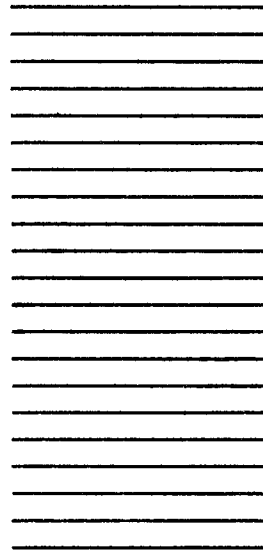
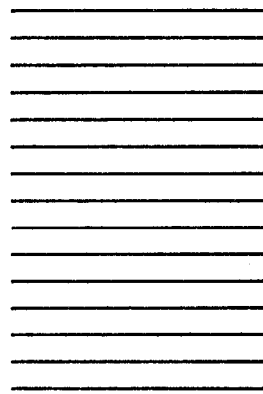


1953



annual report



to the directors

FEDERAL RESERVE BANK OF MINNEAPOLIS

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HEAD OFFICE DIRECTORS
AND MEMBER OF FEDERAL ADVISORY COUNCIL

Directors

Paul E. Miller, Chairman, and Federal Reserve Agent
Leslie N. Perrin, Deputy Chairman

Term Expires
December 31

Class A

Charles W. Burges, Vice President and Cashier, Security National Bank of Edgeley, Edgeley, North Dakota	1954
Edgar F. Zelle, Chairman of the Board, First National Bank, Minneapolis, Minnesota	1955
H. N. Thomson, Vice President, The Farmers and Merchants Bank, Presho, South Dakota	1956

Class B

Ray C. Lange, President, Chippewa Canning Company, Chippewa Falls, Wisconsin	1954
Homer P. Clark, Honorary Chairman of the Board, West Publishing Company	1955
John E. Corette, President and General Manager, Montana Power Company, Butte, Montana	1956

Class C

Paul E. Miller, Director, University of Minnesota Agricultural Extension Division, St. Paul, Minnesota	1954
F. A. Flodin, President, Lake Shore Engineering Company, Iron Mountain, Michigan	1955
Leslie N. Perrin, Director and Consultant and member of Executive Committee, General Mills, Inc., Minneapolis, Minnesota	1956

Member of Federal Advisory Council

Joseph F. Ringland, President, Northwestern National Bank, Minneapolis, Minnesota	1954
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OFFICERS

O. S. Powell, President

A. W. Mills, First Vice President

H. C. Core, Vice President in Charge of Personnel

Personnel:

Cafeteria

Education & Welfare

Medical

Personnel Maintenance

Retirement System

Social Security

Office Boys & Pages

C. W. Groth, Vice President

H. A. Berglund, Assistant Cashier

Assigned to Helena Branch

E. B. Larson, Vice President

M. B. Holmgren, Assistant Cashier

Fiscal Agency

Securities:

Purchase and Sale

Federal Taxes

Commodity Credit Corporation

H. G. McConnell, Vice President

Bank Examination

Securities Exchange Act

J. Marvin Peterson, Vice President and

Director of Research

F. L. Parsons, Associate Director of Research

Library

Publications

Research

Statistics

OFFICERS (Contd.)

Otis R. Preston, Vice President
Christian Ries, Assistant Vice President
Public and Bank Relations
Announcements
Circulars
Correspondence
Press Relations

M. H. Strothman, Jr., Vice President
George M. Rockwell, Assistant Cashier
Industrial Loans
Loans & Discounts
Regulation V Loans

Sigurd Ueland, Vice President, Counsel & Secretary
Legal

A. W. Johnson, Assistant Vice President
John Gillette, Assistant Cashier
Check Collection
Equipment Repairs
Ordinary Mail

A. R. Larson, Assistant Vice President
Currency Verification & Destruction
Noncash Collection
Registered Mail
Routing Symbol
Securities:
 Safekeeping
Vault

O. W. Ohnstad, Assistant Vice President
Accounting:
 Expenditures
 Monthly & Annual Directors' Reports
Building
Duplicating
Protection
Purchasing
Security Files
Telephone

OFFICERS (Contd.)

Clement Van Nice, Assistant Vice President
Currency and Coin

M. O. Sather, Assistant Cashier
Accounting:
 General Books & Bank Accounts
 Transfer of Funds
Foreign Exchange Reports
Files & Old Records

M. E. Lysen, Operating Research Officer
Operating Letters
Operating Manuals
Planning:
 Efficiency Studies
 Equipment
 Office Forms
 Suggestions

- - - -

Kyle K. Fossum, General Auditor

- - - -

HELENA BRANCH DIRECTORS

G. R. Milburn, Chairman
Carl McFarland, Vice Chairman

	Term Expires <u>December 31</u>
Carl McFarland, President, Montana State University, Missoula, Montana	1954
J. Willard Johnson, Financial Vice President, Western Life Insurance Company, Helena, Montana	1954
George N. Lund, Vice President and Cashier, First National Bank, Reserve, Montana	1954
G. R. Milburn, Livestock Rancher, Grass Range, Montana	1955
A. W. Heidcl, Vice President, Powder River County Bank, Broadus, Montana	1955

CHANGES OF DIRECTORS

In the regular November election, Harold N. Thomson, Vice President, Farmers and Merchants Bank, Presho, South Dakota, was re-elected Class A director. John E. Corette, President and General Manager, Montana Power Company, Butte, Montana, was elected Class B director to succeed W. A. Denecke, Bozeman, Montana. Leslie N. Perrin, Minneapolis, was appointed by the Board of Governors as Class C director to succeed Roger B. Shepard. All terms will expire on December 31, 1956.

The Board of Governors appointed Paul E. Miller as Chairman and Federal Reserve Agent, and Leslie N. Perrin as Deputy Chairman, effective January 1, 1954.

The Board of Governors appointed Carl McFarland, President, Montana State University, Missoula, Montana, to the Board of Directors of the Helena Branch, to fill the vacancy created by the election of John E. Corette to the Board of the Head Office.

Effective January 1, 1954, the Board of Governors appointed G. R. Milburn, Chairman, and Carl McFarland, Vice Chairman of the Helena Branch Board of Directors.

MONETARY AND CREDIT DEVELOPMENTS

More goods and services were produced and consumed by Americans in 1953 than ever before in history. More people were employed than ever before. The great outpouring of goods and services occurred in an environment of price stability which is the more remarkable because a largershare of the product was taken by government than ever before in peacetime. These are just a few of the noteworthy facts concerning the operation of the United States economy in the year just passed.

Stability was not altogether accidental; it was partly the result of a monetary policy calculated to inhibit spending financed by credit expansion. Instead of permitting the demand for funds by borrowers to manifest itself in expanding bank credit and rising prices, as in other recent years, monetary action caused this demand to show itself in higher interest rates.

Each of the three instruments of monetary policy was employed last year with quick results. The Federal Reserve discount rate was boosted in January for the first time since 1950, while reserve requirements were changed at midyear for the first time since early 1951. Open market operations were conducted frequently and in substantial volume.

Inflation threatened as the year opened. Loans at banks early in the year had turned down by less than the customary seasonal amount. Member banks were heavily in debt at Federal Reserve banks. Government receipts and expenditures were producing a larger deficit than had been expected.

A policy of restraint was signaled to the financial community when in January the discount rate was increased. This action was promptly followed by a decline of prices in the bond market. New issues carried coupons bearing

higher rates of interest as loans became more costly for borrowers. Although the level of interest rates had been rising slowly for three years the pace quickened after the discount rate action.

The effectiveness of a change in the discount rate lies not only in its immediate influence on the cost of borrowing by member banks and their customers, but also in its influence on the expectations of borrowers and lenders. An increase, for example, suggests that other instruments of policy will be employed to bring about the conditions desired. After January, it developed that open market operations, too, were brought to bear in an effort to restrain expansion.

Such restraint was necessary if stability of prices was to be maintained. The resources of the economy, human and otherwise, were fully employed. In this situation a higher rate of spending could not elicit significantly higher production but could only be dissipated in higher prices as buyers competed for limited goods. The stock of goods available for civilian consumption was limited, too, by larger government expenditures.

Open market operations work by changing the amount of reserves available to banks. The liquidation of investments by Reserve banks cuts down on commercial bank reserves.

In almost every week from the end of 1952 until May of 1953, the Federal Reserve System reduced its holdings of government securities. Aggregate holdings were reduced by \$891 million. Much of the decline--\$663 million--represented the redemption of securities held under repurchase agreements. These redemptions have the same effect on bank reserves as the liquidation of securities owned outright by the Reserve banks.

In this period, open market operations constituted only one of the factors operating to reduce bank reserves; another factor was an outflow of

gold amounting to \$625 million. Foreign countries had improved their international trade positions sufficiently to have enabled them to purchase gold, using their balances in the United States to do so.

Offsetting these reserve drains to some extent was a return flow of currency from circulation and a considerable gain in member bank borrowing from the year end level.

Altogether, member banks lost half a billion dollars in reserve funds in the first four months of 1953. Under our fractional system of reserve requirements this loss induced a contraction of bank loans and investments amounting to several times half a billion dollars.

The contraction came at a time when the demand for loans at banks and in the money markets was fairly "bursting at the seams". There is reason to believe that some borrowers went into the market in advance of their needs for funds in the belief that interest rates would reach an even higher "plateau".

Also, the U.S. Treasury appeared likely to become an important source of demand for new money later in the year. With no assistance expected from the Federal Reserve the prospect of an addition to the supply of Treasury obligations was a bearish factor in the market. Thus encouraged, borrowers of all kinds sought to place their loans before interest rates should become even higher.

During April, in keeping with its policy of lengthening debt maturities at every opportunity, the Treasury offered the longest bond since before World War II with the highest interest return since the early Thirties. This issue, with an attractive coupon, reinforced beliefs that higher interest rates were "here to stay", especially when the bond declined to less than par in market trading even before the issue date.

In May great stringency in the money market developed, whereupon the Federal Reserve System entered the market as a buyer. Relatively small purchases from week to week which totaled \$282 million for the month as a whole failed to reverse a declining bond market. The rate of Federal Reserve buying was stepped up in June and by the 24th of that month another \$800 million of securities had been added to Federal Reserve holdings.

During this month the market did reverse itself and bond prices recovered some of the ground lost earlier in the year. One writer told investors, "You saw the worst on June the first".

REDUCED RESERVE REQUIREMENTS RAISED BANK CREDIT TOTALS

After June, both supply and demand appeared to work in the direction of lower interest rates. On July 1 and 9, at a time when some observers of the economic scene claimed to detect faint signs of weakness in the economy, the Board of Governors reduced reserve requirements for member banks. This action "freed" more than a billion dollars of bank reserves, thereby adding approximately \$5 billion to the potential supply of loan funds.

Loans and investments of banks did in fact rise rapidly after the reduction in reserve requirements. During July, \$5.2 billion of loans and investments, mostly investments, were added to the holdings of the nation's commercial banks.

Reserves freed by the reduction in reserve requirements were not held for long by member banks. Excess reserves declined by \$200 million in July as member banks expanded credit by more than enough to offset the reduced reserve requirements.

The supply of bank reserves and loan funds in the last half of the year was also augmented by Federal Reserve purchases of government securities

from time to time. Between the end of June and the end of November the magnitude of such purchases was small but in the month of December securities worth \$900 million were added to the investments of Federal Reserve banks. The "Christmas squeeze" in the money market which took place in December of 1951 and 1952 was conspicuous by its absence in 1953 as more than enough reserves were supplied banks to offset the holiday outflow of currency.

The contrast between money market conditions in December of 1952 and December of 1953 is best illustrated by the amount of member bank borrowing at those times. On the day before Christmas in 1952, member banks owed Federal Reserve banks \$1.728 billion. On the same date in 1953 such debt amounted to only \$.295 billion.

The relative ease which developed in the latter half of 1953 was reflected by declining interest rates in the same way that rising interest rates reflected the growing stringency in the first half of the year.

Federal Reserve System holdings of government securities rose from a low for the year of \$23.8 billion in April to a high of \$25.9 billion at the end of December. Member bank reserve balances, which benefited from this \$2.1 billion addition to the investments of the Federal Reserve banks, also benefited from the deposit of gold certificates worth half a billion dollars in the Reserve banks by the Treasury.

This transaction resulted from Treasury efforts to keep its cash balance up in the face of an operating deficit with the national debt near its legal limit. To replenish its checking account at the Federal Reserve, the Treasury deposited gold which came into its possession in 1934 when Treasury gold stocks were marked up in price with no equivalent issue of gold certificates.

ECONOMIC DECLINE
PRODUCES EASING

Possibly the most potent force bringing lower interest rates in late 1953 was the common knowledge that monetary managers would induce easing interest rates in the event that evidence appeared of declining economic activity.

Since such evidence became more and more abundant as 1953 progressed the financial community was confident that a policy of ease would displace one of restraint. Such confidence was subsequently vindicated as System open market operations injected reserve funds when interest rates were falling and loans were becoming easier, not harder, to get.

The greatest advantage of lodging control of the nation's money with a central bank is flexibility. The flexibility of such control was demonstrated by the Federal Reserve System in 1953 when policy was formulated to treat with two different situations, one of insatiable money demand for the products of our economy, and the other, a decline in demand.

At year end, the level of economic activity although not quite so feverishly high as earlier, was still high by any but the most recent comparisons. Possibly too much attention has been devoted to the impact of a decline in military expenditures on economic activity. A reduction of as high as 20% in military expenditures does not appear likely but even if this were to occur it could be offset by an increase of 4% in expenditures by people. With the tax cut it is not inconceivable that individuals will raise their spending by this amount or more.

All of this is but to say that what individuals do is far more important than what happens to government expenditures, if for no other reason than that individuals collectively are much bigger customers than government.

The falling off in demand which became apparent in late 1953 was not general, rather it was concentrated in particular types of industries. The durable goods industries, more so than others, encountered difficulty in moving stocks of goods. In many cases price concessions were necessary to move inventories of autos, appliances, and other durables.

In producers goods, notable cutbacks occurred in the production of farm implements. The prosperity of this industry, of course, depends in large measure on the prosperity of farmers.

FARM PINCH NOT REFLECTED BY DISTRICT DEPOSITS

In Minneapolis alone, more than 500 workers who had been employed producing farm implements were laid off recently in response to a lowered demand for their product.

The condition of agriculture is of special interest in the Ninth district because of its position as the principal source of income here. There is little doubt that lower prices for agricultural products have had an effect in the district.

Sales at retail outlets in the country compare less favorably with a year ago than do sales in urban centers. The slowing of trade in rural areas is typical of a cutback in spending generally by farmers.

