u>	<u>16,108.99</u>	<u>156,108.99</u>

DEPRECIATION RESERVES AND NET BOOK VALUE

<u>Depreciation Reserved</u>				
1920	\$	\$ 56,447.49	\$	\$
1921		1,893.23		
1922		1,655.37	1,610.90	
1923		1,571.05	1,541.73 B	
1924		3,125.80	1,610.90	
1925		3,125.80	1,610.90	
1926		2,700.00	1,610.90	
1927		2,700.00	1,610.90	
1928		2,700.00	1,610.90	
1929		2,700.00	1,610.90	
1930		2,700.00	1,610.90	
1931		2,700.00	1,680.06	
1932		2,700.00	"	
1933		2,700.00	"	
Total Depreciation Reserves	<u>\$</u>	<u>\$ 89,418.74</u>	<u>\$ 16,108.99</u>	<u>\$ 105,527.73</u>
Net Book Value	<u>\$ 5,000.00</u>	<u>\$ 45,581.26</u>	<u>\$</u>	<u>\$ 50,581.26</u>

(A) Net after deducting \$2,166.00 for Otis Elevator Service Contract

(B) Net after deducting \$69.17 for replacements.

## BANK PREMISES

At the present time almost all our available space is being made use of for the first time since we came into the building in 1925. We need the space on the second floor now occupied by the Agency of the Reconstruction Finance Corporation and will soon be required to use some of the room on the street level which is not particularly adapted to bank work. Heavy increase in the issue of Treasury Warrants has added many items to be handled by the transit department and there should be a very material increase in other items through the additions to our members. The effect of the deposit insurance plan should be to further expand transit operations in the Federal reserve banks. While the most evident need for additional space is in the transit work, we look for expansion in most other functions.

Our estimate for 1933 to cover bank premises cost was \$123,330 with \$124,719.32 the actual expense. In December we received \$7,658.62 from the Reconstruction Finance Corporation as reimbursement of out-of-pocket expense since the Agency of the Reconstruction Finance Corporation came into our building in February 1932. We had not anticipated this reimbursement but it was decided to make such request after learning that other Federal reserve banks had been receiving similar payments. The limit of time during which the R. F. C. Agency may remain in our building has been extended to July 1, 1934 and the rental to be paid on the yearly basis of \$1.00 per square foot will be \$409.16 monthly.

Taxes continue to exceed all other items making up our building operation costs. Our estimate of \$64,500 for 1933 taxes was not sufficient due to the higher rates. This will be referred to on a following page. Additional employees, the use of more power and light and greater quantities of service supplies preclude any reduction in most expense items and it is also possible we may be forced to ask for the space occupied by the Reconstruction Finance Corporation before July 1.

## BANK PREMISES (Contd)

No extensions or major repairs have been required in connection with building or power plant during the year. Any necessary repairs for upkeep have been made by our own employees at small cost. The bank premises including power and heating plants, etc., is in first class condition.

Extensive alterations in arrangement of cages on bank floor to provide more space for the Agent's department, were handled by our own men. The alterations in marble and bronze work required outside workmen with the cost about \$400. Steel bins for storing coin on the lower vault levels were provided at a cost of \$407. None of this expense was in the nature of a replacement and chargeable against reserve accounts. The only item charged against the reserve for depreciation of equipment is \$2,166 representing the elevator maintenance contract held by the Otis Elevator Co.

Our fuel oil contract, which is renewed each year as of the first of October, calls for an advance for the current fuel year. Payments up to September 30, 1933 were at the rate of 4.69 cents per gallon. The rate in effect until October 1, 1934 is on a sliding scale with the maximum price not to exceed 5.50 cents per gallon. At this time we are paying 5.25 cents per gallon. From January 1, 1933 to the close of the year we received and paid for 144,725 gallons of fuel oil. In 1932 we purchased 141,118 gallons.

Electric current is bought at graded rates under a five year contract with the Northern States Power Company dated January 2, 1932. Consumption of power has increased in keeping with our expansion in personnel. Total payments for current at Minneapolis during 1933 were \$10,050.32 with \$9,395.11 paid in 1932. No material change is looked for in 1934.

## BANK PREMISES (Depreciation)

For the past six years we have set aside, on the last day of each year, the sum of \$25,665.63 representing 2 per cent of the estimated replacement cost of our building. This is a

BANK PREMISES (Depreciation) (Contd.)

uniform procedure throughout the System but the value of \$1,283,000 placed on our building represents more than we could obtain for it and was the basis for our objection to the tax assessment several years ago. According to our methods of calculation, the building proper cost \$2,316,745.84. The gross value was reduced between 1920 and 1927 by \$1,033,464.34 charged against earnings. In addition to the amounts charged off, we have accumulated in a reserve account \$230,990.67 or 18 per cent of the estimated replacement cost.

The Board has been much more liberal in allowing us to provide reserves for the depreciation of fixed machinery and equipment. With 10 per cent of original cost set aside yearly we had, at the close of 1933, \$566,139.68 reserved or within \$53,913.87 of the full amount. After 1934 we will cease to make reserves of this character until replacements are required. In nine years the only charges against the reserve account represent the maintenance contract of the Otis Elevator Company on a yearly basis of \$3,166. The charge was formerly made to expense but for 1932 and 1933 has been considered a proper charge against the reserve account. Allowing for all reductions and taking into consideration the depreciation reserves, our Minneapolis property at the close of 1933 had a net book value of \$1,606,725.36. While this value is over \$1,900,000 less than original cost, it is still much higher than the amount which could be obtained in event of a sale.

Our Helena property is now being depreciated at the rate of \$2,700 yearly or 2% of a replacement value of \$135,000. The original cost of \$16,108.99 for fixed machinery and equipment had all been provided for through reserves made up to the close of 1931. The cost of the building including remodeling vault construction and vault equipment was \$156,290.15 which is too high a price considering the location. During the past 14 years \$110,708.89 has been charged off or set up as

BANK PREMISES (Depreciation) (Contd.)

depreciation, leaving a net book value for the building of \$45,581.26 which could not be obtained were we to close the branch.

BANK PREMISES (Taxes)

For the past two years our property at Minneapolis has been given a valuation of \$2,150,000 for tax purposes. Changes in the tax rate and special assessments made it necessary to reserve \$66,263 in 1933 compared to \$64,190 during 1932. For 1934 and 1935 the valuation will be placed at \$2,050,000 which normally should give us a reduction of approximately \$3,000 in taxes. While our budget will call for the reserving of \$64,000 during 1934 for tax payments in 1935, we will not know before November the exact amount to be set aside. We are paying about \$20,000 less in taxes than we were several years ago but for a non-income producing property, we are paying much too high a tax.

In addition to regular taxes, we contribute 1 per cent of the real estate tax to the Tax Payers' Association, which organization acts for the large property owners in investigating proposed bond issues and other matters affecting property values and taxes in Minneapolis.

At Helena the tax rate is substantially the same as at Minneapolis, but the valuation much more favorable. On an original cost of \$177,000 the branch is given a valuation of \$79,767 and paid a tax of \$1,895.67 for 1933. This tax was \$155.89 higher than in 1932 due to an increase in the rate. Taxes at Helena are paid during the same year in which assessed.

## DISCOUNT OPERATIONS

The amount of credit extended to member banks through the discount of paper during 1933 was smaller than for a number of years past, although only slightly less than the amount advanced during 1931. Loans amounting to \$50,172,000 were made to 271 member banks. During 1932 accommodations amounting to \$145,522,000 were extended to 333 members. The number of notes discounted was 12,038 as compared to 28,893 during the previous year. There was a reduction in both the number of items handled and the amount advanced to members in each State in our district.

The daily average holdings of bills discounted during 1933 was \$6,268,000 in comparison with an average of \$11,934,000 held during 1932. On December 31, 1932 discounted bills amounted to \$9,603,815 and at the close of 1933 the total was reduced to \$1,872,000.

In addition to the number of notes discounted 5,123 notes were received as collateral to bills payable at Head Office and 912 at Helena Branch; notes received as collateral to general line numbered 144 at Head Office and 217 at Helena; notes rebated, 8,563 at Head Office and 1,025 at Helena. The total number of pieces of paper handled by Head Office was 27,933 including 3,049 acceptances purchased in the open market, and Helena Branch handled a total of 3,144 pieces.

At the close of 1932 we held \$611,649.63 in bills purchased through foreign banks by the Federal Reserve System Open Market Committee. During 1933 acceptances purchased in the open market payable in dollars amounting to \$22,624,019.30 were allotted to us. Of this amount \$17,603,000 was purchased during February and March with no further purchases until November. At the close of the year our holdings of purchased bills amounted to \$3,189,208.96 including \$108,995.32 of foreign bills.

DISCOUNT OPERATIONS - MINNEAPOLIS AND HELENA BRANCH

Month	Number of Banks Served			Number of Items Received			Amount Rediscounted 000 Omitted		
	1933	1932	1931	1933	1932	1931	1933	1932	1931
January	159	154	94	2865	1,723	1,047	7,414	\$ 17,298	\$ 2,676
February	147	144	64	1,570	1,229	583	6,794	17,323	1,785
March	168	161	74	2,496	1,878	876	18,438	10,380	2,138
April	100	150	69	943	1,683	770	4,795	8,901	1,680
May	89	173	87	873	1,963	969	3,552	14,812	2,796
June	78	206	109	667	2,725	1,424	2,520	11,419	3,002
July	55	220	92	587	3,271	885	1,457	17,904	2,515
August	45	201	90	407	2,202	877	1,075	11,098	2,190
September	42	183	88	385	2,328	1,230	845	8,533	2,406
October	48	102	145	559	3,605	2,281	1,354	10,898	13,483
November	48	191	124	414	3,376	1,297	1,173	9,456	8,254
December	39	150	139	272	2,910	1,617	756	7,502	7,367
Number different Banks	271	333	266	12,038	28,893	13,856	\$ 50,173	\$ 145,524	\$ 50,292

VOLUME OF REDISCOUNTS

Number pieces Rediscounted							
	Minnesota	North Dakota	South Dakota	Montana	Wisconsin	Michigan	Total
1933	3,914	1,162	4,403	980	778	801	12,038
1932	8,720	5,126	9,690	2,873	1,186	1,298	28,893
1931	4,401	2,278	3,750	1,996	1,061	370	13,856
1930	2,553	2,636	2,908	2,342	530	127	11,096
1929	4,727	2,594	1,754	1,587	422	154	11,238
Total amount Rediscounted							
	Minnesota	North Dakota	South Dakota	Montana	Wisconsin	Michigan	Total
1933	\$ 23,286,581.87	\$ 1,834,896.30	\$ 10,099,097.60	\$ 6,527,076.26	\$ 3,643,744.93	\$ 4,781,030.98	\$ 50,172,427.94
1932	62,253,455.68	9,744,596.70	33,185,358.35	18,039,003.22	14,451,661.14	7,847,797.09	145,521,872.18
1931	20,912,698.23	5,377,637.75	12,197,074.41	5,534,600.11	4,557,039.83	1,713,198.27	50,292,248.60
1930	68,927,462.98	5,715,117.80	4,861,818.08	4,033,193.40	2,230,165.12	2,550,968.26	88,318,725.64
1929	1,002,174,830.46	6,843,982.43	3,820,797.30	11,590,966.86	5,350,693.53	5,465,736.27	1,035,247,006.85

## CLOSED BANKS

At the close of business December 31, 1932, the unpaid liability of 85 suspended member banks and one non-member bank to us was \$1,670,512.62. During the year 1933 member banks to the number of 40 suspended, and of these 13 were not indebted to us on account of rediscounts.

The remaining 27 member banks added \$1,163,496.69 in liabilities, making a total of \$2,834,009.31.

With respect to the one non-member bank mentioned above: The First National Bank of Scranton, North Dakota, consolidated on March 2, 1931, with the Bank of Scranton, a state non-member which latter bank at consolidation assumed liability of the member bank to us on account of rediscounts in the sum of \$44,653.00. On October 14, 1931 the Bank of Scranton suspended with this liability only partially reduced. It was reopened April 25, 1932 and the assumed liability was fully paid on February 6, 1933.

The total collection from all sources during 1933 amounted to \$1,414,942.40. Of this amount \$1,376,431.37 was applied to reduce the direct liability of the suspended banks, leaving a net balance due from these banks of \$1,457,577.94, at the close of the year 1933. Of this latter amount the remaining liabilities of 12 banks totaling \$173,595.84 has heretofore been charged against the special reserve set up for losses. Uncollectible advances of 7 banks amounting to \$5,414.88 were charged to Special Reserve for losses during the past year making a total of \$179,010.72 charged to such Reserve Account.

Names of the banks from which recovery may not be made and the uncollected liability of each are given in the December report from the closed bank department.

On December 31, 1933, the number of banks on our closed list indebted to us was 94 including the 12 banks just referred to whose liability has heretofore been charged against the special reserve.

