


ANNUAL REPORT
FEDERAL RESERVE BANK OF MINNEAPOLIS

1942

Board of Directors,
Federal Reserve Bank of Minneapolis.

This report, revealing the results of our operations during 1942, is respectfully submitted.

A handwritten signature in dark ink, appearing to read 'A. W. Mills', with a large, sweeping flourish extending from the end of the signature.

A. W. Mills,
Cashier

January 1, 1943

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COMMENTS

The impetus of the first year of actual warfare has had a very telling effect on the activities of this bank. Those departments more closely associated with the war effort experienced a heavy increase in duties, and other departments of the bank were affected to a greater or lesser degree. As an indication of the increased activity during the year, the staff of this bank (including Helena Branch) numbered 892 at the close of the year - an increase of 300 employees. To accommodate this larger staff, floor space in the bank building is being very carefully conserved by eliminating unnecessary walls, grilles and partitions; by converting locker rooms, store rooms and basement space to more useful purposes by moving desks and equipment closer together; by using furniture which requires less floor space and by adequately lighting underlighted areas in the bank. We feel that we have adequate space to accommodate an additional 200 employees, should the staff be further enlarged. Fourteen members of the staff are located in the McKnight Building in space rented for the use of the Victory Fund Committee. A resume of the activities of the various departments of the bank are included in these comments. More detailed statements of the operations of these departments may be found in the last section of this report.

The most pronounced expansion of work in the bank occurred in the fiscal agency department and these duties, together with fiscal functions performed for the Treasury Department, Reconstruction Finance Corporation, armed forces of the United States and other governmental and semi-governmental agencies, resulted in much heavier expenditures.

The greater number of offerings of Government securities with wider distribution and much enlarged volume of transactions necessitated a much larger staff in the fiscal agency department and more floor space.

The most prominent activities in our public and bank relations program was the distribution of 22,000 copies of "Your Money and the Federal Reserve System" - an educational picture book developed by this bank - to all banks and high schools in the district and interested parties in other parts of the United States, and the introduction of a series of biweekly luncheons with Twin City bank officers as our guests. At these luncheons selected speakers discussed topics of the day. Bank visits (to a limited extent),

movie showings, talks before groups and the showing of the playlet "Mother Buys a Bond" were among the other activities.

Banks in the district continue to find it unnecessary to use the credit facilities of our bank to any great extent. The volume continues to be low. Industrial advances have declined in volume with current advances mostly for war purposes. Practically all of the activity of the discount department has been in connection with applications for loans under Regulation "V" for guarantee by the War Department, Navy Department and Maritime Commission.

Little change occurred in the volume of cash items handled by the check collection department. There was an increase in the number of country checks handled, as well as in checks drawn on the Treasurer of the United States. The number of work relief checks handled was substantially reduced. All incoming and outgoing mail is handled in this department, and increased activity throughout the bank has more than doubled the volume of mail.

The number of collections handled in the noncash collection department remained practically unchanged from 1941, while the number of grain drafts collected for member banks showed a small increase.

Incoming currency and coin shipments from member banks remained practically unchanged, while the volume of outgoing shipments showed a substantial increase.

The examination department continued its established procedure in examining State member banks, examining various reports and performing its usual duties. Six State banks were admitted to membership, bringing the total number of State member banks in this district to 94.

Safekeeping facilities performed for member banks, Governmental agencies and individuals increased very substantially during the year. Government securities purchased by member banks, securities pledged as collateral for public funds, U. S. Savings bonds held for individuals increased and added to the amount of securities held in safekeeping.

Duties performed as custodian for the Reconstruction Finance Corporation and its subsidiaries were increased during the year. Disbursements for the Defense Plant Corporation, custody of warehouse receipts covering Australian wool, settlements for tires acquired by the Defense Supplies Corporation under the "idle tire program", accepting premiums on war damage insurance and loans made to cover "frozen" or rationed articles and commodi-

ties, and handling of grain programs for the Commodity Credit Corporation were the principal activities engaged in.

Now that Regulation "W" seems to be quite well understood by lenders and creditors, the principal functions of the consumer credit department consist of releasing amendments, answering inquiries, making special studies and circularizing rulings and interpretations made by the Board of Governors. The staff required to handle this work has been considerably reduced from one year ago when the regulation was new.

Although several changes were made in the nature of factual information collected by the research and statistical department, probably the most important addition is the beginning of a post-war study under the supervision of Dr. A. R. Upgren of the University of Minnesota who is now vice president and economist of this bank. At the present time all data and publications relating to or helpful in determining the trend of post-war developments are being indexed for future analysis. It is expected that more emphasis will be placed on this subject during the coming months.

CHANGES IN OUR BALANCE SHEET FIGURES

The following statement reflects the changes which have occurred
in our balance sheet figures since December 31, 1941:

COMPARATIVE STATEMENT OF ASSETS

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1942</u>	<u>Increase or De- crease since Dec. 31, 1941 (000's omitted)</u>
Cash Reserves:		
Interdistrict settlement fund.....	\$ 167,051,021.05	\$ - 13,614
Gold certificates with F. R. Agent.....	310,000,000.00	+ 96,000
Redemption Fund - F. R. Notes.....	<u>201,986.22</u>	<u>- 199</u>
Total gold certificate reserves.....	\$ 477,253,007.27	\$ + 82,187
Other cash.....	<u>8,353,165.50</u>	<u>+ 2,935</u>
Total cash reserves.....	\$ 485,606,172.77	\$ + 85,122
Bills and Securities:		
Bills secured by U. S. Government obligations, direct or fully guaranteed.....	-	- 50
Bills otherwise secured and unsecured.....	-	-
Foreign loans on gold.....	55,000.00	+ 55
Industrial advances.....	365,705.05	- 148
U.S. Government securities.....	<u>154,179,000.00</u>	<u>+ 87,670</u>
Total bills and securities.....	\$ 154,599,705.05	\$ + 87,527
Due from Foreign banks.....	459.65	-
F. R. Notes of other Federal Reserve banks.....	2,107,600.00	+ 1,457
Uncollected Items:		
Transit items.....	\$ 30,561,962.58	\$ + 5,732
Exchanges for clearing house.....	2,993,333.46	+ 2,010
Other cash items.....	<u>736,091.41</u>	<u>- 21</u>
Total uncollected items.....	\$ 34,291,387.45	\$ + 7,721
Bank premises.....	2,450,579.39	-
Less reserve.....	<u>1,141,264.26</u>	<u>+ 29</u>
Bank premises - Net	\$ 1,309,315.13	\$ - 29
Miscellaneous Assets:		
Industrial advances past due three months.....	150,657.26	- 25
Less reserve	<u>84,000.00</u>	<u>+ 11</u>
Industrial advances past due 3 months - Net	66,657.26	- 36
Misc. assets acquired in settlement of claims account failed banks.....	1.00	-
F. D. I. C. stock.....	3,509,467.65	-
Less reserve.....	<u>3,509,467.65</u>	<u>-</u>
Difference account.....	436.89	-
Premium on securities.....	1,576,841.03	+ 747
Interest accrued.....	463,311.26	+ 199
Reimbursable expenditures.....	326,482.26	+ 237
Deferred charges.....	16,968.41	+ 2
All other assets.....	<u>61,975.06</u>	<u>+ 58</u>
Total miscellaneous assets.....	\$ 2,512,673.17	+ 1,203
TOTAL ASSETS.....	<u>\$680,427,313.22</u>	<u>+ 183,000</u>

COMPARATIVE STATEMENT OF LIABILITIES

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

	<u>December 31, 1942</u>	Increase or De- crease since <u>Dec. 31, 1941</u> (000's omitted)
F. R. Notes in actual circulation.....	\$ 302,727,460.00	\$ + 96,218
Deposits:		
Members - Reserve account.....	276,825,558.76	+ 98,290
U. S. Treasurer - General account.....	35,353,627.08	- 17,107
Foreign balances.....	15,377,160.48	- 1,419
Nonmembers - Clearing account.....	666,001.35	- 640
Officers' checks.....	9,127,617.71	+ 1,944
Other deposits.....	<u>2,671,705.43</u>	<u>+ 347</u>
Total Deposits.....	\$ 340,021,670.81	\$ + 81,416
Deferred availability items.....	27,636,284.52	+ 5,082
Miscellaneous Liabilities:		
Accrued taxes unpaid.....	63,480.00	- 2
Sundry items payable.....	3,952.70	- 14
Unearned discount.....	-	-
Discount on securities.....	9,328.13	+ 9
Suspense account.....	527.20	-
Special reserve.....	<u>151,741.00</u>	<u>+ 152</u>
Total Miscellaneous Liabilities.....	\$ 229,029.03	\$ + 145
Capital stock paid in.....	3,075,100.00	+ 72
Surplus Fund - Section 7.....	3,220,822.82	+ 68
Surplus Fund - Section 13b.....	1,000,298.87	-
Reserves for contingencies.....	<u>2,516,647.17</u>	<u>-</u>
TOTAL LIABILITIES.....	\$ 680,427,313.22	\$ + 183,000
Gold certificate reserve against F. R. Notes in actual circulation after setting aside 35% legal reserve against deposits.....	121.1%	- 29%
Reserve ratio against combined net deposits and note liabilities.....	75.6%	- 10.5%
Commitments to make industrial advances.....	\$ -	\$ - 28
Float absorbed.....	\$ 6,655,102.93	\$ + 2,639

Total assets increased from 497 million dollars to 680 million dollars during the twelve month period. This is an increase of 183 million dollars or about 37%. Increases in our "gold funds" (interdistrict settlement fund and gold certificates pledged with the Federal Reserve Agent) and increases in our participation in government securities in the System Open Market Account are the principal factors in the increase in our total assets. Increased cash holdings and a greater volume of uncollected items also contributed to this increase, together with other items of lesser amounts.