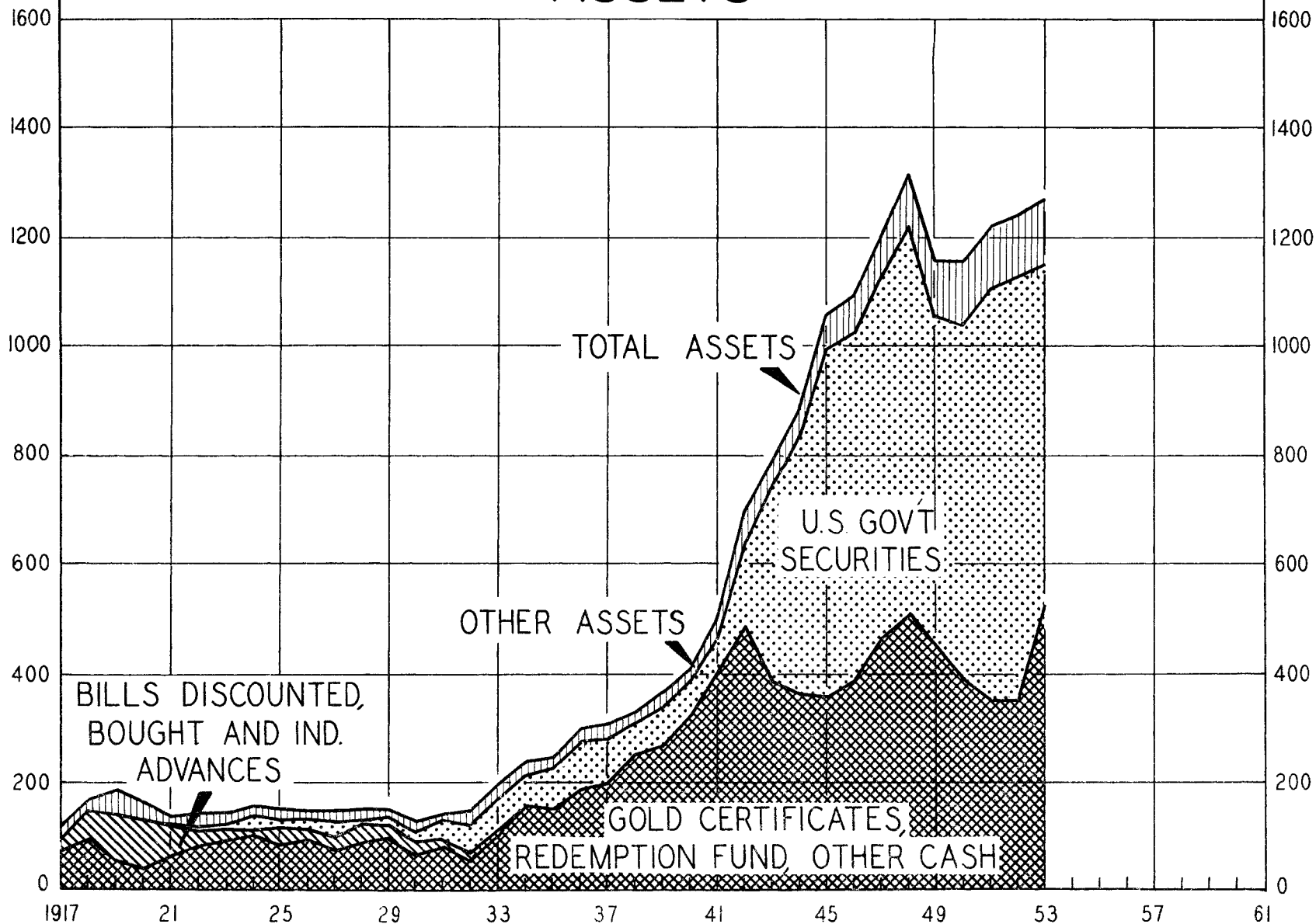
Statistics on bank debits which are collected by the Federal Reserve banks show that spending increased by less in the Ninth district last year than in any other district. The same was true in 1952. These statistics also show that most of the restraint was exercised by bank customers outside the cities.

As a result of holding down their expenditures, residents of the Ninth district have managed to keep their deposit balances as high, compared

MILLION DOLLARS

MILLION DOLLARS

ASSETS



-71-

COMPARATIVE STATEMENT OF ASSETS

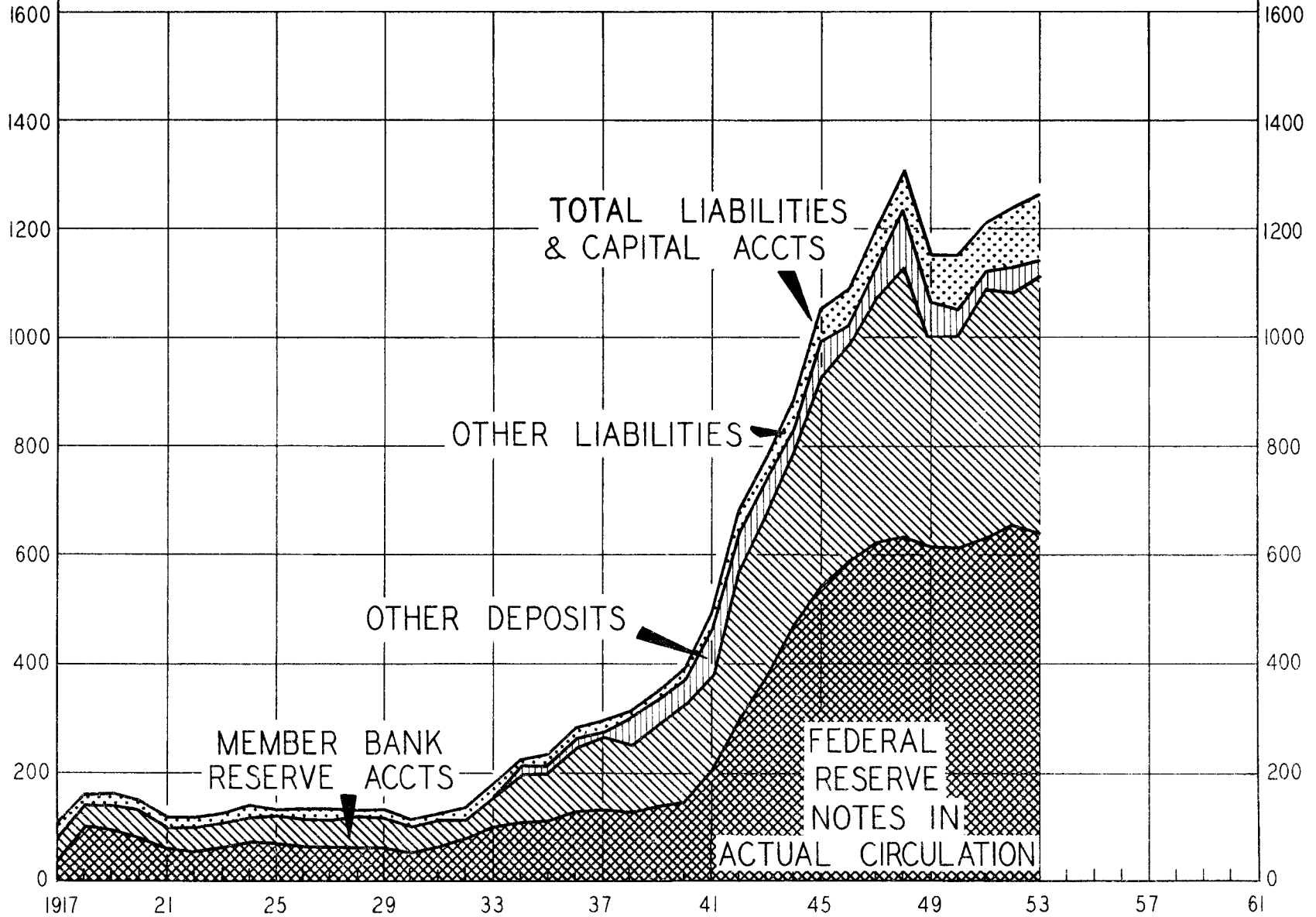
MINNEAPOLIS AND HELENA BRANCH COMBINED
(Thousands of Dollars)

	<u>12-31-53</u>	<u>12-31-52</u>	Change from <u>12-31-52</u>
<u>Assets:</u>			
Cash Reserves:			
Interdistrict Settlement Fund	309,485	157,606	+151,879
Gold Certificates with F.R. Agent	175,000	170,000	+ 5,000
Redemption Fund - F.R. Notes	<u>25,562</u>	<u>25,549</u>	+ 13
Total Gold Certificate Reserves	510,047	353,155	+156,892
Total Other Cash	7,658	5,879	+ 1,779
Bills Discounted	1,350	500	+ 850
Foreign Loans on Gold	375	767	- 392
Industrial Loans	99	135	- 36
U.S. Government Securities:			
Bills	64,080	23,013	+ 41,067
Certificates of Indebtedness	143,558	159,018	- 15,460
Notes	327,360	438,430	-111,070
Bonds	<u>89,868</u>	<u>143,939</u>	- 54,071
Total U.S. Government Securities	624,866	764,400	-139,534
Due from Foreign Banks	1	1	-
F.R. Notes of other F.R. Banks	7,847	10,298	- 2,451
Uncollected Items:			
Transit Items	106,767	99,119	+ 7,648
Exchanges for Clearinghouse	4,831	3,013	+ 1,818
Other Cash Items	<u>1,258</u>	<u>1,004</u>	+ 254
Total Uncollected Items	112,856	103,136	+ 9,720
Bank Premises	2,473	2,493	- 20
Less Reserve	<u>1,449</u>	<u>1,442</u>	+ 7
Bank Premises - Net	1,024	1,051	- 27
Miscellaneous Assets:			
Fiscal Agency expense, reimbursable	136	135	+ 1
Interest Accrued	3,278	4,414	- 1,136
Premium on Securities	214	367	- 153
Deferred Charges	36	47	- 11
All Other Assets	<u>17</u>	<u>15</u>	+ 2
Total Miscellaneous Assets	3,681	4,978	- 1,297
Total Assets	<u>1,269,804</u>	<u>1,244,300</u>	+ 25,504

MILLION DOLLARS

MILLION DOLLARS

LIABILITIES



COMPARATIVE STATEMENT OF LIABILITIES

MINNEAPOLIS AND HELENA BRANCH COMBINED (Thousands of Dollars)

	<u>12-31-53</u>	<u>12-31-52</u>	<u>Change from</u> <u>12-31-52</u>
<u>Liabilities:</u>			
Federal Reserve Notes in Circulation	644,292	650,889	- 6,597
<u>Deposits:</u>			
Member Bank - Reserve Accounts	468,968	437,867	+31,101
U.S. Treasurer - General Account	17,791	26,412	- 8,621
Foreign	10,230	13,611	- 3,381
Nonmember Bank - Clearing Accounts	1,382	819	+ 563
Officers' Checks	153	224	- 71
Other Deposits	<u>2,314</u>	<u>3,147</u>	<u>- 833</u>
Total Deposits	500,838	482,080	+18,758
<u>Deferred Availability Items:</u>			
U.S. Treasurer - General Account	4,857	4,333	+ 524
All Other	<u>91,665</u>	<u>80,429</u>	<u>+11,236</u>
Total Deferred Availability Items	96,522	84,762	+11,760
<u>Miscellaneous Liabilities:</u>			
Unearned Discount	4	-	+ 4
Discount on Securities	289	252	+ 37
Sundry Items Payable	159	124	+ 35
Suspended Credits	<u>251</u>	<u>79</u>	<u>+ 172</u>
Total Miscellaneous Liabilities	703	455	+ 248
 Total Liabilities	 1,242,355	 1,218,186	 +24,169
<u>Capital Accounts:</u>			
Capital Stock Paid in	5,952	5,719	+ 233
Surplus Fund - Section 7	16,219	15,131	+ 1,088
Surplus Fund - Section 13b	1,073	1,073	-
Reserve for Contingencies	<u>4,205</u>	<u>4,191</u>	<u>+ 14</u>
Total Capital Accounts	27,449	26,114	+ 1,335
 Total Liabilities & Capital Accounts	 <u>1,269,804</u>	 <u>1,244,300</u>	 <u>+25,504</u>

to a year ago, as have bank depositors all over the nation.

District member bank deposits at the end of 1953 were \$45 million higher than a year earlier--proportionately about the same gain as for the nation. The experience of bankers in the district was different last year in one important respect however, from the experience of bankers in other districts, namely, the demand for loans was stronger here. Compared to an increase of about 5% in loans at all member banks, such banks in the district added to their loans by 10%.

FEDERAL RESERVE BANK OF MINNEAPOLIS
STATEMENT CHANGES

Demands for accommodation at the Federal Reserve Bank of Minneapolis were more frequent in 1953 than in any other recent year. In part, at least, this reflected the increased volume of loans granted to their customers by district member banks. The average daily volume of borrowing by district member banks was more than half again as large as in 1952.

The rate of interest charged by this bank on loans to member banks was boosted in January from 1.75% to 2.00% so that earnings from loans increased by even more than did the average daily volume of loans.

The average rate of return on government securities, too, was higher last year than in the year before. The higher rate earned helped to offset a decline in this bank's holdings of government securities, so that for the year as a whole interest earned on those securities was slightly higher than in 1952.

Expenses of the bank increased by less than earnings last year so that larger amounts than in 1952 were transferred to surplus and paid to the U.S. Treasury. Since the shares of this bank outstanding were increased during the year a larger amount was also paid out in dividends.

The most conspicuous change on the bank's balance sheet can be found in the asset accounts where holdings of government securities are down by \$140 million from a year ago while gold certificate reserves are up by \$157 million. Total assets were little changed.

The shift out of governments into gold certificates reflects the adoption of a new formula for allocating System holdings of government securities. The new formula allocates securities in proportion to the resources rather than the expenses of each Reserve bank.

As a result, the proportion of our total assets in the form of earning assets has declined. Since the change was made late in 1953 its full impact is not yet visible on our earnings statement. In the future, however, earnings will be less than would be the case had the old allocations been retained.

While the Federal Reserve note circulation of other banks reached a new peak in December of 1953, the amount of Minneapolis Federal Reserve notes outstanding was down slightly from last year's record. This probably reflects in part the depressed level of trade in rural areas of the district which was mentioned previously.

Larger member bank reserve balances account for the entire gain in the bank's deposit liabilities. Other deposit accounts were reduced from year ago levels.

The trade of government securities for gold certificates under the new method of allocating investments pushed the bank's reserve ratio from 31% at the end of 1952 to 45% at the end of 1953.

DEPARTMENTAL AND OTHER COMMENTS

CHECK COLLECTION

This department established new highs in volume and dollar amount of items handled in several classifications during 1953. There was an over-all increase of 8.6% in volume and 6.1% in dollar amount of items despite decreases in postal money orders and return items.

The tables below show the number and amount of items handled during 1953 as compared with 1952:

	<u>Volume</u> (000 Omitted)		<u>No. of Items</u> <u>Inc. or Dec.</u>	<u>Percent of</u> <u>Inc. or Dec.</u>
	<u>1953</u>	<u>1952</u>		
Twin City Checks	13,916	12,728	+1,188	+ 9.3
Country Checks	54,172	49,006	+5,166	+10.5
Govt. Checks				
Paper	1,185	1,171	+ 14	+ 1.2
Card-Our District	10,059	9,234	+ 825	+ 8.9
Card-Other Feds	3,362	2,925	+ 437	+14.9
Return Items	637	657	- 20	- 3.0
Postal Money Orders	<u>9,865</u>	<u>10,097</u>	<u>- 232</u>	<u>- 2.3</u>
	93,196	85,818	+7,378	+ 8.6

	<u>Dollar Amount</u> (000 Omitted)		<u>Dollar Amount</u> <u>Inc. or Dec.</u>	<u>Percent of</u> <u>Inc. or Dec.</u>
	<u>1953</u>	<u>1952</u>		
Twin City Checks	\$13,466,145	\$12,967,251	\$+ 498,894	+ 3.8
Country Checks	8,797,941	8,226,278	+ 571,663	+ 6.9
Govt. Checks				
Paper	1,433,472	1,139,903	+ 293,569	+25.8
Card-Our District	890,048	809,065	+ 80,983	+10.0
Card-Other Feds	290,393	200,924	+ 89,469	+44.5
Return Items	227,112	296,570	- 69,458	-23.4
Postal Money Orders	<u>159,387</u>	<u>162,565</u>	<u>- 3,178</u>	<u>- 2.0</u>
	\$25,264,498	\$23,802,556	\$+1,461,942	+ 6.1

The all-time record of checks handled on a single day of all classifications was set on March 9, 1953, when 457,789 items were processed. The previous year's one-day high on December 8, 1952, numbered 444,583 items.