As security to the liabilities of the 83 banks in our closed list not yet paid or charged off amounting to \$1,283,982.10 we hold \$4,397,927.71 in notes. In addition we still retain paper

CLOSED BANKS (Contd)

classified as worthless in the sum of \$347,363.44. This paper is collateral from the banks whose indebtedness to us has been charged off.

Up to the close of 1933, 411 member banks and the one non-member above mentioned had closed with total liabilities to us at date of suspension of \$18,527,234.15. Of this amount, we have received payments aggregating \$17,069,656.21, including full liquidation of original liability due us from 318 banks, and there remains now due only the sum of \$1,457,577.94 as heretofore indicated. In addition, we have received \$387,912.32 interest and \$293,338.21 in reduction of our collection expense. Unpaid collection expense accumulated as of December 31, 1933 amounted to \$304,989.67. During the past year \$14,536.80 was credited as recovery of expense, \$36,723.11 as interest collected from these closed banks, and \$3,427.54 interest on other advances made to protect our interests.

In addition to the recoveries mentioned, we collected during 1933 in certain accounts \$12,863.42 over the original liability due us at date of suspension from these suspended banks and now have in this account \$73,647.47, which eventually will apply as recovery of interest and/or collection expense.

The average number of employees on this work during 1933 was 19.63 as compared to 14.19 during 1932. An average of 1.55 officers' time was allocated to this function in 1933 in comparison with 1.17 in 1932.

COMPARATIVE FUNCTIONAL EXPENSE

	<u>1933</u>	<u>1932</u>
Salaries - Officers	\$11,600.00	\$10,212.55
Salaries - Employees	37,826.46	31,926.85
Traveling Expenses	17,343.88	15,121.67
Stationery and Supplies	1,256.05	1,386.52
Telephone and Telegraph	725.84	727.66
Legal Fees	7,854.62	7,149.64
All other	<u>6,344.01</u>	<u>7,483.11</u>
Total	\$82,950.86	\$74,008.00

CHECK COLLECTION FUNCTION  
(Minneapolis Only)

During 1933 this function handled 18,867,768 items totaling \$2,869,953,595.60, an increase of 1,685,375 items and \$527,557,339.16 in amount as compared to 1932 with 17,182,392 items totaling \$2,342,396,256.44.

A comparison of the number of items handled, the average number of employees, the total expense of this function and the average number of items handled per employee for the years 1929 through 1933 follows:

Year	No. of Items	Average No. Employees	Total Expense	Daily Ave. No. of Items Per Person	Ave. Cost of Handling 1,000 Items
1933	18,867,768	46.50	\$ 72,110.78	1,344	\$ 3.82
1932	17,182,392	38.40	63,996.23	1,477	3.72
1931	18,974,067	39.82	71,196.45	1,605	3.69
1930	21,139,718	43.57	77,873.79	1,634	3.62
1929	21,751,365	53.81	88,661.60	1,356	4.01

A classification of the items handled by the various divisions of this function for the years 1931 through 1933 follows:

Items Handled On	Number of Items		
	1933	1932	1931
Twin City Banks	3,711,357	3,457,376	3,836,559
Members & Non Member Banks (This district)	12,131,768	11,608,286	13,131,668
Other F. R. Districts	1,343,121	941,775	940,368
Direct to member and non-member banks (Other F.R. Dist.)	61,074	40,018	37,428
Helena, Montana	31,597	13,701	11,439
Treasurer of United States	1,688,851	1,121,236	1,016,615
	<u>18,867,768</u>	<u>17,182,392</u>	<u>18,974,067</u>

The table below gives a comparison of the handling costs for 100 items and the average number of items handled per person per day for the various divisions of the Transit Department for the years 1929 through 1933:

Outgoing Country Checks			City Checks (Clearings)		
Year	Ave. No. Items	Costs	Ave. No. Items	Costs	
1933	1,574	27.0¢	2,315	17.6¢	
1932	1,911	24.7¢	2,216	19.2¢	
1931	2,040	25.1¢	2,274	19.4¢	
1930	2,063	24.9¢	2,156	20.1¢	
1929	1,551	29.5¢	2,071	20.7¢	

  

Government Checks			Return Items		
Year	Ave. No. Items	Costs	Ave. No. Items	Costs	
1933	2,589	21.6¢	452	1.16	
1932	2,387	25.9¢	431	1.26	
1931	2,291	26.3¢	462	1.36	
1930	2,363	27.2¢	482	1.36	
1929	2,065	26.9¢	443	1.42	

CHECK COLLECTION FUNCTION (Contd)  
(Minneapolis Only)

Due to the National Banking Holiday in March, 1933, and as we have endeavored to comply with the maximum hour provisions of the Banking Code under the National Recovery Act since August 8, it has been necessary to employ additional help, which increased the expense of this function \$8,114.55 over 1932. However, the large increase in volume of items handled in 1933 over 1932 enabled us to handle items in three of the four divisions of the check collection function at a lower cost per hundred items in 1933 as compared to 1932. The large increase in return items handled in 1933 compared to 1932 was due to the National Banking Holiday, when banks were prohibited from remitting for checks drawn on them and were requested to return such items during that period. During December the volume of Treasury Warrants handled increased approximately 371,000 over the preceding month, which was due to United States Government payments to C. W. A. workers. For the months of August, September, October and November we handled a total of 444,000 Treasury Warrants as compared to 484,000 for December.

A comparison of the 1933 check collection costs with the latest available figures for the other Federal Reserve Bank head offices (first half year 1933) indicates that our costs are below the average for all main offices. The below table shows the average cost of handling 100 items in different divisions of this function for all head offices and the lowest bank costs for the first half of 1933 and our costs for the full year.

	City Checks (Clearings)	Government Warrants	Country Checks Outgoing	Return Items
Our 1933 Ave. Costs	17.6¢	21.6¢	27.0¢	\$ 1.16
Our First Half 1933 Ave. Costs	16.7¢	22.0¢	28.3¢	.98
Average Costs F. R. Bank's Head Offices	30.7¢	28.8¢	37.9¢	1.18
Average Costs Lowest F. R. Bank	15.7¢	22.0¢	20.3¢	.91

During 1933 we handled 365,773 return items totaling \$27,021,000 compared to 279,615 items totaling \$16,319,000 in 1932. Included in these figures are non par items sent to us in error, items drawn on closed banks and banks on a National or State holiday

CHECK COLLECTION FUNCTION (Contd)

basis, non cash items forwarded to us as cash items and items returned by drawee banks for various reasons. The daily average number of transit letters received and sent, the number of banks added to and removed from our par list during the years 1929 through 1933 are given in the table below:

Year	Letters Received Daily	Letters Sent Daily	Ninth District			
			Banks Reported Closed	Banks Reported Opened	Banks Removed From List	Banks Added to Our List
1933	1,391	942	134	15	58	24
1932	1,162	1,020	143	2	58	11
1931	1,244	1,150	274	28	97	5
1930	1,351	1,312	160	7	70	2
1929	1,425	1,416	92	7	73	7

FEDERAL RESERVE BANK OF MINNEAPOLIS  
REPORT OF THE TRANSIT DEPARTMENT FOR THE YEAR 1933

MONTH	CLEARINGS		MEMBER & NON-MEMBER		OTHER RESERVE BANKS		DIRECT TO BANKS IN OTHER RESERVE DISTRICTS		TO OUR HELENA BRANCH BY US		TREASURER OF THE UNITED STATES	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1933												
January	271,157	\$104,624,346.24	938,818	\$49,207,204.18	96,872	\$16,032,656.51	3,600	\$2,835,566.03	1,410	\$223,090.02	81,738	\$11,974,226.12
February	247,108	87,063,788.92	812,498	40,297,357.33	79,553	12,198,394.52	2,948	2,765,619.04	1,260	155,615.32	87,105	16,538,578.42
March	275,101	93,046,270.30	784,579	39,075,916.93	98,884	13,616,828.31	808	508,112.12	1,547	316,156.58	99,983	27,380,460.53
April	334,494	115,253,302.69	951,567	49,990,130.32	101,858	13,258,327.22	4,561	2,718,390.12	1,516	208,958.59	132,968	30,725,197.08
May	355,642	128,688,616.43	1,091,270	59,385,962.59	98,410	14,258,643.24	4,756	4,110,923.44	1,477	208,805.86	126,311	28,828,880.49
June	337,960	159,838,350.29	1,165,345	69,775,393.71	103,152	18,848,324.47	6,366	3,071,689.59	1,596	219,089.99	121,866	26,489,590.23
July	326,243	160,147,520.38	1,115,752	71,408,478.53	111,714	18,177,998.41	5,903	3,841,224.60	1,680	226,508.68	110,705	23,556,314.12
August	311,070	158,497,216.49	1,101,317	69,221,209.00	112,783	17,972,274.77	5,630	3,565,271.66	1,635	164,120.87	101,184	18,118,548.81
September	309,017	168,140,451.14	1,026,108	68,079,749.72	105,931	17,987,052.80	7,482	3,744,000.30	6,539	492,459.50	99,157	18,764,078.03
October	328,370	164,757,166.22	1,082,954	69,928,469.43	113,766	18,346,079.31	6,764	3,878,589.12	4,485	394,487.51	131,002	27,160,370.29
November	310,120	148,121,201.93	1,001,760	65,958,381.51	104,494	19,334,116.66	5,938	3,402,717.37	4,180	327,035.85	113,159	21,187,842.19
December	305,075	150,402,155.86	1,059,800	64,690,864.24	115,704	18,188,739.16	6,318	4,046,821.86	4,272	314,102.55	483,673	31,671,212.96
Total	3,711,357		12,131,768		1,243,121		61,074		31,597		1,688,851	
		\$ 1,638,580,386.89		\$717,019,117.49		\$198,219,435.38		\$38,488,925.25		\$3,250,431.32		\$274,395,299.27
Monthly Ave.												
No. Items	309,279		1,010,980		103,593		5,089		2,633		140,737	
Monthly Ave.												
Amounts	\$	136,548,365.57	\$	59,751,593.12		\$ 16,518,286.28		\$ 3,207,410.44		\$ 270,869.28		\$ 22,866,274.94
Grand Total Items			18,867,768									
Grand Total Amounts			\$2,869,953,595.60									

TWIN CITY CLEARINGS THROUGH FEDERAL RESERVE BANK  
OF MINNEAPOLIS FOR 1933 and 1932

DIRECT SENDINGS TO OTHER RESERVE BANKS  
BY OUR MEMBER BANKS 1933 and 1932

Month	Amount of Items on Wpls. Banks	Amount of Items on St. Paul Bks.	Grand Total 1933	Grand Total 1932	Daily Average Clearings 1933	Amount Held Over 1932	Number of Items 1933	Number of Items 1932	Amount 1933	Amount 1932
January	\$92,127,013.50	\$39,599,991.32	\$131,727,004.82	\$146,579,109.03	\$97,006.94	\$92,069.35	71,348	106,032	\$5,878,770.37	\$7,280,786.80
February	78,164,082.63	33,708,498.80	111,872,581.43	132,585,109.05	102,573.53	76,985.87	57,792	95,573	5,328,115.07	6,424,784.35
March	76,920,376.19	33,623,865.30	110,544,241.49	147,582,963.61	171,343.40	78,987.90	18,208	110,401	2,006,866.93	7,041,601.29
April	101,222,126.05	37,544,516.67	138,766,642.72	144,835,606.72	142,209.58	68,500.96	52,821	106,654	5,499,737.40	7,372,616.42
May	111,573,100.38	44,405,164.08	155,978,264.46	140,392,741.69	167,169.73	68,816.03	61,560	104,091	7,175,834.07	7,929,391.13
June	139,001,436.68	47,260,999.95	186,262,436.63	154,256,260.34	152,311.48	63,711.89	68,166	103,111	8,246,792.55	7,719,450.71
July	140,684,164.70	50,588,785.59	191,272,950.29	149,651,409.17	129,519.39	71,862.49	67,705	88,868	8,595,850.36	6,712,180.85
August	138,317,054.38	46,235,965.33	184,553,019.71	154,682,634.21	148,100.40	77,929.48	65,360	85,631	8,816,069.26	6,315,176.77
September	149,040,591.04	50,914,736.53	199,955,327.57	165,666,242.37	144,395.63	108,380.82	74,272	84,976	9,425,339.15	6,553,339.85
October	138,828,545.65	54,840,762.18	193,669,307.83	170,083,362.32	139,544.94	91,962.55	84,421	84,513	11,732,045.40	7,329,838.51
November	129,890,431.04	54,360,911.15	184,251,342.19	151,285,628.36	144,185.60	93,049.70	80,199	74,443	10,001,315.28	6,130,291.02
December	125,993,197.63	57,342,012.13	183,335,209.76	154,782,509.88	160,933.43	81,166.47	92,541	79,476	14,147,592.23	5,856,424.48
		\$550,426,209.03		\$1,812,383,576.75		\$973,423.51		1,123,769		\$82,665,882.18
	\$1,421,762,119.87		\$1,972,188,328.90		\$1,699,294.05		794,393		\$96,854,328.07	
Average by Months	\$ 118,480,176.65	\$ 45,868,850.75	\$ 164,349,017.41	\$151,031,964.73	\$141,607.84	\$81,118.63	66,199	93,647	\$8,071,194.00	\$6,888,823.51