Cash Reserves. One of the most significant developments in the assets of the bank in 1942 was the continuation of the inflow of gold funds into this district. During 1942 our gold certificate reserve funds increased about 170 million dollars (net increase in gold certificate reserves plus net increase in U. S. Government securities) as compared with a gain of about 88 million dollars in 1941. In 1942 this represented an increase of 43% as compared with 28% in 1941. This increase in gold funds indicates that the district fared well in its trade relations with other districts during the year. This favorable "trade balance" may be regarded as evidence that more goods and services (including farm products and war materials purchased by the Government) were sold outside the district than were purchased. Since all gold funds belonging to the System increased only 51 million dollars between December 31, 1941 and December 30, 1942, and our interest in the fund increased 170 million dollars, our larger participation was at the expense of other districts. Our ratio of total cash reserves to total deposit liability has had a tendency to weaken somewhat during 1942 as compared with 1941. On December 31, 1941, this ratio was 86% while on December 31, 1942, the ratio was reduced to 76%. Now that the monetary gold stock of the country is not being increased and deposits continue to expand, it is expected that the ratio of total cash reserves to total deposit liability will continue to be reduced.

Bills and Securities. The other noticeable and important change in our assets is our increased participation in government securities through the System Account. On December 31, 1941 our participation was 66.5 million dollars in bonds and notes. During the first quarter of 1942 no substantial changes occurred in this account. At the end of the second quarter our participation was increased to 78 million dollars. In the third quarter the total rose to 89.9 million dollars and at the close of the year our participation aggregated 154.2 million dollars. This was an increase of about 87.7 million dollars during the year. Member bank deposits are rising and money in circulation is increasing and these two factors tend to reduce excess member bank reserves. While reserve requirements could have been reduced as a means by which excess reserves might have been increased, the purchase of government securities by the System on the open market seemed to be a more selective procedure. Using this method purchases may be made in those areas where relief may be necessary without affecting other localities. The System may also purchase government securities to assist in maintaining an orderly market in

governments, and it may be necessary to supply member banks with additional reserves in order that they may continue to effectively support the Treasury's war finance program and to offset the drain on bank reserves due to increases in money in circulation. Loans and discounts dropped off materially from the 1941 volume. No loans were held during November and December. During the preceding ten months loans averaged from a daily average of \$100 to \$628,000. As a group the banks in the district do not find it necessary to use the credit facilities of this bank and have not used these facilities to any appreciable extent since the early months of 1934. Industrial advances are gradually being liquidated. The few new loans being made are for war purposes. These advances dropped from \$514,000 on December 31, 1941 to \$366,000 on December 31, 1942 - a decrease of \$148,000.

Uncollected Funds. Uncollected items (cash items in process of collection for member banks and governmental agencies) increased 7.7 million dollars on December 31, 1942, compared with one year ago, and deferred availability items (credit to member banks and governmental agencies deferred pending collection of the cash items) increased 5.1 million dollars. Increases in these two accounts are expected in view of the larger volume of items handled. The difference between these two items reflects the float we are carrying for member banks and others. On December 31, 1941 this float figure was four million dollars and on December 31, 1942, float absorbed aggregated 6.6 million dollars - an increase of 2.6 million dollars.

Bank Premises. No additions were made to the book value of bank buildings and fixed machinery and equipment either at Head Office or Helena Branch, and deductions were normal depreciation charges of 2% on bank buildings and 10% on fixed machinery and equipment. The detail of changes in bank premises account is as follows:

	<u>LAND</u>		
	<u>Head Office</u>	<u>Helena Branch</u>	<u>Total</u>
Book value January 1, 1942 (No change during year)	\$ 400,520.66	\$ 10,000.00	\$ 410,520.66
	<u>BANK BUILDING</u>		
Net book value December 31, 1941	\$ 846,965.94	\$ 69,750.00	\$ 916,715.94
Less: Reserve for depreciation	25,665.60	1,500.00	27,165.60
Net book value December 31, 1942	\$ 821,300.34	\$ 68,250.00	\$ 889,550.34
	<u>FIXED MACHINERY AND EQUIPMENT</u>		
Net book value December 31, 1941	(Charged Off)	\$ 10,924.97	\$ 10,924.97
Less: Reserve for depreciation	-	1,680.84	1,680.84
Net book value December 31, 1942	-	\$ 9,244.13	\$ 9,244.13

BANK PREMISES COMBINED

	<u>Head Office</u>	<u>Helena Branch</u>	<u>Total</u>
Net book value December 31, 1941	\$1,247,486.60	\$ 90,674.97	\$1,338,161.57
Less: Reserve for depreciation	25,665.60	3,180.84	28,846.44
Net book value December 31, 1942	\$1,221,821.00	\$ 87,494.13	\$1,309,315.13

Miscellaneous Assets. The larger increases in these assets were: premium on securities purchased through the System Open Market Account, \$747,000; interest accrual on these securities, \$199,000; reimbursable expenditures billed to the Treasury Department and governmental agencies but not collected, \$237,000; other miscellaneous assets, \$58,000. The item \$58,000 includes about \$47,000 advanced by the bank to the Army and Navy for the purpose of fulfilling a Navy guaranteed agreement to one bank in the amount of \$43,000 under the provision of Regulation V and the purchase of a guaranteed loan of about \$4,000 from a bank at the request of the Army. This item also includes a working fund of \$5,000 used by the Idle Tire Division of the Defense Supplies Corporation which is a section of our Reconstruction Finance Corporation Custodianship Department. The remainder is miscellaneous sundry items receivable.

The important changes in our liabilities were the substantial increases in our notes in circulation and deposit liability.

Federal Reserve Notes in Actual Circulation. Our notes in circulation continue to expand at a very rapid rate and the velocity of this expansion has been and is becoming more pronounced each month. During 1942 the increase in January was 55 million dollars and in December 94.5 million dollars. On December 31, 1942 our notes in actual circulation amounted to 302.7 million dollars as compared with 206.5 million dollars on December 31, 1941 - an increase of 96.2 million dollars or about 47%. During 1941 our circulation increased 47.8 million dollars or 30%. In the entire United States money in circulation (Currency and Coin) rose from 11.2 billion dollars on December 31, 1941 to 15.3 billion dollars on December 30, 1942. There are reasons why money in circulation should expand under war conditions such as we are now experiencing, but what seems to be unwarranted expansion is being viewed with concern by many informed people. Certainly the withdrawal of currency for other than legitimate purposes places an unnecessary strain on member bank reserves. If idle monies now in the hands of the public were returned to the banking system it is possible that it would not have been necessary for the Reserve System to supply member banks with as large amounts

of reserve funds through open market operations, and secondly, it is possible that more excess reserves would now be available for Treasury financing.

Member Bank Reserve Accounts and Other Deposits. Member bank balances with this bank rose from 178.5 million dollars on December 31, 1941, to 276.8 million dollars on December 3, 1942 - an increase of about 98.3 million dollars. During the first quarter of the year member bank reserve balances fell off to about 172 million dollars, but during the succeeding months these reserve accounts regained lost ground and made additional advances, reaching the highest point in the history of the bank. In comparing the reserve position of member banks in this district during the first two weeks of December 1942 with the first two weeks of December 1941, it is noted that the excess reserve position of reserve city banks remained practically unchanged, while country banks gained about 10.7 million dollars of excess reserves. The following analysis shows these changes in reserves:

Ninth District Member Bank Reserves
(In thousands of dollars)

Daily average for the first half of December 1942

	<u>Reserve City Banks</u>		<u>Country Banks</u>		<u>All Member Banks</u>	
		Change since Dec. '41		Change since Dec. '41		Change since Dec. '41
	<u>Dec. 1-15</u>	<u>Dec. '41</u>	<u>Dec. 1-15</u>	<u>Dec. '41</u>	<u>Dec. 1-15</u>	<u>Dec. '41</u>
Reserve Accounts	\$146,622	\$ +42,634	\$117,229	\$ +32,657	\$263,851	\$ +75,291
Required Reserves	128,526	+42,554	79,397	+21,960	207,923	+64,514
Excess Reserves	18,096	+ 80	37,832	+10,697	55,928	+10,777

Funds on deposit to the credit of the Treasurer of the United States were somewhat less during 1942 than during 1941. During 1942 month-end balances ranged between a low of \$549,000 in December and a high of 37.7 million dollars in September. During 1941 the range was between a low of 21.1 million dollars and a high of 52.5 million dollars. These funds have a tendency to fluctuate quite widely and the lower balances during 1942 were undoubtedly due to a more pressing need for funds by the Treasury. During 1941 non-member clearing balances ranged between \$920,000 and 1.5 million dollars and retained about that level during the first few months of 1942. When some additional restrictions were placed on the use of our services by nonmember clearing banks about May of 1942, about sixteen of the eighteen accounts were closed and balances were reduced substantially. On December 31, 1942 these balances aggregated about \$670,000, a decrease of \$640,000 as compared

with December 31, 1941. Officers' checks increased from 7.2 million dollars to 9.1 million dollars between December 31, 1941 and December 31, 1942, an increase of 1.9 million dollars. Almost all of this increase in officers' checks outstanding occurred at our Helena Branch and represents cashier's checks issued to member banks to be used as collateral security for public funds.