The former high record of country checks handled on one day was established on December 17, 1952, when 229,456 items were handled, but that record was broken four times in 1953, and a new all-time high for country checks handled was established on November 17, 1953, with 259,283 items.

On March 16, 1953, 112,179 city checks were handled, exceeding the previous high of November 17, 1952, when 103,294 items were processed.

The department corresponded with 88 banks in 1953 in an effort to reduce the number of delayed remittances for our daily cash letters. The cooperation of these banks resulted in reductions in the number of delayed remittances and a float improvement in excess of \$1 million a day. By dispatching cash letters on the earliest trains, by using IBM proof machines to process remittances for cash letters to within five minutes of the clearing hour, and by special handling of city items received in mixed one-day deferred cash letters, the daily average float has been reduced from \$25.6 million in 1951 to \$19.7 million in 1952, and to \$16.7 million in 1953. This was accomplished despite the larger number of items and the increase in dollar amount of items processed from \$23 billion in 1951 to \$25.3 billion in 1953.

The number of IBM proof machines was reduced from 86 to 75 during the year. This included 58 Model 802 (24 pocket), 11 Model 803 (32 pocket) and 6 Model 808 (24 pocket postal money order proof machine). The department has discontinued the use of Model 801 and has replaced it with the more efficient Model 802. The number of Model 808 used to process postal money orders has been reduced from 10 to 6 as a result of the larger volume of such items

being handled by the Twilite and Nite shifts.

The number of IBM accounting machines used to process United States Treasury card checks has been reduced from 6 tabulators to 5 tabulators and from 7 sorters to 5 sorters, except during the peak tax refund period, at which time the Treasury Department will furnish us additional equipment. This was done in cooperation with the Treasury Department's program to cut down on the use of rental equipment. In order to handle government card checks with less equipment, the department regulates the volume of items listed daily in statements of paid items.

For the past several years the department has been microfilming all outgoing country checks. In addition, during 1953 several hundred requests for information on these checks were received from banks and governmental agencies and many facsimilies and descriptions of checks were furnished. The microfilm records proved to be of material assistance to banks in solving some of their, or their customers' problems involving paid or missing checks, charges to accounts, etc.

As in 1952, the department functions with the Day shift, Twilite shift, Nite shift and the Saturday staff.

The department maintains a constant training program. In addition, three men participated in the Commercial Bank Training program by each spending a week in country banks, and one man spent four weeks at the Helena Branch.

Check Routing Symbol

During 1953 we continued our aggressive campaign to have the routing symbol placed on all checks drawn on par remitting banks. A two-week survey, ended December 1, was made of checks processed in our Check Collection

Department for the purpose of determining the percentage of checks that now have the symbol in the approved location. The survey disclosed the following averages by states in the Ninth District:

Michigan	91%	North Dakota	91%
Minnesota	93	South Dakota	94
Montana	94	Wisconsin	90

Our Ninth District average of 92% (an increase of 2% for the year) continues to equal the System average (also a 2% increase for the year).

A few of the banks in the district are in the 100% class. Many others are very close to it. We have a few banks where the percentage of use is quite low. These banks have been contacted by letter as well as by personal calls by representatives of this department and by Public Services employees. We have been assured in most instances that when new supplies of checks are reordered the symbols will be printed thereon.

Meetings were held with representatives of the seven larger Twin City banks as well as with the Chippewa Falls, Eau Claire and La Crosse, Wisconsin banks, explaining and emphasizing the reasons for, and the use of the routing symbol.

Check Standardization Program

The check improvement and standardization program initiated by us in 1952 was continued with an attempt to get broader coverage of the Ninth District.

The two representatives of our bank assigned to promote this program made numerous personal contacts with business firms of all kinds, printers, banks and others. They assisted many firms in redesigning their checks so that the checks would no longer be in the "Problem Check" category but would still carry the desired information thereon necessary to their internal operations.

Meetings were held with the seven larger Twin City banks and those in Chippewa Falls, Eau Claire and La Crosse, Wisconsin, with officers and personnel in attendance. Talks were given and slides shown stressing the importance of this program to a bank's check operations.

A folder was designed and printed, directed to "Mr. Businessman", and entitled "You Can Help Us STOP Errors, Inefficiency, Loss of Man Hours in Processing Checks". The folder was offered for use to all member and par banks through a general letter. An article was prepared for a financial magazine explaining our campaign and depicting the folder. As a result of this article we received requests for copies of the folder from banks and business firms throughout the nation and from two located in foreign countries.

Legislation initiated in 1952 through the Bankers Associations of Minnesota and South Dakota for presentation to their 1953 legislatures received favorable consideration and has now become law. The context of the legislation was to require the use of checks rather than warrants in disbursing municipal funds in these states. Because of conflicts, the Michigan, Montana, and North Dakota Bankers Associations were unable to act during their 1953 legislative sessions. Plans are being formulated now for similar legislation to be presented to the 1955 legislative sessions of these states.

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CURRENCY AND COIN

In general, the Currency and Coin Department's year was characterized by a continued high volume of activity with little change in over-all volume figures from the previous year except for the sharp increase in the demand for wrapped coin. An increase in incoming cash, amounting to about \$17 million

(or 4% above 1952) was apparently caused primarily by an inflow of larger denomination bills. The number of pieces of currency received and counted was actually down about 1 1/2% from the 1952 count. Similarly, the decrease in the amount of cash going out to member banks was also largely in the higher denomination bills, \$6.5 million of the \$13 million decline being in currency of the \$50 denomination or higher.

The rapid increase in the demand for wrapped coin is reflected in the figure of approximately 77 million pieces wrapped in 1953 compared with 55.5 million in 1952, a gain of approximately 39%. Much of the increase in coin wrapping came during the last few months of the year as is evidenced by the fact that in the last three months of 1953 we wrapped almost twice as much coin as in the last three months of 1952.

The total volume of both outgoing and incoming coin was up during the year, the gains being 7% and 12% respectively in dollar volume. The number of pieces counted also showed a 6% gain for the year. Coin ordered from the Treasurer of the United States in 1953 amounted to a little less than \$2 million, of which about \$500 thousand was in nickels and cents, as compared with almost \$3 million in 1952, and the problem of coin scarcity in some denominations was not nearly so acute as it had been in the previous two years.

In August, there was a 15% increase in express rates which, it is estimated, will increase our costs of shipping coin from member banks to us by an annual figure of \$3,600. Increased postage rates on fourth class mail which went into effect October 1 will probably increase the cost of shipping coin to member banks by approximately \$7,800. Along this same line, it might be noted that in October the Treasurer of the United States, in order to save shipping costs, began to send most of our orders for nickels and pennies to us by truck freight from the Denver Mint.

Counterfeit bills continued to plague us in 1953, with a total of 72 having been picked up by our sorters, as compared with 82 in 1952 and 126 in 1951. A dangerous new \$5 counterfeit Federal Reserve Note, purporting to have been issued by our bank, turned up in the Twin Cities area late in December, and 19 such bills were detected by our sorters in a matter of a few days just prior to December 31. An additional 16 of these bills were picked up in the first eleven days of 1954.

Currency Paid Out

	<u>1953</u>	<u>1952</u>
1's and 2's	\$ 32,130,000	\$ 33,575,000
5's	48,519,000	52,685,000
10's	124,375,000	125,254,000
20's	115,316,000	115,408,000
50's	5,615,000	7,410,000
100's	18,989,000	23,112,000
500's	637,000	1,028,000
1,000's	<u>1,253,000</u>	<u>1,459,000</u>
	<u>\$346,834,000</u>	<u>\$359,931,000</u>

Outgoing Shipments
for Account of Member Banks

	<u>1953</u>		<u>1952</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency paid out	20,201	\$346,834,000	20,926	\$359,931,000
Currency shipped to Helena Branch and for other				
F.R. Banks	631	42,583,000	664	48,764,000
Coin paid out	<u>15,136</u>	<u>12,875,000</u>	<u>15,072</u>	<u>12,032,000</u>
	35,968	\$402,292,000	36,662	\$420,727,000

Incoming Shipments
for Account of Member Banks

	<u>1953</u>		<u>1952</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency	22,314	\$413,040,000	22,041	\$397,286,000
Coin	<u>4,332</u>	<u>10,482,000</u>	<u>3,913</u>	<u>9,399,000</u>
	26,646	\$423,522,000	25,954	\$406,685,000

Number & Amount of Pieces Handled

Currency

	<u>1953</u>		<u>1952</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Bills received & counted	64,855,637	\$456,961,856	65,883,703	\$436,089,000
Bills rehandled	6,865,569	97,450,960	6,367,024	77,483,470
Hand verification of bills	<u>16,418,834</u>	<u>207,837,325</u>	<u>21,493,369</u>	<u>251,707,250</u>
	88,140,040	\$762,250,141	93,744,096	\$765,279,720

Coin

	<u>1953</u>		<u>1952</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Coins received & counted	108,742,228	\$ 9,649,224	102,222,422	\$ 8,887,532
Coins rehandled	345,475	110,467	3,011,385	471,775
Coin wrapped	<u>76,913,500</u>	<u>6,227,325</u>	<u>55,615,730</u>	<u>4,482,275</u>
	186,001,203	\$15,987,016	160,849,537	\$13,841,582

Amount of Coin Received from
U.S. Mints

<u>1953</u>	<u>1952</u>
\$1,982,900	\$2,957,000

Number of Unfit Bills Forwarded to Treasurer
of the U.S., Washington, D.C., and delivered
to Destruction & Verification Unit at FRB
Minneapolis for redemption

<u>1953</u>	<u>1952</u>
30,959,201	33,342,863

Return of Federal Reserve Notes
to Bank of Issue

	<u>1953</u>	<u>1952</u>
Fit-for-use Federal Reserve Notes returned to other F.R. Banks	\$55,498,500	\$52,321,300
Our fit-for-use Federal Reserve Notes received from other F.R. Banks	43,919,200	42,474,000

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CURRENCY VERIFICATION AND DESTRUCTION

On July 1, 1953, all Federal Reserve banks, at the request of the Treasury Department, started to verify and destroy unfit United States paper currency which was retired from circulation for the account of the Treasurer of the United States. The unfit United States paper currency of our Helena Branch is forwarded to us for verification and destruction.

Two girls from our Currency Department were assigned to this work. They are acting in the capacity of verifiers, custodians and destruction clerks combined, due to the fact that our volume is not large enough to assign clerks on a full-time basis on the various classified divisions.

Destruction of this currency is by incineration on a daily basis.

In order to handle this operation, space has been provided on the third floor, together with a chest wherein the unfit currency can be stored and held in custody of two operators under dual control until it has been destroyed.

During the first six months of operation this unit verified and destroyed 11,126,400 bills totaling \$16,349,200.

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DISCOUNT AND CREDIT

A total of 63 banks in Head Office territory borrowed an aggregate of \$2,736 million in 1953, all of which was secured by United States government obligations. All but \$111 million of this amount was borrowed by Twin City banks. Advances on governments in 1952 aggregated \$1,949 million to 53 banks. Sixteen banks in Montana borrowed \$118 million through the Helena Branch in 1953, \$53 million more than in 1952. The highest amount outstanding

to member banks in this district was \$84 million on May 1, 2 and 3, 1953.

This figure included the borrowings of 28 banks.

Our bank's participation in foreign loans on gold in the year totaled \$1,526 thousand.

Only six applications for industrial loans under Section 13b of the Federal Reserve Act were received during the year. These applications aggregated \$339 thousand. Two of the applications were declined, two withdrawn, and two were approved, one for \$35 thousand and the other for \$15 thousand.

The total amount of industrial advances outstanding on our bank's books on December 31, 1953, was \$105 thousand. These funds were being utilized by (1) a wholesale and retail grocery business, (2) a paint manufacturer, (3) a soft water service company, (4) a feed manufacturer, (5) a creamery, and (6) a packer and shipper of fresh vegetables.

A reserve of \$6,240 was set up against our bank's share of one loan since it was in default and repayment prospects were uncertain.

In 1953, advances totaling \$10,813 thousand were made by financing institutions under Regulation V: \$5 million advanced was guaranteed by the Department of the Army, \$4,422 thousand by the Department of the Air Force, and \$1,368 thousand by the Department of the Navy.

Loans actually outstanding under these agreements at the year end aggregated \$661 thousand for the Army (guaranteed portion \$525 thousand); \$129 thousand for the Air Force (guaranteed portion \$116 thousand); and \$250 thousand for the Navy (guaranteed portion \$204 thousand).

Seven applications for guaranteed loans totaling \$2 million were received during 1953 and one application for \$1 million was pending at the beginning of that year. Three applications were authorized, two were disapproved and three were withdrawn.

The total amount of guarantee agreements executed in 1953 was \$1 million.

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DUPLICATING

The table below gives the total production of our duplicating machinery for the past two years:

	<u>Total Production</u>	
	<u>1953</u>	<u>1952</u>
1 Ditto machine	63,234	67,615
1 Mimeograph	676,726	768,033
3 Multigraph machines	560,310	731,230
2 Multilith duplicators	<u>4,845,455</u>	<u>4,354,382</u>
	6,145,725	5,921,260

These figures show a substantial increase in work produced on the more efficient Multilith Offset duplicators and a reduction in output on the other machines.

Photostatic reproduction of various documents declined from 4,469 in 1952 to 4,079 in 1953. Work of the addressograph section remained about the same as the previous year - about 4,600 envelopes and 4,500 miscellaneous forms being addressed daily.

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EXAMINATION

At the close of the year there were 472 member banks in this district as compared with 476 at the beginning of the year. The number of national banks decreased two, and the number of state member banks decreased two. The total membership at the close of 1953 was divided into 342 national banks and 130 state banks.

As of the end of the year, twelve state member banks were exercising trust powers. Ten other state member banks are not exercising their trust powers. Sixty-four national banks held permits to exercise full or limited trust powers.

There are three holding company affiliates which are residents of this district. They are Bank Shares Incorporated, First Bank Stock Corporation, and Northwest Bancorporation. It is the policy to examine holding company affiliates biennially.

No applications for membership in the Federal Reserve System were received from state banks during the year. No new applications for fiduciary powers were received.

During the year we received 693 examination reports from the Chief National Bank Examiner's office at a cost of \$6,930. Seventy-four duplicate copies of reports of examination of Montana national banks were received from the Chief Examiner's office at a cost of \$370. Two reports of examination of trust departments were received at a cost of \$10.

Four calls for a report of condition of each member bank were issued, and, in addition, all member banks submitted semiannual reports of earnings and dividends.

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FISCAL AGENCY

Each week during the year 1953 the Treasury Department made the usual offering of Treasury bills for cash and in exchange for maturing bills. During the year we received 4,888 tenders totaling \$702 million for these bills, and the total of accepted tenders was \$628,362 thousand. These tenders represented

6,102 subscribers. In 1952, we received 4,661 tenders totaling \$706,036 thousand and the accepted tenders totaled \$635,938 thousand. The lowest average yield on the bills during the year was 1.306% on the bills dated November 5, 1953. The highest yield during the year was 2.416% on the bills dated June 4, 1953.

On May 29, 1953, tenders were also received for bids to an issue of 107-day Treasury bills, dated June 3, 1953, due September 18, 1953, labeled "Tax Anticipation Series" These bills could be surrendered at face value in payment of income and profits taxes due on September 15, 1953, or surrendered for cash payment at maturity. We received 60 tenders totaling \$21 million for these bills and \$18,485 thousand was allotted.