BY MONTHS		COMPARATIVE FIGURES FOR TRANSIT DEPARTMENT						MINNEAPOLIS ONLY		
Month	Daily Average Number of Transit Letters Received		Daily Average Number of Transit Letters Sent		Daily Average Number of Return Items Handled		Daily Average All Other Items Sent		Daily Average Transit Items Sent Direct By Our Member Banks	
	1933	1932	1933	1932	1933	1932	1933	1932	1933	1932
January	1,179	1,179	956	1,059	959	875	56,418	54,714	2,854	4,104
February	1,245	1,196	939	1,050	876	739	55,128	56,101	2,627	4,155
March	1,541	1,180	779	1,062	5,306	748	60,088	55,872	1,400	4,246
April	1,686	1,181	960	1,033	919	820	63,427	57,082	2,201	4,102
May	1,561	1,134	948	1,062	813	828	64,346	56,716	2,368	4,164
June	1,403	1,134	984	1,021	814	976	66,594	58,105	2,622	3,555
July	1,436	1,134	1,002	1,031	897	1,060	66,682	53,750	2,708	3,172
August	1,361	1,133	1,029	1,010	783	932	60,504	50,447	2,421	3,149
September	1,310	1,182	959	992	800	952	62,169	55,531	2,971	3,399
October	1,293	1,177	945	979	825	1,015	64,129	58,639	3,246	3,151
November	1,322	1,110	911	980	826	1,113	64,139	63,145	3,342	3,354
December	1,351	1,206	909	968	828	1,016	78,994	61,470	3,701	3,057
Average by Months	1,391	1,162	942	1,020	1,220	922	63,551	56,798	2,705	3,634

	Daily Average Clearing Items Returned Unpaid		Daily Average Clearing Items Missent		Daily Average Out-of-town Items Missent		Daily Average Number Drafts Received in Other Than Twin City Exchange		Daily Average Number of Employees	
	1933	1932	1933	1932	1933	1932	1933	1932	1933	1932
January	38	46	16	14	12	15	197	224	45	45
February	46	53	15	13	11	12	183	225	45	44
March	106	49	33	14	10	20	126	220	55	46
April	21	41	32	9	19	21	159	220	57	48
May	29	39	35	18	27	20	157	210	55	48
June	29	42	29	12	23	21	145	201	57	53
July	46	43	30	16	20	20	153	215	61	53
August	30	44	28	11	17	21	160	246	65	54
September	25	40	26	12	22	21	161	191	68	51
October	35	41	31	12	18	18	151	198	64	47
November	28	48	41	16	23	19	154	198	65	46
December	27	39	39	14	23	17	141	198	67	45
Average by Months	28	43	30	14	19	19	157	212	59	48



NON-CASH COLLECTION FUNCTION  
(Minneapolis Only)

There was an increase of approximately 50 per cent in number and amount of City collections handled during 1933 as compared to the previous year. The Country and security collection divisions showed a slight decrease in volume, and U. S. Government coupons collected showed an increase of approximately 10 per cent.

During 1933 we handled 992,215 City collections amounting to \$163,388,000 in comparison with 665,974 items amounting to \$103,608,000 collected during 1932. The majority of these items consist of drafts drawn on local grain firms.

Country collections numbered 52,563 amounting to \$21,079,000 as compared to 55,772 items amounting to \$24,618,000 handled during the previous year. In addition we passed credit on 3,686 items amounting to \$5,660,000 which were sent direct by other banks, to banks in our district, with instructions to remit the proceeds to us for their account.

Security and coupon collections, other than U. S. Government coupons, numbered 57,198 amounting to \$19,616,000. During the previous year we handled 59,318 of such items amounting to \$22,007,000.

United States Government coupons collected increased from 447,179 items amounting to \$7,478,000 in 1932 to 492,684 items amounting to \$8,156,000 during 1933.

COMPARISON OF NUMBER OF ITEMS RECEIVED FOR COLLECTION

City Collections		Country Collections		Security Collections		Government Coupons		
1933	1932	1933	1932	1933	1932	1933	1932	
Jan.	51,154	33,912	3,667	4,773	4,210	5,214	27,415	29,515
Feb.	43,373	29,769	3,686	4,459	3,207	4,264	10,605	7,308
Mar.	51,268	31,255	4,700	4,803	4,840	4,693	19,479	15,066
Apr.	73,090	26,638	4,142	4,774	5,964	5,299	86,562	95,580
May	89,349	25,914	4,413	4,770	4,961	5,286	43,421	30,897
June	101,917	26,232	4,335	5,092	6,119	5,933	39,622	41,632
July	89,199	26,771	3,972	6,472	4,533	5,109	34,812	26,279
Aug.	117,328	92,194	4,137	4,323	3,690	4,281	14,742	11,069
Sept.	143,734	135,990	4,277	4,008	4,375	4,577	16,357	11,336
Oct.	96,351	99,750	5,220	4,277	4,466	4,489	97,376	89,333
Nov.	74,751	67,796	4,615	3,866	4,484	4,258	50,491	41,319
Dec.	60,701	69,753	5,399	4,155	6,349	5,915	51,802	47,845
Total	665,974		55,772		59,318		447,179	
	992,215	52,563		57,198		492,684		
Amount (000) omitted								
1933	\$ 163,388		\$ 21,079		\$ 19,616		\$ 8,156	
1932	103,608		24,618		22,007		7,478	

SECURITIES FUNCTION  
(Minneapolis Only)

Member banks are granted the privilege of depositing securities, which they own, with us for safekeeping. The securities are placed in our vault and we clip maturing coupons, enter them for collection and credit proceeds to the owning bank's account. No charge is made for this service. This privilege is widely used and generally appreciated by our member banks who in many cases do not have ample protection to keep the securities in their own vaults.

This division also handles all bearer securities held by us for collateral purposes including securities deposited with us as Custodian for the Reconstruction Finance Corporation.

At the close of 1932 the total, par value, of such securities held in our custody was \$130,745,000. During the first two months of 1933 this amount was reduced approximately \$6,800,000 and from then on there was a gradual increase with the total held on December 31, 1933 amounting to \$183,032,000, representing an increase of \$52,287,000 during the year. The number of pieces received during 1933 was 66,029, and number delivered 59,783, indicating an increase of 6,246 in number of pieces held in our custody. During the previous year we received 69,594 pieces and delivered 69,554.

The number of coupons cut and entered for collection or returned to the owning bank during 1933 was 197,147 in comparison with 200,977 during 1932.

Many issues have defaulted in their interest payments during the past few years and this adds materially to the cost of handling. When coupons are returned unpaid we attach them to the respective securities again and send a notice to the owning bank, all of which necessitates a considerable amount of work.

A statement of securities held at the close of 1933 and 1932 is given below:

	<u>1933</u>	<u>1932</u>
Collateral to War Loan Deposit accounts	\$11,040,900	\$ 5,268,200
"      "      Bills Payable and Rediscounts	589,014	778,725
"      "      Reconstruction Finance Corp.	19,636,804	7,029,747
Securities held for safekeeping:		
U. S. Government securities	39,151,700	18,098,750
Miscellaneous securities	62,814,575	62,176,118
Pledged securities	49,799,072	37,393,523
Total	<u>\$183,032,065</u>	<u>\$130,745,063</u>

## CURRENCY AND COIN

Currency receipts from and payments to member and non-member banks during 1933 showed a substantial increase in volume over the previous year. The panicky sentiment which existed for several weeks prior to the banking holiday in March created a most unusual demand for currency. In March the Treasury Department called in all gold and gold certificates. Federal reserve notes were paid out in exchange for a considerable portion of the gold received by us. Our currency operations, therefore, were exceptionally heavy during February and March.

Receipts from member and non member banks during 1933 amounted to \$185,000,000 at Head Office and \$10,000,000 at Helena Branch, making a total of \$195,000,000 as compared to \$160,000,000 received during 1932. The number of bills received and counted at Head office was 35,663,450 and 1,333,963 at Helena.

During 1933, at Head Office, we made 1,620 payments to local banks and 21,543 shipments to banks outside the Twin Cities, the total amounting to \$200,000,000. Helena Branch made 3,319 shipments amounting to \$16,000,000. Total payments to banks in our district amounted to \$216,000,000 in comparison with \$176,000,000 paid out during the previous year.

Silver and minor coin received during the year amounted to \$2,394,000 at Head Office and \$621,000 at the Branch, making a total of \$3,015,000, which is \$133,000 less than the 1932 receipts. There was an increase in the demand for silver and minor coin over the previous year. At Head Office we made 6,418 shipments, to member and non member banks, amounting to \$2,970,000 as compared to 4,244 shipments amounting to \$1,739,000 during 1932. The Branch sent out 1,245 shipments amounting to \$781,000 in comparison with 967 shipments amounting to \$498,000 during the previous year.

Our stock of silver and minor coin was reduced over \$2,000,000 during the year. At the close of the year we held \$203,800 silver dollars, \$224,000 in subsidiary silver and \$135,000 in nickels and cents.

# CURRENCY AND COIN

## NUMBER AND AMOUNT OF CURRENCY SHIPMENTS RECEIVED FROM AND SHIPPED TO MEMBER AND NON-MEMBER BANKS BY MONTHS 1933 (Minneapolis Only)

### CURRENCY RECEIPTS

<u>City Member Banks</u>				<u>Other Member and Non-Member Banks</u>			
	<u>Number Shipments</u>	<u>Amount</u>			<u>Number Shipments</u>	<u>Amount</u>	
January	239	\$ 8,067,593			775	\$ 3,186,827	
February	195	5,590,700			512	1,968,792	
March	361	23,156,039			4,441	16,646,250	
April	277	10,066,562			2,345	7,799,042	
May	278	10,465,387			1,670	5,229,135	
June	301	9,757,193			1,337	4,858,929	
July	280	9,039,027			1,232	5,070,367	
August	264	7,882,763			1,122	4,464,596	
September	277	8,522,312			1,057	4,219,005	
October	299	9,956,385			1,203	4,915,663	
November	270	8,416,570			1,066	3,835,938	
December	276	8,647,430			842	3,289,190	
Total	3,317	\$119,567,961			17,502	\$65,483,734	

### CURRENCY SHIPMENTS

<u>City Member Banks</u>				<u>Other Member and Non-Member Banks</u>			
	<u>Number Shipments</u>	<u>Amount</u>			<u>Number Shipments</u>	<u>Amount</u>	
January	136	\$ 9,072,000			1,149	\$ 4,536,285	
February	176	13,376,200			1,412	7,185,014	
March	149	20,122,043			2,947	18,451,227	
April	122	7,618,866			1,534	3,770,443	
May	133	8,395,494			1,740	4,241,002	
June	137	8,545,016			1,938	5,476,352	
July	117	9,101,000			1,676	4,935,676	
August	138	9,087,000			1,940	4,968,641	
September	132	10,292,000			2,080	5,728,404	
October	134	8,925,000			1,514	4,495,893	
November	115	7,937,000			1,492	5,471,052	
December	131	10,689,000			2,101	7,155,499	
Total	1,620	\$123,160,619			21,523	\$76,415,488	

### COIN RECEIPTS

Member and  
Non-Member Banks

### COIN SHIPMENTS

Member and  
Non-Member Banks

	<u>Number Shipments</u>	<u>Amount</u>			<u>Number Shipments</u>	<u>Amount</u>	
January	230	\$ 332,587			164	\$ 64,065	
February	129	181,535			226	86,135	
March	116	161,550			679	433,915	
April	173	250,705			446	173,002	
May	172	195,186			580	243,219	
June	156	180,483			703	313,365	
July	181	205,223			661	244,801	
August	175	202,836			716	502,027	
September	167	211,252			679	301,180	
October	144	192,687			506	195,612	
November	176	170,017			462	177,179	
December	119	110,076			596	235,691	
Total	1,938	\$2,394,137			6,418	\$2,970,171	

CURRENCY AND COIN (Continued)

NUMBER AND AMOUNT OF CURRENCY SHIPMENTS RECEIVED FROM AND  
SHIPPED TO MEMBER AND NON-MEMBER BANKS BY MONTHS 1933.  
(HELENA BRANCH)