Surplus Fund (Section 7). After providing for dividends to stockholders, net earnings for the year 1942 were \$68,402.55. The following statement shows changes in earnings and expenses and disposition of net earnings in 1942 compared with 1941:

Net Earnings

	<u>1942</u>	<u>1941</u>
Current earnings	\$ 1,478,321.97	\$ 1,223,236.78
Current expenses	<u>1,166,347.44</u>	<u>1,075,428.52</u>
Net current earnings	\$ 311,974.53	\$ 147,808.26
Additions to earnings		\$ 50,456.05
Deductions from earnings	\$ <u>60,231.74</u>	
	\$ 251,742.79	\$ 198,264.31

Disposition of Net Earnings

Dividends paid	\$ 183,336.33	\$ 179,789.68
Paid to U. S. Treasurer	3.91	490.14
Transferred to surplus (Sec. 7)	68,402.55	
Transferred to reserves for contingencies		<u>17,984.49</u>
	\$ <u>251,742.79</u>	\$ 198,264.31

EARNINGS

Head Office	\$1,478,038.75
Helena Branch	283.22
	<u>\$1,478,321.97</u>

Practically all of our earnings continue to accrue from our investment in United States Government securities held in the system open market account. As a matter of fact, approximately 98% of the earnings are derived from this source. Our average holdings of these securities in December was \$148,701,000 and earned 1.435%. The average for the year was \$88,652,600 and the average earning rate was 1.633%. Our daily average participation in governments was about 70 million dollars during the first four months of the year and the earning rate was 1.9%. During the four months beginning in May, our average participation was increased from 74 million dollars to 91 million dollars, and the earning rate dropped from 1.8% to 1.5%. The earning rate was reduced because our participation then included bills and certificates of indebtedness with much lower yields. During the last four months beginning in September our average participation was increased from 93.1 million dollars to 148.7 million dollars while the earning rate changed very little from 1.5%. During 1941 we held between 61.6 to 66.8 million dollars in these securities and the earning rate remained quite steady, around 1.8%. The distribution of our participation on December 31, 1942 compared to December 31, 1941 was:

	<u>1942</u>	<u>1941</u>
	(In thousands of dollars)	
Bonds	\$ 75,729	\$ 43,272
Notes	36,474	22,931
Bills	11,746	306
Certificates of Indebtedness	28,230	-
Bills held under repurchase agreement	2,000	-
	<u>\$154,179</u>	<u>\$ 66,509</u>

Earnings from industrial advances totaled \$21,276.47 from average holdings of \$481,510.96. These investments earned 4.419%. Earnings from discounted bills and foreign loans on gold totaled \$1,110.62 as compared with \$2,649.35 in 1941. Earnings on commitments to make industrial advances amounted to \$47.80. Other earnings were: interest collected on past due industrial advances, \$5,211.43; deficient reserve penalties, \$814.21; sale of waste paper, etc., \$326.54; clearing house fines, \$119.00; savings on registry fees on registered mail shipments made for member banks, \$1,074.11; miscellaneous

earnings, \$72.82. Helena Branch earnings were: deficient reserve penalties, \$274.99; discounted bills, \$8.23.

EXPENSES

Head Office	\$1,055,186.33
Helena Branch	<u>111,161.11</u>
	\$1,166,347.44

Gross expenses in 1942 totaled \$1,996,400 which was an increase of \$526,000 over 1941 costs. Reimbursable expenses totaled \$830,000 as compared with \$395,000 the preceding year. Net expenses increased \$91,000, due principally to a larger staff with increased salary costs and increased Federal Reserve note costs.

SALARIES

Head Office	\$ 524,482.65
Helena Branch	<u>61,006.76</u>
	\$ 585,489.41

Net salary costs increased \$57,000 at Head Office and \$1,150 at the Branch. During the year our personnel increased from ten officers and 545 employees at Head Office to sixteen officers and 807 employees. The Branch staff, during the same period, increased from 34 employees to 67 employees with a reduction in the official staff from three to two. In December we received reimbursement for all or part of the salaries of eight officers and 540 employees at Minneapolis and one officer and 49 employees at the Branch. The following comparative figures show changes in personnel by departments:

	<u>January 1, 1943</u>	<u>Increase or Decrease since January 1, 1942</u>
Head Office:		
Officers	16	+ 6
General staff	235	+ 26
Transit and mail departments	138	+ 33
Fiscal Agency department	238	+ 116
R. F. C. Custody department	182	+ 73
Victory Fund Committee	<u>14</u>	<u>+ 14</u>
	823	+ 268
Helena Branch:		
Officers	2	- 1
General staff	20	+ 3
Transit and mail departments	15	+ 1
Fiscal Agency department	18	+ 18
R. F. C. Custody department	<u>14</u>	<u>+ 10</u>
	69	+ 31

It is interesting to note, that in order to increase the staff at Head Office from 555 to 823 (268 increase), it was necessary to actually add 566 new employees because 298 people left our employ for the following reasons:

EXPENSES - Cont'd

	<u>Men</u>	<u>Women</u>
Death	1	1
Military leave	61	2
Resignations	61	138
Retirement	1	0
Other reasons	<u>16</u>	<u>17</u>
	140	158

At the Branch 71 new employees were hired and 39 were separated from the staff. The reasons for these separations were:

	<u>Men</u>	<u>Women</u>
Military leave	8	0
Resignations	5	22
Other reasons	<u>2</u>	<u>2</u>
	15	24

The percentage of turnover of help, based on the average number of employees for the year, was 47% at Head Office and 73% at the Branch.

RETIREMENT SYSTEM CONTRIBUTIONS

Head Office	\$ 29,505.38
Helena Branch	<u>3,768.03</u>
	\$ 33,273.41

In line with increased salary costs, contributions to the Retirement System increased \$5,600 at Head Office and \$800 at the Branch. During the first six months of the year the rate of contribution was 5.66%. The last six months of the year, the rate was 6.16%.

LEGAL FEES

Head Office	\$ 7,840.73
Helena Branch	<u>14.30</u>
	\$ 7,855.03

Legal fees in 1942 were \$1,800 less than in 1941, principally because a large portion of counsel's retainer fee was charged to reimbursable expenses due to increased legal work in connection with loans guaranteed under Regulation V.

DIRECTORS' FEES AND EXPENSES

Head Office	\$ 7,330.40
Helena Branch	<u>2,063.33</u>
	\$ 9,393.73

Fees and expenses for 1942 were \$500 less at Head Office and \$200 less at Helena than they were in 1941. Items contributing to the expense were:

	<u>1942</u>	<u>Increase or Decrease compared to 1941</u>
Head Office:		
Directors' meetings	\$ 5,400	\$ - 200
Executive committee meetings	300	- 200

EXPENSES - Cont'd

	<u>1942</u>	Increase or De- crease compared to 1941
	(Cont'd)	
Discount committee meetings	\$ 700	\$ + 200
Audit committee meetings	600	-
Chairmen's meeting at Washington	200	-
Directors' luncheons	100	-
Incidentals	-	- 300
	<u>\$7,300</u>	<u>\$ - 500</u>

TRAVELING EXPENSE

Head Office	\$ 15,281.02
Helena Branch	<u>1,282.98</u>
	\$ 16,564.00

Traveling costs in 1942 were \$6,400 less than in 1941. The following table shows a comparison of 1942 costs with similar items in 1941:

	<u>1942</u>	Increase or De- crease since 1941
Head Office:		
Bank examinations	\$ 7,077.33	\$ - 50
Visiting banks in our district	-	- 3,750
Bank relations (Preston)	722.02	+ 100
Industrial loan investigations	544.17	- 650
Industrial advisory committee expense	291.96	- 200
Failed banks' expense	-	- 350
Presidents' conferences	622.02	+ 50
Open market committee meetings	-	- 100
Retirement system committee meetings	139.30	- 50
Planning transit operations for new member banks	106.58	+ 50
Showing bank movie	37.20	-
Graduate school of banking	184.30	+ 100
Obtaining statistical information	-	- 100
Visiting newspaper publishers	-	- 650
Conference on National Defense	-	- 300
Auditors' convention	146.85	- 100
Employees attending A.I.B. convention	487.69	- 150
Planning operations at Helena Branch	-	- 150
Group meetings, conventions and conferences	2,994.55	+ 1,000
Talks before various groups	282.91	+ 150
Out-of-town meeting Board of Directors - officers' expense	52.27	- 150
Installment credit meetings	847.70	- 1,100
Defense Bonds liaison office, St. Paul	276.94	+ 50
Transfer employees Head Office to Branch - Branch to Head Office	432.83	+ 350
Miscellaneous	<u>34.40</u>	<u>- 50</u>
	\$15,281.02	\$ - 6,050
Helena Branch		
Visiting Montana banks	\$ 33.64	
Transfer of employees, Minneapolis to Helena	375.96	
Head Office auditors - travel costs	255.02	
Group meetings, conventions and conferences	294.83	
R. E. Towle to Minneapolis Victory Fund conference	166.05	
Regulation W conferences	106.46	
Miscellaneous	<u>51.02</u>	
	\$ 1,282.98	\$ - 350
	<u>\$16,564.00</u>	<u>\$ - 6,400</u>

EXPENSES - Cont'd

POSTAGE AND EXPRESSAGE

Head Office	\$120,891.04
Helena Branch	<u>17,974.67</u>
	\$138,865.71

Postage and expressage costs for 1942 showed very little change either at the Head Office or at the Branch as compared with costs of 1941. At the Head Office these costs decreased \$800, while at the Branch this expense increased \$300. The detail of postage and expressage costs is as follows:

	<u>1942</u>	<u>Increase or Decrease since 1941</u>
Postage: (Head Office)		
Absorbed on incoming currency shipments	\$ 27,757.75	\$ - 2,700
Placed on outgoing currency shipments	22,160.65	+ 1,700
Placed on outgoing coin shipments	8,813.24	- 400
Net amount used on ordinary mail	44,608.47	- 2,100
Postage used on security shipments	<u>677.18</u>	<u>+ 800</u>
	\$104,017.29	\$ - 2,700
Expressage: (Head Office)		
Absorbed on incoming currency shipments	\$ 214.29	\$ + 100
Absorbed on incoming coin shipments	5,919.80	- 300
Government checks sent by express	687.21	+ 100
Checks sent to member banks by express	5,409.16	+ 1,000
Paid to Brink's Inc. for express service	4,008.50	+ 700
Mail car expense	<u>634.79</u>	<u>+ 300</u>
	\$ 16,873.75	\$ + 1,900
Helena Branch costs:		
Postage and expressage on incoming and outgoing currency shipments	\$ 6,497.70	
Postage and expressage on incoming and outgoing coin shipments	2,344.75	
Postage on security shipments	82.64	
Ordinary mail costs	7,606.75	
Armored truck expense	101.83	
All other	<u>1,341.00</u>	
	\$ 17,974.67	\$ + 300
	<u>\$138,865.71</u>	<u>\$ - 500</u>

TELEPHONE AND TELEGRAPH

Head Office	\$ 8,818.58
Helena Branch	<u>4,932.51</u>
	\$ 13,751.09

Telephone and telegraph costs in 1942 were \$2,000 less at Head Office and \$600 more at Helena than they were in 1941. Head Office expense for 1941 included an item of \$2,700, the cost of sending 8,300 telegrams to dealers in instalment credit.