During the year the Treasury Department made the following cash offerings of United States government securities other than Savings bonds and Treasury Savings notes:

<u>Issue</u>	<u>Subscriptions Received</u>	<u>Allotted</u>
3 1/4% Treasury Bonds 1978-83	\$ 94 million	\$ 19 million
2 1/2% Treasury C.I.'s, Series C 1954 Tax Anticipation issue	190 "	132 "
2 3/4% Treasury Bonds 1961	234 "	40 "

The Treasury Department made the following exchange offerings during the year:

<u>Issue</u>	<u>Exchanged for</u>	<u>Allotted</u>
1 7/8% C.I.'s, Series A 1953	2 1/4% C.I.'s, Series A 1954	\$132 million
1 7/8% C.I.'s, Series A 1953	2 1/2% Bonds 1958	14 "
Series F & G Savings Bds. 1941	3 1/4% Bonds 1978-83	10 "
1 7/8% C.I.'s, Series B 1953)		
2% Bonds 1953-55)	2 5/8% C.I.'s, Series B 1954	102 "
2% C.I.'s, Series C 1953	2 5/8% C.I.'s, Series D 1954	94 "
2% Bonds 1951-53	2 5/8% C.I.'s, Series D 1954	87 "
2% Bonds 1951-53	2 7/8% Notes, Series A 1957	75 "
2 1/8% Notes 1953	1 7/8% Notes, Series B 1954	45 "
2 1/8% Notes, Series A 1953	2 1/2% Bonds 1958	47 "

On October 19, 1953, the Commodity Credit Corporation, through the Federal Reserve banks, announced the details of an offering of 2 1/2% certificates of interest issued against a pool of outstanding price support commodity loans other than cotton. The certificates are dated October 28, 1953, and mature on August 2, 1954. The offering was only open to commercial banks accepting demand deposits. We received 199 subscriptions totaling \$52,111 thousand for this issue from the banks in our district and the allotment was \$11,951 thousand.

On December 10, 1953, the Commodity Credit Corporation offered 2 1/4% certificates of interest dated December 17, 1953, due August 2, 1954, against a pool of cotton price support loans. The offering was only open to commercial banks accepting demand deposits. We received 195 subscriptions totaling \$52,980 thousand from banks in this district and the allotment was \$21,294 thousand.

On May 14, 1953, the Treasury Department terminated the sale of the Treasury Savings notes of Series A which had been on sale continuously since May 15, 1951, and offered instead, beginning as of May 15, 1953, Treasury Savings notes of Series B. The notes mature two years after the issue date but can be surrendered for payment prior to maturity or be surrendered to the Director of Internal Revenue in payment of income or profits taxes owed by the registered owner or in payment of federal estate taxes owed by the estate of a deceased owner at stated redemption values. If they are held until maturity, the notes will yield 2.47% interest.

The sale of the Series B Savings notes was then terminated as of September 25, 1953, and Treasury Savings notes of Series C were offered. The terms of the C notes otherwise were the same as the Series B notes, except that the interest yield if held to maturity was 2.21% instead of 2.47%.

On October 23, 1953, the Treasury Department suspended the sale of the Series C notes until further notice.

Effective with May 1, 1953 redemptions, the Treasury Department authorized Federal Reserve banks to pay matured and unmatured Series F United States Savings bonds and matured Series G United States Savings bonds, without first obtaining release of registration from the Treasury Department. Effective as of July 1, 1953, the Treasury Department also authorized Federal Reserve banks to pay unmatured Series J United States Savings bonds before release of registration under the same procedure prescribed for unmatured and matured Series F bonds.

On December 31, 1953, 1,254 banks with 110 branches and 33 other organizations in our district were qualified to act as paying agents for Series A through E Savings bonds and Armed Forces Leave bonds.

The paying agents in our district were reimbursed for paying Savings bonds and Armed Forces Leave bonds during the first three quarters in 1953 in the amount of \$223.8 thousand for 1,642,987 pieces, as compared with \$205.8 thousand for 1,513,123 pieces during the first three quarters in 1952.

The Treasury Department revised the procedure for processing paid Savings bonds as of July 1, 1953. As a result of this revision in operating procedure, we released eight pieces of IBM tabulating equipment with a yearly rental of about \$10 thousand. Under the new procedure, fewer employees are required to process the paid Savings bonds, resulting in a yearly saving in salary expense of approximately \$20 thousand.

As of December 31, 1953, there were 1,410 qualified issuing agents for Series E Savings bonds in this district, of which 1,277 were banks. As of December 31, 1952, there were 1,409 qualified issuing agents. These agents,

during 1953, sent us 21,059 sales reports covering 1,131,884 pieces of Series E bonds, totaling \$117,099 thousand (issue price), as compared with 991,908 pieces aggregating \$95,457 thousand (issue price) reported as sales during 1952. During the year 1953 we made 9,241 shipments of unissued stock of Series E bonds to issuing agents in our district, consisting of 1,224,069 bonds, as compared with 1,187,165 pieces shipped during 1952.

United States Savings bonds of Series E, H, J and K amounting to \$56,725 thousand (issue price), involving 245,414 applications and 277,713 pieces were issued by our bank during 1953. This compares with \$48,685 thousand (issue price), involving 214,956 applications and 244,987 pieces of Series E, F, G, H, J and K issued in 1952.

During the year 1953 we reissued for all purposes 140,683 Savings bonds with a maturity value of \$29,058 thousand, as compared with 133,162 pieces totaling \$27,408 thousand (maturity value) reissued in 1952.

We received a monthly average of 1,968 pieces of Savings bonds for safekeeping during the year 1953, as compared with 1,597 per month during the year 1952. Savings bonds released from safekeeping during 1953 average 2,167 pieces monthly, as compared with 2,083 per month during 1952. On December 31, 1953, we were holding in safekeeping for individuals, fiduciaries and organizations other than banks, 227,451 Savings bonds as compared with 229,837 bonds held on December 31, 1952.

In this district, as of December 31, 1953, 1,172 banks were qualified as "Depositaries for Public Moneys" and 996 of them had active Treasury Tax and Loan accounts. As of December 31, 1953, the total deposits in the Treasury Tax and Loan accounts were \$92,918 thousand. The aggregate of all amounts deposited in the accounts in the year 1953 was \$957,642 thousand as compared with \$982,324

thousand for 1952.

The Treasury Department permitted special depositaries to accept for deposit in their Treasury Tax and Loan accounts special drafts representing checks of \$10 thousand or over, drawn on such depositaries in payment of quarterly installments of income and excess profits taxes remitted to Directors of Internal Revenue in payment of such taxes due on March 15, 1953, and June 15, 1953, but in connection with the June 15, 1953 payments, credit could only be taken for 50% of such income tax checks of \$10 thousand or over. The Treasury Department did not institute the special draft procedure in connection with the tax payments due on September 15, 1953, and December 15, 1953, in view of the large disbursement requirements of the Treasury as related to the amount of the tax payments involved.

Effective as of July 1, 1953, the Treasury Department extended the depositary receipt system to include certain federal excise taxes. On December 31, 1953, 699 banks in this district were qualified to act as depositaries for withheld income taxes, federal insurance contribution taxes, railroad retirement taxes, and federal excise taxes, and as such could accept deposits of those taxes from such taxpayers and deposit the funds in their Treasury Tax and Loan accounts. During the year we received from these qualified depositaries and direct from employers and excise taxpayers, 191,072 Depositary Receipts for Withheld FICA and Income taxes totaling \$397,323 thousand. We also received 485 depositary receipts for railroad retirement taxes totaling \$23,363 thousand. From qualified depositaries and direct from taxpayers we received 15,403 depositary receipts covering federal excise taxes totaling \$29,241 thousand. In 1952, 680 banks were qualified as depositaries for federal taxes, and we received a total of 186,785 depositary receipts for tax deposits totaling \$383,605 thousand.

The Fiscal Agency occupies space on the bank floor, in the subbasement, and the Annex. There were 103 employees in the Fiscal Agency Department on December 31, 1953, as compared with 106 employees on December 31, 1952.

As of December 31, 1953, the total public debt was \$275,243,759 thousand as compared with \$267,445,125 thousand on December 31, 1952.

Commodity Credit Corporation

During the year, the name of the Public Marketing Administration was changed to the Commodity Stabilization Service. In this district, there are 866 lending agency agreements, of which 210 are also qualified as servicing agents. Eighty-nine percent of the servicing agencies are banks.

The number of items handled as cash items this year was 49,475, as compared with 56,909 last year. The dollar volume was \$122 million, as compared with \$117 million last year. We paid 103,142 sight drafts, drawn on the Commodity Credit Corporation by the Commodity Stabilization Service Agencies, as compared with 34,945 paid in 1952. These drafts totaled \$250 million, as compared with \$90 million in 1952.

During the year, in accordance with requests received from the Minneapolis Office of the Commodity Stabilization Service, we issued 29,135 checks drawn on the Treasurer of the United States totaling \$561 million, as compared with 15,290 checks for \$221 million in 1952.

There were two full-time employees in this division as of December 31, 1953.

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NONCASH COLLECTION

During 1953 this department handled 778,376 grain drafts, totaling \$624 million. This was a decrease of 107,298 in the number of items handled and a decrease in dollar value of \$163 million under that of 1952.

There was an increase of 574 items in city collections and a decrease in the dollar value of \$13 million as compared with 1952. There was a decrease in country collections of 3,229 items and a decrease in the dollar amount of \$5 million.

Coupon and security collections showed an increase of 11,200 items, with an increase in the dollar amount of \$2 million.

Our member banks forwarded 2,431 direct-sent collections to other Federal Reserve banks, as compared with 2,832 in 1952. The dollar value of these collections totaled \$20 million as compared with \$23 million for 1952.

Exclusive of direct-sent collections by our member banks, this department handled during 1953 a total of 1,070,000 items totaling \$736 million. This is a decrease of 99,000 items, and the dollar value decreased \$178 million.

During 1953 we redeemed 321,806 government coupons aggregating \$32 million, an increase of 14,000 coupons, and an increase of \$15 million as compared with 1952. We also redeemed 11,263 government agency coupons totaling \$766 thousand as compared with 12,092 coupons totaling \$588 thousand in 1952.

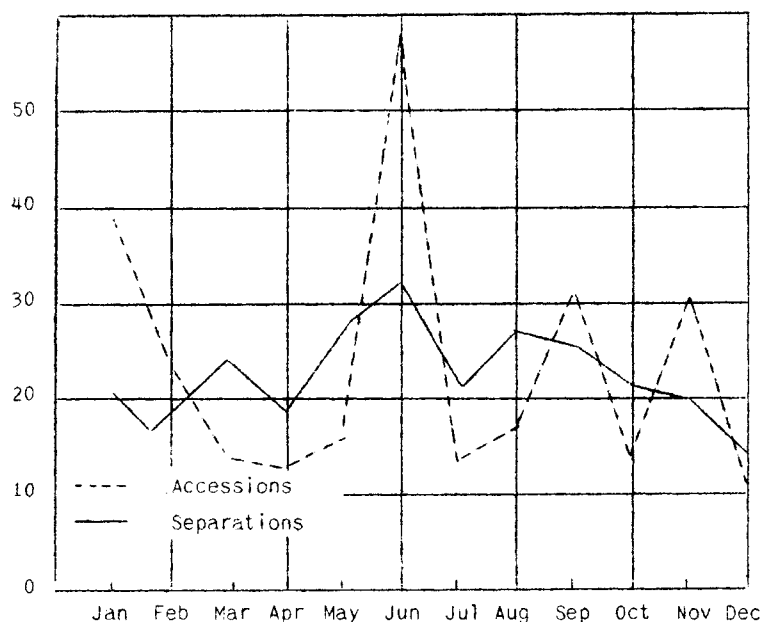
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PERSONNEL

The end of the year 1953 found us in a more favorable labor market than we experienced at the same time last year. This market, although not furnishing an abundance of qualified clerical employees, has allowed us to be

more selective in filling job openings than has been the case during the past two years. We finished the year virtually 100 percent staffed with a total of 648 employees, consisting of 417 women and 231 men. Separations for the year totaled 269 employees and accessions 279.

The following chart shows the number of accessions and separations by months:



This chart indicates an improved employment situation as evidenced by the lack of severe fluctuations in any one particular month with the exception of January and June. January is usually a month when many additions are made to our staff because very few people are willing to change positions before the holidays, or, if they give up a position during December, they do not enter the labor market until January. June has always been a month of heavy accessions because of high school graduating classes and our need for additional help while many of our regular staff are on vacations.

The Welfare Section, headed by the Bank Nurse, has continued to give

professional guidance to employees in regard to health matters and has been responsible for the administration of our hospital-surgical-medical benefits plan. The following tabulation shows the cost incurred by employees for surgery and hospitalization from January 1, 1953 through October 31, 1953, and the percentage paid by the insurance company:

<u>Services</u>	<u>Claims</u>	<u>Total Cost</u>	<u>Amount Recovered</u>	<u>% of Recovery</u>
Surgical	98	\$ 6,484.00	\$ 4,796.50	74
Hospital	<u>113</u>	<u>16,942.96</u>	<u>13,297.05</u>	<u>78</u>
	211	\$23,426.96	\$18,093.55	77

Our contract with the Connecticut General Life Insurance Company covering our group hospitalization and surgical insurance plan was terminated on October 31, 1953. A new Blue Cross-Blue Shield hospital-surgical-medical benefits plan became effective November 1, 1953. Hospital room and board benefits were increased from \$10 per day to \$14 per day. Hospital extras were increased from a limit of \$200 to an unlimited amount with the exception of X-ray, which has a \$15 limit. Other minor changes were also made. The added benefits made it necessary to increase the cost to employees from 62 cents to \$1.20 for the single contract and from \$2.15 to \$3.18 for the family contract.

As was the case during prior years, employees were again offered polio insurance, which is carried with the Continental Casualty Insurance Company. A total of 89 employees subscribed - 36 on an individual basis and 53 on a family basis.

During January, the Welfare Section and the Federal Reserve Club made arrangements to have the Red Cross Blood Mobile unit visit the bank. One hundred and ten employees volunteered to give blood and 70 employees were able to donate.

Our Personnel Development Committee has continued to make recommendations to the Personnel Committee regarding matters of personnel development.

This year for the first time we introduced a new program called the "United Appeal for Charities". Pledges were solicited from each employee, and donations will be handled by payroll deductions carried out over a 12-month period beginning January 1, 1954. Funds will be divided in proportion to the amount of funds raised in Hennepin County last year by each of the participating organizations as follows:

Community Chest	69.86%
American Red Cross	17.19
Sister Kenny	8.37
American Cancer Society	2.83
American Heart Society	<u>1.75</u>
	100.00%

Pledges amounted to approximately \$7 thousand, and 600 employees out of a total of 656 employees (91.5%) made a pledge to United Appeal, as compared with 81.5% to Community Chest last year. Average contributions pledged to United Appeal for 1954 averaged \$11.85 compared with \$5.85 per employee pledged and paid to Community Chest during 1953.

We have continued to participate in the Cooperative Part-Time Work program with the local high schools. This year for the first time we placed typists directly on typing assignments and stenos directly on stenographic assignments. In the past it has been our policy to place all of the Cooperative High School students on general clerical assignments until graduation.