	<u>CURRENCY RECEIVED FROM</u>		<u>CITY MEMBERS</u>	
	<u>COUNTRY MEMBERS</u>			
	<u>Number</u> <u>Shipments</u>	<u>Amount</u>	<u>Number</u> <u>Shipments</u>	<u>Amount</u>
January	76	\$ 602,801	57	\$ 150,700
February	41	202,212	48	110,300
March	194	2,787,062	86	376,301
April	159	824,655	59	180,680
May	108	461,965	61	154,695
June	94	457,629	64	148,867
July	88	531,310	66	200,970
August	72	506,616	55	163,320
September	103	541,854	58	175,155
October	87	373,861	58	135,830
November	89	400,439	61	141,328
December	74	364,884	76	216,815
Totals	1,185	\$8,055,288	749	\$2,154,961

	<u>CURRENCY SHIPMENTS TO</u>		<u>NON-MEMBERS</u>	
	<u>MEMBERS</u>			
	<u>Number</u> <u>Shipments</u>	<u>Amount</u>	<u>Number</u> <u>Shipments</u>	<u>Amount</u>
January	116	\$ 611,750	35	\$ 135,158
February	137	1,241,625	48	187,080
March	298	3,632,905	113	439,662
April	137	435,550	51	112,355
May	200	734,150	68	193,308
June	199	639,395	76	190,507
July	206	929,350	70	215,650
August	190	868,000	118	286,550
September	254	953,800	84	205,358
October	222	1,024,700	81	212,110
November	222	1,132,550	71	238,973
December	239	1,363,050	84	200,557
Totals	2,420	\$13,566,825	899	\$2,617,268

CURRENCY RECEIPTS FROM AND SHIPMENTS TO MEMBER AND NON-MEMBER BANKS  
(MINNEAPOLIS AND HELENA BRANCH)

<u>Year</u>	<u>Receipts From</u>	<u>Year</u>	<u>SHIPMENTS TO</u>
1933	\$195,261,944	1933	\$215,760,200
1932	160,188,430	1932	176,481,466
1931	183,764,711	1931	191,685,014
1930	224,944,375	1930	199,027,983
1929	228,099,809	1929	197,833,047
1928	202,624,864	1928	189,412,600
1927	198,106,354	1927	192,056,012
1926	189,656,445	1926	187,073,578

## FEDERAL RESERVE NOTES

The increase in our Federal reserve note circulation during 1933 was \$11,930,000 compared to increases of \$15,571,000 in 1931 and \$11,837,000 in 1932. To this expansion of \$39,338,000 during the past three years must be added \$7,718,000 of bank notes placed in circulation during recent months, making a total of \$47,056,000 in our notes placed in the District since January 1, 1931. Apart from the immense amount of money shipped just before the banking holiday and immediately after, there has been no unusual demand. On March 13 the amount of our notes in circulation reached the peak of \$119,587,000. After contracting \$11,000,000 in the first week the reduction was made more gradual, the net retirement at the end of a month being \$20,000,000.

Just how much our issues during 1933 represent the needs of business may not be estimated. We do know that during the year we received gold coin and certificates to the amount of \$15,400,000 and had paid out in January and February \$2,500,000. We must thus deduct from the \$19,648,000 of increased circulation, \$12,900,000 of gold added to our holdings. The net expansion of \$6,748,000, no doubt, does not represent the added supply of money made available to our District because greater amounts of small bills and coin have been paid out than last year and some National banks have added further to their circulation.

The total amount issued to the Bank by the Agent during the year was \$81,665,000 and the largest amount ever issued in one year. Of this amount \$47,775,000 was issued during February and March. The issue for the balance of the year was less than in either 1931 or 1932. Previously, the greatest amount issued in one year was during 1929 when the total reached \$73,754,000 and was the result of retiring the old series larger size Federal reserve notes. The issue of notes by the Agent has not always been a reflection of public demand because there have been periods when we daily retired notes to improve our reserve position and then took notes from the Agent the following day. Since being permitted to pledge Government bonds as collateral to note issues, frequent

FEDERAL RESERVE NOTES (Contd)

retirements of notes have been unnecessary.

The improvement in our reserves through pledging United States securities also made possible the carrying of more notes in the cash. Our ability to carry more of our notes in the Branch cash figures made possible the elimination of any representative for the Agent at Helena, thereby reducing the note issuing expense. When the banking crisis was developing, the Branch was authorized to carry up to \$6,000,000 in cash. Several months ago this privilege was reduced to \$3,000,000 and the amount carried is usually nearer \$2,500,000.

After the retirement of the major portion of the old series notes in 1929 and 1930, it was assumed the destruction of notes would be materially lessened for several years. During 1929 and 1930 the amount destroyed was \$98,352,000 with \$39,490,000 the total for the next two years. The destruction schedule for 1933 amounted to \$23,360,000 and would have been less but for the fact that we cancelled approximately \$1,000,000 in large bills at Helena rather than pay the shipping costs and surcharges to Minneapolis. However, the greater activity in our circulation than one year ago is good evidence that more of our notes will be destroyed in 1934 than for several years. Fifty per cent more notes were destroyed during the past six months than during the first half of 1933.

More large bills were placed in circulation during the past year than ever before. Practically all of this demand was during the first three months. The net gain for bills of \$50 and higher is \$1,800,000. There was a gain of \$13,100,000 in 5's, 10's and 20's. The smaller denominations contribute 81 per cent of our total outstanding notes with 20's supplying 39.2 per cent of the total issue.

On December 31, 1933 the Agent held \$79,320,000 in our Federal reserve notes. At Washington there was a stock of \$120,100,000 printed and paid for. Orders for printing held at Washington call for \$26,400,000 in 10's and 20's which will, no doubt, be completed before June 30, 1934. This will give

FEDERAL RESERVE NOTES (Contd)

\$117,000,000 in smaller denominations and \$108,820,000 in larger denominations. We need give no thought to the printing of large bills for years to come and under normal conditions there are enough smaller bills to last several years. In addition to the Federal reserve notes, we have \$34,160,000 in bank notes at Washington and \$5,340,000 at Minneapolis. Of this amount, bills of the \$50 and \$100 denominations make up \$21,000,000 of the total.

When we are requested by the Board to give further printing orders for Federal reserve notes, we should limit these orders to a reasonably small amount of \$5 and \$10 notes because the supply of other denominations is ample.

Under the arrangement made at the last Governors' conference, the Federal reserve banks will pay out an amount of bank notes equal to 10% of the reserve note circulation. Our percentage exceeds that of most of the other banks and we hope we will not need to issue over \$8,000,000. This will entail a tax of \$40,000 in 1934.

# FEDERAL RESERVE NOTES RECEIVED AND ISSUED BY AGENT DURING 1933

## IN HANDS OF AGENT DECEMBER 31, 1932

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 3,320,000	\$ 450,000	\$ 3,770,000
Tens	5,840,000	1,530,000	7,370,000
Twenties	6,640,000	1,420,000	8,060,000
Fifties	1,600,000	460,000	2,060,000
Hundreds	2,250,000	1,110,000	3,360,000
Five Hundreds	570,000	150,000	720,000
Thousands	1,170,000	360,000	1,530,000
Total	\$21,390,000	\$ 5,480,000	\$26,870,000

	<u>RECEIVED FROM COMPTROLLER</u>	<u>RETURNED BY BANK</u>	<u>TOTAL RECEIVED</u>
	<u>NEW</u>	<u>FIT-FOR-USE</u>	
Fives	\$14,600,000	\$ 5,005,000	\$19,605,000
Tens	15,000,000	10,450,000	25,450,000
Twenties	17,040,000	11,400,000	28,440,000
Fifties	14,800,000	3,985,000	18,785,000
Hundreds	16,000,000	8,095,000	24,095,000
Five Hundreds	6,900,000	1,365,000	8,265,000
Thousands	6,400,000	3,075,000	9,475,000
Total	\$90,740,000	\$43,375,000	\$134,115,000

## ISSUED TO BANK

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 9,980,000	\$ 5,455,000	\$ 15,435,000
Tens	12,560,000	11,980,000	24,540,000
Twenties	13,040,000	8,400,000	21,440,000
Fifties	4,000,000	850,000	4,850,000
Hundreds	8,250,000	1,805,000	10,055,000
Five Hundreds	1,270,000	405,000	1,675,000
Thousands	2,170,000	1,500,000	3,670,000
Total	\$51,270,000	\$30,395,000	\$ 81,665,000

## IN HANDS OF AGENT DECEMBER 31, 1933

	<u>NEW</u>	<u>FIT-FOR-USE</u>	<u>TOTAL</u>
Fives	\$ 7,940,000	\$ 0	\$ 7,940,000
Tens	8,280,000	0	8,280,000
Twenties	10,640,000	4,420,000	15,060,000
Fifties	12,400,000	3,595,000	15,995,000
Hundreds	10,000,000	7,400,000	17,400,000
Five Hundreds	6,200,000	1,110,000	7,310,000
Thousands	5,400,000	1,935,000	7,335,000
Total	\$60,860,000	\$18,460,000	\$ 79,320,000

## RATIO OF ISSUE BY DENOMINATIONS

	1933	1932	1931	1930	1929	1928
Fives	18.90%	15.13%	14.79%	10.91%	26.5%	28.1%
Tens	30.05	30.09	36.87	29.91	34.9	35.7
Twenties	26.26	32.81	34.00	42.82	33.1	30.9
Fifties	5.94	3.46	2.98	3.58	1.6	1.6
Hundreds	12.31	12.59	7.80	4.99	3.2	3.1
Five Hundreds	2.05	1.29	1.10	3.63	.2	.3
Thousands	4.49	3.63	2.46	4.16	.5	.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FEDERAL RESERVE NOTES ISSUED TO BANK

COMPARATIVE BY MONTHS 1933-1929

	<u>1933</u>	<u>1932</u>	<u>1931</u>	<u>1930</u>	<u>1929</u>
January	\$ 3,980,000	\$ 5,580,000	\$ 1,150,000	\$ 1,590,000	\$ 2,540,000
February	12,590,000	3,258,500	750,000	8,812,000	2,610,000
March	35,185,000	4,210,000	1,940,000	3,700,000	5,835,000
April	1,680,000	7,340,000	2,000,000	3,500,000	2,260,000
May	1,170,000	7,830,000	1,765,000	1,050,000	3,780,000
June	2,160,000	4,735,000	2,315,000	1,350,000	1,560,000
July	4,790,000	7,260,000	3,465,000	900,000	8,165,000
August	4,100,000	2,070,000	4,245,000	2,640,000	9,410,000
September	7,205,000	4,160,000	5,130,000	4,085,000	8,775,000
October	1,940,000	3,010,000	7,815,000	2,075,000	17,275,000
November	1,700,000	2,200,000	4,235,000	2,300,000	4,329,000
December	5,165,000	4,251,500	7,370,000	7,050,000	7,215,000
Total for					
Year	\$ 81,665,000	\$ 55,905,000	\$ 42,180,000	\$ 39,052,000	\$ 73,754,000

FEDERAL RESERVE NOTES DESTROYED AT

WASHINGTON

COMPARATIVE BY MONTHS 1933-1929.

	<u>1933</u>	<u>1932</u>	<u>1931</u>	<u>1930</u>	<u>1929</u>
January	\$ 1,763,650	\$ 1,636,550	\$ 2,363,350	\$ 5,345,100	\$ 3,435,600
February	1,178,300	1,189,000	1,436,000	11,453,015	2,037,350
March	1,107,100	1,569,950	1,756,985	4,187,800	2,421,850
April	1,540,410	1,447,345	1,530,100	4,535,250	1,974,250
May	2,451,100	2,025,050	1,567,750	3,296,750	2,929,250
June	1,513,050	1,419,260	1,173,600	1,953,550	1,189,000
July	1,990,250	1,579,850	1,863,500	2,987,100	3,251,250
August	2,769,400	1,970,500	1,426,350	1,928,100	5,783,050
September	1,854,350	1,511,500	1,549,100	1,724,900	4,512,750
October	2,598,500	2,281,500	1,494,850	2,615,200	17,559,900
November	2,463,800	1,671,150	1,905,160	1,687,100	5,354,700
December	2,129,550	1,593,175	1,529,250	1,503,400	4,686,000
Total for					
Year	\$ 23,359,460	\$ 19,894,830	\$ 19,595,995	\$ 43,217,265	\$ 55,134,950

FEDERAL RESERVE NOTES ISSUED AND

DESTROYED SINCE ORGANIZATION

	<u>Issued to Bank</u>	<u>Destroyed at Washington</u>
1914	\$ 260,000	\$ 0
1915	13,742,000	0
1916	9,880,000	895,955
1917	42,230,000	8,988,095
1918	57,140,000	9,421,540
1919	39,990,000	36,771,805
1920	39,450,000	40,766,735
1921	39,265,000	49,748,580
1922	43,360,000	32,784,320
1923	40,205,000	27,320,330
1924	52,030,000	28,173,395
1925	44,330,500	30,108,355
1926	46,702,000	31,835,950
1927	36,694,500	23,970,335
1928	40,015,000	26,808,035
1929	73,754,000	55,134,950
1930	39,052,000	43,217,265
1931	42,180,000	19,595,995
1932	55,905,000	19,894,830
1933	81,665,000	23,359,460
TOTAL	\$ 837,850,000	\$ 508,795,980

ISSUE, REISSUE AND DESTRUCTION OF FEDERAL RESERVE NOTES  
SINCE OPENING OF BANK AS OF DECEMBER 31, 1933.