PRINTING, STATIONERY AND SUPPLIES

Head Office	\$ 35,023.51
Helena Branch	<u>3,898.53</u>
	\$ 38,922.04

EXPENSES - Cont'd

Office supplies at Head Office in 1942 cost \$1,400 less than in 1941, while at Helena Branch these purchases were approximately \$1,300 more than in 1941. During 1941 we anticipated our needs and did some advance buying.

INSURANCE ON CURRENCY AND SECURITY SHIPMENTS

Head Office	\$ 6,163.29
Helena Branch	<u>752.03</u>
	\$ 6,915.32

Costs in this unit of expense were reduced \$1,500 at Minneapolis and \$350 at the Branch. Minneapolis expense was allocated as follows:

	<u>1942</u>	<u>Increase or Decrease since 1941</u>
Incoming currency	\$ 2,391.31	\$ - 850
Outgoing currency	3,730.52	-
Outgoing coin	96.93	- 50
Securities	<u>55.47</u>	<u>- 600</u>
	\$ 6,163.29	\$ - 1,500

The premium rate charged on currency shipments to and from member banks was reduced during 1942 from .0425 per \$1,000 to .03 per \$1,000, and the rate on new Federal Reserve notes shipped to us from Washington was reduced from .02 to .015 per \$1,000 and these reductions reduced our insurance costs.

OTHER INSURANCE

Head Office	\$ 9,519.26
Helena Branch	<u>909.50</u>
	\$ 10,428.76

Miscellaneous insurance costs, as described below, are \$3,100 less than in 1941:

	<u>1942</u>	<u>1941</u>
Head Office:		
Group life insurance	\$ 1,969.07	\$ 1,607.97
Bankers' blanket bond	5,650.46	9,075.53
Workmen's compensation	1,434.37	1,044.18
Comprehensive public auto liability insurance	674.51	613.32
Fire insurance on building and contents	750.00	750.00
Steam boiler insurance	95.54	108.28
Burglary - securities	-	70.40
Collision insurance - officers and employees	92.55	130.86
Special police bonds	68.50	326.00
Riot and civil commotion	-	450.00
Fidelity bonds (F.R.Agent, Asst. F.R.Agent and Alternate Asst. F.R.Agent)	40.00	40.00
Notarial bond	11.00	21.00
Camera property floater and insurance on bank movie film	54.41	56.79
Unabsorbed premium on War Vandalism	50.00	-
Military service	117.60	-
Dividend group life insurance	<u>1,388.52</u>	<u>1,702.98</u>
	\$ 9,519.49	\$12,591.35
Helena Branch	<u>909.50</u>	<u>971.50</u>
	\$10,428.99	\$13,562.85

EXPENSES - Cont'd

LIGHT, HEAT, WATER AND POWER

Head Office	\$19,789.69
Helena Branch	<u>2,120.46</u>
	\$21,910.15

This year's Minneapolis costs as compared with costs of last year are shown below:

	<u>Heat</u>	<u>Power and Light</u>	<u>Water</u>	<u>Sewage</u>	<u>Fuel for Hot Water</u>
1942	\$2,449.77	\$15,563.63	\$913.80	\$715.89	\$146.60
1941	1,835.09	14,770.65	853.89	672.86	143.20

Helena Branch costs increased \$600.

REPAIRS AND ALTERATIONS TO BANK BUILDING

Head Office	\$ 16,440.53
Helena Branch	<u>945.75</u>
	\$ 17,386.28

Repairs and alterations at Head Office during 1942 were:

Otis Elevator contract	\$ 2,760.00
Architects' fees - proposed balcony	2,577.00
Fluorescent lighting fixtures	2,996.17
Remodeling ground floor space for office purposes	2,863.24
Linoleum	630.00
Blackout tape	340.73
Air conditioning changes	470.50
Plumbing charges	192.21
Alterations to cages and other bank floor work	990.87
Alterations to second floor	328.93
Alterations to third floor	333.98
Shutoff units added to boilers	500.50
Repairs to freight elevator and dumbwaiter	183.84
Steel covers for skylights	226.45
Repairs and decorating recreation room	210.17
Repairs and decorating women's rest room	126.28
Miscellaneous	<u>980.14</u>
	\$16,711.01
To partially reverse amount set up in 1941 cost of dividing coal bin	<u>270.48</u>
	\$16,440.53

Helena Branch:

Fluorescent light fixtures and instal- lation	\$ 630.83
Paint supplies	96.55
Christmas decorations	44.12
Cleaning steam boiler	38.45
Condensers for electric motors	20.25
Treads installed on stairways	19.75
Repairs to electric door	16.39
Miscellaneous	<u>79.41</u>
	\$ 945.75
	\$17,386.28

FURNITURE AND EQUIPMENT

Head Office	\$ 16,514.70
Helena Branch	<u>5,644.68</u>
	\$ 22,159.38

EXPENSES - Cont'd

Head Office purchases of furniture and equipment, although totaling \$16,500, were \$9,000 less than in 1941, Minneapolis purchases included.

Tables	\$ 2,625.43
Desks	1,096.50
Chairs	622.40
File cabinets	2,404.36
Adding and bookkeeping machines	6,682.98
Automobile	2,500.00
Paktyer machine	327.97
Monroe Calculator	360.00
Furniture and carpets, ladies' lounge	202.91
Miscellaneous purchases	<u>1,315.78</u>
	\$ 18,138.33
Less credit for 17 revolvers sold	425.00
Less credit for 17 typewriters paid for in 1941 but not delivered to us - order cancelled	1,105.00
Miscellaneous recoveries - equipment sold	<u>93.63</u>
	\$ 1,623.63
	<u>\$ 16,514.70</u>
Helena Purchases:	
Cabinets	162.65
Desks	447.50
Chairs	474.00
Tables	355.15
Duplicating machine	601.31
Adding machines	2,090.34
String-tying machine	272.25
Files	346.39
Floor polishing machine	196.00
Typewriters	170.00
Time clock	150.54
Miscellaneous	<u>378.55</u>
	\$ 5,644.68
	<u>\$ 22,159.38</u>

ALL OTHER EXPENSES

Head Office	\$ 33,352.53
Helena Branch	<u>3,261.32</u>
	\$ 36,613.85

These miscellaneous items cost about \$10,500 less at Head Office and \$1,100 more at Helena than in 1941. Larger items are listed below:

	<u>1942</u>	<u>Increase or De- crease compared to 1941</u>
Head Office:		
Rental, repairs and maintenance of furniture and equipment	\$ 1,794.91	\$ - 400
Outside protection, vault in- spection, etc.	740.66	- 1,000
Newspapers, periodicals, books, etc.	3,035.40	+ 600
Supplies furnished member banks	16.85	- 700
Copies of bank examination re- ports	3,715.00	+ 100
Commercial agency credit reports and services	543.80	- 300
Medical service and supplies and physical examinations	1,272.62	+ 300
Cafeteria net expense	3,601.22	+ 500
Employees' education: A.I.B.	1,827.00	+ 200
Federal Reserve Club	3,073.03	+ 1,500

EXPENSES - Cont'd

	<u>1942</u>	<u>Increase or De- crease compared to 1941</u>
Head Office: (Cont'd)		
Foreign department	\$ 3,092.74	\$ + 800
Member bank conference	-	- 4,900
Study of official compensation in F. R. Banks	-	- 1,100
Educational picture story book	402.84	- 9,300
Conference State Bank superintendents	-	- 1,400
Manual of transit instructions	-	- 500
Study of career system for executive personnel	131.27	- 1,100
Victory Fund advertising	5,640.52	+ 5,500
Helena Branch:		
Rental, repairs and maintainance of furniture and equipment	1,321.59	+ 700

BOARD ASSESSMENT

Head Office \$38,277.49

This assessment is made by the Board of Governors of the Federal Reserve System to defray the expenses of maintaining the Board's staff and Board building at Washington. The 1942 assessment was \$2,300 less than the 1941 assessment and within \$100 of the assessment made in 1940.