We have continued to encourage our employees to further their education by attending various educational institutions and especially through the facilities offered by the American Institute of Banking. At the end of the year we had a total of 265 AIB members, consisting of 119 men and 146 women. Fifty-two new members joined the AIB in the fall of 1953. Membership in the AIB was the highest of any period during the past five years with the exception of 1950, when AIB membership was swelled due to the fact that the

national convention was held in Minneapolis. Employees enrolled in a total of 130 AIB classes, and 53 members served on various committees. During the year, 24 mothers attended Mother-and-Daughter luncheons at our bank in order to allow them to view a typical day's activities of their daughters.

We also continued the operation of our suggestion system and a total of 59 suggestions were submitted. Thirteen were accepted and granted awards totaling \$146. In addition to the regular awards, a special contest was held for the three best suggestions during the year, with prizes totaling \$225. We also held a special suggestion contest for ideas to be used in connection with our 40th anniversary celebration which will be held during the Spring of 1954. A total of \$225 was awarded for ideas suggesting ways we might best serve our member banks, the public, and employees during our 40th anniversary celebration.

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PLANNING

The Planning Department assisted in the installation of three automatic coin counting and wrapping machines and in perfecting the changes in our operating methods to obtain the maximum benefit from this equipment.

The System installed and put into operation on July 6, 1953, an improved leased wire system providing service for all Federal Reserve banks and branches, the Board of Governors, the Treasury Department offices in Washington and Chicago, and limited service for the Commodity Credit Corporation and the Reconstruction Finance Corporation. This department assisted in preparing the layout for this equipment in addition to a rearrangement of desks and equipment in the Wire Transfer Department. The new leased wire system has resulted in improved telegraphic service, especially between this office and the Helena Branch as leased wire service was previously not available between our offices.

The Federal Reserve banks assumed the verification and destruction operations of unfit U.S. silver certificates and U.S. notes of the denominations \$1, \$2, \$5 and \$10 effective July 1, 1953, and assistance was given in establishing the operating procedure, arrangements for space and equipment, etc., at this office.

A comprehensive survey and report of Head Office space requirements was prepared. The report included an historical review of space available for our operations within the bank building and additions to such space provided by alterations which have been made from time to time as well as outside areas rented for our operations.

A survey of the operations of the Savings Bond Redemption Division was conducted, and changes in operating procedure not prescribed by the Treasury Department were recommended and subsequently adopted.

Surveys were conducted of the utilization of Treasury-owned and Treasury-rented equipment being used in our bank.

A survey of the central proof division of the Accounting Department was made and the installation of a National Cash Register proof machine recommended.

A Federal Reserve System float survey was conducted for the week May 18-23, 1953.

A survey of the usage of IBM proof machines during 1952 and early months of 1953 was made, and a basis for settlement of the IBM's claim for extra shift back rental agreed upon.

As a result of increases in express and postal rates which occurred during the year, several surveys were conducted resulting in changes in our practices to minimize the increase in our postage and expressage costs.

The Planning Department considers employees' suggestions and makes recommendation to the Personnel Committee for the acceptance or rejection of such suggestions, reviews orders for printed forms and suggests improvements, supervises the operation of the Security Files maintained in space in the basement of the Wayzata State Bank, Wayzata, Minnesota, and supervises the distribution of operating letters and supplements to all member banks.

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PROTECTION

Four guards left the employ of the bank during 1953, and four new guards were hired to fill these vacancies. As of December 31, 1953, the personnel of the Protection Department was as follows:

1 superintendent
4 sergeants
24 guards (one acting as chauffeur)

Ammunition for all weapons was renewed, and old ammunition was fired on the range by guards in their weekly practices.

All guards were given training on all arms, as well as their side arms.

All alarms were tested monthly by the Superintendent of Protection. All inside alarms were tested weekly by the sergeant in charge.

The Information Clerk issued 2,152 passes to outsiders who wished to visit upper floors of the bank during the year; 1,816 work cards were issued to outside workmen, canteen employees, etc.

At the request of the bond department, 558 guard escorts (454 singles and 104 doubles) were furnished.

A total of 243 employees were admitted by memorandum and after-hour passes turned in to the guard office after hours.

On August 18 a civil air raid warning signal was installed in the guard office.

A new Amphicall-Unit was installed on the bank floor, to be used by the guard on Post #4.

All applicants for employment were investigated at the Identification Bureau of the Minneapolis Police Department by the Superintendent of Protection.

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PUBLIC SERVICES

One phase of the activities of the department is the supervision of tours throughout our bank. During 1953 the department arranged for 142 tours for 4,254 persons, the greatest activity on record. The closest available figure to this is the 2,920 total attained in 1951. During the year, in addition to taking tours of the bank, AIB study groups, some business groups, and groups sponsored by banks in the district were invited to be our guests at luncheon. In some instances a discussion session was scheduled, led by one or more of our economists. During the year the department also made arrangements for special luncheons for groups of bankers and businessmen.

Response to our offer to continue our Short Course in Central Banking during 1953 was even more enthusiastic than in previous years. In total, more representatives of our member banks attended during 1953 than in any previous year, including the first year the course was offered. Nine sessions were scheduled in comparison with 12 the first year, but the average size of the groups attending each session was greater than those in 1948. Advance indications in response to a letter of inquiry in December indicate continued enthusiasm for the Short Course by our member banks during 1954.

During 1953 the bank sponsored two meetings which had been scheduled in previous years and in addition one new type of meeting on an experimental basis. The two meetings which were repeats were the Examiners' Conference held November 28 and the Money and Banking Workshop held May 2. The Agricultural Conference held April 17, an experiment, was attended by the agricultural representatives of country banks in the district and the agricultural committeemen of the various State Associations. The other meetings were attended respectively by the working members of the examining forces in the Ninth District and the economics teachers of the colleges in the district.

Early in 1953 (as a result of a change in policy with respect to the number of men assigned as field representatives of the department) the Ninth District, with the exception of Montana, was divided into 38 rather than the 20 territories of previous years. It was hoped that the reduction in the number of banks to be called on by each representative would enable our men to have more time to observe general economic conditions in the area visited by calling on directors of the banks, local businessmen, and farmers. The reports submitted by the new men assigned and those continuing to call on banks indicate that this purpose has been partially attained. In addition to calling on bankers at their banks, representatives of our bank attended the conventions of the various State Associations, National bankers' conventions, and as many group meetings as our bank was invited to send men.

Activities of the department which might be classified as miscellaneous but important in that they reach a large part of the population, include the booking of the three movies, "The Federal Reserve Bank and You", "The Federal Reserve System", and the Richmond film, "Your Money's Worth". During 1953 the three films were shown to audiences totaling 25,385, 2,546, and 1,440 respectively. The grand audience total for our own movie, "The Federal Reserve Bank and

You", has now reached 210,855. The latter figure includes showings of the film in other districts.

In addition, we distributed 8,490 copies of our publication, "Your Money and the Federal Reserve System", and upon request 250 copies of "The Federal Reserve System, Its Purposes and Functions", and other publications produced by our Research Department. During the year representatives of our bank addressed 115 audiences totaling 10,329 persons.

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PURCHASING

The total volume of work in the purchasing and stockroom function during 1953 remained at about the same level as 1952. The department placed orders with various suppliers for 3,042 items during 1953, an increase of 191 over the previous year. There were 9,997 items requisitioned from the stockroom by the departments of the bank, on 4,091 requisitions.

No material changes in market conditions occurred during the year.

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RESEARCH

Activities of the Research Department may conveniently be divided into three major categories, namely, (1) studies in regional developments relating to business, banking and agriculture; (2) contributing to the statistical series of the Board of Governors; and (3) public relations activities. In all three areas, the department's personnel devotes the bulk of its time to work of the same nature from year to year. But each year sees changes in emphasis among the various major work categories.

A review of the department's work in 1953 indicates that emphasis was placed on methods whereby the bank might be kept better informed not only on the more spectacular business or economic developments in the district, but also on development which might be considered minor in the national economy but of major importance to communities in the Ninth District.

A new release, Selected Economic Developments in The Ninth District, was initiated to satisfy the need for more detailed and specific knowledge of events of business significance in the district.

Analytical and interpretive efforts were concentrated in the field of regional research. In addition to time devoted to the study of current regional business developments there was a continuation of research into marginal resources of the district. These studies produced such articles as:

Taconite: Source of Tomorrow's Steel
Copper Production in Montana
Upper Michigan Copper Output
Missouri River Development Program
Further Development of Williston Basis Awaits
Pipelines, Markets.

All except the booklet, Missouri River Development Program, appeared in the Monthly Review.

Special surveys made for the Board of Governors during the year dealt with:

The extent to which banks were meeting the financing needs of cattle feeders.

The availability of funds for home mortgage financing.

The statistical program was primarily a continuation of our participation in the statistical work of the System. A major undertaking during the year was the revision of the bank debits series to exclude debits to time deposit accounts and to accounts of the United States Government. Also, there

was an extensive review of the seasonal factors used in adjusting district department store sales and stocks indexes.

Publications of the department continued in strong demand. The monthly circulation of the Farm News increased from 11,700 in January to 15,000 in December. Most of this increase was in the bulk shipments to banks for distribution to customers. Bulk shipments increased 5,400 per month to 8,300 per month.

The entire Monthly Review mailing list was checked during the latter part of 1953. Cards were sent to each subscriber, and those not returning the cards were dropped from the mailing list. In all, 1,322 names were dropped. This reduced the number of Reviews sent to individual subscribers from 5,924 to 4,602. The distribution of the Review to the District's 1,285 banks and the shipment of bulk orders of the Review to single subscribers was not curtailed. Total distribution of this publication at year's end was 7,259.

In connection with the tracer on the Review mailing list, a survey of the readers indicated that our publication is generally well received. The most noticeable result of the survey was the very definite cleavage in the appetites of the readers. Readers from nonmetropolitan areas of the Ninth District (which comprises the bulk of our rural subscribers) definitely preferred current analyses of economic conditions--with the accent on those pertaining to agriculture. Metropolitan readers, on the other hand, were more in favor of reports on special problems or developments. (Most of the readers outside the district are in large metropolitan areas.)

In the library, considerable effort during the year was devoted to compiling special purpose catalogs which will assist library personnel in locating the numerous and varied releases, pamphlets and reports which constitute

such an important part of the reference material. Most requests are for this type of material.

There was a natural decline in the number of employees from other departments of the bank who patronized the library during the year, attributable to the fact that the library is not as readily accessible in its present location. Patrons from outside the bank, on the other hand, increased sharply - from 513 in 1952 to 859 in 1953.

During the year a Library Bulletin was inaugurated so that new and pertinent acquisitions could be called to the attention of the staff and other interested individuals. This bulletin is published at irregular intervals.

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MEMBER BANK RESERVES

Reserve requirements on net demand deposits were decreased by the Board of Governors on June 24, 1953, but requirements on time deposits remained unchanged, as shown by the table below:

<u>Bank Classification</u>	<u>Net Demand Deposits</u>			<u>Time Deposits</u>
	<u>From</u>	<u>To</u>	<u>Effective Date</u>	
Country Banks	14%	13%	7-1-53	6%
Reserve City Banks	20	19	7-9-53	6
Central Reserve City Banks	24	22	7-9-53	6

This step was taken in order to make available the reserve funds necessary to meet the essential needs of the economy and to help maintain stability of the dollar. The reduction, releasing an estimated \$1.2 billion of reserves, was made in anticipation of the exceptionally heavy demands on bank reserves which would develop in the near future when seasonal requirements of the economy would expand and Treasury financing in large volume would be inescapable. The action was intended to provide assurance that these needs

would be met without undue strain on the economy and is in conformity with System policy of contributing to the objective of sustaining economic equilibrium at high levels of production and employment.

The Board of Governors also approved the action of the Federal Reserve Bank of Minneapolis increasing their discount rate from $1\frac{3}{4}\%$ to 2% effective Friday, January 16, 1953. The effect of this increase was to raise the percentage used in computing the amount to be assessed or waived for penalties on deficiencies in reserves. Penalties are computed on the amount of the deficiency at a rate of 2% above the current discount rate.

During the year 1953, penalties for deficiencies in reserves assessed at the Head Office showed a slight increase in dollar amount but a decrease of 16% in number. Assessed penalties for Helena Branch showed an increase of 54% in amount and 22% in number for the year. Penalties on one Montana bank amounted to 23% of the total penalties assessed for Helena.

Penalties for deficiencies in reserves at the Head Office which were waived decreased 21% in amount with a very slight reduction in number, and at Helena Branch decreased $37\frac{1}{2}\%$ in amount and $17\frac{1}{2}\%$ in number.

Approximately 72% of the amount and 38% of the number of all penalties waived for the year were waived under the Board's rule which allows a deficiency of one period to be offset by excess in the following period, provided that such deficiency does not exceed 2% of a bank's required reserve. The large reserve city banks in the Twin Cities and Helena accounted for 74.4% of the amount and 35% of the number of penalties waived under this rule.

There was an increase in the number and amount of penalties waived under the rule which permits a penalty to be waived for a deficiency of not more than 5% of a member bank's required reserve, provided that a penalty has

not been waived under that rule within a two-year period. Nineteen percent of all penalties waived and 23.4% of the dollar amount were in this classification.

Forty-two percent of the number of all penalties waived with only 4.3% in dollar amount were waived under the rule which applies to penalties not in excess of \$5.00.

During 1953, 68 banks were penalized for a total of 122 times compared with 73 banks for 124 times in 1952.

The following is a comparative report by states of penalties for deficiencies in reserves during 1953 and 1952:

	<u>Penalties Assessed</u>		<u>Penalties Waived</u>		<u>Banks Affected</u>							
	1953		1952		Assessed		Waived					
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>'53</u>	<u>'52</u>	<u>'53</u>	<u>'52</u>				
Michigan	14	\$ 600.20	19	\$ 879.64	25	\$ 244.48	24	\$ 240.38	6	6	16	14
Minnesota	33	1556.89	47	1331.06	146	4585.88	139	6323.52	25	28	75	66
North Dak.	6	190.34	7	278.46	25	388.27	21	154.28	2	5	13	13
South Dak.	12	400.47	10	303.97	28	233.09	41	332.41	8	10	20	27
Wisconsin	8	214.18	3	63.03	22	214.70	28	116.96	5	3	16	15
Head Off.												
Totals	73	\$2962.08	86	\$2856.16	246	\$5666.42	253	\$7167.65	46	52	140	135
Helena												
Branch	49	\$4022.39	38	\$1850.65	61	\$1392.59	74	\$2226.37	22	21	31	36
Combined	122	\$6984.47	124	\$4706.81	307	\$7059.01	327	\$9394.02	68	73	171	171

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SAFEKEEPING

Securities held for safekeeping and collateral purposes as of December 31, 1953, totaled \$1,528 million, an increase of \$44 million compared with the \$1,484 million held a year ago, as reflected by the comparative figures for 1953 and 1952 as shown on the following page.

<u>Accounts</u>	<u>12-31-53</u>	<u>12-31-52</u>	<u>Inc. or Dec.</u>
	(In thousands of dollars)		
Securities held in safekeeping (not pledged)	\$ 899,654	\$ 877,993	\$+21,661
Securities pledged to secure public deposits	350,202	327,685	+22,517
*Securities pledged to secure Government deposits	22,214	11,684	+10,531
**Securities pledged to secure Treasury Tax and Loan Account	217,930	234,809	-16,879
***Securities held as collateral for discounts and advances	35,980	30,250	+ 5,730
Securities held as collateral to Consignment Account-U.S. Savings Bonds, Series E	22	45	23
Securities held for Public Housing Administration	<u>1,702</u>	<u>1,704</u>	<u>2</u>
	\$1,527,704	\$1,484,169	\$+43,535

*Includes \$4,525,000 held by Commercial Banks.