	<u>Received From Controller</u>	<u>Returned To Agent by Bank</u>	<u>Total</u>
Fives	\$186,000,000	\$ 39,535,000	\$225,535,000
Tens	205,760,000	76,150,000	281,910,000
Twenties	201,040,000	78,560,000	279,600,000
Fifties	27,800,000	9,610,000	37,410,000
Hundreds	41,200,000	17,085,000	58,285,000
Five Hundreds	10,900,000	2,465,000	13,365,000
Thousands	13,200,000	7,865,000	21,065,000
<b>Total</b>	<b>\$685,900,000</b>	<b>\$231,270,000</b>	<b>\$917,170,000</b>

ISSUED TO BANK

	<u>New</u>	<u>Fit-For-Use</u>	<u>Total</u>
Fives	\$178,060,000	\$ 39,535,000	\$217,595,000
Tens	197,480,000	76,150,000	273,630,000
Twenties	190,400,000	74,140,000	264,540,000
Fifties	15,400,000	6,015,000	21,415,000
Hundreds	31,200,000	9,685,000	40,885,000
Five Hundreds	4,700,000	1,770,000	6,470,000
Thousands	7,800,000	5,515,000	13,315,000
<b>Total</b>	<b>\$625,040,000</b>	<b>\$212,810,000</b>	<b>\$837,850,000</b>

DESTROYED AT WASHINGTON

	<u>Returned By Agent</u>	<u>Returned By Treasurer</u>	<u>Returned By Minneapolis</u>	<u>Returned By Other Fed. Res. Banks</u>	<u>Total</u>
Fives	\$4,260,000	\$ 4,282,450	\$ 84,756,500	\$ 71,613,230	\$164,912,180
Tens	2,545,000	5,314,270	85,332,000	76,496,340	169,687,610
Twenties	1,020,000	4,613,640	65,182,000	76,689,300	147,504,940
Fifties	25,000	410,400	4,735,000	3,462,150	8,632,550
Hundreds	30,000	725,900	6,669,800	5,458,500	12,884,200
Five Hundreds		87,500	1,444,000	653,000	2,184,500
Thousands		146,000	1,845,000	999,000	2,990,000
<b>Total</b>	<b>\$7,880,000</b>	<b>\$15,580,160</b>	<b>\$249,964,300</b>	<b>\$235,371,520</b>	<b>\$508,795,980</b>

	<u>In Hands of Agent December 31, 1933.</u>	<u>Outstanding December 31, 1933.</u>
Fives	\$ 7,940,000	\$13,147,820
Tens	8,280,000	27,792,390
Twenties	15,060,000	38,475,060
Fifties	15,995,000	3,172,450
Hundreds	17,400,000	10,915,800
Five Hundreds	7,310,000	1,405,500
Thousands	7,335,000	2,875,000
<b>Total</b>	<b>\$79,320,000</b>	<b>\$97,784,020</b>

## RESERVE POSITION

Since March 1932 our reserve percentage has never fallen below 50% of circulation and deposits combined and only once during the past six months has the reserve gone below 60%. Fluctuations in percentage have been small with the high not exceeding 65% until December 31 when the ratio was 66.7 per cent.

In May 1933 our reserves first showed the result of important changes. Acceptances held were reduced nearly \$7,000,000 as well as reductions in other discounted paper. There was some increase in holdings of Governments but net earning assets were reduced \$8,300,000 during that month. A further improvement resulted from other classes of money being permitted as reserve. Beginning on May 18 all silver and minor coin and all bank notes, other than our own, have been included in our reserves.

Further improvement has also resulted through the steady increase in deposits. During March some of the larger banks had increased their normal balances upwards of \$12,000,000 by transfers from Eastern correspondents. In April balances were reduced \$8,000,000 but have shown consistent gains each month since reaching a total of \$66,295,000 on December 31. At the end of April we had total deposits of \$44,178,000, earning assets of \$71,663,000 and reserves of \$73,061,000. At the close of the year the deposits had thus shown a gain of \$22,117,000, the earning assets had been reduced \$855,000 and the reserves expanded to a total of \$106,256,000. Attention is drawn to the fact that on the last day of the year \$6,000,000 was transferred through the Gold Settlement Fund for payments to be made on account of the Reconstruction Finance Corporation. These payments were not disbursed until after the close of the year. Member banks had also brought in \$5,000,000 more from other districts than paid out so our Gold Funds were abnormally expanded.

Although the reserves have decreased since December 31 the total has remained in excess of \$100,000,000 and our deposits were \$2,000,000 higher on January 10, 1934 than on December 31, 1933. With payment of interest prohibited on demand

# RESERVE POSITION      (Contd)

deposits, the accumulation of balances with correspondents, beyond normal requirements, is unnecessary. The fact that frequent requests to deposit funds with us are made by non-member banks bears out this reason for a large portion of the gain. Twenty-five non-member banks had clearing accounts with us on December 31 aggregating \$1,026,000. The Treasurer of the United States has maintained a somewhat lower balance with us of late otherwise a still greater gain would be shown. Comparative figures giving deposits by months, years and States in recent years appear on the following sheet.

It will be recalled that on May 5, 1932 we were instructed to pledge sufficient Government bonds with the Agent to provide a working balance of \$10,000,000 in free gold. In March this year the free balance was raised to \$15,000,000. Frequently large transfers cause us to withdraw bonds held by the Agent as collateral and substitute gold to keep within the limit prescribed. This will account for most of the increase in the Agent's gold holding in December. On December 31 the Agent held \$46,500,000 in gold at Washington and \$29,754,000 at Minneapolis. He also held in New York or at Minneapolis \$19,500,000 of Governments securing Federal reserve notes and \$10,000,000 securing our bank notes.

## GOLD HOLDINGS OF THE BANK AND FEDERAL RESERVE AGENT AT THE CLOSE OF BUSINESS DECEMBER 31, 1933, AS COMPARED TO DECEMBER 31, 1932.

	<u>1933</u>	<u>1932</u>
Gold Bullion	\$ 62,255.45	\$ 91,628.92
Gold Coin	364,705.00	470,335.00
Gold Certificates	123,000.00	1,778,200.00
Gold Settlement Fund	19,517,798.41	7,797,422.76
Gold Redemption Fund	1,612,357.76	2,213,507.13
Total Gold Held by Bank	<u>\$21,680,116.62</u>	<u>\$12,351,093.81</u>

	<u>1933</u>	<u>1932</u>
Gold Coin	\$11,425,000.00	\$ 5,475,000.00
Gold Certificates	18,329,000.00	8,065,000.00
Gold with F. R. Board	46,500,000.00	28,000,000.00
Total Gold with F.R. Agent	<u>\$76,254,000.00</u>	<u>\$41,540,000.00</u>
Combined Gold Holdings	\$97,934,116.62	\$53,891,093.81
Other Reserve Cash	8,321,586.79	5,103,933.00
Total Cash Reserves	<u>\$106,255,703.41</u>	<u>\$58,995,026.81</u>

DAILY AVERAGE MEMBER BANK RESERVE BALANCE BY MONTHS  
Minneapolis and Helena, Combined

	<u>1933</u>	<u>1932</u>
January	\$ 38,277,000	\$ 42,851,000
February	42,062,000	41,378,000
March	41,026,000	41,466,000
April	39,987,000	41,396,000
May	41,103,000	40,509,000
June	44,526,000	41,564,000
July	52,311,000	39,524,000
August	51,903,000	38,930,000
September	52,110,000	38,419,000
October	52,331,000	37,759,000
November	54,673,000	38,399,000
December	56,921,000	38,992,000

Daily Average Member Bank Balances, Minneapolis and Helena	1933	\$ 47,306,000
" " " " " "	1932	40,094,000
" " " " " "	1931	48,050,000
" " " " " "	1930	51,225,000
" " " " " "	1929	52,562,000

MEMBER BANK RESERVE BALANCE FLUCTUATIONS

HIGH

LOW

Minneapolis Only	Dec. 30, 1933	\$55,581,915	Minneapolis Only	Mar. 9, 1933	\$29,916,761
Helena Only	Dec. 19, 1933	7,794,261	Helena Only	Mar. 13, 1933	4,216,556
Combined	Dec. 30, 1933	63,026,791	Combined	Mar. 9, 1933	35,223,846
Combined	Jan. 5, 1932	46,179,659	Combined	Oct. 18, 1932	35,221,495

COMPARISON OF MEMBER AND NON-MEMBER BANK BALANCES  
AS OF DECEMBER 31, 1933-1932-1931-1930-1929  
(Thousands only 000 omitted)

	<u>1933</u>	<u>1932</u>	<u>1931</u>	<u>1930</u>	<u>1929</u>
Michigan	\$ 3,635	\$ 2,019	\$ 2,500	\$ 2,672	\$ 2,743
Minnesota	43,404	23,289	30,162	30,616	36,651
Montana	7,160	5,521	5,587	5,808	7,354
No. Dakota	3,398	2,175	2,807	3,503	3,794
So. Dakota	3,613	2,490	2,955	3,629	3,998
Wisconsin	3,120	2,266	1,816	2,219	2,321
	\$ 64,330	\$ 37,760	\$ 45,827	\$ 48,447	\$ 56,861

DEFICIENT RESERVE PENALTIES

	<u>Minneapolis</u> <u>1933</u>	<u>Helena</u> <u>1933</u>	<u>Combined</u> <u>1933</u>	<u>Combined</u> <u>1932</u>
Total Penalties for 1933	\$ 6,936.90	\$ 1,079.67	\$ 8,016.57	\$ 17,219.16
Number of Banks Penalized	226	38	264	
Maximum Penalty Rate	5 $\frac{1}{2}$ %	5 $\frac{1}{2}$ %	5 $\frac{1}{2}$ %	5 $\frac{1}{2}$ %

TRANSFER AND CODING DEPARTMENTS  
(Minneapolis Only)

The volume of transfers handled during 1933 increased in number and amount as compared to 1932. During 1933 this department handled 45,434 transfers totaling \$1,763,422,000 and in 1932 39,616 transactions amounting to \$1,618,696,000, an increase of 5,818 transfers for \$144,726,000.

Transfers other than for the Five Per Cent Redemption Fund of National Banks increased 6,702 and \$144,715,000 in amount, being 35,172 transfers totaling \$1,754,105,000 in 1933 and 28,470 transactions amounting to \$1,609,390,000 in 1932.

Five Per Cent Redemption Fund transfers handled for National banks during 1933 were 10,262 in number and \$9,317,000 in amount. In 1932 there were 11,146 transactions totaling \$9,306,000.

The number and amount of incoming and outgoing wire transfers handled by this department for the years 1931 through 1933 follows:

<u>Year</u>	<u>Outgoing Wire Transfers</u>		<u>Incoming Wire Transfers</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1933	6,184	\$ 420,027,000	9,461	\$ 967,900,000
1932	7,424	416,578,000	10,567	824,915,000
1931	8,493	617,696,000	13,110	1,286,525,000

Messages coded and decoded during 1933 other than transfers were 19,016 and in 1932 17,990, an increase of 1,012 messages.

TELEGRAPH UNIT  
(Minneapolis Only)

During 1933 the number of words sent over the private wire from this office was 573,197, an increase of 99,211 words over 1932 with 473,986 words. The banking holiday was the main cause of the large increase in words sent. The increased activity of the Reconstruction Finance Corporation contributed also to the large increase in words sent. Information furnished the Federal Reserve Board over the private wire also increased during 1933 as compared to 1932.

## AUDITING

Audits of the various operating departments of the bank are conducted at periodic intervals. Controls are maintained on earning assets and all income is proved and checked to the earning accounts on the bank's general ledger. Expense items are checked and proved to the expense account. Receipts are obtained for all outgoing shipments of cash and securities. With respect to incoming shipments, member banks are requested to send an advice under separate cover direct to this department. These advices are recorded and followed up to see that proper credit is given for all cash shipped to us; security shipments are checked to the point of receipt by the operating departments. A duplicate record of securities deposited with us for safekeeping or for collateral purposes is maintained and any changes in the accounts are verified with the custody department's records daily. All requests received from examiners or other supervising authorities for verification of lists of notes or securities held in our custody, reconciliation of accounts, etc., are handled by the auditing department. Member and non-member bank accounts are reconciled monthly and any exceptions shown are followed up for proper adjustment. All transactions in cash and securities deposited in or withdrawn from the vault are checked by a member of the auditing department, except such cash or securities as may be held under the immediate control of certain tellers.