COST OF FEDERAL RESERVE CURRENCY

Original cost (including shipping charges)	\$110,946.89
Cost of redemption	<u>5,089.61</u>
	\$116,036.50

Our note costs in 1942 were higher than for any year since the organization of the Federal Reserve System. Comparative costs for the last five years are shown below:

	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>
Printing costs	\$39,400	\$23,000	\$18,000	\$26,000	\$87,800
Postage	2,500	2,500	3,400	5,900	8,000
Surcharges	3,600	4,200	5,500	10,200	13,000
Insurance	900	900	1,200	1,600	2,000
Salaries of issue and redemption division	<u>300</u>	<u>300</u>	<u>200</u>	<u>400</u>	<u>200</u>
	46,700	30,900	28,300	44,100	111,000
Cost of redemption	<u>4,700</u>	<u>6,100</u>	<u>5,600</u>	<u>5,300</u>	<u>5,100</u>
	\$51,400	\$37,000	\$33,900	\$49,400	\$116,100

REIMBURSABLE EXPENDITURES

Reimbursable expenses reached an all-time high in 1942. The total expended for the Treasury and others during this year was \$830,000, and was classified by units of expense as follows:

	<u>1942</u>	<u>Increase or De- crease compared to 1941</u>
Salaries: Officers	\$ 29,250.45	\$ + 17,000
Employees	482,594.30	+ 200,000

EXPENSES - Cont'd

	1942	(Cont'd)	Increase or Decrease compared to 1941
Retirement System contributions	\$ 24,816.28		\$ + 12,000
Legal fees	1,606.25		+ 2,000
Traveling expenses	8,073.31		+ 5,000
Postage and expressage	157,849.02		+ 134,000
Telephone and telegraph	15,277.63		+ 7,000
Printing, stationery and supplies	44,519.68		+ 26,000
Other insurance	420.49		-
Rent	321.57		-
Furniture and equipment	15,421.90		+ 14,000
Space maintenance	37,263.37		+ 10,000
Rental of furniture and equipment -			
owned by Federal Reserve Bank	6,550.87		+ 1,000
not owned by Federal Reserve Bank	1,591.33		+ 2,000
All other	4,510.26		+ 4,000
	<u>\$830,066.71</u>		<u>\$ + 434,000</u>

Departments or agencies for which these expenses were incurred:

U. S. Treasury issues	\$ 68,549.46	\$ + 31,000
U. S. Savings bonds	412,815.69	+ 317,000
Work Relief checks	7,472.00	- 5,000
Foreign Exchange	17,790.29	+ 5,000
Victory Fund Committee	41,190.72	+ 41,000
Reconstruction Finance Corporation	85,233.41	+ 22,000
Federal Farm Mortgage Corporation	4,563.59	+ 1,000
Federal Land Banks	911.14	- 1,000
Federal Intermediate Credit Banks	5.33	-
U. S. Housing Authority	396.37	-
Public Works Administration	38.21	- 1,000
Home Owners' Loan Corporation	2,546.68	-
War Department	21,644.35	+ 22,000
Maritime Commission	1,008.88	+ 1,000
Navy Department	4,200.51	+ 4,000
Defense Contract Service	1,415.24	- 22,000
Federal Housing Administration	5.85	-
Leased Wire Service	1,198.19	- 1,000
Photostatic Service	95.35	-
Commodity Credit Corporation	158,985.45	+ 20,000
	<u>\$830,066.71</u>	<u>\$ + 434,000</u>

COMPARATIVE STATEMENT OF EARNINGS

FEDERAL RESERVE BANK OF MINNEAPOLIS AND HELENA BRANCH

Earnings from:	Minneapolis 1942	Helena Branch 1942	Combined 1942	Increase or De- crease since Dec. 31, 1941
Discounted bills	\$ 1,110.62	\$ 8.23	\$ 1,118.85	\$ + 1,530.50
Industrial advances	21,276.47		21,276.47	+ 486.01
Commitments to make industrial advances	47.80		47.80	- 368.23
U. S. Government securities	1,447,985.75		1,447,985.75	+256,623.83
Rent received: Banking House	66.00		66.00	+ 66.00
Deficient Reserve penalties	814.21	274.99	1,089.20	+ 411.89
Interest on past due industrial advances	5,211.43		5,211.43	- 837.01
Sale of waste paper, money bags, etc.	326.54		326.54	+ 191.49
Clearing House fines	119.00		119.00	+ 33.00
Interest received on personal loans to employees				- .66
Interest received on advances to protect collateral	3.00		3.00	+ 3.00
Monthly letters sold				- 11.00
Savings in registration fee, etc. on registered mail shipments to member banks	1,074.11		1,074.11	+ 15.90
All other	3.82		3.82	+ 1.47
<hr/>				
Total earnings	\$ 1,478,038.75	\$ 283.22	\$1,478,321.97	+255,085.19

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COMPARATIVE STATEMENT

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

	<u>Minneapolis 1942</u>	<u>Helena Branch 1942</u>	<u>Combined 1942</u>	<u>Increase or De- crease since Dec. 31, 1941</u>
Salaries: Officers	\$ 92,386.27	10,608.80	102,995.07	+ 4,010.76
Employees	432,096.38	50,397.96	482,494.34	+ 54,233.69
Retirement System contributions	29,505.38	3,768.03	33,273.41	+ 6,425.26
Legal fees	7,840.73	14.30	7,855.03	- 1,810.34
Directors' fees & expenses	7,330.40	2,063.33	9,393.73	- 673.22
Federal Advisory Council fees & expenses	1,374.30		1,374.30	- 22.85
Traveling expenses	15,281.02	1,282.98	16,564.00	- 6,433.15
Postage & expressage	120,879.50	17,974.67	138,854.17	- 487.94
Telephone & telegraph	8,830.12	4,932.51	13,762.63	- 1,449.37
Printing, stationery & supplies	35,023.51	3,898.53	38,922.04	- 156.18
Insurance on Currency & Security shipments	6,163.29	752.03	6,915.32	- 1,826.27
Other insurance	9,519.26	909.50	10,428.76	- 3,134.09
Taxes on Bank premises	64,325.94	1,772.85	66,098.79	- 823.81
Depreciation on Bank building	25,665.60	3,180.84	28,846.44	- 731.00
Light, heat, power & water	19,789.69	2,120.46	21,910.15	+ 2,103.78
Repairs & alterations to Bank building	16,440.53	945.75	17,386.28	+ 2,017.16
Furniture & equipment	16,514.70	5,644.68	22,159.38	- 3,804.22
All other	33,352.53	3,261.32	36,613.85	- 9,334.63
Total Operating expenses	\$ 942,319.15	113,528.54	1,055,847.69	+ 38,103.58
Received from Government Agencies for:				
Rental of space	35,459.48	1,803.89	37,263.37	+ 10,351.12
Rental of furniture and equipment	5,987.33	563.54	6,550.87	+ 1,126.92
Net Operating expenses	\$ 900,872.34	111,161.11	1,012,033.45	+ 26,625.54
Board Assessment	\$ 38,277.49		38,277.49	- 2,336.87
Federal Reserve Currency:				
Original Cost including shipping charges	\$ 110,946.89		110,946.89	+ 66,805.54
Cost of redemption, including shipping charges	5,089.61		5,089.61	- 175.29
Total Current Expenses	\$1,055,186.33	111,161.11	1,166,347.44	+ 90,918.92

PROFIT AND LOSS ACCOUNT

Current earnings	\$	1,478,321.97	
Current Expenses		<u>1,166,347.44</u>	
Current Net Earnings	\$		311,974.53

PROFITS:

Profit on sale of U. S. securities	\$		102,715.65
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Profits from sale, liquidation or income from assets acquired through failed banks:

First Kenmare National Bank	Kenmare	N. D.	110.00
First National Bank	Van Hook	N. D.	100.00
First National Bank	Sisseton	S. D.	30.00
First National Bank	Poplar	Mont.	415.32
First National Bank	Scobey	Mont.	273.82

Recovery from Treasury Department for expenditures incurred in connection with Defense Contract service charged to Profit & Loss May 10, 1941			1,184.74
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Recoveries on industrial advances previously charged off:

Cook, Inc.	Minneapolis Minn.	180.00
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Net income miscellaneous assets acquired account industrial advance Ambrose Merc. Co.			75.00
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Sale of miscellaneous scrap			24.75
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Profit on sale of mutilated currency and coin			53.13
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Interest collected on personal loan to employee previously charged off			16.78
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Cash left at teller's window - owner unknown			.75
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Currency found in bag returned to us - sender unknown			1.00
Total additions	\$		<u>105,180.99</u>

LOSSES:

Check in Helena's cash letter 10-23-41 to Federal Reserve Bank, Chicago, destroyed in airliner crash - source not known			20.00
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Option to purchase old Farmers & Mechanics Savings Bank Building option not exercised			500.00
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Unadjusted differences for 1942			1,099.92
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Shipping charges on securities handled incorrectly by our Custody Department			45.33
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Loss on Industrial Advance, Ambrose Merc. Co. Property acquired through foreclosure, lost because of nonpayment of taxes			1,003.74
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Counterfeit coin and pinball slugs			1.25
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Discount on Canadian currency and coin			1.49
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PROFIT AND LOSS ACCOUNT - Cont'd

Special reserve (subject to the action of the Board of Directors) with regard to proposed supplementary contribution to the Retirement System of F. R. Banks	\$ 151,741.00
Reserve for possible loss on Industrial advance	<u>11,000.00</u>
TOTAL DEDUCTIONS	\$ 165,412.73
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Net deductions from current net earnings	\$ 60,231.74
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Net earnings	\$ 251,742.79
<hr/>	

Dividends paid	\$ 183,336.33
Credited to U. S. Treasury - 13b loans	3.91
Transferred to surplus (Section 7)	<u>68,402.55</u>
	\$ 251,742.79

SURPLUS (Section 7)

Surplus (Section 7) December 31, 1941	\$ 3,152,420.27
Transferred from Profit & Loss 12-31-42	<u>68,402.55</u>
	\$ 3,220,822.82

SURPLUS (SECTION 13b)

Surplus (Section 13b) December 31, 1941	\$ 1,000,298.87
Change during year	None
Surplus (Section 13b) December 31, 1942	\$ 1,000,298.87

RESERVES

(Other than for F.D.I.C. Stock and Depreciation on Bank Premises)

Reserves for contingencies December 31, 1941	\$ 2,516,647.17
Reserve for losses on past due industrial advances December 31, 1941	<u>73,000.00</u>
Total reserves December 31, 1941	\$ 2,589,647.17
Debits during year	None
Credits during year:	
Added to reserves for losses on past due industrial advances	<u>11,000.00</u>
Reserves December 31, 1942	
Reserves for contingencies	\$ 2,516,647.17
Reserve for losses on past due industrial advance	<u>84,000.00</u>
	\$ 2,600,647.17

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REPORT OF BANK AND PUBLIC RELATIONS ACTIVITIES
AT THE FEDERAL RESERVE BANK OF MINNEAPOLIS
DURING 1942

Bank officers and representatives attended 214 meetings, delivered 134 addresses to an estimated audience of 16,150 people, and made 159 visits at member banks and 49 visits at nonmember banks in the district.