**Includes \$21,037,000 held by Commercial Banks and other
Federal Reserve banks.

***Includes \$22,800,000 held by Commercial Banks.

The Safekeeping Department received 65,662 pieces of securities, issued 8,406 receipts and delivered 69,650 pieces in 9,810 transactions, resulting in a net increase of 32,394 pieces of securities held during the year.

The department also made 9,621 transfers of securities from one account to another and clipped 289 thousand coupons from securities held during 1953.

The table below shows comparative volume figures for 1953 and 1952:

	<u>1953</u>	<u>1952</u>	<u>Inc. or Dec.</u>
Receipts issued	8,406	7,336	+ 1,070
Pieces received	65,662	53,584	+12,078
Withdrawals handled	9,810	8,752	+ 1,058
Pieces delivered	69,650	49,334	+20,316
Transfers from one account to another	9,621	7,832	+ 1,789
Coupons clipped	289,507	273,629	+15,878
Custodian receipts issued	1,256	1,053	+ 203

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WIRE TRANSFERS

On July 6, 1953, a new Federal Reserve leased wire system was installed, providing service for all Federal Reserve offices (including the Board of Governors' office at Washington) as well as the Treasury Department and certain government agencies. The American Telephone and Telegraph Company is furnishing the leased wires and equipment. The system being used is the 81-D-1 Automatic Teletypewriter system. The switching center for the new hookup is stationed at the Federal Reserve Bank of Richmond, and transmission of messages from any office on the system is automatic to destination.

The only manual operations necessary under normal conditions are perforation of messages in tapes by operators at the sending offices, the placing of this tape in transmitters for automatic transmission, and the removal of the messages received at destinations. The 81-D-1 Automatic Teletypewriter system provides improved service, as the lines operate at 75 words per minute and are not subject to delays at one or more relay points as was true under the old system.

During the year 1953 the Transfer Department functioned 44,312 transfers of funds totaling \$13.7 billion. This represents an increase of approximately 1,000 transfers in number and an increase of \$531 million over 1952 figures. Transfers to other Federal Reserve districts totaled \$4.8 billion, transfers received from other districts totaled \$6.2 billion, and transfers between our own member banks totaled \$2.7 billion. The average dollar amount of transfers in 1953 was \$311 thousand as compared with \$303 thousand in 1952.

A grand total of 71,654 telegrams was handled, which number was approximately 2,000 less than the number handled the preceding year. Practically all of this decrease occurred after installation of the new private wire on

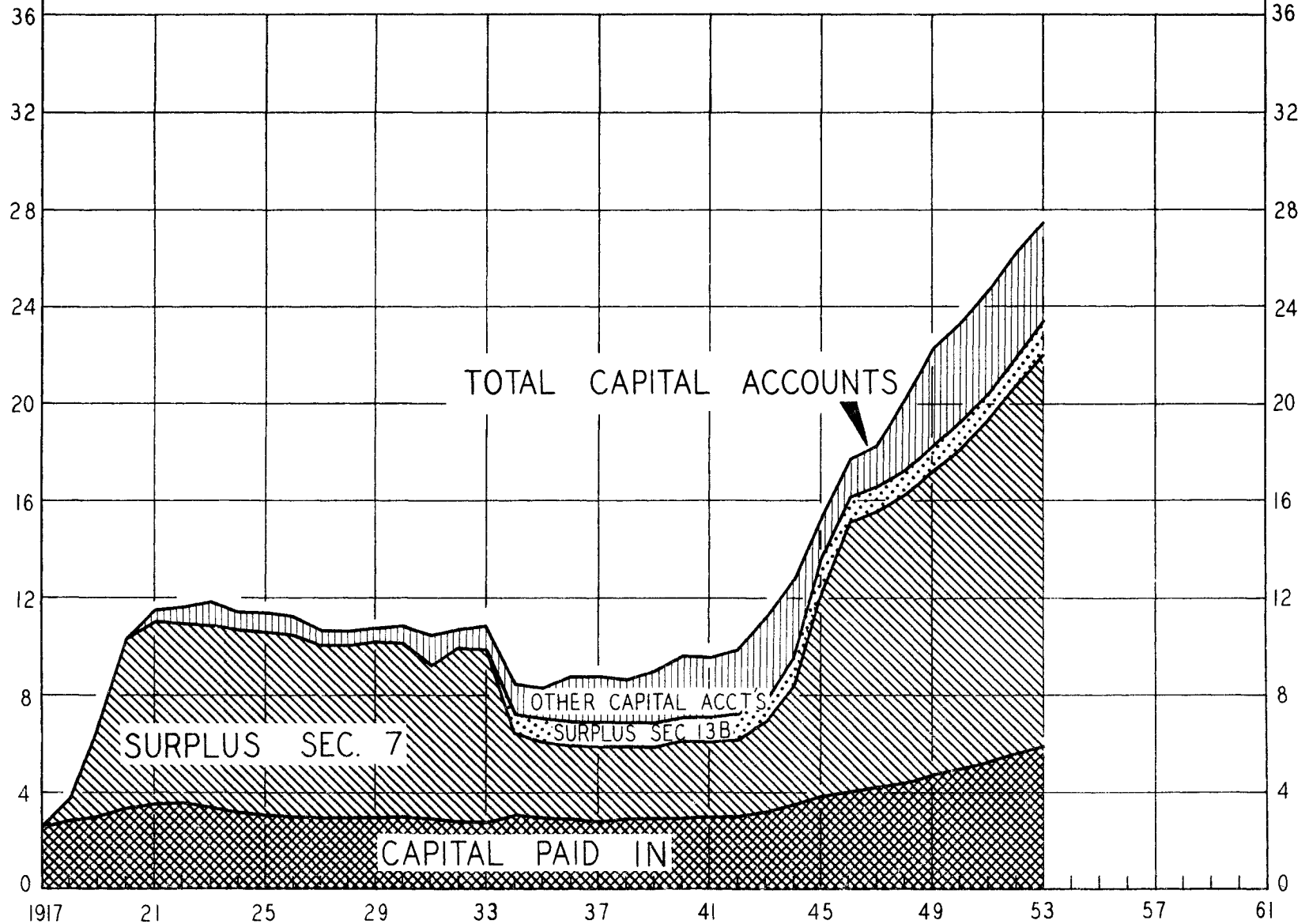
July 6. Inasmuch as the Branch was not connected to the old private wire system, practically all wires to or from them involving Reserve banks or branches, the Board's office, or the Treasury Department were relayed through our office. The Branch is now connected to the new private wire system and all of their wires are handled direct.

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MILLION DOLLARS

MILLION DOLLARS

CAPITAL ACCOUNTS



CAPITAL ACCOUNTS

CAPITAL STOCK paid in totaled \$5,952 thousand on December 1, 1953, an increase of \$233 thousand during the year.

SURPLUS ACCOUNTS. Surplus (Section 7) was increased \$1,088 thousand on December 31, 1953, which brings the total to \$16,219 thousand; Surplus (Section 13b) remained unchanged at \$1,073 thousand.

RESERVES FOR CONTINGENCIES. No change was made in the reserve of \$1 million set aside for losses in excess of the blanket bond coverage; the reserve of \$500 thousand earmarked for losses not covered by the Loss Sharing Agreement; or the special reserve for contingencies of \$2,476 thousand.

The reserve for registered mail losses totaled \$229 thousand as of December 31, 1953. This is an increase of \$14 thousand during the year. A partial recovery of \$72.80 on our pro rata share of a loss for \$199.72 previously charged in 1952 was credited to this reserve.

The table below reflects the changes made in this account during 1953:

Reserve for registered mail losses beginning of year 1953	\$214,951.15
 Credits:	
Our pro rata share of a partial recovery of \$2,550 on the combined loss of \$6,995.38 in which we participated on 12-29-52. Our pro rata share of the loss was \$199.72.	\$ 72.80
Annual addition based on 2¢ per \$1000 of total shipments of \$684,520,556 for 12-month period Dec. 1, 1952 through Nov. 30, 1953	<u>13,690.41</u>
Net additions during year	<u>13,763.21</u>
Reserve for Registered Mail Losses, Dec. 31, 1953	\$228,714.36

The following table shows currency and coin shipments made during the twelve-month period December 1, 1952 to November 30, 1953, which were the basis for the addition to the registered mail loss reserve:

	1953 (000 Omitted)	1952 (000 Omitted)
<u>Registered or Insured Mail and Express</u>		
New F.R. currency from Washington	\$103,980	\$151,260
Fit F.R. notes to bank of issue	61,325	60,569
Currency and coin between Minneapolis and Helena	3,163	1,920
Other currency and coin outgoing - Minneapolis and Helena	221,618	219,179
Other currency and coin incoming - Minneapolis and Helena	<u>294,435</u>	<u>284,835</u>
	\$684,521	\$717,763

The disposition of 1953 net earnings and the changes made in the surplus accounts are shown below:

Net Earnings		\$11,228,617.08
Dividends Paid	\$ 348,774.12	
Paid U.S. Treasury (Interest on F.R. notes)	9,791,771.59	<u>10,140,545.71</u>
		\$ 1,088,071.37
- - - -		
Surplus (Section 7) December 31, 1952		\$15,131,296.64
Transferred from Earnings 1953		<u>1,088,071.37</u>
Surplus (Section 7) December 31, 1953		\$16,219,368.01
- - - -		

VALUATION ALLOWANCES. In December 1953, a reserve for valuation allowances on industrial loans in the amount of \$6,240 was effected in connection with the Clear Lake Creamery and Produce Company, Clear Lake, South Dakota, loan.

DIVIDENDS

As of December 31, 1953, capital stock held by member banks totaled \$5,952,400, on which accrued dividends totaling \$348,774 were paid. This year's dividend payment is again the largest for any single year in the history of the bank and when combined with previous years' payments, bring the aggregate total of \$7,986,845.

Distribution of 1953 and 1952 Dividends

<u>State</u>	<u>1953</u>		<u>1952</u>		<u>Change</u>
	<u>No. of Banks</u>	<u>Dividend Paid</u>	<u>No. of Banks</u>	<u>Dividend Paid</u>	
Michigan	40	\$ 18,039.60	40	\$ 17,996.05	\$+ 43.55
Minnesota	205	225,257.90	206	209,882.87	+15,375.03
Montana	82	37,797.50	83	35,091.94	+ 2,705.56
North Dakota	41	20,998.06	42	19,873.72	+ 1,124.34
South Dakota	62	27,942.26	63	27,052.68	+ 889.58
Wisconsin	<u>42</u>	<u>18,738.80</u>	<u>42</u>	<u>18,008.47</u>	<u>+ 730.33</u>
	472	\$348,774.12	476	\$327,905.73	\$+20,868.39

TABLE OF DIVIDENDS PAID SINCE ORGANIZATION

1914		1934	\$ 181,117.51
1915		1935	185,448.45
1916	\$ 57,719.87 ^{a/}	1936	179,052.04
1917	363,894.19 ^{b/}	1937	174,057.31
1918	168,102.97	1938	174,231.27
1919	180,186.21	1939	174,905.39
1920	195,870.65	1940	177,400.58
1921	211,657.03	1941	179,789.68
1922	213,774.01	1942	183,336.33
1923	212,732.68	1943	190,924.19
1924	202,827.98	1944	206,158.74
1925	193,559.46	1945	221,686.96
1926	187,609.25	1946	238,372.30
1927	180,726.51	1947	253,251.30
1928	181,202.86	1948	262,776.22
1929	184,029.92	1949	272,831.22
1930	184,445.39	1950	294,034.00
1931	180,454.53 ^{c/}	1951	314,934.23
1932	175,494.80	1952	327,905.73
1933	171,568.89	1953	<u>348,774.12</u>
			\$7,986,844.77

^{a/} For period November 1, 1914 through June 30, 1915.

^{b/} For period July 1, 1915 through December 31, 1917.

^{c/} \$134,649.67 withdrawn from Surplus to pay dividend.

BANK PREMISES

There was no change in the book value of the Head Office and Branch bank buildings during 1953. The normal depreciation of 2% was taken on both buildings. Both the book value and reserve for depreciation of Head Office fixed machinery and equipment were reduced \$19,944 to reflect dismantling one elevator and three dummy elevators. The fixed machinery and equipment at the Helena Branch became fully depreciated in January 1953.

The principal changes in repairs or alterations during 1953 follow:

1. Carpeting was purchased and laid in the President's and Chairman's offices, and the Directors' and reception rooms.
2. A new elevator door was constructed in #3 elevator hatchway at the balcony level.
3. A wastepaper storage room was constructed by closing and flooring the stairway leading from the basement to the engineer's room in the rear of the building.