Reports covering periodic audits of the operating departments are rendered to the Controller. Any suggestions for improvement or changes in the operating methods or procedure are likewise referred to him for his approval and direction. All requests for purchases of equipment or supplies are placed on requisition slips, signed by the officer in charge and then referred to the Controller. No purchase is authorized until the need is established and price considered satisfactory. The stock of supplies is also verified at intervals by the Auditing Department.

During 1933 two examinations of Helena Branch were made under the supervision of head office Controller.

Audits conducted during the past year did not disclose any irregularities or defalcations and the bank's records appear to reflect its true condition.

## BANK EXAMINATION DEPARTMENT

## ANNUAL REPORT - 1933

At least one examination or credit investigation of all state member banks in the Ninth Federal Reserve District was made during 1933 by examiners from this department. Our examiners also made sixty-one examinations of state banks for membership in the Federal Reserve System. The examinations and credit investigations by this department in the various states were as follows:

	<u>State Banks</u>
Michigan . . . . .	10
Minnesota . . . . .	30
Montana . . . . .	31
South Dakota . . . . .	33
Wisconsin . . . . .	4
Total . . . . .	<u>108</u>

At the request of the Federal Reserve Board, our examiners co-operated with examiners employed by the R.F.C., and representatives of the F.D.I.C., in connection with investigations of nonmember banks in all states in this district for the purpose of estimating what aid, if any, such non-member banks would require in order to qualify in the Temporary Insurance fund. In performing this work, our examiners put in time as listed below at the points stated. Salaries of examiners and their expenses were paid by the Federal Reserve Bank.

H. C. Jones, at Madison, Wisconsin, 25 days;  
 W. J. Stutsman, at Helena, Montana, 14 1/2 days;  
 A. W. Mills, at Pierre, Sioux Falls, and Aberdeen  
 South Dakota, 21 days;  
 John Carlander, at St. Paul, 10 days, and at Sioux Falls  
 and Aberdeen, South Dakota, 16 days;  
 Geo. H. Norum, at Bismarck, North Dakota, 11 days, and at  
 Sioux Falls, South Dakota, 14 days;  
 J. B. Johnson, Northern Peninsula of Michigan, 10 days.

Summary of Credit Investigations, Examinations, and Special Visits

<u>Examiner</u>	<u>Examined for Member- ship</u>	<u>Credit In- vestigations</u>	<u>Special Visits</u>	<u>Assisted</u>	<u>Miles Traveled</u>
H.D. Sharratt . . . .	19	19	8	2	19,940
H.C. Jones . . . . .	12	12	5	19	16,920
W.J. Stutsman . . . .	23	7	7	5	13,600
A.W. Mills . . . . .	1	1	3	11	6,400
<u>Assistant Examiner</u>					
J.B. Johnson . . . . .	-	-	4	12	5,280
John Carlander. . . .	2	3	6	8	7,230
Geo. H. Norum . . . .	2	2	1	8	4,850
H. Ray Horn . . . . .	1	-	-	-	-
L. H. Bakken . . . . .	-	-	2	1	-
C. J. Larson . . . . .	1	3	-	11	5,080
Total . . . . .	<u>61</u>	<u>47</u>	<u>36</u>	<u>77</u>	<u>79,500</u>
<u>Trust Examiner</u>					
T. H. Hodgson . . . .	-	-	2	-	2,412

State Bank Applications for Membership - 1933

During 1933, 65 applications were received from state banks in this district for membership in the Federal Reserve System. Sixty of these banks were examined by examiners from this department. One bank was accepted on the examination report of the state banking authorities. Four banks are to be examined in the near future.

## Status of Applications for Membership Received During 1933

State banks admitted to membership . . . . .	28
Applications in the hands of Federal Reserve Board pending action . . . . .	1
Applications approved, but conditions of membership not yet accepted by applicant bank . . . . .	11
Applications held in abeyance in this office for additional legal papers. . . . .	7
Applications held in suspense pending increase in capital stock or elimination of criticised assets. . . . .	9
Applications withdrawn by the applicant banks. . . . .	5
Applications pending examination by this department. . . . .	4
Total . . . . .	65

### OFFICE WORK

#### Reports of Examination of National Banks

Number of reports received from the Chief National Bank Examiner's Office . . . . 806. (The cost of these reports aggregated \$8,060.00 for the calendar year.)

88 duplicate copies of the reports of examination of Montana national banks were received from the Chief Examiner's Office, and the cost of these additional copies aggregated \$431.25 for the year.

All of the criticisable paper contained in the reports of examination of banks that borrow, with the exception of Montana banks, was listed for the discount department.

#### Reports of Examination of State Member Banks

Number of reports of examination received from the various State Banking Departments in the Ninth District of state member banks examined independently by them was as follows:

State	Number of reports	Cost
Michigan . . . . .	3	\$ 31.43
Montana . . . . .	2	10.00

Reports of all credit investigations and examinations made by examiners for the Federal Reserve Bank of banks in the Ninth District were typewritten in this office. One copy was retained for our files, one copy sent to the bank examined, and one copy forwarded to the State Banking Department. One copy was also forwarded to the Helena Branch on all state member banks in Montana. Analyses of reports of examination of all state member banks made either by examiners for the Federal Reserve Bank or examiners from State Departments were made on the revised forms No. 212 furnished by the Federal Reserve Board. These analysis forms set forth important facts and figures pertaining to the condition of the bank; also much general information, and conclude with a recommendation as to what action, if any, should be taken by the Federal Reserve Board, together with the reasons therefor, which recommendations are made by the Federal Reserve Agent and concurred in by the Governor.

In connection with applications of state banks for membership in the Federal Reserve System, one copy of the examiner's report is forwarded to the Federal Reserve Board, together with all legal papers in connection with the organization or reorganization of the applicant bank. The Federal Reserve Board is also furnished, in each instance, with a complete memorandum covering the organization, management, location, and condition of the applying bank.

Alphabetical lists of all criticised paper contained in the examination reports of all state banks, with the exception of Montana banks, were made for the discount department.

All examination reports, both state and national, and reports of credit investigations were analyzed on comparative analysis sheets, one copy being furnished Governor Geery, one copy to Deputy Governor Yaeger, and one to Deputy Governor Ziemer. These sheets contain a general statement as to the condition of the bank; also a brief summary of the examiner's conclusions. Ratio and percentage analyses were also made and written up on cards filed in the Agent's Office, which indicate the progress made by each bank as shown by successive examinations. These ratio cards set forth by a percentage of capital stock and surplus "Degree of Solvency", "Credit Policy", and "Miscellaneous Administrative Facts", and the situation as to liquidity by a percentage of various asset accounts as to total deposits.

When state member banks were shown by reports of examination to be in an unsafe or unsatisfactory condition, special letters were written either to the bank or to the State Superintendent of Banks, calling attention to the unsatisfactory and criticised matters, with a request or direction that corrective action be taken.

#### Reports of Earnings and Dividends and Reports of Condition

Approximately 2,425 reports of earnings and dividends and reports of condition were received, checked and recorded.

#### Applications for permission to exercise fiduciary powers approved, etc.

The following applications for permission to exercise fiduciary powers were approved by the Federal Reserve Board during 1933:

Name of Bank	Location	Date Approved	Capital	Powers
Northwestern National Bank	Minneapolis, Minn.	10-28-33**	\$5,000,000	Full
First National Bank in	Grand Forks, N.D.	11-24-33	250,000	Full

(\*\*) Effective upon merger with Minnesota Loan & Trust Company.

The following application for permission to exercise fiduciary powers was forwarded to the Federal Reserve Board, but advice as to the Board's action has not yet been received:

Marquette National Bank	Minneapolis, Minn.	-	\$ 200,000	Full
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One hundred ten applications of individuals for permission to serve at the same time as directors, officers, or employees of a member bank and not more than two other banking institutions under the Clayton Act, were received and approved by the Federal Reserve Board during 1933.

Seven applications made by banks in the Ninth District for voting permits were received during the year and were forwarded to the Federal Reserve Board for approval.

One hundred five applications affecting the stockholdings of member banks in the Federal Reserve Bank were received and approved during the year.

#### Applications for National Charters

Total number of applications referred to this office for recommendation . . . . . 32  
 (Of these, 7 were granted charters by the Comptroller of the Currency, 3 were refused charters, and the organization was incomplete as to 22 on December 31, 1933.)

#### Reports to Federal Reserve Board on changes in banks' status

Weekly reports are forwarded to the Federal Reserve Board showing changes in the status of all state and national banks in the district.

# BANK CHANGES IN 1933

Total number of member banks in the district January 1, 1933 . . . . .	556
New national banks organized . . . . .	7
State banks admitted . . . . .	28
	<u>591</u>

National banks absorbed by nonmember state institutions . . . . .	1
National banks absorbed by other national banks. . . . .	1
National banks succeeded by nonmember state institutions . . . . .	4
National banks succeeded by other national banks . . . . .	2
National banks liquidated . . . . .	22
State member banks consolidated with nonmember institutions. . . . .	1
State member banks converted to national bank . . . . .	1
State member bank withdrawals . . . . .	5
State member banks suspended . . . . .	3
	<u>40</u>
Total number of member banks at the end of the year . . . . .	551
(per stock book records)	

## Membership

At the close of the year, there were 551 member banks in this district, as compared with 556 member banks at the beginning of the year. There was a net loss of 23 national banks and a net gain of 18 state banks. The total membership at the close of 1933 was divided into 491 national banks and 60 state banks.

## Stock in the Federal Reserve Bank issued to New Member Banks

<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Subscribed</u>
The First National Bank at Hubbell	Hubbell, Mich.	33
The First National Bank in Cannon Falls	Cannon Falls, Minn.	44
Security State Bank of Cannon Falls	Cannon Falls, Minn.	18
First State Bank of Chatfield	Chatfield, Minn.	18
Dakota State Bank	Dakota, Minn.	22
State Bank of Gibbon	Gibbon, Minn.	22
Security State Bank of Houston	Houston, Minn.	20
The Citizens National Bank of Madelia	Madelia, Minn.	36
The Citizens National Bank of Park Rapids	Park Rapids, Minn.	18
Citizens State Bank of	St. Charles, Minn.	19
Farmers & Merchants State Bank of Springfield	Springfield, Minn.	29
State Bank of Springfield	Springfield, Minn.	36
Wadena County State Bank	Wadena, Minn.	24
First State Bank of Wykoff	Wykoff, Minn.	18
The Farmers National Bank in Chinook	Chinook, Mont.	33
Farmers State Bank of Denton	Denton, Mont.	17
Farmers-Stockgrowers Bank	Glasgow, Mont.	33
Montana Bank & Trust Company	Great Falls, Mont.	75
Ronan State Bank	Ronan, Mont.	17
State Bank of Terry	Terry, Mont.	48
Farmers State Bank	Victor, Mont.	24
First National Bank in Grand Forks	Grand Forks, N.D.	180
State Bank of Alcester	Alcester, S.D.	24
Bank of Alpena	Alpena, S.D.	18
Citizens State Bank of	Arlington, S.D.	20
Belvidere State Bank	Belvidere, S.D.	18
Merchants State Bank	Freeman, S.D.	27
Hand County State Bank	Miller, S. D.	18
Farmers & Merchants State Bank	Presho, S. D.	18
Jerauld County Bank	Wessington Springs, SD.	21
Farmers State Bank	Winner, S. D.	18
Bear Butte Valley Bank	Sturgis, S. D.	24
Sanborn County Bank of	Woonsocket, S. D.	21
The Union National Bank of Ashland	Ashland, Wis.	66
Peoples State Bank	Bloomer, Wis.	18

### State Bank Membership According to States

<u>State</u>	<u>No. of State Bank Members 1-1-33</u>	<u>No. of State Banks withdraw- ing from member- ship during year</u>	<u>No. of State Banks admitted during year.</u>	<u>No. of State Bank Members 12-31-33</u>
Michigan	8	1	0	7
Minnesota	6	3	10	13
Montana	16	5	6	17
North Dakota	0	0	0	0
South Dakota	9	0	11	20
Wisconsin	3	1	1	3
Total	42	10	28	60

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### MEMBER BANKS SEVERING CONNECTIONS WITH THIS FEDERAL RESERVE BANK DURING 1933

#### NATIONAL BANK ABSORBED BY NONMEMBER STATE INSTITUTION

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
2-20-33	First National Bank (Absorbed by the State Bank of Medford)	Medford, Wis.	48

#### NATIONAL BANK ABSORBED BY OTHER NATIONAL BANK

1-20-33	Citizens National Bank & Trust Co. Watertown, S.D. (Absorbed by the First National Bank & Trust Co., of Watertown, which changed its title to The First Citizens National Bank of Watertown.)		90
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#### NATIONAL BANKS SUCCEEDED BY NONMEMBER STATE INSTITUTIONS

1-20-33	First National Bank (Succeeded by Bank of Steele)	Steele, N.D.	24
7-10-33	First National Bank (Succeeded by First State Bank, Casselton)	Casselton, N.D.	30
9-26-33	First National Bank (Succeeded by First International Bank of Williston)	Williston, N.D.	60
5-9-33	Citizens National Bank (Succeeded by Citizens State Bank, Merrill)	Merrill, Wis.	138