The attendance at showings of the Federal Reserve Bank movie during 1942 was 20,314. The bank continued its cooperation with the Wisconsin Bankers Association with regard to showings of the Federal Reserve movie.

A comparative statement of operating ratios for 1939, 1940 and 1941 was sent to each member bank in the district with a memorandum on how to use the operating ratio statement. In addition, operating ratios were computed for the State banks of North Dakota at the request of the North Dakota Banking Commissioner.

The Federal Reserve Club developed two casts for the skit "Mother Buys a Bond" to assist in the sale of War Bonds and Stamps. Twenty-two performances were given in Minneapolis and nearby towns to an estimated audience of 6,805 people. The play was put on at the Minnesota Bankers Association convention in Duluth, at parent and teachers association meetings, commercial clubs, etc.

The July meeting of the board of directors was held in Duluth at the same time as the Minnesota Bankers Association annual convention.

In May the Federal Reserve picture book "Your Money and the Federal Reserve System" was completed and 50,000 copies were printed. An initial distribution of sample copies was made in May to all banks and high schools in the district as well as to banking publications and interested parties in other parts of the United States. Arrangements were made to place "kits" of copies in all of the high schools in Minneapolis and St. Paul. In November letters were sent to all banks in the district suggesting that they might gain some public relations value from arranging with their local high school to have a supply of the booklet placed in the high school library. In all, 21,824 copies of the booklet have been distributed.

Beginning in September a series of biweekly luncheons was held at the bank with Twin City bank officers as our guests. Seven such luncheons were held. At each luncheon a guest speaker discussed some topic of the day.

Twelve issues of the Monthly Review were printed and distributed to a mailing list which in December consisted of 5,545 names. The News Review was sent to a mailing list of 560 member banks and others each week during the year.

FISCAL AGENCY FUNCTIONS

Volume of Operations

New issues, redemptions and exchanges of various United States Government securities handled, including United States Savings Bonds and Adjusted Service Bonds aggregated 3,359,853 pieces and amounted to \$1,547,625,159.50 as compared with 415,016 pieces amounting to \$456,286,413.50 in 1941. In addition, on exchange transactions, such as denominational exchanges, exchanges of coupon for registered securities and United States Savings Bonds shipped to issuing agents 2,708,365 pieces were delivered, amounting to \$334,233,975.00 as compared with 351,178 pieces amounting to \$122,927,200.00 in 1941.

The total number of individual securities received and delivered by the Fiscal Agency Department (including securities of Governmental Agencies) during 1942 was 6,096,247 totaling \$2,000,703,349.50 as compared with 789,436 totaling \$698,640,340.00 in 1941.

We redeemed 292,056 Government coupons amounting to \$10,885,833.90 during the past year, as compared with 297,227 coupons totaling \$8,795,223.96 during 1941. We also redeemed 133,891 Governmental Agency coupons amounting to \$1,911,362.20 during 1942, as compared with 155,169 totaling \$2,297,716.23 in 1941.

During the year we issued 161,200 United States Treasury checks in payment of Adjusted Service Bonds, United States Savings Bonds, and other Public Debt redemptions, as compared with 25,020 checks during 1941.

There were 18 offerings of United States Government Securities during 1942 for cash and exchange, excluding Treasury Bills. The total number of subscribers to these issues was 12,234; of this number 9,061 were banks; the total subscriptions aggregated \$866,352,200.00. The amount allotted on these subscriptions was \$598,696,900.00.

It is interesting to note that in the Victory Fund Drive during December, which was the largest in the history of our country, there were 3,680 subscribers for the three offerings of which 1,891 were banks. The total amount subscribed was \$235,586,500.00, the total amount allotted being \$192,147,500.00. The total amount allotted during December was by far greater than the total amount allotted during the entire year of 1941 which was \$108,155,900.00.

From January 1, 1942, through the first week in June, 1942, 178 tenders for Treasury Bills were received amounting to \$69,944,000.00 of which amount \$55,418,000.00 was accepted. After the first week in June through the end of the year the total amount of tenders received amounted to \$328,899,000.00 of which \$284,290,000.00 was accepted. This covers 1,990 tenders covering 2,336 subscribers.

At the close of 1942 there were 940 banks and trust companies in this district which were designated as special depositaries of public moneys as compared with 108 at the close of 1941. As of December 31, 1942, 741 of the qualified depositaries had War Loan Deposits.

In a recent press release issued by the Treasury Department there were more banks qualified as War Loan Depositaries in this district than in any other Federal Reserve District.

1942 ANNUAL REPORT OF THE CONSUMER CREDIT DEPARTMENT

On January 1, 1942, the final date for the original registrations of instalment lenders and vendors under Regulation W, 12,000 individuals, partnerships and corporations had filed registration statements with this bank. By the end of the year an additional 2,100 were registered to make a total of 14,100. In addition, our present mailing list includes over 3,000 names that are receiving amendments and other releases.

During the year representatives of the department traveled 16,000 miles for the purpose of discussing the terms of the regulation at 75 meetings. Over 10,000 business men attended the meetings.

To meet economic changes of an inflationary nature, as well as to improve its practical workings, Regulation W was amended on 7 occasions during the year, making a total of 9 amendments to the original regulation of August 21, 1941.

At the suggestion of the Board, members of the department met with the state banking examiners and commissioners of Minnesota, North and South Dakota, and Wisconsin, as well as the Minnesota F.D.I.C. examiners for the purpose of acquainting the examiners with the terms of the regulation in order that they might more effectively assist us with any enforcement problems that might arise.

The enforcement of Regulation W has not been of any consequence to the present time in the Ninth District. Although we have received several telephone complaints of alleged violations only about 20 of these have been supported by written statements, and upon investigation only 6 required detailed analysis by our investigators. A few complaints have been made concerning misleading advertising, but after discussing the problem with them these firms in all cases have agreed to refrain from further use of such ads. Most reported violations have been found to be due to errors or ignorance of the Regulation, rather than willful attempts to avoid its terms.

CHECK COLLECTION DEPARTMENT

The Check Collection Department handled 31,763,000 cash items during the year 1942 compared to 31,828,000 items handled during the year 1941. The important change in the volume of checks handled in 1942 compared with 1941 was an increase of 795,000 country checks and 319,000 checks drawn on the Treasurer of the United States. However, there was a reduction of 881,000 work relief checks handled in 1942 compared to the number of checks received in 1941. We have not been notified officially but it is our understanding that the W.P.A. projects will be discontinued entirely sometime during the month of February 1943.

An important change in procedure was adopted and installed in July 1942 when the five-day work week plan for 30 unit operators and 6 utility operators in the Check Collection Department was put into effect. The day off is rotated so that each employee under this plan receives a different day off from Saturday through Friday each work week for a period of every six weeks. This plan has proven to be very satisfactory and has enabled us to operate more efficiently in this division of the department and also it has been easier to maintain a more uniform daily work hour

schedule within the 40 hour work week.

During the latter part of November 1942 we added approximately 25 girls to our staff in the Check Collection Department for the purpose of training and to use for replacements of any current or future turnover of help. By keeping the number of employees in the Check Collection Department up to or near the present level during the war period we will be in a position to replace any experienced clerk upon resignation with a clerk who has had some training and experience.

During 1942 we handled approximately 1,454,000 pieces of outgoing mail in our mail division which represents approximately 478,400 more pieces of mail than we handled in 1941. We have replaced our day force messengers and also our 4:00 p.m. mail shift clerks with men ranging in age from 50 years to 60 years on account of boys enlisting or being inducted into the armed forces. The necessity for making this change is evidenced by the fact that we had over 100% turnover in help on the day force and about 300% on the 4:00 p.m. mail shift during 1942.

NONCASH COLLECTION DEPARTMENT

There was very little change in the number of items handled by the collection department during 1942 as compared with the previous year.

Grain drafts handled during the year reached an all time high of 822,511 an increase of 15,195 over 1941. However the city collections fell off 4,682 items.

Country collections decreased 1,752 and security collections continued to decrease from the previous year.

Member banks forwarded 6,294 collections totaling \$20,480,755.61 direct to other Federal Reserve Banks for their credit with us during 1942 and 6,608 items totaling \$20,270,374.42 during 1941.