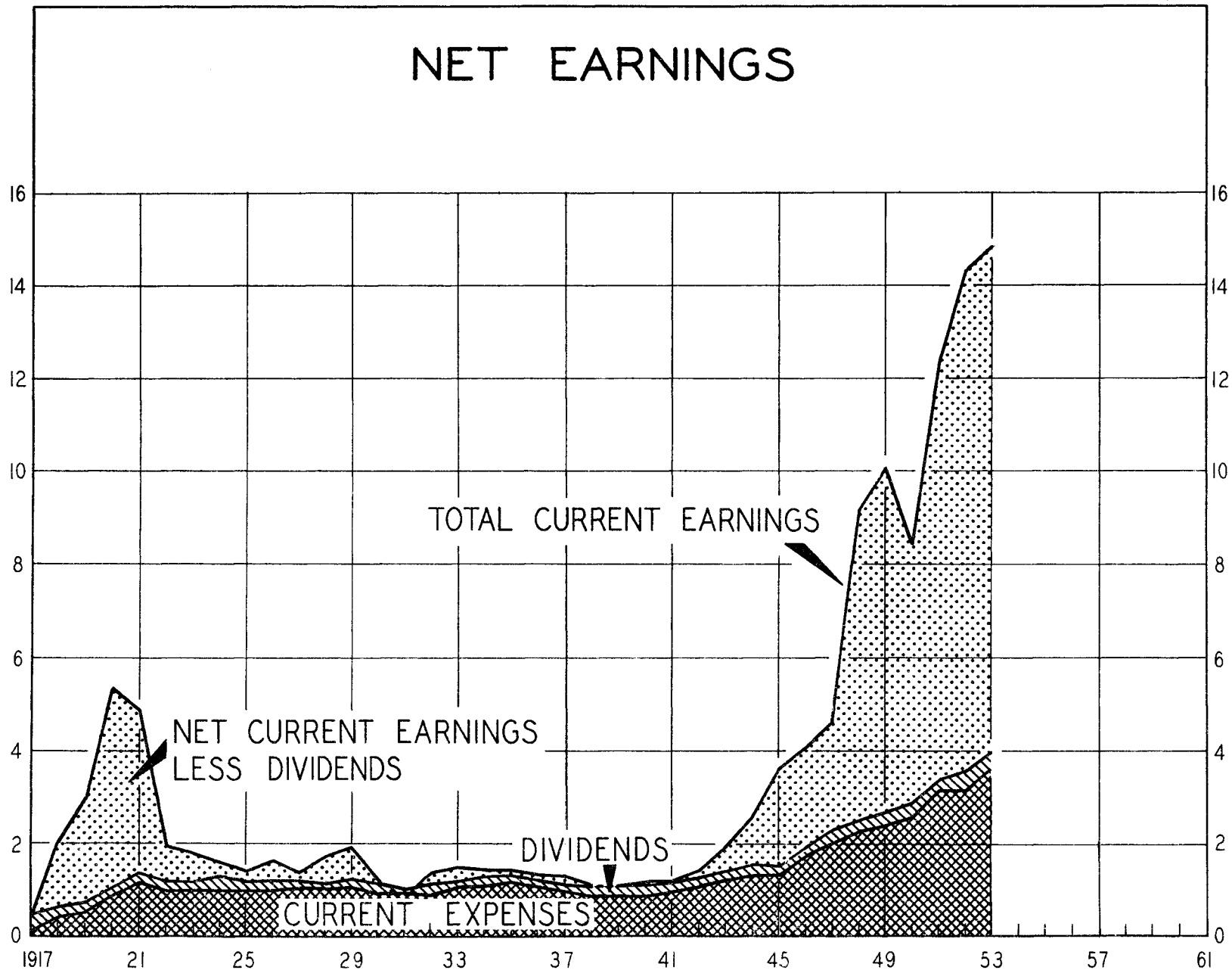
BANK PREMISES

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
<u>BANK PREMISES:</u>			
Gross Book Value:			
Beginning of 1953 (no change during year)	\$1,384,281.50	\$1,283,281.50	\$101,000.00
<hr style="border-top: 3px double #000;"/>			
Allowance for Depreciation:			
Beginning of 1953	\$ 743,506.92	\$ 718,637.16	\$ 24,869.76
Normal depreciation	<u>27,685.56</u>	<u>25,665.60</u>	<u>2,019.96</u>
End of Year	\$ 771,192.48	\$ 744,302.76	\$ 26,889.72
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Net book value December 31, 1953	\$ 613,089.02	\$ 538,978.74	\$ 74,110.28
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<u>FIXED MACHINERY AND EQUIPMENT:</u>			
Gross Book Value:			
Beginning of 1953	\$ 698,171.34	\$ 660,969.35	\$ 37,201.99
Deductions during year	<u>19,944.00</u>	<u>19,944.00</u>	<u>-</u>
End of Year	\$ 678,227.34	\$ 641,025.35	\$ 37,201.99
<hr style="border-top: 3px double #000;"/>			
Allowance for Depreciation:			
Beginning of 1953	\$ 698,056.70	\$ 660,969.35	\$ 37,087.35
Credits			
Normal depreciation	114.64	-	114.64
Debits	<u>19,944.00</u>	<u>19,944.00</u>	<u>-</u>
End of Year	\$ 678,227.34	\$ 641,025.35	\$ 37,201.99
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Net book value December 31, 1953	-	-	-
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<u>LAND:</u>			
Net book value December 31, 1953	\$ 410,520.66	\$ 400,520.66	\$ 10,000.00
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<u>TOTAL BANK PREMISES:</u>			
Net book value December 31, 1953	\$1,023,609.68	\$ 939,499.40	\$ 84,110.28
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MILLION DOLLARS

MILLION DOLLARS

NET EARNINGS



NET EARNINGS & PROFITS

Net earnings and profits for the year 1953 totaled \$11,229 thousand. This figure established a new all-time high and exceeds the 1952 total by \$215 thousand.

A statement of net earnings and profits is shown below:

	<u>1953</u>	<u>Change from 1952</u>
Current Earnings	\$14,868,907	\$+568,069
Current Expenses	<u>3,604,274</u>	<u>+312,718</u>
Current Net Earnings	\$11,264,633	\$+255,351
Additions to Current Net Earnings:		
Profit on U.S. Government		
Securities sold, net	\$61,029	\$- 1,402
All Other	<u>73</u>	<u>6</u>
Total Additions	\$61,102	\$- 1,408
Deductions from Current Net Earnings:		
Reserve for Registered Mail Losses	\$13,690	\$- 577
Additional payment of fees to architect for project not carried out	4,250	- 38,267
Payment of supplemental allowance for Social Security and Disability Benefits per Retirement System letter dated 3-20-53	71,052	+ 71,052
All Other	<u>8,126</u>	<u>+ 6,734</u>
Total Deductions	\$97,118	\$+38,942
Net Deductions from Current Net Earnings	\$ <u>36,016</u>	\$+ 40,350
Net Earnings and Profits	\$11,228,617*	\$+215,001

*For disposition of profits see page No. 57.

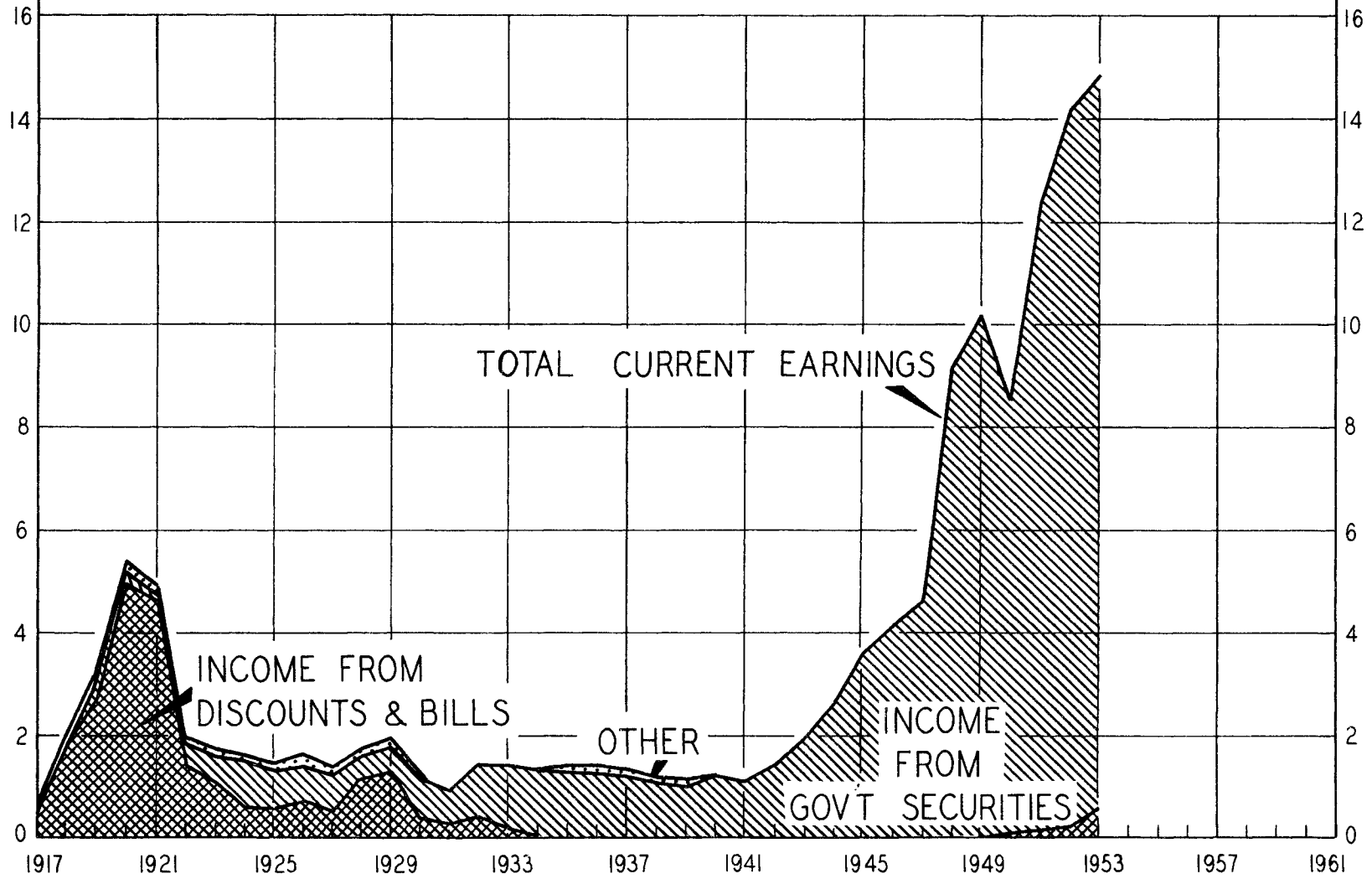
The table below gives a breakdown of Profit and Loss during 1953:

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
<u>Additions to Current Net Earnings:</u>			
Profit on U.S. Govt. securities sold, net	\$61,029.33	\$61,029.33	-
Profit on mutilated currency and coin	23.15	13.12	\$ 10.03
Dividend from Pondera Valley State Bank, Conrad, Montana, for Great Falls Lbr. Co. claim assigned to FRB Minneapolis	50.00	50.00	-
Total Additions	<u>\$61,102.48</u>	<u>\$61,092.45</u>	<u>\$ 10.03</u>
- - - -			
<u>Deductions from Current Net Earnings:</u>			
Reserve for Registered Mail Losses	\$13,690.41	\$13,690.41	-
Payment of supplemental allowance for Social Security and Disability Benefits per Retirement System letter dated 3-20-53	71,051.51	71,051.51	-
Discount on foreign currency and coin	1.41	1.41	-
Loss on counterfeits	174.60	174.60	-
Difference account	330.17	197.33	\$132.84
Difference between estimated and actual reimbursable expenses for Dec. 1952	1,353.47	1,353.47	-
Additional payment of fees to architect for project not carried out	4,250.42	4,250.42	-
Interest from 12-1-52 to 1-1-53 not col- lected on Clear Lake Creamery & Produce industrial loan previously credited to Profit & Loss in 1952	26.76	26.76	-
Valuation allowance covering industrial loan of Clear Lake Creamery & Produce Co., Clear Lake, South Dakota	<u>6,240.00</u>	<u>6,240.00</u>	<u>-</u>
Total Deductions	<u>\$97,118.75</u>	<u>\$96,985.91</u>	<u>\$132.84</u>
Net Deductions from Current Net Earnings	\$36,016.27	\$35,893.46	\$122.81

MILLION DOLLARS

MILLION DOLLARS

GROSS EARNINGS



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EARNINGS

Despite the fact that our participation in the System Open Market account during the last four months of 1953 was approximately 20% less than during the first eight months of the year, our earnings for the year were \$14,869 thousand, an increase of \$568 thousand over 1952 earnings. This increase in earnings was due to several factors which are more fully explained later in these comments. The following table shows the sources from which our earnings were derived and a comparison with 1952 earnings:

	<u>1953</u>	<u>Change from 1952</u>
Discounts and Advances	\$ 540,708	\$+263,480
Foreign Loans on Gold	6,034	- 3,533
Industrial Loans	5,579	+ 64
U.S. Govt. Securities-System Account	14,308,615	+305,320
Deficient Reserve Penalties	6,985	+ 2,291
Commission earned on Bankers Acceptances purchases for foreign correspondents	834	464
Interest on Personal Loans to Employees	-	- 33
Clearinghouse Fines	<u>152</u>	<u>+ 16</u>
	<u>\$14,868,907</u>	<u>\$+568,069</u>

During the first five months of 1953, borrowings by our member banks continued at the increased level of the last three months of 1952. The high point was reached in April when borrowings reached a daily average of \$52,553 thousand. After a slight decrease in the daily average in May, the June figures dropped to \$16,750 thousand. During the remaining six months of the year the daily average borrowings remained fairly moderate, with a low of \$10,800 thousand in November and a high of \$18,750 thousand in October. The daily average holdings during 1953 was \$27,330 thousand as compared with \$15,785 thousand the previous year. On January 16, 1953, our rediscount rate was increased

from 1 3/4% to 2%. This resulted in an increase in our average yield of 1.7563% in 1952 to 1.9785% in 1953.

Our daily average holdings of U.S. government securities decreased from the 1952 average of \$731,004 thousand to \$708,459 thousand. However, because of an increase in the average yield of 1.9156% in 1952 to 2.0197% in 1953, earnings increased \$305 thousand.

Effective September 1, 1953, our allotment of U.S. securities in the System Open Market account was reduced from \$772,843 thousand to \$616,745 thousand. This reduction was in line with a new plan of allocation of securities adopted by the System which will enable all Federal Reserve banks to maintain a more equal ratio of gold reserves to Federal Reserve notes and deposits. Prior to the reallocation of securities the reserve ratios varied from a low (August 31, 1953) of 29.1% at one Federal Reserve bank to a high of 53.1% at another Federal Reserve bank. One month later, the spread in reserve ratios had narrowed to 40.1% for the low and 46.6% for the high. The average daily participation during the last four months of 1953 was \$622,808 thousand.

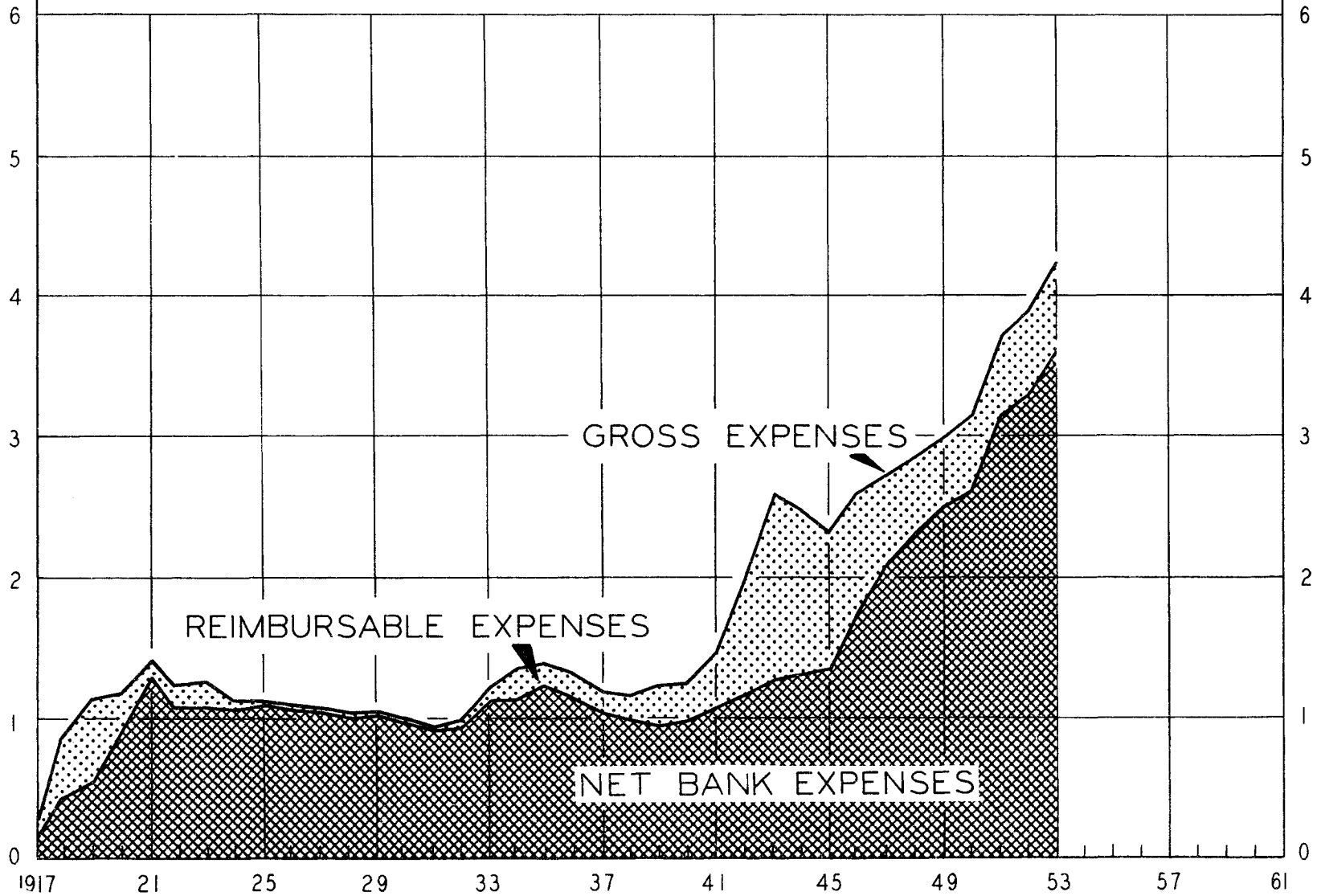
The following table indicates the bank's holdings as of December 31, 1953, and shows the dollar increase or decrease in comparison with December 31, 1952:

	<u>12-31-53</u>	<u>Change</u> <u>from 1952</u>
	(In thousands of dollars)	
Bonds	\$ 89,868	\$- 54,071
Notes	327,360	-111,070
Bills	64,080	+ 41,067
Certificates	<u>143,558</u>	<u>- 15,460</u>
	\$624,866	\$-139,534

MILLION DOLLARS

MILLION DOLLARS

EXPENSES



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COMPARATIVE STATEMENT OF NET CURRENT EXPENSES

	Head Office <u>1953</u>	Helena Branch <u>1953</u>	Combined <u>1953</u>	Combined <u>1952</u>
Salaries:				
Officers	\$ 221,221	\$ 19,896	\$ 241,117	\$ 219,256
Employees	1,522,550	156,159	1,678,709	1,602,995
Fees:				
Directors	6,000	3,865	9,865	9,595
Federal Advisory Council	1,050	-	1,050	1,125
Other	3,250	135	3,385	4,180
Retirement Contributions:				
F.R. Retirement System	115,644	11,746	127,390	121,138
Supplemental Death Benefit	7,527	680	8,207	4,854
Social Security	21,787	2,322	24,109	23,393
Traveling Expenses:				
Directors	5,204	2,762	7,966	6,913
Federal Advisory Council	732	-	732	715
Other	52,798	6,668	59,466	62,801
Postage and Expressage:				
Original Shipments of F.R. Currency	30,442	-	30,442	41,030
Redemption of F.R. Currency	16,220	2,930	19,150	17,313
Other	336,166	64,743	400,909	377,181
Telephone and Telegraph	21,244	8,280	29,524	29,067
Printing, Stationery & Supplies	124,274	8,766	133,040	115,496
Insurance	29,023	2,740	31,763	13,394
Taxes on Real Estate	95,360	4,137	99,497	96,824
Depreciation	25,666	2,135	27,801	31,406
Light, Heat, Power & Water	30,938	2,624	33,562	31,939
Repairs & Alterations	54,344	15,064	69,408	20,648
Rent	52,039	28	52,067	48,241
Furniture & Equipment:				
Purchases	89,373	4,157	93,530	47,762
Rentals	124,700	18,135	142,835	121,576
Assessment for expenses of Board of Governors	103,700	-	103,700	105,000
Federal Reserve Currency:				
Original Cost	184,996	-	184,996	140,559
Cost of Redemption	9,156	-	9,156	5,988
All Other	75,092	3,265	78,357	79,802
Total Expense	\$3,360,496	\$341,237	\$3,701,733	\$3,380,191
Miscellaneous Recoveries:				
Coin Wrapping	11,012	1,284	12,296	9,327
Rental of Furniture & Equipment	3,182	-	3,182	2,887
Rental of Space	33,867	387	34,254	33,938
Postal Money Orders	38,945	3,147	42,092	39,621
Currency Verification & Destruction	3,338	-	3,338	-
Other	2,297	-	2,297	2,862
Total Recoveries	\$ 92,641	\$ 4,818	\$ 97,459	\$ 88,635
Total Net Current Expenses	\$3,267,855	\$336,419	\$3,604,274	\$3,291,556

NONREIMBURSABLE EXPENSE

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$3,267,855	\$+282,078
Helena Branch	<u>336,419</u>	<u>+ 30,640</u>
	\$3,604,274	\$+312,718

Head Office expense, after deduction of reimbursable expense, increased \$282 thousand compared with the year 1952. Principal increases over last year were in salaries; retirement contributions; postage and expressage; telephone and telegraph; printing, stationery and supplies; insurance; taxes on real estate; light, heat, power and water; repairs and alterations; rent; furniture and equipment - purchases and rentals; Federal Reserve currency - original cost and cost of redemption. Principal decreases were in traveling expenses - other; postage and expressage on original shipments of Federal Reserve currency.

Helena Branch expense increased \$31 thousand over last year. The larger increases were in salaries; travel - other; postage and expressage; repairs and alterations; furniture and equipment - purchases and rentals. Decreases were effected in telephone and telegraph and depreciation on fixed machinery and equipment.

SALARIES

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$1,743,771	\$+86,111
Helena Branch	<u>176,055</u>	<u>+11,464</u>
	\$1,919,826	\$+97,575

Head Office salaries for 1953 totaled \$1,744 thousand, an increase of \$86 thousand over last year. Merit and salary adjustments together with an increase of seven in the average number of employees for the year account for this increase.

FEES - DIRECTORS

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$6,000	\$+225
Helena Branch	<u>3,865</u>	<u>+ 45</u>
	\$9,865	\$+270

Eleven meetings were held in 1953.

FEES - FEDERAL ADVISORY COUNCIL

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$1,050	\$-75

In 1953, our Council member attended four local and four out-of-town meetings; in 1952 he attended seven local and four out-of-town meetings.

FEES - OTHER

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$3,250	\$-240
Helena Branch	<u>135</u>	<u>-555</u>
	\$3,385	\$-795

In 1952 this bank held a Member Bank Assembly in which honorarium fees were paid to various speakers, whereas in 1953 this meeting was not held.

RETIREMENT CONTRIBUTIONS

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$115,644	\$+5,310
Helena Branch	<u>11,746</u>	<u>+ 942</u>
	\$127,390	\$+6,252

Retirement System contributions are based on salaries paid. The rate as of December 31, 1953 was 7.05%.

SUPPLEMENTAL DEATH BENEFIT

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$7,527	\$+3,238
Helena Branch	<u>680</u>	<u>+ 115</u>
	\$8,207	\$+3,353

This increase is due to the following:

1. Additional assessment of \$1,718.44 based on experience rating for contract year ended November 30, 1953.
2. Higher salary costs.
3. Increase in rate from .460 to .515.

SOCIAL SECURITY

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$21,787	\$+579
Helena Branch	<u>2,322</u>	<u>+137</u>
	\$24,109	\$+716

Higher salary costs account for the increase in Social Security Tax payment during 1953.

TRAVEL - DIRECTORS

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$5,204	\$+ 643
Helena Branch	<u>2,762</u>	<u>+ 410</u>
	\$7,966	\$+1,053

Additional expense incurred because of out-of-town meeting in June 1953. There was no out-of-town meeting in 1952.

TRAVEL - FEDERAL ADVISORY COUNCIL

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$732	\$+17

In 1953 our Council member attended four out-of-town meetings.

TRAVEL - OTHER

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$52,798	\$-4,966
Helena Branch	<u>6,668</u>	<u>+1,661</u>
	\$59,466	\$+3,335

The 1952 Head Office travel expense included \$7,184 for Credit Control operations which terminated during the summer of that year. This chiefly accounts for the decrease in travel expense during 1953.

POSTAGE AND EXPRESSAGE
Original Shipments
F. R. Currency

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$30,442	\$-10,558

This decrease is due to the curtailment during 1953 in the shipping of notes to us under the decentralization program and the stock-piling of notes at the United States Treasury printing office.

POSTAGE AND EXPRESSAGE
Redemption
F. R. Currency

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$16,220	\$+1,546
Helena Branch	<u>2,930</u>	<u>+ 291</u>
	\$19,150	\$+1,837

Increases of 15% in Express rates in August 1953 and 30% in parcel post rates in September 1953 caused this higher cost.

POSTAGE AND EXPRESSAGE
Other

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$336,166	\$+19,100
Helena Branch	<u>64,743</u>	<u>+ 4,628</u>
	\$400,909	\$+23,728

Increases of 30% in parcel post rates in September 1953 and 15% in railway express rates in August 1953 caused this higher cost.

TELEPHONE AND TELEGRAPH

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$21,244	\$+1,662
Helena Branch	<u>8,280</u>	<u>-1,205</u>
	\$29,524	\$+ 457

An installation charge of \$1,603.09 for new leased wire equipment is the primary reason for this increase.

PRINTING, STATIONERY AND SUPPLIES

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$124,274	\$+18,292
Helena Branch	<u>8,766</u>	<u>- 748</u>
	\$133,040	\$+17,544

To enable the bank to effect a substantial saving in costs of various one-time carbon forms, it was necessary to purchase two years'

supply. Also, during December 1953 a larger than usual amount of supplies were purchased. Because of increasing demands for wrapped coin by member banks, the use of coin wrappers increased greatly during 1953. Our stock of supplies on hand at the end of 1953 was \$8,000 greater than a year ago.

INSURANCE

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$29,023	\$+17,490
Helena Branch	<u>2,740</u>	<u>+ 879</u>
	\$31,763	\$+17,369

These figures are not comparable because of the following factors:

1. The 1952 figures were reduced \$13,432.74 as a result of a final dividend payment of \$14,216.13 (\$783.39 Helena's share) received from the Connecticut General Life Insurance Company on termination of group life insurance contract as of March 31, 1952.
2. On group hospital and surgical insurance expense the 1952 figures reflected only 11 months' premium payments of approximately \$2,200.00 per month as against 13 months' payments in 1953.

TAXES ON REAL ESTATE

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$95,360	\$+3,136
Helena Branch	<u>4,137</u>	<u>- 463</u>
	\$99,497	\$+2,673

The tax rate was increased from 144 mills to 149 mills.

DEPRECIATION ON BANK BUILDING
& FIXED MACHINERY & EQUIPMENT

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$25,666	-
Helena Branch	<u>2,135</u>	<u>\$-3,605</u>
	\$27,801	\$-3,605

Depreciation on buildings, including vaults, is at the rate of 2% per annum and on fixed machinery and equipment at 10% per annum of the gross book value. As of December 31, 1953, both the Head Office and Helena Branch fixed machinery and equipment are fully depreciated.

LIGHT, HEAT, POWER AND WATER

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$30,938	\$+1,454
Helena Branch	<u>2,624</u>	<u>+ 169</u>
	\$33,562	\$+1,623

The Head Office total of \$30,938 covers -

Light & Power	\$24,198
Heat	4,037
Water	1,661
Sewage	770
Gas	272

The \$1,454 increase is chiefly attributable to greater usage of machines during 1953.

REPAIRS AND ALTERATIONS

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$54,344	\$+35,372
Helena Branch	<u>15,064</u>	<u>+13,388</u>
	\$69,408	\$+48,760

The larger items of expense at Head Office during 1953 were:

1. Remodeling of Public Service reception room, \$17,650.
2. Transposing of single phase to three phase four wire system, \$13,700.
3. Painting, plastering and washing walls and ceilings for general maintenance of building, \$7,385.
4. Maintenance of elevators, \$3,950.
5. Cost and installation of 42 steel shelves in coin vault, \$2,800.
6. Remodeling for new stockroom in basement, \$2,500.

RENT

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$52,039	\$+3,821
Helena Branch	<u>28</u>	<u>+ 28</u>
	\$52,067	\$+3,849

Effective December 1, 1952, the janitorial service charge at the Syndicate Building increased \$250.00 per month and the charge for electricity used was increased \$90.00 per month. These increased charges are included as part of outside rental costs and are within the limitations set forth in our contract.

BOARD ASSESSMENT

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$103,700	\$-1,300

The Board of Governors early in each semiannual period, levies upon the Federal Reserve banks in proportion to the capital stock and surplus of each, an assessment sufficient to pay the estimated expenses and salaries of its members and employees for the period, plus any deficit carried forward from the preceding period.

The basis for our assessments for the years 1953 and 1952 are shown below:

	<u>1953</u>	<u>1952</u>
<u>First Half</u>		
Capital Stock	\$ 5,719,300	\$ 5,362,650
Surplus (Section 7)	15,131,297	14,062,608
Surplus (Section 13b)	<u>1,072,621</u>	<u>1,072,621</u>
	\$21,923,218	\$20,497,879
Assessment Rate	.00216	.00265
Total Assessment for First Half	\$ 47,400	54,300
<u>Second Half</u>		
Capital Stock	\$ 5,806,750	\$ 5,466,400
Surplus (Section 7)	15,131,297	14,062,608
Surplus (Section 13b)	<u>1,072,621</u>	<u>1,072,621</u>
	\$22,010,668	\$20,601,629
Assessment Rate	.00256	.00246
Total Assessment for Second Half	\$ 56,300	\$ 50,700
Total Assessment for Year	\$ 103,700	\$ 105,000

FEDERAL RESERVE CURRENCY

	<u>1953</u>	<u>Change from 1952</u>
Original Cost	\$184,996	\$+44,437
Cost of Redemption	<u>9,156</u>	<u>+ 3,168</u>
	\$194,152	\$+47,605

There was a large increase in the number of Federal Reserve Notes printed in 1953 because of the System's intent to have each Federal Reserve bank build up a two-year supply.

ALL OTHER

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$75,092	\$-1,004
Helena Branch	<u>3,265</u>	<u>- 441</u>
	\$78,357	\$-1,445

All Other expense during 1953 reflects a slight decrease from 1952.

MISCELLANEOUS RECOVERIES

	<u>1953</u>	<u>Change from 1952</u>
Head Office	\$92,641	\$+8,645
Helena Branch	<u>4,818</u>	<u>+ 179</u>
	\$97,459	\$+8,824

Itemization is:

	<u>Head Office</u>	<u>Helena Branch</u>
Coin Wrapping	\$11,012	\$1,284
Rental of Furn. & Equip.	3,182	-
Rental of Space	33,867	387
Postal Money Orders	38,945	3,147
Currency Verif. & Destr.	3,338	-
Other	2,297	-
	<u>\$92,641</u>	<u>\$4,818</u>

Reimbursement received for coin wrapping service and processing postal money orders increased \$2,857 and \$2,287, respectively.

Effective July 1, 1953 authority was given this bank to destroy all unfit silver certificates at a recovery rate of 30¢ per 1,000 pieces destroyed. For the six months of operation during 1953, reimbursement amounted to \$3,338.

REIMBURSABLE EXPENDITURES

<u>Account of</u>	<u>1953</u>	<u>Change from 1952</u>
Public Debt	\$494,700	\$-11,643
Federal Taxes	25,716	+ 2,369
Currency Reports	8	- 213
Reconstruction Finance Corporation	-	- 87
Federal Farm Mortgage Corporation	49	- 19
Federal Land Banks	229	- 258
Federal Intermediate Credit Banks	56	- 32
Public Housing Administration	-	- 24
Commodity Credit Corporation	10,930	- 641
Central Bank for Cooperatives	16	- 14
Federal Home Loan Banks	31	- 20
Home Owners' Loan Corporation	37	- 30
V Loan Activities	3,303	- 2,379
Postage Charges on Unfit U.S. Notes, Silver Certificates and Coin	7,676*	+ 7,676
R. F. C. Loan Agency	79	+ 79
Treasury Leased Wire	411*	+ 411
Services rendered others	<u>201</u>	<u>+ 201</u>
	<u>\$543,442</u>	<u>\$- 4,624</u>

The decrease of \$11,643 in Public Debt is due to a reduction in staff because of a change effected July 1, 1953 in savings bonds operations.

* Change in reporting figures effective January 1, 1953 whereby we now include certain items in expense and as a reduction in reimbursable expense rather than reporting a net expense.