#### NATIONAL BANKS SUCCEEDED BY OTHER NATIONAL BANKS

11-7-33	First National Bank of (Succeeded by First National Bank in Grand Forks) (First National Bank of Grand Forks, which had been in conservatorship, was declared insolvent 11-15-33.)	Grand Forks, N.D.	300
11-13-33	Farmers National Bank of (Succeeded by The Farmers National Bank in Chinook) (Farmers National Bank of Chinook was formerly in conservatorship.)	Chinook, Mont.	60

#### NATIONAL BANKS LIQUIDATED DUE TO INSOLVENCY

5-12-33	First National Bank	Adams, Minn.	36
11-6-33	First National Bank	Fosston, Minn.	24
12-8-33	First National Bank	Goodhue, Minn.	21
10-28-33	First National Bank	Ironton, Minn.	19
2-20-33	Jackson National Bank in	Jackson, Minn.	32
9- 5-33	First National Bank	Le Sueur, Minn.	18
9- 6-33	First National Bank	Motley, Minn.	18

# NATIONAL BANKS LIQUIDATED DUE TO INSOLVENCY (Contd)

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>	<u>No. of Shares Surrendered</u>
2-10-33	First National Bank	Ortonville, Minn.	39
3-20-33	Citizens & Security National Bank	St. James, Minn.	60
11-13-33	First National Bank	Thief River Falls, Minn.	51
5- 9-33	Merchants National Bank	Wadena, Minn.	84
12-27-33	National Bank of Anaconda	Anaconda, Mont.	81
11-13-33	First National Bank	Conrad, Mont.	51
1-21-33	First National Bank	Crosby, N. D.	18
2-27-33	First National Bank	Milton, N. D.	19
12-30-33	First National Bank	Rock Lake, N. D.	23
6-23-33	First National Bank	Faulton, S. D.	23
3-13-33	Citizens Security National Bank	Sisseton, S. D.	45
1-20-33	First National Bank	Tyndall, S. D.	33
12-30-33	First National Bank	White Lake, S.D.	30
4-10-33	Ashland National Bank	Ashland, Wis.	105
4-28-33	Northern National Bank	Ashland, Wis.	120

## STATE MEMBER BANK CONSOLIDATED WITH NONMEMBER INSTITUTION

1-21-33	Drovers State Bank (Consolidated with Exchange State Bank, South St. Paul as Drovers Exchange State Bank)	South St. Paul, Minn.	90
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## STATE MEMBER BANK CONVERTED TO NATIONAL BANK

9-27-33	State Bank of Madelia (Converted to Citizens National Bank, Madelia)	Madelia, Minn.	36
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## STATE MEMBER BANK WITHDRAWALS

4-10-33	South Range State Bank	South Range, Mich.	36
3-17-33	Belgrade State Bank	Belgrade, Mont.	30
3-18-33	Miners Savings Bank & Trust Co.	Butte, Mont.	150
3-17-33	Kavalli County Bank	Hamilton, Mont.	41
3-22-33	Iron Exchange Bank	Hurley, Wis.	69

## STATE MEMBER BANKS SUSPENDED

9-22-33	State Bank of Revere	Revere, Minn.	36
5-20-33	East Helena State Bank	East Helena, Mont.	39
6-12-33	First State Bank	Opheim, Mont.	15

## MEMBER BANKS THAT HAVE BEEN ABSORBED OR SUCCEEDED BY OTHER BANKS AND WHICH HAVE NOT AS YET SURRENDERED THEIR STOCK IN THE FEDERAL RESERVE BANK

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>
11-14-33	First National Bank of (Succeeded by First National Bank at Hubbell)	Hubbell, Mich.
4-29-33	First National Bank of (Succeeded by Citizens National Bank of Park Rapids; First National Bank, which had been in conservator- ship, was declared insolvent 11-8-33.)	Park Rapids, Minn.
7- 1-33	First National Bank (Absorbed by First National Bank, Miles City, Mont.)	Jordan, Mont.
4-29-33	First National Bank (Absorbed by First National Bank, Miller, S.D.)	Ree Heights, S.D.

INSOLVENT MEMBER BANKS THAT HAVE NOT AS YET SURRENDERED THEIR STOCK  
IN THE FEDERAL RESERVE BANK

<u>Date</u>	<u>Name of Bank</u>	<u>Location</u>
12- 8-33	First National Bank	Cambridge, Minn.
12- 9-33	First National Bank	Ceylon, Minn.
12- 8-33	Farmers National Bank	Hendricks, Minn.
12- 8-33	First National Bank	Holland, Minn.
10-11-33	First National Bank	New Richland, Minn.
12- 7-33	First National Bank	Swanville, Minn.
12-11-33	First National Bank	White Bear Lake, Minn.
10-26-33	First National Bank	Woodstock, Minn.
10-25-33	First National Bank	Valier, Mont.
12- 8-33	First Kenmare National Bank	Kenmare, N. D.
12-13-33	First National Bank	Canton, S. D.
12- 8-33	First National Bank	Marmarth, N. D.
12-11-33	First National Bank	Hayti, S. D.
12-11-33	First National Bank	Gary, S. D.
12-12-33	First National Bank	Stone Lake, Wis.

NUMBER OF MEMBER BANKS (LICENSED 100%) IN ACTUAL OPERATION DECEMBER 31, 1933.

National Banks	442
State Banks	60
Total	<u>502</u>

MEMBER BANKS IN CONSERVATORSHIP ON DECEMBER 31, 1933

Caspian National Bank	Caspian, Mich.
Crystal Falls National Bank	Crystal Falls, Mich.
Iron County National Bank	Crystal Falls, Mich.
First National Bank	Gladstone, Mich.
First National Bank	Iron River, Mich.
Miners National Bank	Ishpeming, Mich.
First National Bank	Manistique, Mich.
First National Bank	Norway, Mich.
First National Bank	Ontonagon, Mich.
First National Bank	Amboy, Minn.
Northern National Bank	Bemidji, Minn.
Citizens National Bank	Faribault, Minn.
First National Bank	Foley, Minn.
Farmers National Bank	Hutchinson, Minn.
First National Bank	Lake Crystal, Minn.
First National Bank	Lyle, Minn.
National Bank of Commerce	Mankato, Minn.
Morris National Bank	Morris, Minn.
First National Bank	West Concord, Minn.
First National Bank	Winthrop, Minn.
Sidney National Bank	Sidney, Mont.
First National Bank	Hampden, N. D.
First National Bank	Mott, N. D.
First National Bank	Munich, N. D.
First & Farmers National Bank	Portland, N. D.
First National Bank	Garretson, S. D.
First National Bank	Pierre, S. D.
First National Bank	Durand, Wis.
National Bank of Hudson	Hudson, Wis.
United States National Bank	Superior, Wis.

## FISCAL AGENCY FUNCTIONS - 1933

Issues, redemptions or exchanges of various United States Government securities, including Treasury Savings Certificates redeemed at this office, which were handled by the Fiscal Agency operated by us for the United States Government, numbered 94,183 pieces and amounted to \$182,839,285.75 as compared with 47,664 pieces amounting to \$144,282,471.21 in 1932.

This Agency also handled during 1933, 7,368 purchases and 16,381 resales of Government securities totaling \$89,263,700. In addition, either delivery or payment, or both, was handled for banks and trust companies on 643 transactions in Government securities amounting to \$110,498,950. There were also 534 transactions of miscellaneous general market securities aggregating \$3,505,487.26. Altogether, of these various transactions there were 24,926 totaling \$203,268,137.26, as compared to 24,712 totaling \$192,270,330 in 1932.

Delivery of 55,784 pieces totaling \$109,325,775 was made on purchase and resale transactions for other than our own account. In addition, on exchange transactions, such as denominational exchange, the exchange of coupon for registered securities, etc., 34,538 pieces were delivered, amounting to \$61,290,800. The total number of pieces delivered was 90,322 amounting to \$170,616,575 in comparison with 101,485 totaling \$192,877,581.92 during the preceding year.

With the exception of Treasury bills, there were eleven offerings of United States Government securities during 1933. In such operations, 9,451 individual subscriptions contained in 7,515 different applications were received in this district. The amount allotted on these subscriptions was \$76,572,150. During 1932, 4,094 individual subscriptions were submitted in 1,645 different applications on sixteen similar offerings and \$45,718,200 was allotted.

During 1933, 177 tenders amounting to \$13,099,000 were received by this Agency on 47 offerings of Treasury bills. Of these, 28 tenders for Treasury bills, ranging from .04% to 1.99% and amounting to \$5,192,000 were accepted. During 1932, 39 tenders amounting to \$1,846,000 were received and 5 tenders totaling

### FISCAL AGENCY FUNCTIONS (Contd)

\$1,155,000 were accepted on the 31 offerings of Treasury bills made that year.

In October, the Secretary of the Treasury announced that all of the Fourth  $4\frac{1}{4}\%$  Liberty Loan Bonds bearing serial numbers the final digit of which was 9, 0 or 1 were called for redemption on April 15, 1934 and interest on such bonds would cease on that date. Holders of Fourth Liberty Loan Bonds, whether called or uncalled, were offered the opportunity of exchanging these bonds for the new Treasury bonds of 1943-45 bearing interest at  $4\frac{1}{4}\%$  the first year and  $3\frac{1}{4}\%$  thereafter. There were 16,701 coupon Fourth Liberty Loan Bonds amounting to \$10,849,250 and 7,851 registered Fourth Liberty Loan Bonds totaling \$5,282,800 received and accepted by this Agency on such exchanges.

Including the weekly circular giving current market quotations on the various outstanding government issues, 128 circular letters were sent to all banks and trust companies in the district during 1933 in connection with fiscal agency operations. During the preceding year there were 114 circular letters.

At the close of the year there were 328 banks and trust companies in this district which were designated as special depositaries of public moneys, thereby being qualified to make payment through their War Loan Deposit Accounts on a by credit basis for subscriptions to new offerings of Government securities, with the exception of Treasury bills. This is 24 less than the number of banks so designated at the close of the preceding year. Effective June 15, 1933, interest paid on daily balances in the War Loan Deposit Accounts by special depositaries at the rate of  $1\frac{1}{2}$  or  $1\%$  was eliminated.

The Fiscal Agency operated by us for the Government redeemed 829 Federal Intermediate Credit Bank Debentures and Federal Land Bank bonds totaling \$1,451,000 in 1933. There were also 533,628 Government and Federal Land Bank coupons amounting to \$8,679,108.85 redeemed during the past year as compared to 489,616 coupons totaling \$7,913,551.45 during 1932.

FISCAL AGENCY FUNCTION  
(Minneapolis Only)

Reconstruction Finance Corporation

The Federal Reserve Bank assumed its duties as Custodian, Fiscal Agent and Depositary for the Reconstruction Finance Corporation in February 1932. Our duties in connection with the activities of this Corporation have continued to increase during 1933. The following table indicates the funds handled for the R. F. C. since its organization:

<u>Type or Class of Loan or Advance</u>	<u>No. of Loans</u>	<u>Amount Disbursed</u>	<u>Amount Repaid</u>	<u>Balance Due (Principal</u>
Banks	835	\$21,880,434.01	\$11,854,368.09	\$ 9,226,065.92
Building and Loan Associations	25	4,741,669.23	424,273.92	4,317,395.31
Investment Company	1	3,000,000.00	None	3,000,000.00
Preferred Stock & Debentures of Banks	13	6,030,000.00	None	6,030,000.00
Regional Agricultural Credit Corporation	108	30,386,633.01	20,491,401.99	9,895,231.02
Other Classes	2	75,000.00	11,916.68	63,083.32
Relief Advances	50	10,606,448.82	None	10,606,448.82
	<u>1,034</u>	<u>\$76,720,185.07</u>	<u>\$32,781,960.68</u>	<u>\$43,138,224.39</u>

Of the original amount loaned to banks excluding preferred stock and debenture advances in this reserve district (except Montana), it should be noted that more than one-half has been paid.

Relief advances are in most instances made available in installments and are disbursed to the Governors of the states, at such times and in such amounts as they request.

The purchases of preferred stock and debentures of banks have recently commenced. At this time we have on hand, awaiting completion by the local R. F. C. Loan Agency, undisbursed authorizations as indicated in the following table:

Preferred Stock Applications of 91 banks aggregating approxi-	
mately	\$10,000,000
Capital Debenture Applications of 226 banks aggregating approxi-	
mately	\$ 5,000,000

There were included in the 108 loans to the Regional Agricultural Credit Corporation, approximately 36,600 notes which were rediscounted individually, all of the loans having been made during 1933. Included in the amount repaid is approximately \$10,000,000 representing 12,000 notes which were prepaid and again rediscounted with the Federal Intermediate Credit Bank of St. Paul to obtain the advantage of a lower discount rate.