COMPARISON OF NUMBER OF ITEMS RECEIVED FOR COLLECTION

<u>City Collections</u>		<u>Country Collections</u>		<u>Security Collections</u>	
<u>1941</u>	<u>1942</u>	<u>1941</u>	<u>1942</u>	<u>1941</u>	<u>1942</u>
842,536	853,049	56,911	55,159	30,607	28,960
<u>Dollar Volume</u>					
(Thousands omitted)					
1941	\$342,590		\$26,646		\$39,316
1942	408,301		51,434		24,675

SAFEKEEPING DEPARTMENT

Securities held in our custody for safekeeping and for collateral purposes, exclusive of securities held for the Treasury Department and other governmental agencies, increased \$308,285,458.89 over 1941. Of this amount \$284,042,318.88 represented the increase of securities held free in safekeeping for our member banks, and \$24,243,140.01 the increase in pledged securities. Securities held as Collateral to War Loan Deposit Accounts increased \$112,149,800 over the amount held at the close of business December 31, 1941. The number of qualified depositaries increased during the year from 233 to 940 and the active accounts from 78 to 726.

During 1942 the total U. S. Savings Bonds of all the series held for individuals, firms, corporations, and non-member banks increased \$4,726,800 compared with an increase of \$1,631,925 the previous year, and 16,080 safekeeping receipts covering U. S. Savings Bonds were issued as compared with 4,207 issued in 1941. At the close of business December 31, 1942, 441 non-member banks and approximately 7,000 individuals and firms availed themselves of the safekeeping service in connection with U. S. Savings Bonds.

In 1942, we received 81,513 pieces compared to 43,998 pieces in 1941, and delivered 40,397 pieces compared to 39,748 the previous year. The number of coupons clipped last year was 211,600 as compared with 201,982 the previous year.

For comparative purposes, we list below a statement of all accounts showing the total securities held at the close of business December 31, 1941 and December 31, 1942.

	<u>Dec. 31, 1942</u>	<u>Dec. 31, 1941</u>
Government and miscellaneous securities held in safekeeping for members	\$465,622,790.94	✓\$181,580,472.06
Securities pledged to secure public deposits	153,263,510.06	✓129,020,370.05
U. S. Savings bonds held for individuals, firms, corporations, and non-member banks	22,449,750.00	✓17,722,950.00
Securities held for U.S. Govt. officials	4,310,600.00	✓3,379,500.00
Securities held for Reconstruction Finance Corporation	15,921,530.16	✓16,243,897.58
Collateral to War Loan Deposits	113,886,650.00	✓1,736,850.00
Collateral to Discounts, Rediscounts and Industrial Advances	1,044.50	75,846.00
Securities held for U.S. Housing Authority	2,853,028.00	✓2,257,041.00
Collateral to Consignment Account--U. S. Savings Bond Series E	690,800.00	1,530,050.00
Bonds subject to Foreign Funds Control	None	12,000.00
Treasury Bills held under Repurchase Option	2,000,000.00	
Safekeeping--Non-Member Accounts	942,000.00	
War Savings Stamps	21.00	
	<hr/> \$781,941,724.66	<hr/> \$353,558,976.69

RECONSTRUCTION FINANCE CORPORATION CUSTODIAN

Our activities for the Reconstruction Finance Corporation and its subsidiaries increased considerably during 1942, both as to types of transactions and volume.

Additional activities were:

1. Disbursements for the Defense Plant Corporation in connection with erection of plants leased to private concerns for manufacture and building of articles essential to prosecution of the war;
2. Receipt and custody of warehouse receipts for fifty-seven million pounds of Australian wool placed in warehouses within our district by the Defense Supplies Corporation and payment of the storage charges on such wool;
3. Settlements for tires acquired by the Defense Supplies Corporation under the so-called "Idle Tire Program", some of which are donated by the owners and for the balance payments are made by checks, war savings stamps or war savings bonds--payments of express charges, warehousemen's charges, appraisers' fees, etc., are made by us--about 85,000 shipments have been settled for thus far and it is estimated the total will be close to 250,000;
4. In connection with War Damage Corporation insurance, written through and by insurance companies of the country, we receive premiums less commissions and fees deducted, with reports to cover and tickets describing coverage, rates, premiums, commission and fees as to each policy and we are required to verify correctness of such detail. On approximately 30,000 policies reported to us, covering over \$1,000,000,000 of insurance in force, gross premiums amount to over \$1,000,000;
5. A few matters in connection with activities of the Metals Reserve Company and the Rubber Reserve Company. It appears we will have more to do for them shortly;
6. Loans made by the Reconstruction Finance Corporation itself to business enterprises, some for defense or war production purposes, some to cover frozen or rationed articles or commodities, such as Automobiles, Oil burners, Typewriters, Tires, etc., some for coal purchases (by dealers). Purchases of frozen or rationed articles listed. Thus far the only purchases are 89 oil burners.

Our activities for the Commodity Credit Corporation have this last year increased both in types of transactions and in volume. Storage problems caused the Corporation to move many steel bins from other districts into ours and to have built for them a very large number of wooden bins, which later in many cases were sold to farmer-producers. We have disbursed funds in connection with construction and transportation of such bins, have received proceeds of sales, including notes taken and repayments on such notes. In addition to making loans on grains, the Corporation has purchased and sold large quantities of grain, mostly wheat. Wheat has been sold for feed purposes, bought and sold to facilitate storage, and bought for account of the Federal Crop Insurance Corporation. In connection with flax, the Corporation has entered into contracts with Flaxseed Processors, some of whom are loaned funds, (Minneapolis handles entire country on this program). All of this involves transfers of grain, money receipts and collections, disbursements for purchase, transportation, storage, etc. At the present time, we are functioning on twenty-seven loan programs, five purchase programs and nine pool programs; each year and each grain constituting a different program. The pools consist of wheat and a comparatively small amount of other grains. At this time we hold in pools about 160,000 warehouse receipts for over 57,000,000 bushels of grain. The 1940 crop loans included about 166,000 secured by wheat stored in warehouses and about 14,000 on wheat stored on the farms. Because of shortage of warehouse storage, 1941 crop loans included about 102,000 on wheat in warehouses and 60,000 on wheat on the farms. Loans on farm stored wheat have each year been extended for a second period if the producer so desired and about one-half of them are extended. In connection with the extensions, we have paid storage. In connection with deliveries, storage is paid and adjustments for over-deliveries or shortages made as well as for grade differences.

All of the above activities make for a large volume of detail and while we act in conjunction with the local offices of the Reconstruction Finance Corporation and Commodity Credit Corporation, we must always know that we act within authority given by general regulations or specific instructions furnished us by the Reconstruction Finance Corporation, (the Reconstruction Finance Corporation is fiscal agent for the Commodity Credit Corporation, and this bank

is fiscal agent for the Reconstruction Finance Corporation). Our force has increased to over 180 persons, a very large proportion of which are young girls, who have done very good work, considering that for the most part they have come to us without previous experience.

RESEARCH AND STATISTICAL DEPARTMENT

The year 1942 has seen a great number of changes in the Research and Statistical Department which have been brought about by the general expansion in demands for factual information and the corresponding necessity for changes within the department.

April saw the addition of a new series of reports gathered monthly from selected banks regarding consumer credit data and titled "Commercial Bank Report of Consumer Instalment Credit." The information gathered is designed to aid in determining the effect of Regulation W as well as to assist the Board in making decisions relating to the administration of the Regulation. We are now gathering figures from an identical group of 26 banks and preparing a summary for the Board each month.

The ground work for a retail furniture reporting service was laid in May when we received a final outline of the suggested procedure from the Board of Governors. Work began immediately to select and make reporting arrangements with a group of representative stores in addition to the working out of preliminary report forms. Meetings were held with furniture dealers in Minneapolis, St. Paul, and Duluth-Superior during June and dealers were contacted personally to facilitate proper posting of initial furniture store reports; to answer questions, and to present advantages of the plan and encourage cooperation. The furniture reporting series was formally inaugurated in this month. A group of about 60 furniture stores now report their sales, inventories, collections and receivables to us each month.

Effective in May, the Board made a change in the collection of Bank Debit figures from a weekly to a monthly basis. This change, which was designed to reduce the amount of work, was more than offset by the fact that we were also required to report figures on a "per bank" rather than a "per reporting center" basis, as formerly. While the actual amount of work was

increased somewhat, monthly debit figures have proven more stable, and, therefore, more workable for comparative purposes than weekly debits.

Because of the Board's responsibility in framing policy with respect to consumer credit, it seemed advisable to centralize the collection of statistics in this field; consequently, in August, the Board of Governors made arrangements with the Department of Commerce to take over their consumer credit series on industrial banks, personal finance companies, State and Federal credit unions, and jewelry and household appliance stores. While we were already collecting data on loan volume and outstandings of 29 commercial banks, the addition of the 120 Northwest firms in the Department of Commerce series greatly increased our scope of information concerning consumer credit.

Work on post-war studies began in August with the setting up of post-war files. All data and publications relating to or in any way helpful in determining the trend of post-war developments will be included in these files for future analysis. With the extreme importance of post-war planning coming to the fore, this bank in November obtained the services of Dr. Arthur R. Upgren to act as Vice President and Economist. It is expected that more emphasis will be put on the subject during the coming months. As these studies develop, it will be necessary to add to the existing personnel of the office.

The department began a survey in April of commercial and industrial loans made by member banks from April 16 to May 15. This spot survey was for the Board and was to provide information for each bank as to the size of each loan made or renewed in the period, the business and size of the borrower, maturity date of the loan, interest rate of the loan, and whether the loan was for defense or non-defense purposes. Commercial and industrial loans outstanding at the beginning and end of the period were also provided by each bank. This work was completed in May and tabulated on punch cards by I. B. M. Owing to a special need of the Board for information on Commercial Bank loans, interim reports of loans made from April 16-30 were requested from 16 of the largest member banks in the District.

CURRENCY AND COIN DEPARTMENT

In reviewing the activities of the Currency and Coin Department for the year 1942, we find some interesting changes in many of the figures. Although the amount received from members and others shows an increase of two per cent, the unfit currency forwarded to the Treasury Department decreased to thirty-two per cent of the 1941 figures. This is due to the change in the standard of fitness requested by the Treasury Department in March 1942.