FISCAL AGENCY FUNCTION (Contd)  
(Minneapolis Only)

The Reconstruction Finance Corporation is also authorized to make loans for liquidating purposes made through local agencies on banks closed during 1933. None of these loans has been disbursed in this office but we have authorizations and information indicating that several millions of dollars will be loaned in this manner. The local agency is at present completing the necessary details on these loans, preparing them for payment.

FEDERAL INTERMEDIATE CREDIT BANK

The Federal Reserve Bank began acting as Custodian and Fiscal Agent for the Federal Intermediate Credit Bank in August 1933, acting in this capacity only on rediscounts of Regional Agricultural Credit Corporation rediscounts.

During 1933 we handled approximately 27,500 notes aggregating \$20,398,787.56, in which were included about 12,000 notes totaling \$10,000,000 which were prepaid to the Reconstruction Finance Corporation and rediscounted with the Federal Intermediate Credit Bank.

Payments received on these rediscounts totaled \$3,087,836.04, leaving a balance due of \$17,310,951.52 at the close of the year. Notes are taken up at maturity by the Regional Agricultural Credit Corporation and held by them until paid or renewed and included in new rediscount offerings.

FEDERAL EMERGENCY ADMINISTRATOR OF PUBLIC WORKS

The Federal Reserve Bank has agreed to act as Custodian, Fiscal Agent and Depositary for the Federal Emergency Administrator of Public Works. It is expected that our duties in this connection will involve mainly the holding of securities in safekeeping and the disbursing of funds by issuing checks on the Treasurer of the United States upon proper authorization, the activities to be confined to Head Office.

At the close of 1933 we disbursed \$1,251,805.56 to the Montana State Highway Department, in this instance the securities being held at our Helena Branch.

REIMBURSABLE EXPENDITURES  
RECONSTRUCTION FINANCE CORPORATION  
(Minneapolis Only)

	<u>1933</u>	<u>1932</u>
Salaries:		
Officers	\$ 4,000.00	\$ 2,500.06
Employees	48,267.34	16,525.73
Printing, Stationery & Supplies	1,682.72	1,604.54
Telephone	536.60	101.40
Telegraph	19.03	23.62
Postage	3,073.79	896.48
Furniture and Equipment	3,870.93	5,614.63
Group Life and Workmen's Compensation Insurance	1,556.39	
All Other	157.16	133.88
Total	<u>\$ 63,163.96</u>	<u>\$ 27,400.34</u>

REIMBURSABLE EXPENDITURES  
FISCAL AGENCY TRANSACTIONS

	<u>1933</u>	<u>1932</u>
Salaries:		
Officers	\$ 5,000.00	\$ 4,999.96
Employees	15,393.37	9,779.50
Printing, Stationery & Supplies	3,197.01	3,669.28
Telephone	574.45	390.05
Telegraph	266.30	152.98
Postage	4,150.60	1,968.60
Furniture and Equipment	166.10	
All Other	4.00	
Total	<u>\$ 28,751.83</u>	<u>\$ 20,960.37</u>

REIMBURSABLE EXPENDITURES  
FEDERAL INTERMEDIATE CREDIT BANK

	<u>1933</u>	<u>1932</u>
Employees Salaries	\$ 3,324.15	0
Printing, Stationery & Supplies	774.11	0
Furniture and Equipment	276.25	0
All Other	71.23	0
Total	<u>\$ 4,345.74</u>	

## HELENA BRANCH

In much of the information submitted covering the operations of the bank, the Helena volume figures have been combined with those of Head Office. As the Branch was examined twice by Head Office Controller during 1933 it is perhaps appropriate that some reference should be made to Branch affairs at this time in addition to the separate report presented by the Branch Managing Director.

The examinations referred to were made as of May 20 and November 16 and covered all functions of the Branch including verification of holdings for the Reconstruction Finance Corporation. It was quite apparent at the first examination that earnings for the year would be much less than in 1932 and that the discounts, which are practically the only source of revenue for Helena, would be almost liquidated by the close of the year. The average amount under discount in May was \$862,000 falling gradually to an average of \$115,000 in December. Total earnings for the year were \$22,504.41 compared to \$68,401.71 earned in 1932.

Our Branch was subjected to unusual expense during the year but not to the same degree as Head Office. The Budget for 1933 indicated a total operating cost of \$78,210 and this amount was exceeded by \$7,149.50. The postage account contributed the largest increase over similar items in 1932. Two additional guards were employed and recently several transit employees were added to provide for the heavy increase in Government checks. We may also expect a further increase in transit volume at Helena. Since September 1 all Federal reserve banks and branches have been sending their Montana items direct to Helena. Formerly only the Western branches sent Montana items direct to Helena. This change gave the Branch approximately 2,500 more items daily and this volume has increased. With many additional Government warrants now being handled through Helena, all the available space will be necessary.

On November 22 the Agency Division of the Reconstruction Finance Corporation moved out of the quarters they were occupying in the Branch, making available for bank work about one-third more

HELENA BRANCH (Contd)

space on the second floor. The custody work for the Reconstruction Finance Corporation will continue to be performed in the Branch. Part of the salaries of two officers, Messrs. Hoerr and Larson, will continue to be reimbursed by the R. F. C. From September 15, 1932 until August 1, 1933 all of Mr. Towle's salary was paid by the Regional Agricultural Credit Corporation. This payment will be made by the Branch in 1934. Helena budget for 1934 less reimbursable expense is estimated to reach \$94,410. This is \$9,051 in excess of the actual payments for 1933. If anything, this estimate is low because there is bound to be further increase of services with added members.

The volume of currency handled did not vary greatly from 1932. During March the Minneapolis Executive Committee authorized the raising of the limit of cash to be held at Helena to \$6,000,000. In May your Controller suggested that the need for this supply was not apparent and that the total carried should be reduced to the former authorization which allowed a range of between \$2,500,000 and \$3,000,000. With the smaller amount of cash needed at Helena, no Agent's representative was required for the issue of notes. The fees thus saved will amount to several hundred dollars yearly.

When the carrying of a greater amount of currency was approved in March, another guard was added and in order to comply with the N. R. A. code, we are employing six guards at Helena. During our last examination we made some changes in the vault control and further suggestions for adding to the protection. In order to lessen the possible loss in event of hold-up, an additional safe has been procured so that even with the vault open much of the cash will still be protected by time clock.

Volume of figures show increases over 1932 in all functions with the exception of the Discount function. Safekeeping securities held have increased \$3,000,000 during the year with \$15,000,000 held at the close of the year. It is expected that this service will show further expansion in 1934.

HELENA BRANCH (Contd)

Member bank deposits show an increase over December 31, 1932 of \$1,188,000 with non-member banks carrying clearing accounts aggregating \$372,000 on December 31. Penalties at Helena during the past six months were practically nothing, nearly all members carrying considerable excess reserves.

Helena building is in excellent condition. This property is carried on the books at Minneapolis at a net value of \$50,581.26. Original cost was \$177,399.14.

The present staff of 38 persons shows an increase over 1932 of 4 employees. Full recovery is made on the salaries of 6 persons with partial recovery made on 3 others from the Reconstruction Finance Corporation.

HELENA BRANCH

REPORT OF TRANSIT DEPARTMENT FOR THE YEAR 1933

	<u>Clearings</u>		<u>Drafts on Us</u>		<u>Member &amp; Non-Member</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
January	13,000	\$ 4,807,000.	1,000	\$ 1,759,000.	76,000	\$ 5,465,000.
February	12,000	4,087,000.	1,000	1,285,000.	66,000	4,104,000.
March	14,000	3,552,000.	1,000	1,611,000.	68,000	4,177,000.
April	15,000	5,249,000.	3,000	1,749,000.	82,000	5,182,000.
May	15,000	5,708,000.	2,000	1,843,000.	94,000	5,791,000.
June	15,000	6,374,000.	3,000	1,661,000.	99,000	7,115,000.
July	15,000	7,175,000.	3,000	2,024,000.	95,000	7,271,000.
August	14,000	5,628,000.	2,000	1,871,000.	91,000	6,481,000.
September	15,000	5,712,000.	3,000	1,761,000.	142,000	10,392,000.
October	14,000	6,240,000.	3,000	1,957,000.	157,000	11,552,000.
November	14,000	5,235,000.	2,000	2,319,000.	153,000	10,522,000.
December	16,000	5,981,000.	3,000	2,677,000.	166,000	11,160,000.
Totals	172,000	\$65,748,000.	27,000	\$22,517,000.	1,289,000	\$89,212,000.
Monthly Aver.						
Items	14,333		2,250		107,417	
Monthly Aver.						
Amount		\$ 5,479,000.		\$ 1,876,417.		\$ 7,434,333.

	<u>To Head Office by Us</u>		<u>To Other Reserve Banks</u>		<u>Treasurer of U. S.</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
January	1,000	\$ 296,000.	6,000	\$ 1,585,000.	17,000	\$ 3,232,000.
February	1,000	407,000.	5,000	1,334,000.	16,000	3,140,000.
March	1,000	378,000.	7,000	1,497,000.	18,000	3,487,000.
April	1,000	377,000.	6,000	1,595,000.	26,000	3,299,000.
May	1,000	278,000.	8,000	2,199,000.	23,000	3,535,000.
June	1,000	1,163,000.	8,000	2,641,000.	24,000	3,727,000.
July	1,000	582,000.	8,000	2,790,000.	23,000	2,853,000.
August	1,000	510,000.	8,000	2,686,000.	24,000	3,101,000.
September	1,000	870,000.	7,000	2,565,000.	23,000	3,064,000.
October	1,000	632,000.	7,000	3,098,000.	27,000	3,006,000.
November	1,000	775,000.	8,000	3,222,000.	27,000	3,893,000.
December	1,000	1,145,000.	8,000	2,866,000.	64,000	5,165,000.
Totals	12,000	\$ 7,413,000.	86,000	\$28,078,000.	312,000	\$41,502,000.
Monthly Aver.						
Items	1,000		7,167		26,000	
Monthly Aver.						
Amount		\$ 617,750.		\$ 2,339,833.		\$ 3,458,500.

GRAND TOTAL OF ITEMS . . . . . 1,898,000  
 GRAND TOTAL OF AMOUNTS . . . . . \$ 254,470,000.

	<u>Return Items Handled</u>		<u>Items Sent Direct By Member Banks for Collection</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
1933				
January	2,033	\$ 151,717.14	571	\$ 29,320.05
February	1,534	85,959.22	530	33,516.59
March	7,527	1,002,064.83	238	12,154.08
April	2,187	92,021.92	43	3,903.00
May	1,899	124,413.43	-	-
June	2,275	103,612.91	16	47,840.88
July	2,355	177,996.39	17	50,755.71
August	2,503	151,125.43	15	39,130.53
September	2,577	147,509.64	20	55,649.71
October	2,654	173,286.17	5	10,154.45
November	2,464	163,126.79	223	313,909.25
December	2,674	146,997.48	9	10,786.11
Totals	32,682	\$ 2,519,831.35	1,687	\$607,120.36

COMPARATIVE FUNCTIONAL EXPENSE REPORT

(Helena Branch Only)

	1933			1932		
	Average Number of Offi- cers	Average Number of Em- ployees	Expense	Average Number of Offi- cers	Average Number of Employ- ees	EXPENSE
General Overhead-- Controllable	.65		\$ 7,773.22	.41		\$ 6,529.63
General Overhead-- Non-Controllable			8,096.11			5,422.99
Provision of Space	.05	1.04	6,296.83	.05	1.08	5,792.91
Provision of Personnel	.05	.06	863.94	.05	.04	672.80
General Service	.10	10.41	14,877.31	.15	9.05	13,459.46
Postage			4,944.70			4,622.49
Insurance			3,572.88			3,515.93
Loans, Rediscounts & Acceptances	.11	.83	2,405.20	.18	1.21	3,434.54
Securities	.05	.84	2,712.80	.10	.68	2,559.29
Currency and Coin	.05	2.04	4,700.05	.13	2.23	5,848.77
Check Collection	.12	6.11	9,791.55	.20	5.74	9,898.40
Non-Cash Collection	.11	1.81	3,102.84	.10	1.78	3,016.31
Accounting	.12	3.01	10,815.71	.17	3.07	11,554.61
Fiscal Agency	.60	2.65	8,352.10	.33	1.99	5,104.22
Legal			624.00			625.00
Auditing		.86	4,150.39	.08	.63	2,717.68
Bank Relations			293.58			19.40
Bank Examination			508.11			271.09
Statistical and Analytical			215.44			139.75
Total	2.01	29.66	\$94,096.76	1.95	27.50	\$85,205.27
Total Current Expense			\$85,359.40			\$79,453.31
Reimbursable Expendi- tures			8,352.10			5,104.22
Stock of Supplies			385.26			647.74
Total			\$94,096.76			\$85,205.27