Fit notes of other Federal Reserve Banks returned to them and also shipped to members of the Federal Reserve Bank of Chicago show an increase of sixty-eight per cent which was caused partly by the change in the sort and partly by the increase in circulation.

The volume of currency paid out increased by thirty per cent in amount and twenty-five per cent in number of payments. This increase has been evidenced in the larger denominations, especially \$20 denominations and up.

We have not paid out new \$5 silver certificates since July. The last shipment of such notes was received from the Treasury Department in June. This, coupled with the increased demand, explains the increase of our own \$5 notes in circulation. We received no \$10 silver certificates during the year.

The coin movements show very slight changes except the increase of new coin received from the mints and a similar decrease of current coin from our members.

Outgoing Shipments

	<u>Currency</u>			
	<u>1942</u>		<u>1941</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Local Banks	1,802	\$102,371,900	1,864	\$ 98,278,000
Country Members	22,158	122,044,075	20,707	85,737,000
Nonmembers- Others	<u>5,341</u>	<u>18,171,800</u>	<u>147</u>	<u>2,401,000</u>
Total	29,301	\$242,587,775	22,718	\$186,416,000
<u>Coin</u>				
	8,823	\$4,865,550	10,100	\$4,621,000

Incoming Shipments

	<u>Currency</u>		<u>1941</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Local Banks	2,683	\$ 55,993,296	2,958	\$ 65,517,000
Country Members	9,774	75,272,460	11,723	76,452,000
Nonmembers-others	2,960	20,364,309	3,055	8,606,000
Total	15,417	\$151,630,065	17,736	\$150,575,000
<u>Coin</u>				
	2,314	\$ 2,906,235	1,976	\$ 3,201,000

BANK EXAMINATION DEPARTMENT

There were on December 31, 1942, ninety-four State member banks. Each State member bank in this district was examined at least once by examiners for the Federal Reserve Bank of Minneapolis during the calendar year 1942.

As of the end of the year, fifteen State member banks were exercising trust powers, including three having only escrow and custodianship accounts. Fourteen regular examinations of trust departments of State member banks were made. Eighty-two national banks held permits to exercise full or limited trust powers. During the year, one national bank having fiduciary powers went into voluntary liquidation. Action has also been taken by another national bank to relinquish its trust powers.

The examinations by this Department in the various States were as follows:

	<u>State Banks</u>	<u>Holding Company Affiliates</u>
Michigan	15	
Minnesota	24	1
Montana	26	
South Dakota	23	
Wisconsin	6	
	<u>94</u>	<u>1</u>

Examination of Holding Company Affiliates

An examination of the First Bank Stock Corporation, a holding company affiliate, was commenced as of the close of business November 30, 1942; the examination was not completed as of December 31.

An examination of the Northwest Bancorporation, which commenced as of the close of business December 8, 1941, was completed during 1942.

STATE BANK APPLICATIONS FOR MEMBERSHIP - 1942

Three applications for membership in the Federal Reserve System were received from State banks during the year. Applications of the following banks were approved by the Board at Washington and membership in the System completed: The Peninsula Bank of Ishpeming, Ishpeming, Michigan, and the Ravalli County Bank, Hamilton, Montana.

Applications for National Charters

Two applications for national bank charters were referred to this office for recommendation during the year. A charter was granted to one bank by the Comptroller of the Currency. Although the second application has been approved by the Comptroller, no further action has been taken with respect thereto.

BANK CHANGES IN 1942 (Per Stock Book Records)

Total number of member banks in the district January 1, 1942	453
National banks organized	1
State banks admitted	6
	<u>460</u>

National banks succeeded by other national banks	1	
National banks succeeded by State member banks	1	
National banks succeeded by nonmember State banks	3	
National banks absorbed by other national banks	<u>1</u>	<u>6</u>

Total number of member banks holding stock in the Federal Reserve Bank of Minneapolis at the end of the year	454
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Membership

At the close of the year there were 454 member banks in this district as compared with 453 member banks at the beginning of the year. There was a net loss of 5 national banks and a net gain of 6 State member banks. The total membership at the close of the year was divided into 360 national banks and 94 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 Peninsula Bank of Ishpeming	Ishpeming, Michigan	120
Austin State Bank	Austin, Minnesota	75
State Bank of Northfield	Northfield, Minnesota	42
State Bank of Virginia	Virginia, Minnesota	72
Ravalli County Bank	Hamilton, Montana	60
Bank of Menomonie	Menomonie, Wisconsin	69
The First National Bank in Menomonie	Menomonie, Wisconsin	111

State Bank Membership According to States

<u>State</u>	<u>No. of State Bank Members 1-1-42</u>	<u>No. of State Banks Admitted During Year</u>	<u>No. of State Bank Members, 12-31-42</u>
Michigan	14	1	15
Minnesota	21	3	24
Montana	25	1	26
North Dakota	0	0	0
South Dakota	23	0	23
Wisconsin	<u>5</u>	<u>1</u>	<u>6</u>
	88	6	94

MEMBER BANKS SEVERING CONNECTIONS WITH THIS FEDERAL RESERVE BANK DURING 1942

NATIONAL BANKS SUCCEEDED BY OTHER NATIONAL BANKS

<u>Name of Bank</u>	<u>Location</u>
The First National Bank of Menomonie (Succeeded by The First National Bank in Menomonie, Menomonie, Wisconsin)	Menomonie, Wisconsin

NATIONAL BANKS SUCCEEDED BY STATE MEMBER BANKS

The Onida National Bank (Succeeded by The Onida Bank, Onida, South Dakota)	Onida, South Dakota
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NATIONAL BANKS SUCCEEDED BY NONMEMBER STATE BANKS

<u>Name of Bank</u>	<u>Location</u>
The First National Bank of (Succeeded by Citizens State Bank of Waterville, Minnesota)	Waterville, Minnesota
The First National Bank of (Succeeded by First State Bank of Buffalo, Buffalo, North Dakota)	Buffalo, North Dakota
The First National Bank of (Succeeded by First State Bank of Goodrich, Goodrich, North Dakota)	Goodrich, North Dakota

NATIONAL BANKS ABSORBED BY OTHER NATIONAL BANKS

The First National Bank at (Absorbed by The Superior National Bank and Trust Company of Hancock, Michigan)	Hubbell, Michigan
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DISCOUNT DEPARTMENT

During the year 1942, 11 banks took advantage of the rediscount and loan privileges, borrowing an aggregate amount of \$14,679,401.74 for a total of 39 items. Loans in the amounts of \$675.00 and \$350.00 were made to an individual. In 1941, 16 banks were accommodated for an aggregate amount of \$2,645,819.42 for a total of 191 items. One Minneapolis bank borrowed a total

of \$14,200,000 during the last few days of the month of April. Banks were entirely out of our debt May 1, 1942 to May 26, 1942, June 6, 1942 to June 20, 1942, June 30, 1942 to September 19, 1942, and October 9, 1942 to January 1, 1943. A Minneapolis bank sold U. S. Treasury Bills aggregating \$19,000,000.00 to us under repurchase agreements.

The discount rate was reduced from $1\frac{1}{2}\%$ to 1% on October 30, 1942 and $1\frac{1}{2}$ of 1% on loans secured by direct government obligations with a maturity of one year or less.

218 industrial advances were made in 1942 for an aggregate amount of \$1,539,868.37, the large majority of which was to borrowers engaged in war production. This amount of advances was made to but 13 different borrowers. Several advances were made every week to one of this number. Participating institutions took \$243,860.70 of the advances made at time of disbursement leaving a net amount of \$1,296,007.67 advanced by the Federal Reserve Bank. Repayments on advances during the year reduced the balance \$1,468,940.37 leaving a net balance of \$516,362.31 on December 31. Repayment of two loans appears to have been the result of refinancing. The balance of principal of one loan amounting to \$800.00 was charged to Profit and Loss during the year. \$180.00 was recovered in 1942 on one loan charged to Profit and Loss during 1941 and repayments on it are continuing at the rate of \$15.00 per month. No new commitments or extensions of commitments in accordance with the provisions of Section 13b were made during 1942 and no contingent liability under commitments remains as of December 31. As of December 31 no applications were held pending approval of the Industrial Advisory Committee or the Discount Committee.

Interest charged by the Federal Reserve Bank of Minneapolis on industrial loans on the sliding scale of 3% to 6% in effect as of October 30, 1940 was reduced to a scale of $2\frac{1}{2}\%$ to 5% as of May 16, 1942.

At the close of business December 31, 1942 our unpaid balance of 5% industrial loans amounted to \$44,235.75 and 4% \$321,469.30. These amounts represent the balance of loans of 15 borrowers as compared to 31 as of December 31, 1941.

Advances amounting to \$28,947,787.12 were made by financing institutions under Regulation V which amounts were guaranteed by the War Department, Navy, and Maritime Commission. The large majority of such guarantees were for 90%. \$26,963,801.56 of the advances was guaranteed by the War Department, \$1,638,658.56 by the Navy, and \$345,327.00 by the Maritime Commission. The approvals of applications for guaranteed loans ranged from \$400.00 to \$15,000,000.00, the majority of which were in the form of revolving credits.

As of December 31, 1942 the amount of loans outstanding, guaranteed by the War Department was \$10,790,935.65, portion guaranteed \$8,996,292.85; Navy \$614,006.12, portion guaranteed \$547,824.89; Maritime Commission \$269,376.35, portion guaranteed \$262,438.72. 163 applications for guaranteed loans were received during the year, of which number 103 were approved, 14 rejected, 18 withdrawn after and 10 before approval, 9 under consideration, and 9 available.

The number of applications approved amounted to \$33,193,698.